

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38285

**BANDWIDTH INC.**

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

56-2242657

(I.R.S. Employer  
Identification Number)

2230 Bandmate Way

Raleigh, NC 27607

(Address of principal executive offices) (Zip Code)

(800) 808-5150

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

**Title of each class**  
Class A Common Stock, par value \$0.001 per share

**Trading Symbol(s)**  
BAND

**Name of each exchange on which registered**  
NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Non-accelerated filer

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 29, 2024, 25,340,464 shares of the registrant's Class A common stock and 1,958,028 shares of registrant's Class B common stock were outstanding.

## Table of Contents

	<u>Page</u>
<a href="#">Special Note Regarding Forward-Looking Statements</a>	3
<b><u>PART I - FINANCIAL INFORMATION</u></b>	
<a href="#">Item 1. Financial Statements</a>	<a href="#">5</a>
<a href="#">Unaudited Condensed Consolidated Balance Sheets as of June 30, 2024 and December 31, 2023</a>	<a href="#">5</a>
<a href="#">Unaudited Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2024 and 2023</a>	<a href="#">6</a>
<a href="#">Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Six Months Ended June 30, 2024 and 2023</a>	<a href="#">7</a>
<a href="#">Unaudited Condensed Consolidated Statements of Changes in Stockholders' Equity</a>	<a href="#">8</a>
<a href="#">Unaudited Condensed Consolidated Statements of Cash Flows for the Three and Six Months Ended June 30, 2024 and 2023</a>	<a href="#">10</a>
<a href="#">Notes to Unaudited Condensed Consolidated Financial Statements</a>	<a href="#">11</a>
<a href="#">Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">28</a>
<a href="#">Item 3. Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">46</a>
<a href="#">Item 4. Controls and Procedures</a>	<a href="#">48</a>
<b><u>PART II - OTHER INFORMATION</u></b>	
<a href="#">Item 1. Legal Proceedings</a>	<a href="#">49</a>
<a href="#">Item 1A. Risk Factors</a>	<a href="#">49</a>
<a href="#">Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</a>	<a href="#">89</a>
<a href="#">Item 5. Other Information</a>	<a href="#">89</a>
<a href="#">Item 6. Exhibits</a>	<a href="#">89</a>
<a href="#">Signatures</a>	<a href="#">91</a>

---

### Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements contained in this Quarterly Report on Form 10-Q, other than statements of historical fact, are forward-looking statements. Forward-looking statements generally can be identified by the words “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “could,” “would,” “project,” “plan,” “estimate,” or “continue,” or the negative of these words or other similar terms or expressions that concern our expectations strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our beliefs regarding the impact of macroeconomic conditions, including inflationary and/or recessionary pressures, on our business and financial condition;
- our ability to attract and retain customers, including large enterprises;
- our approach to identifying, attracting and keeping new and existing customers, as well as our expectations regarding customer turnover;
- our beliefs regarding network traffic growth and other trends related to the usage of our products and services;
- the impact of our customers’ violation of applicable laws, our policies or other misuse of our platform;
- our ability to successfully defend our network, systems and data against ever-evolving cybersecurity threats, including denial-of-service and ransomware attacks;
- our expectations regarding revenue, costs, expenses, gross margin, dollar based net retention rate, adjusted EBITDA, non-generally accepted accounting principles in the United States of America (“GAAP”) net income and capital expenditures;
- our beliefs regarding the growth of our business and how that impacts our liquidity and capital resources requirements;
- our expectations about the impact of public health epidemics, such as COVID-19, or natural disasters on the global economy and our business, results of operations and financial condition;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs;
- our ability to attract, train, and retain qualified employees and key personnel;
- our beliefs regarding the expense and productivity of and competition for our sales force;
- our expectations regarding headcount;
- our ability to maintain and benefit from our corporate culture;
- our plans to further invest in and grow our business, including international offerings, and our ability to effectively manage our growth and associated investments;
- our ability to introduce new products and services and enhance existing products and services;
- our ability to successfully integrate and benefit from any strategic acquisitions, including our acquisition of Voxbone (as defined herein), or future strategic acquisitions or investments;
- our ability to effectively manage our international operations and expansion;
- our ability to compete successfully against current and future competitors;

- the evolution of technology affecting our products, services and markets;
- the impact of certain new accounting standards and guidance, as well as the time and cost of continued compliance with existing rules and standards;
- our beliefs regarding the use of Non-GAAP financial measures;
- our ability to comply with modified or new industry standards, laws and regulations applicable to our products, services and business, including the General Data Protection Regulation (“GDPR”), the California Consumer Privacy Act of 2018 and other privacy regulations that may be implemented in the future, and Secure Telephone Identity Revisited and Signature-based Handling of Asserted Information Using toKENS (“STIR/SHAKEN”), and other robocalling prevention and anti-spam standards and increased costs associated with such compliance;
- our ability to manage fees that have been or may be instituted by network providers that increase our costs;
- our ability to maintain, protect and enhance our intellectual property;
- our expectations regarding litigation and other pending or potential disputes;
- our ability to service the interest on our Convertible Notes (as defined herein) and repay such Convertible Notes, to the extent required; and
- other risks related to our indebtedness.

We caution you that the foregoing list may not contain all the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

**PART I - FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**BANDWIDTH INC.**  
**Condensed Consolidated Balance Sheets**  
(In thousands, except share and per share amounts)  
(Unaudited)

	As of June 30, 2024	As of December 31, 2023
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 62,044	\$ 131,987
Marketable securities	14,399	21,488
Accounts receivable, net of allowance for doubtful accounts	85,576	78,155
Deferred costs	3,871	4,155
Prepaid expenses and other current assets	15,492	16,990
Total current assets	181,382	252,775
Property, plant and equipment, net	173,400	177,864
Operating right-of-use asset, net	155,484	157,507
Intangible assets, net	155,966	166,914
Deferred costs, non-current	4,800	4,586
Other long-term assets	4,851	5,530
Goodwill	326,220	335,872
Total assets	<u>\$ 1,002,103</u>	<u>\$ 1,101,048</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 31,933	\$ 34,208
Accrued expenses and other current liabilities	69,256	69,014
Current portion of deferred revenue	7,685	8,059
Advanced billings	4,111	6,027
Operating lease liability, current	3,478	5,463
Line of credit, current portion	40,000	—
Total current liabilities	156,463	122,771
Other liabilities	354	386
Operating lease liability, net of current portion	220,497	220,548
Deferred revenue, net of current portion	8,142	8,406
Deferred tax liability	28,540	33,021
Convertible senior notes	280,660	418,526
Total liabilities	694,656	803,658
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock: \$0.001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding	—	—
Class A voting common stock: \$0.001 par value; 100,000,000 shares authorized; 25,271,966 and 24,206,140 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively	25	24
Class B voting common stock: \$0.001 par value; 20,000,000 shares authorized; 1,958,028 shares issued and outstanding as of June 30, 2024 and December 31, 2023	2	2
Additional paid-in capital	418,503	391,048
Accumulated deficit	(70,068)	(64,890)
Accumulated other comprehensive loss	(41,015)	(28,794)
Total stockholders' equity	307,447	297,390
Total liabilities and stockholders' equity	<u>\$ 1,002,103</u>	<u>\$ 1,101,048</u>

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**BANDWIDTH INC.**  
**Condensed Consolidated Statements of Operations**  
(In thousands, except share and per share amounts)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue	\$ 173,602	\$ 145,874	\$ 344,635	\$ 283,718
Cost of revenue	108,773	86,919	214,322	169,110
Gross profit	64,829	58,955	130,313	114,608
Operating expenses				
Research and development	28,132	24,852	57,044	50,513
Sales and marketing	26,066	25,754	55,205	50,783
General and administrative	16,705	15,868	34,554	32,587
Total operating expenses	70,903	66,474	146,803	133,883
Operating loss	(6,074)	(7,519)	(16,490)	(19,275)
Other income, net				
Net gain on extinguishment of debt	10,267	—	10,267	12,767
Gain on business interruption insurance recoveries	—	4,000	—	4,000
Other (expense) income, net	(469)	(218)	514	(746)
Total other income, net	9,798	3,782	10,781	16,021
Income (loss) before income taxes	3,724	(3,737)	(5,709)	(3,254)
Income tax benefit (provision)	331	(153)	531	2,975
Net income (loss)	<u>\$ 4,055</u>	<u>\$ (3,890)</u>	<u>\$ (5,178)</u>	<u>\$ (279)</u>
Net income (loss) per share:				
Basic	\$ 0.15	\$ (0.15)	\$ (0.19)	\$ (0.01)
Diluted	\$ (0.17)	\$ (0.15)	\$ (0.19)	\$ (0.01)
Numerator used to compute net income (loss) per share:				
Basic	\$ 4,055	\$ (3,890)	\$ (5,178)	\$ (279)
Diluted	\$ (5,043)	\$ (3,890)	\$ (5,178)	\$ (279)
Weighted average number of common shares outstanding:				
Basic	27,079,333	25,555,219	26,786,568	25,502,131
Diluted	29,500,598	25,555,219	26,786,568	25,502,131

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**BANDWIDTH INC.**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
(In thousands)  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 4,055	\$ (3,890)	\$ (5,178)	\$ (279)
Other comprehensive (loss) income				
Unrealized gain on marketable securities, net of income taxes	117	54	126	126
Foreign currency translation, net of income taxes	(3,007)	234	(12,347)	7,881
Total other comprehensive (loss) income	(2,890)	288	(12,221)	8,007
Total comprehensive income (loss)	<u>\$ 1,165</u>	<u>\$ (3,602)</u>	<u>\$ (17,399)</u>	<u>\$ 7,728</u>

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**BANDWIDTH INC.**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity**  
(In thousands, except share amounts)  
(Unaudited)

	Class A voting common stock		Class B voting common stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	23,379,000	\$ 23	1,965,170	\$ 2	\$ 364,913	\$ (44,214)	\$ (48,547)	\$ 272,177
Exercises of vested stock options	22,975	—	—	—	155	—	—	155
Vesting of restricted stock units	171,950	1	—	—	—	—	—	1
Equity awards withheld for tax liability	(43,325)	—	—	—	(903)	—	—	(903)
Unrealized gain on marketable securities	—	—	—	—	—	72	—	72
Foreign currency translation	—	—	—	—	—	7,647	—	7,647
Stock-based compensation	—	—	—	—	6,649	—	—	6,649
Net income	—	—	—	—	—	—	3,611	3,611
Balance at March 31, 2023	23,530,600	24	1,965,170	2	370,814	(36,495)	(44,936)	289,409
Exercises of vested stock options	38,374	—	—	—	259	—	—	259
Vesting of restricted stock units	58,084	—	—	—	—	—	—	—
Equity awards withheld for tax liability	(2,289)	—	—	—	(30)	—	—	(30)
Unrealized gain on marketable securities	—	—	—	—	—	54	—	54
Foreign currency translation	—	—	—	—	—	234	—	234
Stock-based compensation	—	—	—	—	5,866	—	—	5,866
Net loss	—	—	—	—	—	—	(3,890)	(3,890)
Balance at June 30, 2023	23,624,769	24	1,965,170	2	376,909	(36,207)	(48,826)	291,902
Vesting of restricted stock units	51,132	—	—	—	—	—	—	—
Equity awards withheld for tax liability	(242)	—	—	—	(3)	—	—	(3)
Conversion of Class B voting common stock to Class A voting common stock	7,142	—	(7,142)	—	—	—	—	—
Unrealized loss on marketable securities	—	—	—	—	—	(129)	—	(129)
Foreign currency translation	—	—	—	—	—	(12,760)	—	(12,760)
Stock-based compensation	—	—	—	—	6,107	—	—	6,107
Net loss	—	—	—	—	—	—	(5,130)	(5,130)
Balance at September 30, 2023	23,682,801	24	1,958,028	2	383,013	(49,096)	(53,956)	279,987
Vesting of restricted stock units	523,796	—	—	—	—	—	—	—
Equity awards withheld for tax liability	(457)	—	—	—	(5)	—	—	(5)
Unrealized loss on marketable securities	—	—	—	—	—	(245)	—	(245)
Foreign currency translation	—	—	—	—	—	20,577	—	20,577
Unrealized loss on employee benefit pension plan	—	—	—	—	—	(30)	—	(30)
Stock-based compensation	—	—	—	—	8,040	—	—	8,040
Net loss	—	—	—	—	—	—	(10,934)	(10,934)
Balance at December 31, 2023	24,206,140	24	1,958,028	2	391,048	(28,794)	(64,890)	297,390
Exercises of vested stock options	10,849	—	—	—	103	—	—	103
Vesting of restricted stock units	920,435	1	—	—	—	—	—	1



**BANDWIDTH INC.**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity**  
(In thousands, except share amounts)  
(Unaudited)

	Class A voting common stock		Class B voting common stock		Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Equity awards withheld for tax liability	(116,747)	—	—	—	(2,267)	—	—	(2,267)
Unrealized gain on marketable securities	—	—	—	—	—	9	—	9
Foreign currency translation	—	—	—	—	—	(9,340)	—	(9,340)
Stock-based compensation	—	—	—	—	21,536	—	—	21,536
Net loss	—	—	—	—	—	—	(9,233)	(9,233)
Balance at March 31, 2024	25,020,677	25	1,958,028	2	410,420	(38,125)	(74,123)	298,199
Exercises of vested stock options	1,625	—	—	—	16	—	—	16
Vesting of restricted stock units	251,015	—	—	—	—	—	—	—
Equity awards withheld for tax liability	(1,351)	—	—	—	(24)	—	—	(24)
Unrealized gain on marketable securities	—	—	—	—	—	117	—	117
Foreign currency translation	—	—	—	—	—	(3,007)	—	(3,007)
Stock-based compensation	—	—	—	—	8,091	—	—	8,091
Net income	—	—	—	—	—	—	4,055	4,055
Balance at June 30, 2024	25,271,966	\$ 25	1,958,028	\$ 2	\$ 418,503	\$ (41,015)	\$ (70,068)	\$ 307,447

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**BANDWIDTH INC.**  
**Condensed Consolidated Statements of Cash Flows**  
(In thousands)  
(Unaudited)

	Six months ended June 30,	
	2024	2023
<b>Cash flows from operating activities</b>		
Net loss	\$ (5,178)	\$ (279)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	24,714	18,692
Non-cash reduction to the right-of-use asset	2,007	3,242
Amortization of debt discount and issuance costs	962	1,485
Stock-based compensation	23,699	15,383
Deferred taxes and other	(4,116)	(5,225)
Net gain on extinguishment of debt	(10,267)	(12,767)
Gain on business interruption insurance recoveries	—	(4,000)
Changes in operating assets and liabilities:		
Accounts receivable, net of allowances	(7,642)	3,712
Prepaid expenses and other assets	1,886	(957)
Accounts payable	(1,112)	(6,171)
Accrued expenses and other liabilities	3,968	(12,464)
Operating right-of-use liability	(2,020)	(3,919)
Net cash provided by (used in) operating activities	26,901	(3,268)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(7,145)	(3,859)
Capitalized software development costs	(5,843)	(5,001)
Purchase of marketable securities	(31,096)	(40,625)
Proceeds from sales and maturities of marketable securities	38,312	81,233
Proceeds from sale of business	469	835
Net cash (used in) provided by investing activities	(5,303)	32,583
<b>Cash flows from financing activities</b>		
Borrowings on line of credit	65,000	—
Repayments on line of credit	(25,000)	—
Payments on finance leases	(44)	(90)
Net cash paid for debt extinguishment	(128,451)	(51,259)
Payment of debt issuance costs	(354)	—
Proceeds from exercises of stock options	119	413
Value of equity awards withheld for tax liabilities	(2,290)	(1,000)
Net cash used in financing activities	(91,020)	(51,936)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(608)	27
Net decrease in cash, cash equivalents, and restricted cash	(70,030)	(22,594)
Cash, cash equivalents, and restricted cash, beginning of period	132,307	114,622
Cash, cash equivalents, and restricted cash, end of period	\$ 62,277	\$ 92,028
<b>Reconciliation of cash, cash equivalents, and restricted cash, end of period</b>		
Cash and cash equivalents	\$ 62,044	\$ 91,824
Restricted cash included in prepaid expenses and other current assets	233	204
Total cash, cash equivalents, and restricted cash, end of period	\$ 62,277	\$ 92,028
<b>Supplemental disclosure of cash flow information</b>		
Cash received from interest	\$ (762)	\$ (417)
Cash paid for taxes, net	\$ 3,020	\$ 2,593
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Purchase of property, plant and equipment, accrued but not paid	\$ 4,459	\$ 2,924
Purchase of property and equipment through lease incentive	\$ —	\$ 53,125
Purchase of property and equipment through use of escrow deposits	\$ —	\$ 20,000

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**BANDWIDTH INC.**

**Notes to Condensed Consolidated Financial Statements  
(Unaudited)**

**1. Organization and Description of Business**

Bandwidth Inc. (together with its subsidiaries, “Bandwidth” or the “Company”) was founded in July 2000 and incorporated in Delaware on March 29, 2001. The Company’s headquarters are located in Raleigh, North Carolina. The Company is a global cloud-based, software-powered communications platform-as-a-service (“CPaaS”) provider that enables enterprises to create, scale and operate voice or messaging communications services across any mobile application or connected device.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and applicable rules and regulations of the U.S. Securities and Exchange Commission (the “SEC”) regarding interim financial reporting. Certain information and disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K, filed with the SEC on February 28, 2024.

The condensed consolidated balance sheet as of December 31, 2023, included herein, was derived from the audited financial statements as of that date, but does not include all disclosures, including certain notes required by GAAP on an annual reporting basis.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive income (loss) and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year 2024 or any future period.

**Principles of Consolidation**

The condensed consolidated financial statements include the accounts of Bandwidth Inc. and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of the Company’s condensed consolidated financial statements in conformity with GAAP requires the Company to make estimates and judgments that affect the amounts reported in these financial statements and accompanying notes. These estimates in the condensed consolidated financial statements include, but are not limited to, allowance for doubtful accounts, reserve for expected credit losses, reserve for sales credits, recoverability of long lived and intangible assets, fair value of acquired intangible assets and goodwill, discount rates used in the valuation of right-of-use assets and lease liabilities, the fair value of the liability of the Company’s Convertible Notes (as defined herein), estimated period of benefit, valuation allowances on deferred tax assets, certain accrued expenses and contingencies, economic and demographic actuarial assumptions related to pension and other postretirement benefit costs and liabilities. Although the Company believes that the estimates it uses are

reasonable, due to the inherent uncertainty involved in making these estimates, actual results reported in future periods could differ from those estimates.

### **Marketable Securities**

The Company classifies marketable securities as available-for-sale at the time of purchase and reevaluates such classification as of each balance sheet date. The Company may sell these securities at any time for use in current operations even if they have not yet reached maturity. As a result, the Company classifies investments with maturities greater than 90 days as marketable securities in the accompanying condensed consolidated balance sheets. The Company evaluates its investments to assess whether the amortized cost basis is in excess of estimated fair value and determines what amount of that difference, if any, is caused by expected credit losses. Allowances for credit losses are recognized as a charge in other income, net on the condensed consolidated statements of operations, and any remaining unrealized losses are included in accumulated other comprehensive loss on the condensed consolidated balance sheets. Due to the nature and investment grade of the Company's marketable securities, there were no credit losses recorded for the three and six months ended June 30, 2024. There have been no impairment charges for any unrealized losses during the period.

### **Accounts Receivable and Current Expected Credit Losses**

Accounts receivable are stated at realizable value, net of allowances, which includes an allowance for doubtful accounts and a reserve for expected credit losses. The allowance for doubtful accounts is based on management's assessment of the collectability of its customer accounts. The Company regularly reviews the composition of the accounts receivable aging, historical bad debts, changes in payment patterns, customer creditworthiness, current economic trends, and reasonable and supportable forecasts about the future. Relevant risk characteristics include customer size and historical loss patterns. Management has evaluated the expected credit losses related to trade accounts receivable and determined that an allowance of approximately \$2.8 million and \$1.1 million for uncollectible accounts and customer balances that are disputed was required as of June 30, 2024 and December 31, 2023, respectively. Refer to Note 4, "Financial Statement Components" to these condensed consolidated financial statements, for a rollforward of the components of the allowances for the three and six months ended June 30, 2024 and 2023.

The Company includes unbilled receivables in its accounts receivable balance. Generally, these receivables represent earned revenue from services provided to customers, which will be billed in the next billing cycle. All amounts are considered collectible and billable. As of June 30, 2024 and December 31, 2023, unbilled receivables were \$47.2 million and \$43.6 million, respectively.

### **Concentration of Credit Risk**

Financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents, marketable securities and trade accounts receivable. The Company maintains its cash, cash equivalents and marketable securities with high credit-quality financial institutions. Certain balances held by such financial institutions exceed insured limits.

With regard to customers, credit evaluation and account monitoring procedures are used to minimize the risk of loss. The Company believes that no additional credit risk beyond amounts provided for by the allowance for doubtful accounts are inherent in accounts receivable. As of June 30, 2024 and December 31, 2023, no individual customer represented more than 10% of the Company's accounts receivable, net of allowance for doubtful accounts.

For the three and six months ended June 30, 2024 and 2023, no individual customer represented more than 10% of the Company's revenue.

### Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (“ASU 2023-07”), which requires public entities to disclose information about their reportable segments’ significant expenses on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* (“ASU 2023-09”). The amendments in this update require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income or loss by the applicable statutory income tax rate). The amendments also require entities on an annual basis to disclose disaggregated amounts of income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of adopting this new accounting guidance on its financial statements.

### 3. Fair Value Measurements

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires use of observable inputs when available, and to minimize the use of unobservable inputs when determining fair value. The three tiers are defined as follows:

- **Level 1.** Observable inputs based on unadjusted quoted prices in active markets for identical assets or liabilities;
- **Level 2.** Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- **Level 3.** Unobservable inputs for which there is little or no market data, which requires the Company to develop its own assumptions.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value as of June 30, 2024 and December 31, 2023 because of the relatively short duration of these instruments. Marketable securities consist of time deposits and commercial paper not otherwise classified as cash equivalents. All marketable securities are considered to be available-for-sale and are recorded at their estimated fair values. Unrealized gains and losses for available-for-sale securities are recorded in accumulated other comprehensive loss.

**Notes to Condensed Consolidated Financial Statements (continued)**

The Company evaluated its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them for each reporting period. The following tables summarize the Company's financial assets measured at fair value as of June 30, 2024 and December 31, 2023:

	Amortized cost or carrying value	Unrealized gains	Unrealized losses	Fair value measurements on a recurring basis June 30, 2024			
				Level 1	Level 2	Level 3	Total
(In thousands)							
<b>Financial assets:</b>							
Cash and cash equivalents:							
Money market account	\$ 33,605	\$ —	\$ —	\$ 33,605	\$ —	\$ —	\$ 33,605
Commercial paper	19,586	—	—	19,586	—	—	19,586
Total included in cash and cash equivalents	53,191	—	—	53,191	—	—	53,191
Marketable securities:							
Commercial paper	14,207	192	—	14,399	—	—	14,399
Total marketable securities	14,207	192	—	14,399	—	—	14,399
Total financial assets	\$ 67,398	\$ 192	\$ —	\$ 67,590	\$ —	\$ —	\$ 67,590

	Amortized cost or carrying value	Unrealized gains	Unrealized losses	Fair value measurements on a recurring basis December 31, 2023			
				Level 1	Level 2	Level 3	Total
(In thousands)							
<b>Financial assets:</b>							
Cash and cash equivalents:							
Money market account	\$ 120,724	\$ —	\$ —	\$ 120,724	\$ —	\$ —	\$ 120,724
Total included in cash and cash equivalents	120,724	—	—	120,724	—	—	120,724
Marketable securities:							
Time deposits	20,000	—	—	20,000	—	—	20,000
Commercial paper	1,422	66	—	1,488	—	—	1,488
Total marketable securities	21,422	66	—	21,488	—	—	21,488
Total financial assets	\$ 142,146	\$ 66	\$ —	\$ 142,212	\$ —	\$ —	\$ 142,212

The Company classifies its marketable securities as current assets as they are available for current operating needs. The following table summarizes the contractual maturities of marketable securities as of June 30, 2024:

	Amortized cost	Aggregate fair value
	(In thousands)	
<b>Financial assets:</b>		
Less than one year	\$ 14,207	\$ 14,399
Total	\$ 14,207	\$ 14,399

As of June 30, 2024, the marketable securities were in an unrealized gain position. The Company has determined that (i) it does not have the intent to sell any of these investments and (ii) it is not more likely than not that it will be required to sell any of these investments before recovery of the entire amortized cost basis. As of June

30, 2024, the Company anticipates that it will recover the entire amortized cost basis of its marketable securities before maturity.

During the three and six months ended June 30, 2024, there were \$36.9 million and \$38.3 million, respectively, in maturities of marketable securities. There were no proceeds from sales of marketable securities for the three and six months ended June 30, 2024. There were \$16.7 million and \$42.9 million in maturities from marketable securities for the three and six months ended June 30, 2023, respectively. Proceeds from sales of marketable securities were \$20.6 million and \$38.3 million for the three and six months ended June 30, 2023, respectively. The Company determines realized gains and losses on sale of marketable securities using the specific identification method and records such gains and losses in other (expense) income, net on the condensed consolidated statements of operations. Interest earned on marketable securities was \$0.2 million and \$0.6 million for the three and six months ended June 30, 2024, respectively, and \$0.4 million and \$0.7 million for the three and six months ended June 30, 2023, respectively. The interest is recorded in other income, net, on the accompanying condensed consolidated statements of operations. Accrued interest receivable is recorded in prepaid expenses and other current assets on the accompanying condensed consolidated balance sheets.

As of June 30, 2024, the fair value of the 2026 Convertible Notes and 2028 Convertible Notes, as further described in Note 8, "Debt," to these condensed consolidated financial statements, was approximately \$31.4 million and \$185.4 million, respectively. As of December 31, 2023, the fair value of the 2026 Convertible Notes and the 2028 Convertible Notes was approximately \$145.5 million and \$157.6 million, respectively. The fair value was determined based on the closing price for the Convertible Notes on the last trading day of the reporting period and is considered as Level 2 in the fair value hierarchy.

#### 4. Financial Statement Components

Accounts receivable, net of allowances consist of the following:

	<u>As of June 30,</u> <u>2024</u>	<u>As of December 31,</u> <u>2023</u>
	<b>(In thousands)</b>	
Trade accounts receivable	\$ 40,763	\$ 35,612
Unbilled accounts receivable	47,161	43,631
Allowance for doubtful accounts and reserve for expected credit losses	(2,843)	(1,128)
Other accounts receivable	495	40
Total accounts receivable, net	<u>\$ 85,576</u>	<u>\$ 78,155</u>

Components of allowance for doubtful accounts and reserve for expected credit losses are as follows:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	<b>(In thousands)</b>			
Balance, beginning of period	\$ (2,508)	\$ (1,382)	\$ (1,128)	\$ (1,191)
Charged to bad debt expense, net of reversals	(419)	(421)	(1,876)	(725)
Deductions <sup>(1)</sup>	78	156	138	304
Impact of foreign currency translation	6	31	23	(4)
Balance, end of period	<u>\$ (2,843)</u>	<u>\$ (1,616)</u>	<u>\$ (2,843)</u>	<u>\$ (1,616)</u>

<sup>(1)</sup> Write-off of uncollectible accounts after all collection efforts have been exhausted.

Accrued expenses and other current liabilities consisted of the following:

	As of June 30, 2024	As of December 31, 2023
	(In thousands)	
Accrued expense	\$ 46,693	\$ 40,731
Accrued compensation and benefits	12,596	19,142
Accrued sales, use, VAT and telecommunications related taxes	8,903	8,467
Other accrued expenses	1,064	674
Total accrued expenses and other current liabilities	<u>\$ 69,256</u>	<u>\$ 69,014</u>

## 5. Leases

The Company primarily leases facilities for office space under non-cancelable operating leases for its U.S. and international locations. As of June 30, 2024, non-cancelable leases expire on various dates between 2024 and 2043, some of which include options to extend the leases for up to 20 years.

The lease expense recorded in the condensed consolidated statements of operations is comprised of operating lease costs of \$5.7 million and \$11.8 million for the three and six months ended June 30, 2024, respectively, and \$1.8 million and \$3.5 million for the three and six months ended June 30, 2023, respectively.

Other supplemental information related to operating leases were as follows:

	Six months ended June 30,	
	2024	2023
Weighted average remaining lease term (in years)	18.92	2.00
Weighted average discount rate	8.77 %	4.82 %

Maturities of operating lease liabilities were as follows:

	As of June 30, 2024
	(In thousands)
2024 (remaining)	\$ 11,520
2025	22,275
2026	21,720
2027	22,120
2028	22,461
Thereafter	378,808
Total lease payments	478,904
Less: imputed interest	(254,929)
Total lease obligations	223,975
Less: current obligations	(3,478)
Long-term lease obligations	<u>\$ 220,497</u>



## 6. Property, Plant and Equipment

Property, plant and equipment, net consisted of the following:

	As of June 30, 2024	As of December 31, 2023
	(In thousands)	
Furniture and fixtures	\$ 16,020	\$ 16,036
Computer and office equipment	13,768	13,669
Telecommunications equipment	83,973	82,991
Leasehold improvements	75,736	75,437
Software	15,901	12,552
Internal-use software development	32,104	25,909
Automobile	459	507
Land	27,636	27,771
Land Improvements	1,065	930
Total cost	266,662	255,802
Less—accumulated depreciation	(93,262)	(77,938)
Total property, plant and equipment, net	\$ 173,400	\$ 177,864

The Company capitalized \$2.7 million and \$6.3 million of software development costs for the three and six months ended June 30, 2024, respectively, and \$3.3 million and \$5.0 million for the three and six months ended June 30, 2023, respectively.

Amortization expense related to capitalized software development costs was \$1.0 million and \$2.0 million for the three and six months ended June 30, 2024, respectively, and \$0.7 million and \$1.4 million for the three and six months ended June 30, 2023, respectively.

The Company recognized depreciation expense, which includes amortization of capitalized software development costs, as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(In thousands)			
Cost of revenue	\$ 4,678	\$ 4,205	\$ 9,456	\$ 7,734
Research and development	1,631	748	3,228	1,262
Sales and marketing	1,112	273	2,248	581
General and administrative	543	234	1,085	503
Total depreciation expense	\$ 7,964	\$ 5,460	\$ 16,017	\$ 10,080

**7. Goodwill and Intangible Assets**
***Goodwill***

The change in the carrying amounts of goodwill was as follows:

	<u>Total</u>
	<u>(In thousands)</u>
Balance as of December 31, 2023	\$ 335,872
Foreign currency translation adjustments	(9,652)
Balance as of June 30, 2024	<u>\$ 326,220</u>

***Intangible Assets***

Intangible assets, net consisted of the following:

	<u>As of June 30,</u> <u>2024</u>			<u>As of December 31,</u> <u>2023</u>		
	<u>Gross</u> <u>Amount</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net Carrying</u> <u>Value</u>	<u>Gross</u> <u>Amount</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net Carrying</u> <u>Value</u>
	<u>(In thousands)</u>					
Customer relationships	\$ 146,560	\$ (40,215)	\$ 106,345	\$ 147,426	\$ (35,599)	\$ 111,827
Developed technology	77,364	(28,367)	48,997	79,702	(25,239)	54,463
Other, definite lived	2,828	(2,828)	—	2,828	(2,828)	—
Licenses, indefinite lived	624	—	624	624	—	624
Total intangible assets, net	<u>\$ 227,376</u>	<u>\$ (71,410)</u>	<u>\$ 155,966</u>	<u>\$ 230,580</u>	<u>\$ (63,666)</u>	<u>\$ 166,914</u>

The Company recognized amortization expense as follows:

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	<u>(In thousands)</u>			
Cost of revenue	\$ 1,941	\$ 1,959	\$ 3,900	\$ 3,904
Sales and marketing	2,395	2,379	4,797	4,708
Total amortization expense	<u>\$ 4,336</u>	<u>\$ 4,338</u>	<u>\$ 8,697</u>	<u>\$ 8,612</u>

The remaining weighted average amortization period for definite lived intangible assets is 9.4 years.

Future estimated amortization expense for definite lived intangible assets is as follows:

	<b>As of June 30, 2024</b>
	<b>(In thousands)</b>
2024 (remaining)	\$ 8,667
2025	17,334
2026	17,334
2027	17,334
2028	17,334
Thereafter	77,339
	<u>\$ 155,342</u>

## 8. Debt

### *Revolving Credit Facility*

On August 1, 2023, the Company entered into a credit agreement (the “Credit Agreement”) among the Company, as borrower, the lenders from time to time party thereto, and Bank of America, N.A., as administrative agent, swingline lender and letters of credit issuer. The Credit Agreement provides for a \$50.0 million revolving credit facility (the “Credit Facility”), including a \$15.0 million sublimit for the issuance of letters of credit and a swingline subfacility of up to \$5.0 million. The Credit Facility has an accordion feature that allows for an increase in the total borrowing size up to \$25.0 million, subject to certain conditions. The Credit Facility matures on the earlier of (a) August 1, 2028 or (b) the date that is 91 days prior to the scheduled maturity date or mandatory conversion date of any of the Company’s outstanding convertible notes. The Credit Agreement requires that the Company maintain consolidated EBITDA, tested on a quarterly basis. The Company is also required to maintain minimum liquidity of \$75.0 million, which includes the amount of undrawn borrowing commitments available under the Credit Agreement.

On May 1, 2024, the Company entered into an amendment (the “Amendment”) to the Credit Agreement. The Amendment increased the aggregate revolving credit commitments from \$50.0 million to \$100.0 million; increased the swingline sublimit from \$5.0 million to \$10.0 million; increased the minimum liquidity from \$75.0 million to \$82.5 million; and extended the maturity date from August 1, 2028 to the earlier of (a) May 1, 2029 or (b) the date that is 91 days prior to the scheduled maturity date or mandatory conversion date of any of the Company’s outstanding convertible notes.

Interest on borrowings under the Credit Facility accrues at an annual rate tied to a base rate or the Secured Overnight Financing Rate (“SOFR”), at the Company’s election. Loans based on SOFR bear interest at a rate equal to term SOFR for the applicable interest period plus 10 basis points plus an applicable margin between 2.25% and 2.75%, and loans based on the base rate bear interest at a rate equal to the base rate plus an applicable margin between 1.25% and 1.75%, in each case of the foregoing, depending upon the Company’s consolidated EBITDA for the most recent period of four consecutive fiscal quarters for which financial statements have been delivered under the Credit Agreement. The Company is required to pay a quarterly commitment fee equal to between 0.05% and 0.0625% on the unused portion of the borrowing commitment, depending upon the Company’s consolidated EBITDA for the most recent period of four consecutive fiscal quarters for which financial statements have been delivered under the Credit Agreement.

The obligations under the Credit Agreement are secured by a lien on substantially all of the Company's tangible and intangible property and by a pledge of all of the equity interests of the Company's direct domestic subsidiaries and 65% of the voting capital stock and 100% of the non-voting capital stock of any first-tier foreign subsidiaries, subject to limited exceptions. In addition, the Company's direct domestic subsidiaries guarantee the obligations under the Credit Agreement and grant a lien and pledge, as applicable, on substantially all of their tangible and intangible property to secure the obligations under the Credit Agreement.

As of June 30, 2024, unamortized debt issuance costs were \$0.9 million, of which \$0.2 million were included in prepaid expenses and other current assets and \$0.7 million were included in other long-term assets. As of December 31, 2023, unamortized debt issuance costs were \$0.6 million, of which \$0.1 million were included in prepaid expenses and other current assets and \$0.5 million were included in other long-term assets.

As of June 30, 2024, the Company had \$40.0 million in outstanding borrowings under the Credit Facility and was in compliance with all financial and non-financial covenants for all periods presented. As of June 30, 2024, the applicable weighted average interest rate was 7.94% and the available borrowing capacity under the Credit Facility was \$60.0 million.

### ***Convertible Senior Notes and Capped Call Transactions***

#### **2026 Convertible Notes**

In February 2020, the Company issued \$400.0 million aggregate principal amount of 0.25% Convertible Notes due 2026 in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act (the "2026 Convertible Notes"). The interest on the 2026 Convertible Notes is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2020. The 2026 Convertible Notes will mature on March 1, 2026, unless earlier repurchased, redeemed by the Company, or converted pursuant to their terms. The total net proceeds from the 2026 Convertible Notes, after deducting initial purchaser discounts, costs related to the 2026 Capped Calls (as defined herein), and debt issuance costs, paid by the Company, were approximately \$344.7 million. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, was amortized to interest expense at an annual effective interest rate of 0.510% over the contractual terms of the 2026 Convertible Notes.

Each \$1,000 principal amount of the 2026 Convertible Notes is initially convertible into 10.9857 shares of the Company's Class A common stock, par value \$0.001 per share, which is equivalent to an initial conversion price of approximately \$91.03 per share.

During May 2024, the Company entered into separate, privately negotiated repurchase agreements with a limited number of holders of the 2026 Convertible Notes (the "2024 Repurchases") to repurchase approximately \$140.0 million aggregate principal amount of the 2026 Convertible Notes for an aggregate cash price of approximately \$128.5 million. The 2024 Repurchases closed on May 9, 2024. Following the 2024 Repurchases and previous repurchases, approximately \$35.0 million principal amount of the 2026 Convertible Notes remain outstanding. The difference between the consideration used for the 2024 Repurchases and the carrying value of the 2026 Convertible Notes resulted in a gain of \$10.3 million recorded within net gain on extinguishment of debt on the Company's condensed consolidated statements of operations for the six months ended June 30, 2024. The Company had previously entered into capped call transactions with certain financial institutions in connection with the 2026 Convertible Notes. All of these transactions are expected to remain in effect notwithstanding the repurchases.

#### **2028 Convertible Notes**

In March 2021, the Company issued \$250.0 million aggregate principal amount of 0.50% Convertible Notes due 2028 in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act (the "2028 Convertible Notes" and, together with the 2026 Convertible Notes, the "Convertible Notes"). The interest on the 2028 Convertible Notes is payable semi-annually in arrears on April 1 and October 1 of each year, beginning on

October 1, 2021. The 2028 Convertible Notes will mature on April 1, 2028, unless earlier repurchased, redeemed by the Company, or converted pursuant to their terms. The total net proceeds from the 2028 Convertible Notes, after deducting initial purchaser discounts, costs related to the 2028 Capped Calls (as defined herein), and debt issuance costs, paid by the Company, were approximately \$217.0 million. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, was amortized to interest expense at an annual effective interest rate of 0.442% over the contractual terms of the 2028 Convertible Notes.

Each \$1,000 principal amount of the 2028 Convertible Notes is initially convertible into 5.5781 shares of the Company's Class A common stock, par value \$0.001 per share, which is equivalent to an initial conversion price of approximately \$179.27 per share.

#### Other Terms of the Convertible Notes

The Convertible Notes are effectively subordinated to the Company's future senior secured indebtedness to the extent of the value of the collateral securing that indebtedness. The Convertible Notes are the senior, unsecured obligations of the Company and are equal in right of payment with the Company's future senior unsecured indebtedness, if any, senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated to the Convertible Notes and the Convertible Notes will be structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and preferred equity, if any, of the Company's subsidiaries. The Convertible Notes may bear special interest under specified circumstances relating to the Company's failure to comply with its reporting obligations under the indenture governing the applicable Convertible Notes (each, a "Notes Indenture" and collectively, the "Notes Indentures") or if the Convertible Notes are not freely tradeable as required by the applicable Notes Indenture.

The conversion rate is subject to adjustment upon the occurrence of certain specified events but will not be adjusted for any accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change (which includes the calling of any Convertible Notes for redemption), as defined in the applicable Notes Indenture, the Company will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its Convertible Notes in connection with such make-whole fundamental change or during the relevant redemption period.

The Company may redeem the Convertible Notes, in whole or in part, at its option at any time, and from time to time, on or after (i) March 6, 2023 for the 2026 Convertible Notes, or ii) after April 6, 2025 for the 2028 Convertible Notes, in each case, on or before the fortieth (40<sup>th</sup>) scheduled trading day immediately before the maturity date, at a cash redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding the redemption date, if the last reported sale price of the Class A common stock has exceeded 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading date immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading days ending on, and including, the trading date immediately before the date on which the Company provides the related redemption notice. No sinking fund is provided for the Convertible Notes.

The Convertible Notes will be convertible at certain times and upon the occurrence of certain events in the future. Further, on or after September 1, 2025 for the 2026 Convertible Notes, and on or after October 1, 2027 for the 2028 Convertible Notes, in each case, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders of the Convertible Notes may convert all or a portion of their Convertible Notes regardless of these conditions. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of Class A common stock, or a combination of cash and shares of Class A common stock, at the Company's election. It is the Company's current intent to settle the principal amount of the Convertible Notes with cash.

During the three and six months ended June 30, 2024, the conditions allowing the holders of the 2026 Convertible Notes and the 2028 Convertible Notes to convert were not met. The Convertible Notes may be convertible thereafter if one or more of the conversion conditions specified in each respective Notes Indenture are

satisfied during future measurement periods. The Company continues to classify the Convertible Notes as a long-term liability in its condensed consolidated balance sheets as of June 30, 2024, based on contractual settlement provisions.

Upon the occurrence of a fundamental change (as defined in the applicable Notes Indenture) prior to the maturity date, holders may require the Company to repurchase all or a portion of the 2026 Convertible Notes or 2028 Convertible Notes for cash at a price equal to the principal amount of the Convertible Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The net carrying amount of the liability components of the Convertible Notes were as follows:

	<b>As of June 30, 2024</b>	<b>As of December 31, 2023</b>
2026 Convertible Notes:	<b>(In thousands)</b>	
Principal	\$ 35,000	\$ 175,000
Unamortized debt issuance costs	(292)	(1,891)
2026 Convertible Notes net carrying amount	<u>34,708</u>	<u>173,109</u>
2028 Convertible Notes:		
Principal	250,000	250,000
Unamortized debt issuance costs	(4,048)	(4,583)
2028 Convertible Notes net carrying amount	<u>245,952</u>	<u>245,417</u>
Total net carrying amount	<u>\$ 280,660</u>	<u>\$ 418,526</u>

The following table sets forth the interest expense recognized related to the Convertible Notes:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
2026 Convertible Notes:	<b>(In thousands)</b>			
Contractual interest expense	\$ 88	\$ 109	\$ 197	\$ 247
Amortization of debt issuance costs	116	210	333	506
Total interest expense related to the 2026 Convertible Notes	<u>204</u>	<u>319</u>	<u>530</u>	<u>753</u>
2028 Convertible Notes:				
Contractual interest expense	313	313	626	626
Amortization of debt issuance costs	268	264	536	530
Total interest expense related to the 2028 Convertible Notes	<u>581</u>	<u>577</u>	<u>1,162</u>	<u>1,156</u>
Total interest expense	<u>\$ 785</u>	<u>\$ 896</u>	<u>\$ 1,692</u>	<u>\$ 1,909</u>

### Capped Calls

In connection with the offering of the 2026 Convertible Notes and the 2028 Convertible Notes, the Company entered into privately negotiated capped call transactions with certain counterparties (the “2026 Capped Calls” and the “2028 Capped Calls,” respectively and, collectively, the “Capped Calls”). The initial strike price of the Convertible Notes corresponds to the initial conversion price of the 2026 Convertible Notes and the 2028 Convertible Notes. The Capped Calls are generally intended to reduce or offset the potential dilution to the Class A common stock upon any conversion of the 2026 Convertible Notes and 2028 Convertible Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. The Capped Calls expire on the earlier of (i) the last day on which any convertible securities remain outstanding and (ii) March 1, 2026 for the 2026 Capped Calls and April 1, 2028 for the 2028 Capped Calls, subject to earlier exercise. The Capped Calls are subject to either adjustment or termination upon the occurrence of specified extraordinary events affecting the Company, including a merger event, a tender offer, and a nationalization, insolvency or delisting involving the Company. In addition, the Capped Calls are subject to certain specified additional disruption events that may give rise to a termination of the Capped Calls, including changes in law, insolvency filings, and hedging disruptions. The Capped Call transactions are recorded in stockholders’ equity and are not accounted for as derivatives. The net cost to purchase the Capped Calls was recorded as a reduction to additional paid-in capital in the accompanying condensed consolidated balance sheets.

The following table sets forth key terms and costs incurred for the Capped Calls related to the Convertible Notes as of June 30, 2024:

	<b>2026 Convertible Notes</b>		<b>2028 Convertible Notes</b>	
	<b>(In thousands, except share and per share amounts)</b>			
Initial approximate strike price per share, subject to certain adjustments	\$	91.03	\$	179.27
Initial cap price per share, subject to certain adjustments	\$	137.40	\$	260.76
Net costs incurred	\$	43,320	\$	25,500
Class A common stock covered, subject to anti-dilution adjustments		384,500		1,394,525

All of the Capped Calls were outstanding as of June 30, 2024.

### 9. Geographic Information

The Company generates its revenue primarily in North America. Revenue by geographic area is detailed in the table below, which is apportioned based on the destination of the service:

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>(In thousands)</b>			
North America	\$ 151,508	\$ 124,457	\$ 300,970	\$ 240,166
Rest of World	22,094	21,417	43,665	43,552
<b>Total</b>	<b>\$ 173,602</b>	<b>\$ 145,874</b>	<b>\$ 344,635</b>	<b>\$ 283,718</b>

The Company’s long-lived assets are primarily held in North America. As of June 30, 2024 and December 31, 2023, long-lived assets held outside of North America were \$3.0 million and \$4.5 million, respectively.

**10. Stockholders' Equity**

The Company had reserved shares of Class A common stock for issuance under stock-based award agreements as follows:

	As of June 30, 2024	As of December 31, 2023
Stock options issued and outstanding	85,006	97,480
Nonvested restricted stock units issued and outstanding	4,356,880	5,066,159
Stock-based awards available for grant under the 2017 Plan	3,196,850	2,330,616
Total	<u>7,638,736</u>	<u>7,494,255</u>

**11. Stock-Based Compensation**
***Stock Options***

The following summarizes the stock option activity for the six months ended June 30, 2024:

	Number of options outstanding	Weighted- average exercise price (Per share)	Weighted- average remaining contract life (In years)	Aggregate intrinsic value (In thousands)
Outstanding as of December 31, 2023	97,480	\$ 12.75	2.97	\$ 332
Granted	—	—		
Exercised	(12,474)	9.50		
Forfeited or expired	—	—		
Outstanding as of June 30, 2024	<u>85,006</u>	\$ 13.23	2.61	\$ 403
Options vested and exercisable at June 30, 2024	<u>85,006</u>	\$ 13.23	2.61	\$ 403
Options vested and expected to vest as of June 30, 2024	<u>85,006</u>	\$ 13.23	2.61	\$ 403

As of June 30, 2024, the Company had no unrecognized compensation cost related to non-vested stock options. All outstanding stock options were fully vested prior to December 31, 2022.

***Restricted Stock Units***

The following summarizes the restricted stock unit ("RSU") activity for the six months ended June 30, 2024:

	Number of awards outstanding	Weighted-average grant date fair value (Per share)
Nonvested RSUs as of December 31, 2023	5,066,159	\$ 18.41
Granted	668,891	20.70
Vested	(1,171,450)	26.37
Forfeited	(206,720)	16.79
Nonvested RSUs as of June 30, 2024	<u>4,356,880</u>	\$ 16.69

As of June 30, 2024, total unrecognized compensation cost related to non-vested RSUs was \$60.2 million, which will be amortized over a weighted-average period of 1.93 years.



**Stock-Based Compensation Expense**

The Company recognized total stock-based compensation expense as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(In thousands)			
Cost of revenue	\$ 375	\$ 204	\$ 771	\$ 396
Research and development	4,684	3,315	10,000	6,456
Sales and marketing	2,105	1,428	4,270	2,665
General and administrative	4,196	3,058	8,658	5,866
<b>Total</b>	<b>\$ 11,360</b>	<b>\$ 8,005</b>	<b>\$ 23,699</b>	<b>\$ 15,383</b>

**12. Commitments and Contingencies****Operating Leases**

The Company leases office space under non-cancelable operating lease agreements that expire on various dates through July 2043. As of June 30, 2024, the Company has \$483.9 million in future minimum rent payments for its current office space. See Note 5, "Leases," to the condensed consolidated financial statements, for additional details on the Company's operating lease commitments.

**Contractual Obligations**

As of June 30, 2024, the Company has \$20.8 million in non-cancellable purchase obligations, consisting of primarily network equipment maintenance and software license contracts, of which \$14.0 million will be fulfilled within one year.

**Legal Matters**

The Company is involved as a defendant in various litigation, including, but not limited to, lawsuits alleging that the Company failed to bill, collect and remit certain taxes and surcharges associated with the provision of 911 services pursuant to applicable laws in various jurisdictions.

The Company intends to vigorously defend these lawsuits and believes that it has meritorious defenses to each. However, litigation is inherently uncertain, and any judgment or injunctive relief entered against the Company or any adverse settlement could adversely affect the Company's business, results of operations and financial condition.

**13. Income Taxes**

At the end of each interim reporting period, the Company determines the income tax provision by using an estimate of the annual effective tax rate, adjusted for discrete items occurring in the quarter. The effective income tax rate reflects the effect of federal, international, and state income taxes and the permanent impacts of differences in book and tax accounting.

The Company's effective tax rate was (8.9)% and 9.3% for the three and six months ended June 30, 2024, respectively, and (4.1)% and 91.4% for the three and six months ended June 30, 2023, respectively. For the three months ended June 30, 2024, the effective tax rate decreased from the three months ended June 30, 2023, primarily due to an increased tax benefit from operating losses outside of the U.S., where tax benefits are not offset by a valuation allowance. For the six months ended June 30, 2024, the unfavorable change in the effective tax rate associated with the decreased tax benefit, as compared to the six months ended June 30, 2023, is primarily due to

the U.S. utilizing all federal net operating loss carryforwards in 2024 and as such, recognizing additional tax payable in the U.S. This increased U.S. tax liability offsets the benefit the Company is recognizing on losses outside of the U.S., resulting in a lower effective tax rate.

Judgment is required in determining whether deferred tax assets will be realized in full or in part. Management assesses the available positive and negative evidence on a jurisdictional basis to estimate if deferred tax assets will be recognized and when it is more likely than not that all or some deferred tax assets will not be realized, and a valuation allowance must be established. As of June 30, 2024, the Company continues to maintain a valuation allowance against its U.S. federal and state net deferred tax assets.

The Company's effective tax rate for the three months and six months ended June 30, 2024 differed from the federal statutory tax rate of 21% in the U.S. primarily due the valuation allowance recorded against its U.S. federal and state net deferred tax assets. Other permanent tax adjustments within the effective tax rates, which are offset by the valuation allowance, include state taxes, federal research credit under Internal Revenue Code Section 41, equity compensation in the U.S. and other U.S. non-deductible expenditures.

#### 14. Basic and Diluted Income (Loss) per Common Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of shares of common stock outstanding during the period. Diluted net income (loss) per share is computed by giving effect to all potential shares of common stock, including stock options and stock related to unvested restricted stock awards.

The components of basic and diluted income (loss) per share are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
<b>(In thousands, except share and per share amounts)</b>				
<i>Earnings per share</i>				
Net income (loss) attributable to common stockholders	\$ 4,055	\$ (3,890)	\$ (5,178)	\$ (279)
Net income (loss) per share:				
Basic	\$ 0.15	\$ (0.15)	\$ (0.19)	\$ (0.01)
Diluted	\$ (0.17)	\$ (0.15)	\$ (0.19)	\$ (0.01)
Numerator used to compute net income (loss) per share:				
Basic	\$ 4,055	\$ (3,890)	\$ (5,178)	\$ (279)
Net gain on extinguishment of debt, net of taxes	(9,850)	—	—	—
Interest expense on convertible notes, net of taxes	752	—	—	—
Diluted <sup>(1)</sup>	\$ (5,043)	\$ (3,890)	\$ (5,178)	\$ (279)
Weighted average number of common shares outstanding:				
Basic	27,079,333	25,555,219	26,786,568	25,502,131
Convertible debt conversion	2,421,265	—	—	—
Diluted	29,500,598	25,555,219	26,786,568	25,502,131

<sup>(1)</sup> Net income is adjusted for the reversal of the net gain on extinguishment of debt and add back of interest expense as part of the calculation for diluted Non-GAAP earnings per share.

The following common share equivalents were excluded from the weighted average shares used to calculate net income (loss) per common share because their effects would have been anti-dilutive:

	As of June 30,	
	2024	2023
Stock options issued and outstanding	85,006	98,105
Restricted stock units issued and outstanding	4,356,880	2,548,379
Convertible senior notes	2,869,144	3,569,511
Total	7,311,030	6,215,995

## Management's Discussion and Analysis

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes that are included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" in this Quarterly Report on Form 10-Q. Our fiscal year ends on December 31.*

#### Overview

A global communications transformation is underway, and we believe Bandwidth is at the center. Our mission is to develop and deliver the power to communicate. We enable innovative organizations—from startup app developers to the world's largest enterprises—to engage their end-users and deliver exceptional experiences everywhere people live, learn, work and play. Backed by the Bandwidth Communications Cloud, a global owned-and-operated network spanning more than 65 countries reaching over 90 percent of GDP, innovative enterprises use Bandwidth's Application Programming Interfaces ("APIs") to easily embed voice, messaging and emergency services capabilities into software and applications. Bandwidth was the first cloud communications provider to offer a robust selection of APIs built on our own cloud platform. Our award-winning support teams help businesses around the world solve complex communications challenges every day.

Bandwidth's business benefits from multiple global megatrends, including enterprise migration to the cloud, adoption of CCaaS platforms, the need to be able to work from anywhere, reinvention of customer experience, growth in messaging applications to engage directly with consumers, and application of AI technologies to cloud communications use cases. We believe these megatrends, which have created sizable total addressable markets, are secular, long-lasting and still early in the adoption curve.

With the combination of our software APIs, our global Communications Cloud and our broad range of experience with global regulatory frameworks, we believe Bandwidth is one of the best-positioned providers in our space to deliver business-critical communications for global enterprises. In fact, Bandwidth already powers all the 2023 Gartner<sup>®</sup> Magic Quadrant Leaders in the key cloud communications categories of UCaaS and CCaaS.

Our long-term vision is to continue strengthening this position as the key enabling platform for communications transformation. We will seek to do this in three ways: (1) cross-sell and up-sell our existing customers as they benefit from our global footprint and powerful APIs to automate and scale cloud communications; (2) focus on direct-to-enterprise growth to serve Global 2000 enterprises that directly leverage Bandwidth services to accelerate their digital transformations, and (3) aim to be the preferred provider for SaaS platforms that use conversational voice and messaging to create digital engagements that enhance the customer experience. These three strategies are the foundation of the durable business we seek to build.

For the three months ended June 30, 2024 and 2023, total revenue was \$174 million and \$146 million, respectively, representing an increase of 19%. For the three months ended June 30, 2024 and 2023, net income was \$4 million and net loss was \$4 million, respectively. For the six months ended June 30, 2024 and 2023, total revenue was \$345 million and \$284 million, respectively, representing an increase of 21%. For the six months ended June 30, 2024 and 2023, net loss was \$5 million and less than \$1 million, respectively.

#### Repurchase of 2026 Convertible Notes

During May 2024, we entered into the 2024 Repurchases to repurchase approximately \$140 million aggregate principal amount of the 2026 Convertible Notes for an aggregate cash price of approximately \$128 million. The 2024 Repurchases closed on May 9, 2024. Following the 2024 Repurchases and previous repurchases, approximately \$35 million principal amount of the 2026 Convertible Notes remain outstanding.

## Management's Discussion and Analysis

The difference between the consideration used for the 2024 Repurchases and the carrying value of the 2026 Convertible Notes resulted in a gain of \$10 million recorded within net gain on extinguishment of debt on our condensed consolidated statements of operations for the six months ended June 30, 2024.

### *Credit Agreement Amendment*

On May 1, 2024, we entered into the Amendment, which increased the aggregate revolving credit commitments from \$50 million to \$100 million; increased the swingline sublimit from \$5 million to \$10 million; increased the minimum liquidity from \$75 million to \$83 million; and extended the maturity date from August 1, 2028 to the earlier of (a) May 1, 2029 or (b) the date that is 91 days prior to the scheduled maturity date or mandatory conversion date of any of our outstanding convertible notes.

As of June 30, 2024, we had \$40 million in outstanding borrowings under the Credit Facility and we were in compliance with all financial and non-financial covenants for all periods presented. As of June 30, 2024, the applicable weighted average interest rate was 7.94% and the available borrowing capacity under the Credit Facility was \$60 million.

### **Key Performance Indicator**

We monitor the following key performance indicator ("KPI") to help us evaluate our business, identify trends affecting our business, formulate business plans, and make strategic decisions. We believe the following KPI is useful in evaluating our business:

	<b>Three months ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
Net retention rate	111 %	106 %

### *Net Retention Rate*

Our ability to drive growth and generate incremental revenue depends, in part, on our ability to maintain and grow our relationships with our existing customers that generated revenue and seek to increase their use of our platform. We track our performance in this area by measuring the net retention rate for our customers who generate revenue. To calculate the net retention rate, we first identify the cohort of customers that generated revenue in the same quarter of the prior year. The 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 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. Our net retention rate increases when such customers increase usage of a product, extend usage of a product to new applications or adopt a new product. Our net retention rate decreases when such customers cease or reduce usage of a product or when we lower prices on our solutions.

As our customers grow their businesses and increase usage of our platform, they sometimes create multiple customer accounts with us for operational or other reasons. As such, when we identify a significant customer organization (defined as a single customer organization generating more than 1% of revenue in a quarterly reporting period) that has created a new customer, this new customer is tied to, and revenue from this new customer is included with, the original customer for the purposes of calculating this metric.

## Management's Discussion and Analysis

### Key Components of Statements of Operations

#### *Revenue*

Cloud communications revenue is derived from (i) reoccurring sources such as per minute voice usage and voice calling, per text message usage and other usage services and fees, and (ii) monthly recurring charges arising from phone number services, 911-enabled phone number services, messaging services and other services. Messaging surcharge revenue is derived from fees imposed by certain carriers within the messaging ecosystem, which are subsequently invoiced and passed through to customers.

For the three months ended June 30, 2024 and 2023, we generated 73% and 72%, respectively, of our cloud communications revenue from reoccurring sources. For the six months ended June 30, 2024 and 2023, we generated 74% and 72%, respectively, of our cloud communications revenue from reoccurring sources. The large bulk of our remaining cloud communications revenue is generated from recurring monthly charges.

We recognize accounts receivable at the time the customer is invoiced. Additionally, we record a receivable for unbilled revenue if services have been delivered and are billable in subsequent periods. Unbilled revenue made up 55% and 52% of outstanding accounts receivable, net of allowance for doubtful accounts, as of June 30, 2024 and 2023, respectively.

#### *Cost of Revenue and Gross Margin*

Cost of revenue consists of fees paid to other network service providers, network operations costs, personnel costs, allocated costs of facilities and information technology, amortization of acquired technology intangibles and depreciation.

Fees paid to other network service providers arise when we purchase services such as minutes of use, phone numbers, messages, porting of customer numbers and network circuits.

Network operations costs are incurred for web services and cloud infrastructure, capacity planning and management, software licenses, hardware and software maintenance fees, customer support and network-related facility rents.

Personnel costs (including non-cash stock-based compensation expenses) arise for employees who are responsible for the delivery of services and the operations and maintenance of the communications network.

Gross margin is calculated by subtracting cost of revenue from revenue, divided by revenue, expressed as a percentage. Our cost of revenue and gross margin have been, and will continue to be, affected by several factors, including the timing and extent of our investments in our network, our ability to manage off-network minutes of use and messaging costs, changes to the mix or amount of personnel-related costs included in our cost of revenue, the product mix of revenue, the timing of amortization of capitalized software development costs and fluctuations in the price we charge our customers for services.

#### *Operating Expenses*

The most significant components of operating expenses are personnel costs, which consist of salaries, benefits, bonuses, and stock-based compensation expenses. We also incur other non-personnel costs related to our general overhead expenses, including facility expenses, software licenses, web services, depreciation and amortization of assets unrelated to delivery of our services. We expect that our operating expenses will increase in absolute dollars driven by the growth in our business.

## Management's Discussion and Analysis

### *Research and Development*

Research and development expenses consist of salaries and related personnel costs for the design, development, testing and enhancement of our cloud network and software products. Research and development expenses include depreciation and allocated costs of facilities and information technology utilized by our research and development staff.

### *Sales and Marketing*

Sales and marketing expenses consist of salaries and related personnel costs, commissions, and costs related to advertising, marketing, brand awareness activities, sales support and professional services fees, and customer billing and collections functions. Sales and marketing expenses include depreciation, amortization of acquired customer relationship intangible assets, and allocated costs of facilities and information technology utilized by our sales and marketing staff.

### *General and Administrative*

General and administrative expenses consist of salaries and related personnel costs for accounting, legal, human resources, corporate, and other administrative and compliance functions. General and administrative expenses include depreciation, expenditures for third party professional services, and allocated costs of facilities and information technology utilized by our corporate and administrative staff.

### *Income Taxes*

For the three months ended June 30, 2024 and 2023, our effective tax rate was (8.9)% and (4.1)% respectively. The decrease in the effective tax rate from 2023 to 2024 is primarily due to an increased tax benefit from operating losses outside of the U.S., where tax benefits are not offset by a valuation allowance.

For the six months ended June 30, 2024 and 2023, our effective tax rate was 9.3% and 91.4% respectively. The decrease in the effective tax rate from 2023 to 2024 is primarily due to the U.S. utilizing all federal net operating loss carryforwards in 2024 and as such, recognizing additional tax payable in the U.S. This increased U.S. tax liability offsets the benefit we are recognizing on losses outside of the U.S., resulting in a lower effective tax rate.

Judgment is required in determining whether deferred tax assets will be realized in full or in part. Management assesses the available positive and negative evidence on a jurisdictional basis to estimate if deferred tax assets will be recognized and when it is more likely than not that all or some deferred tax assets will not be realized, and a valuation allowance must be established. As of June 30, 2024, we continue to maintain a valuation allowance against our U.S. federal and state net deferred tax assets.

## Management's Discussion and Analysis

### Results of Operations

The following table sets forth the condensed consolidated statements of operations for the periods indicated.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(In thousands)			
Revenue	\$ 173,602	\$ 145,874	\$ 344,635	\$ 283,718
Cost of revenue	108,773	86,919	214,322	169,110
<b>Gross profit</b>	<b>64,829</b>	<b>58,955</b>	<b>130,313</b>	<b>114,608</b>
Operating expenses				
Research and development	28,132	24,852	57,044	50,513
Sales and marketing	26,066	25,754	55,205	50,783
General and administrative	16,705	15,868	34,554	32,587
Total operating expenses	70,903	66,474	146,803	133,883
<b>Operating loss</b>	<b>(6,074)</b>	<b>(7,519)</b>	<b>(16,490)</b>	<b>(19,275)</b>
Other income, net				
Net gain on extinguishment of debt	10,267	—	10,267	12,767
Gain on business interruption insurance recoveries	—	4,000	—	4,000
Interest expense, net	(698)	(322)	(65)	(1,236)
Other income, net	229	104	579	490
<b>Total other income, net</b>	<b>9,798</b>	<b>3,782</b>	<b>10,781</b>	<b>16,021</b>
Income (loss) before income taxes	3,724	(3,737)	(5,709)	(3,254)
Income tax benefit (provision)	331	(153)	531	2,975
<b>Net income (loss)</b>	<b>\$ 4,055</b>	<b>\$ (3,890)</b>	<b>\$ (5,178)</b>	<b>\$ (279)</b>

The following table sets forth our results of operations as a percentage of our total revenue for the periods presented. \*

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	63 %	60 %	62 %	60 %
<b>Gross profit</b>	<b>37 %</b>	<b>40 %</b>	<b>38 %</b>	<b>40 %</b>
Operating expenses				
Research and development	16 %	17 %	17 %	18 %
Sales and marketing	15 %	18 %	16 %	18 %
General and administrative	10 %	11 %	10 %	11 %
Total operating expenses	41 %	46 %	43 %	47 %
<b>Operating loss</b>	<b>(3)%</b>	<b>(5)%</b>	<b>(5)%</b>	<b>(7)%</b>
Other income, net				
Net gain on extinguishment of debt	6 %	— %	3 %	4 %
Gain on business interruption insurance recoveries	— %	3 %	— %	1 %
Interest expense, net	— %	— %	— %	— %
Other income, net	— %	— %	— %	— %
<b>Total other income, net</b>	<b>6 %</b>	<b>3 %</b>	<b>3 %</b>	<b>6 %</b>
Income (loss) before income taxes	2 %	(3)%	(2)%	(1)%
Income tax benefit (provision)	— %	— %	— %	1 %
<b>Net income (loss)</b>	<b>2 %</b>	<b>(3)%</b>	<b>(2)%</b>	<b>— %</b>

(\*) Columns may not foot due to rounding.



## Management's Discussion and Analysis

### Comparison of the three months ended June 30, 2024 and 2023

#### Revenue

	Three months ended June 30,		Change	
	2024	2023		
	(Dollars in thousands)			
Cloud communications	\$ 128,365	\$ 118,411	\$ 9,954	8 %
Messaging surcharges	45,237	27,463	17,774	65 %
Revenue	<u>\$ 173,602</u>	<u>\$ 145,874</u>	<u>\$ 27,728</u>	<u>19 %</u>

For the three months ended June 30, 2024, our cloud communications revenue increased by \$10 million, or 8%, compared with the same period in 2023. This growth was led by higher sales of messaging and amplified by higher political messaging leading up to the U.S. presidential election in November 2024. Other core product categories including voice and phone numbers also exhibited broad-based growth during the quarter.

For the three months ended June 30, 2024, our revenue from messaging surcharges increased by \$18 million, or 65%, compared with the same period in 2023. This growth was driven by higher overall messaging traffic, campaign related product mix dynamics resulting in higher MMS traffic and more expensive per message MMS surcharges, and new fees imposed by certain carriers for unregistered traffic.

#### Cost of Revenue and Gross Margin

	Three months ended June 30,		Change	
	2024	2023		
	(Dollars in thousands)			
Cost of revenue	\$ 108,773	\$ 86,919	\$ 21,854	25 %
Gross profit	<u>\$ 64,829</u>	<u>\$ 58,955</u>	<u>\$ 5,874</u>	<u>10 %</u>
Total gross margin	37 %	40 %		

For the three months ended June 30, 2024, total cost of revenue increased by \$22 million, compared with the same period in 2023, driven by higher pass-through messaging surcharges of \$18 million. The combination of changes in total revenue and total cost of revenue yielded gross profit of \$65 million, which increased \$6 million from the same period in 2023, driven by higher revenue from messaging, voice and phone numbers.

Our total gross margin percentage of 37% for the three months ended June 30, 2024, declined by 3%, compared with the same period in 2023, driven by higher pass-through messaging surcharges within the total revenue mix.

#### Operating Expenses

	Three months ended June 30,		Change	
	2024	2023		
	(Dollars in thousands)			
Research and development	\$ 28,132	\$ 24,852	\$ 3,280	13 %
Sales and marketing	26,066	25,754	312	1 %
General and administrative	16,705	15,868	837	5 %
Total operating expenses	<u>\$ 70,903</u>	<u>\$ 66,474</u>	<u>\$ 4,429</u>	<u>7 %</u>

As a percentage of revenue, total operating expenses for the three months ended June 30, 2024 and 2023 were 41% and 46%, respectively.

## Management's Discussion and Analysis

For the three months ended June 30, 2024, research and development expenses increased by \$3 million, or 13%, compared with the same period in 2023. This increase was primarily due to higher facilities and depreciation expenses in support of our expanding research and development capabilities.

For the three months ended June 30, 2024, sales and marketing expenses increased by less than \$1 million, or 1%, compared with the same period in 2023, due to higher facilities expenses which was nearly offset by lower headcount expenses and discretionary expenses.

For the three months ended June 30, 2024, general and administrative expenses increased by \$1 million, or 5%, compared with the same period in 2023, driven by higher headcount expenses which were partially offset by lower corporate administrative expenses.

### *Interest Expense, Net*

For the three months ended June 30, 2024, interest income, net of expense decreased by less than \$1 million, compared with the same period in 2023. This was driven by higher interest expense from a draw on our Credit Facility to partially fund the 2024 Repurchases in May 2024 and partially offset by higher interest income from higher interest rates on invested cash.

### *Income Tax Benefit (Provision)*

Our income tax provision or benefit for interim periods is determined using an estimate of our annual effective tax rate adjusted for discrete items that occurred in the quarter.

For the three months ended June 30, 2024, we recognized an income tax benefit of less than \$1 million, an increase of less than \$1 million, compared with the same period in 2023. The resulting effective tax rate for the three months ended June 30, 2024 was (8.9)%, compared with (4.1)% in 2023.

For the three months ended June 30, 2024, the change to the effective tax rate was primarily due to an increased tax benefit from operating losses outside of the U.S., where tax benefits are not offset by a valuation allowance.

For the three months ended June 30, 2024 and 2023, the effective tax rate of (8.9)% and (4.1)% differed from the federal statutory rate of 21% in the U.S. primarily due to the valuation allowance recorded against our U.S. federal and state net deferred tax assets.

Most of the permanent tax adjustments within our effective tax rate are offset by a valuation allowance. These adjustments include state taxes, federal research tax credits under Section 41 of the Internal Revenue Code of 1986, as amended (the "Code"), equity compensation in the U.S. and other non-deductible expenditures in the U.S. Excluding the impact of the valuation allowance, we realized an estimated state effective tax rate of 4.3% for the three months ended June 30, 2024. In addition, exclusive of the valuation allowance, we continue to generate income tax benefits in the current period related to income tax credits recognized for qualified research activities in the U.S. The applicable federal tax laws and regulations define qualified research activities as research and development activities conducted in the U.S. that involve a process of experimentation designed to discover new information intended to develop a new or improved business component. Absent the valuation allowance, equity compensation also impacts the effective tax rate to the extent the income tax deduction exceeds or is below the related book expense, as required under ASC 718-740-35-2. Other U.S. non-deductible expenses that are offset by the valuation allowance consist primarily of non-deductible executive compensation under Section 162(m) of the Code.

Permanent tax adjustments within our effective tax rate that are not offset by the valuation allowance include federal and state tax payable, foreign tax benefits and foreign rate differentials. As we continue to scale our international business, any changes to foreign business activity may impact our effective tax rate in the future.

We continue to expect recurring changes to the valuation allowance as deferred tax assets within the U.S. increase or decrease in subsequent periods. We will maintain a valuation allowance against all U.S. federal and state

**Management's Discussion and Analysis**

deferred tax assets until it becomes more likely than not that the benefit of our federal and state deferred tax assets will be realized.

**Comparison of the six months ended June 30, 2024 and 2023***Revenue*

	Six months ended June 30,		Change	
	2024	2023		
	(Dollars in thousands)			
Cloud communications	\$ 256,850	\$ 232,845	\$ 24,005	10 %
Messaging surcharges	87,785	50,873	36,912	73 %
Revenue	\$ 344,635	\$ 283,718	\$ 60,917	21 %

For the six months ended June 30, 2024, our cloud communications revenue increased by \$24 million, or 10%, compared with the same period in 2023. This growth was led by higher sales of messaging and amplified by higher political messaging leading up to the U.S. presidential election in November 2024. Other core product categories including voice, phone numbers, and 911 enabled phone number services also exhibited broad-based growth during the quarter.

For the six months ended June 30, 2024, our revenue from messaging surcharges increased by \$37 million, or 73%, compared with the same period in 2023. This growth was driven by higher overall messaging traffic, campaign related product mix dynamics resulting in higher MMS traffic and more expensive per message MMS surcharges, and new fees imposed by certain carriers for unregistered traffic.

*Cost of Revenue and Gross Margin*

	Six months ended June 30,		Change	
	2024	2023		
	(Dollars in thousands)			
Cost of revenue	\$ 214,322	\$ 169,110	\$ 45,212	27 %
Gross profit	\$ 130,313	\$ 114,608	\$ 15,705	14 %
Total gross margin	38 %	40 %		

## Management's Discussion and Analysis

For the six months ended June 30, 2024, total cost of revenue increased by \$45 million, compared with the same period in 2023, driven by higher pass-through messaging surcharges of \$37 million. The combination of changes in total revenue and total cost of revenue yielded gross profit of \$130 million, which increased \$16 million from the same period in 2023, driven by higher revenue across all product categories.

Our total gross margin percentage of 38% for the six months ended June 30, 2024, declined by 2%, compared with the same period in 2023, driven by higher pass-through messaging surcharges within the total revenue mix.

### Operating Expenses

	Six months ended June 30,		Change	
	2024	2023		
	(Dollars in thousands)			
Research and development	\$ 57,044	\$ 50,513	\$ 6,531	13 %
Sales and marketing	55,205	50,783	4,422	9 %
General and administrative	34,554	32,587	1,967	6 %
Total operating expenses	<u>\$ 146,803</u>	<u>\$ 133,883</u>	<u>\$ 12,920</u>	<u>10 %</u>

As a percentage of revenue, total operating expenses for the for the six months ended June 30, 2024 and 2023 were 43% and 47%, respectively.

For the six months ended June 30, 2024, research and development expenses increased by \$7 million, or 13%, compared with the same period in 2023. This increase was primarily due to higher facilities expenses in support of our expanding research and development capabilities.

For the six months ended June 30, 2024, sales and marketing expenses increased by \$4 million, or 9%, compared with the same period in 2023, primarily due to higher facilities expenses in support of our sales force.

For the six months ended June 30, 2024, general and administrative expenses increased by \$2 million, or 6%, compared with the same period in 2023, driven by higher headcount expenses which were partially offset by lower corporate administrative expenses.

### Interest Expense, Net

For the six months ended June 30, 2024, interest income, net of expense increased by \$1 million, compared with the same period in 2023, primarily from higher interest income of \$1 million from higher interest rates on invested cash.

### Income Tax Benefit (Provision)

Our income tax provision or benefit for interim periods is determined using an estimate of our annual effective tax rate adjusted for discrete items that occurred in the quarter.

For the six months ended June 30, 2024, we recognized an income tax benefit of \$1 million, a decrease of \$2 million, compared with the same period in 2023. The resulting effective tax rate for the six months ended June 30, 2024, was 9.3%, compared with 91.4% in 2023.

For the six months ended June 30, 2024, the unfavorable change in the effective tax rate is primarily due to the U.S. utilizing all federal net operating loss carryforwards in 2024 and as such, recognizing additional tax payable in the U.S. This increased U.S. tax liability offsets the benefit we are recognizing on losses outside of the U.S., resulting in a lower effective tax rate.

For the six months ended June 30, 2024 and 2023, the effective tax rate of 9.3% and 91.4% differed from the federal statutory rate of 21% in the U.S. primarily due to the valuation allowance recorded against our U.S. federal and state net deferred tax assets.

## Management's Discussion and Analysis

Most of the permanent tax adjustments within our effective tax rate are offset by a valuation allowance. These adjustments include state taxes, federal research tax credits under Section 41 of the Code, equity compensation in the U.S. and other non-deductible expenditures in the U.S. Excluding the impact of the valuation allowance, we realized an estimated state effective tax rate of 4.3% for the six months ended June 30, 2024. In addition, exclusive of the valuation allowance, we continue to generate income tax benefits in the current period related to income tax credits recognized for qualified research activities in the U.S. The applicable federal tax laws and regulations define qualified research activities as research and development activities conducted in the U.S. that involve a process of experimentation designed to discover new information intended to develop a new or improved business component. Absent the valuation allowance, equity compensation also impacts the effective tax rate to the extent the income tax deduction exceeds or is below the related book expense, as required under ASC 718-740-35-2. Other U.S. non-deductible expenses that are offset by the valuation allowance consist primarily of non-deductible executive compensation under Section 162(m) of the Code.

Permanent tax adjustments within our effective tax rate that are not offset by the valuation allowance include federal and state tax payable, foreign tax benefits and foreign rate differentials. As we continue to scale our international business, any changes to foreign business activity may impact our effective tax rate in the future.

We continue to expect recurring changes to the valuation allowance as deferred tax assets within the U.S. increase or decrease in subsequent periods. We will maintain a valuation allowance against all U.S. federal and state deferred tax assets until it becomes more likely than not that the benefit of our federal and state deferred tax assets will be realized.

### Liquidity and Capital Resources

Our liquidity is provided by our cash flow from operations less expenditures for capital equipment, and supplemented by financing activities from time to time. Our cash flow from operations is driven by monthly payments from customers for communication services consumed during the period. Our primary uses of cash include operating costs, such as fees paid to other network service providers, network operations costs, personnel costs and facility expenses, as well as the purchase of property, plant and equipment to support growth on our communications platform. As of June 30, 2024, we had cash and cash equivalents of \$62 million and marketable securities of \$14 million.

On August 1, 2023, we entered into the Credit Agreement, which provides for a \$50 million Credit Facility, including a \$15 million sublimit for the issuance of letters of credit and a swingline subfacility of up to \$5 million. On May 1, 2024, we amended the Credit Agreement by upsizing the Credit Facility from \$50 million to \$100 million and extending the maturity date to May 1, 2029. As of June 30, 2024, we had \$40 million in outstanding borrowings under the Credit Facility and the available borrowing capacity was \$60 million. See Note 8, "Debt," to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information on the Credit Agreement.

Additionally, we have supplemented our liquidity with proceeds from our issuance of the 2026 Convertible Notes in February 2020 and the 2028 Convertible Notes in March 2021. We used a majority of the proceeds from the issuance of our 2026 Convertible Notes to consummate the acquisition of Voxbone. On May 9, 2024, we completed the 2024 Repurchases, as further described in Note 8, "Debt," to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. Following the 2024 Repurchases and previous repurchases, approximately \$35.0 million principal amount of the 2026 Convertible Notes remain outstanding. We may, at any time and from time to time, seek to retire or purchase our 2026 Convertible Notes or 2028 Convertible Notes through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

## Management's Discussion and Analysis

We believe that our cash, cash equivalents and marketable securities balances, and the cash flows generated by our operations, will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. However, our belief may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section titled "Risk Factors." We may be required to seek additional equity or debt financing in order to meet these future capital requirements. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital when desired, our business, results of operations and financial condition would be adversely affected.

Our principal future commitments consist of (i) an aggregate of \$285 million in Convertible Notes, (ii) \$40 million under our Credit Facility (iii) \$484 million in future minimum rent payments for our current office space, including a \$477 million non-cancelable lease for our new corporate headquarters, which commenced in the third quarter of 2023 and which will continue for an initial twenty (20) year term, and (iv) \$21 million in non-cancelable purchase obligations and future minimum payments under contracts to various service providers. For additional information on these future contractual obligations, see Note 8, "Debt," and Note 12, "Commitments and Contingencies," to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

### Statement of Cash Flows

The table below summarizes our cash flow information:

	Six months ended June 30,	
	2024	2023
	(In thousands)	
Net cash provided by (used in) operating activities	\$ 26,901	\$ (3,268)
Net cash (used in) provided by investing activities	(5,303)	32,583
Net cash used in financing activities	(91,020)	(51,936)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(608)	27
Net decrease in cash, cash equivalents, and restricted cash	<u>\$ (70,030)</u>	<u>\$ (22,594)</u>

### Cash Flows from Operating Activities

For the six months ended June 30, 2024, net cash provided by operating activities was \$27 million and was generated by our aggregate results of \$32 million during the period, net of (1) non-cash items comprising depreciation and amortization, non-cash reduction to the right-of-use asset, amortization of debt discount and issuance costs, stock-based compensation, deferred taxes and other, net gain on extinguishment of debt, and (2) a \$5 million cash outflow from lower operating liabilities and higher operating assets.

Within operating liabilities, the net cash provided as a result of higher accrued expenses and other liabilities of \$4 million during 2024 was driven by higher general accrued expenses due to timing of incurred expenses. The cash outflow related to the operating right-of-use liability was \$2 million.

Within operating assets, the net cash used as a result of higher accounts receivable of \$8 million during 2024 was driven by higher unbilled receivables balances arising from higher usage amounts in the last month of the

## Management's Discussion and Analysis

first quarter. This was partially offset by cash provided as a result of lower prepaid expenses and other assets of \$2 million during 2024.

### *Cash Flows from Investing Activities*

For the six months ended June 30, 2024, net cash used in investing activities was \$5 million. This was primarily driven by (1) cash used for the purchase of property, plant and equipment of \$7 million and cash used for capitalized software development costs of \$6 million, driven by investments in the communications platform, and (2) net cash provided by the sales of marketable securities of \$7 million to partially fund the 2024 Repurchases.

### *Cash Flows from Financing Activities*

For the six months ended June 30, 2024, net cash used in financing activities was \$91 million, consisting primarily of (1) \$128 million of cash used to complete the 2024 Repurchases, offset by (2) cash provided of \$40 million from net borrowing on our line of credit to partially fund the 2024 Repurchases.

## Management's Discussion and Analysis

### Non-GAAP Financial Measures

We use Non-GAAP gross profit, Non-GAAP gross margin, Non-GAAP net income, Adjusted EBITDA and free cash flow for financial and operational decision making and to evaluate period-to-period differences in our performance. Non-GAAP gross profit, Non-GAAP gross margin, Non-GAAP net income, Adjusted EBITDA and free cash flow are non-GAAP financial measures, which we believe are useful for investors in evaluating our overall financial performance. We believe these measures provide useful information about operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to key performance indicators used by management in its financial and operational decision making. See below for a reconciliation of each of the non-GAAP financial measures described below.

#### *Non-GAAP Gross Profit and Non-GAAP Gross Margin*

GAAP defines gross profit as revenue less cost of revenue. Cost of revenue includes all expenses associated with our various service offerings as more fully described under the caption "Key Components of Statements of Operations-Cost of Revenue and Gross Margin." We define Non-GAAP gross profit as gross profit after adding back the following items:

- depreciation and amortization;
- amortization of acquired intangible assets related to acquisitions; and
- stock-based compensation.

We calculate Non-GAAP gross margin by dividing Non-GAAP gross profit by cloud communications revenue.

In our calculation of Non-GAAP gross profit and Non-GAAP gross margin, we eliminate the impact of depreciation and amortization, amortization of acquired intangible assets related to acquisitions, stock-based compensation, pass-through messaging surcharges, and all non-cash items, because we do not consider them indicative of our core operating performance. The exclusion of these items facilitates comparisons of our operating performance on a period-to-period basis. Management uses Non-GAAP gross profit and Non-GAAP gross margin to evaluate operating performance and to determine resource allocation among our various service offerings. We believe Non-GAAP gross profit and Non-GAAP gross margin provide useful information to investors and others to understand and evaluate our operating results in the same manner as our management and board of directors and allows for better comparison of financial results among our competitors. Non-GAAP gross profit and Non-GAAP gross margin may not be comparable to similarly titled measures of other companies because other companies may not calculate Non-GAAP gross profit and Non-GAAP gross margin or similarly titled measures in the same manner we do.



**Management's Discussion and Analysis**

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	<b>(Dollars in thousands)</b>			
<b>Gross Profit</b>	\$ 64,829	\$ 58,955	\$ 130,313	\$ 114,608
<b>Gross Profit Margin %</b>	37 %	40 %	38 %	40 %
Depreciation	4,678	4,205	9,456	7,734
Amortization of acquired intangible assets	1,941	1,959	3,900	3,904
Stock-based compensation	375	204	771	396
<b>Non-GAAP Gross Profit</b>	<b>\$ 71,823</b>	<b>\$ 65,323</b>	<b>\$ 144,440</b>	<b>\$ 126,642</b>
<b>Non-GAAP Gross Margin % <sup>(1)</sup></b>	<b>56 %</b>	<b>55 %</b>	<b>56 %</b>	<b>54 %</b>

<sup>(1)</sup> Calculated by dividing Non-GAAP gross profit by cloud communications revenue of \$128 million and \$257 million in the three and six months ended June 30, 2024, respectively, and \$118 million and \$233 million for the three and six months ended June 30, 2023, respectively.

***Non-GAAP Net Income***

We define Non-GAAP net income as net income or loss 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;
- (gain) loss on sale of business;
- net (gain) loss on extinguishment of debt;
- gain on business interruption insurance recoveries;
- non-recurring items not indicative of ongoing operations and other; and
- estimated tax impact of above adjustments, net of valuation allowances.

We calculate Non-GAAP basic and diluted shares by adding the weighted average of outstanding Series A redeemable convertible preferred stock, if any, to the weighted average number of outstanding basic and diluted shares, respectively. The tax-effect of Non-GAAP adjustments is determined by recalculating the tax provision on a Non-GAAP basis. When we have a valuation allowance recorded and no tax benefits will be recognized, the rate is considered to be zero.

We believe Non-GAAP net income is a meaningful measure because by removing certain non-cash and other expenses, we are able to evaluate our operating results in a manner we believe is more indicative of the current period's performance. We believe the use of Non-GAAP net income may be helpful to investors because it provides consistency and comparability with past financial performance, facilitates period-to-period comparisons of results of operations and assists in comparisons with other companies, many of which may use similar Non-GAAP financial information to supplement their GAAP results. As a result of the adoption of ASU No. 2020-06 on January 1, 2022, we add back cash interest expense on the Convertible Notes, as if converted at the beginning of the period, if the impact is dilutive for the purposes of calculating diluted Non-GAAP net income or loss per Non-GAAP share.

## Management's Discussion and Analysis

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(In thousands, except share and per share amounts)			
<b>Net income (loss)</b>	\$ 4,055	\$ (3,890)	\$ (5,178)	\$ (279)
Stock-based compensation	11,360	8,005	23,699	15,383
Amortization of acquired intangibles	4,336	4,338	8,697	8,612
Amortization of debt discount and issuance costs for convertible debt	384	474	869	1,036
Net cost associated with early lease terminations and leases without economic benefit	877	—	2,033	—
Net gain on extinguishment of debt	(10,267)	—	(10,267)	(12,767)
Gain on business interruption insurance recoveries	—	(4,000)	—	(4,000)
Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>	49	180	129	739
Estimated tax effects of adjustments <sup>(2)</sup>	(2,075)	(708)	(3,443)	(3,135)
<b>Non-GAAP net income</b>	<b>\$ 8,719</b>	<b>\$ 4,399</b>	<b>\$ 16,539</b>	<b>\$ 5,589</b>
Interest expense on Convertible Notes <sup>(3)</sup>	300	317	617	655
<b>Numerator used to compute Non-GAAP diluted net income per share</b>	<b>\$ 9,019</b>	<b>\$ 4,716</b>	<b>\$ 17,156</b>	<b>\$ 6,244</b>
<b>Net income (loss) per share</b>				
Basic	\$ 0.15	\$ (0.15)	\$ (0.19)	\$ (0.01)
Diluted	\$ (0.17)	\$ (0.15)	\$ (0.19)	\$ (0.01)
<b>Non-GAAP net income per Non-GAAP share</b>				
Basic	\$ 0.32	\$ 0.17	\$ 0.62	\$ 0.22
Diluted	\$ 0.29	\$ 0.16	\$ 0.55	\$ 0.21
<i>Weighted average number of shares outstanding</i>				
<b>Basic</b>	<b>27,079,333</b>	<b>25,555,219</b>	<b>26,786,568</b>	<b>25,502,131</b>
<b>Diluted</b>	<b>29,500,598</b>	<b>25,555,219</b>	<b>26,786,568</b>	<b>25,502,131</b>
<b>Non-GAAP basic shares</b>	<b>27,079,333</b>	<b>25,555,219</b>	<b>26,786,568</b>	<b>25,502,131</b>
Convertible debt conversion	2,421,265	3,317,023	2,869,144	3,569,511
Stock options issued and outstanding	28,513	27,413	30,108	60,583
Nonvested RSUs outstanding	1,284,862	—	1,260,376	—
<b>Non-GAAP diluted shares</b>	<b>30,813,973</b>	<b>28,899,655</b>	<b>30,946,196</b>	<b>29,132,225</b>

<sup>(1)</sup>Non-recurring items not indicative of ongoing operations and other include (i) less than \$0.1 million and \$0.2 million of losses on disposals of property, plant and equipment during the three months ended June 30, 2024 and 2023, respectively, (ii) \$0.1 million of losses on disposals of property, plant and equipment during the six months ended June 30, 2024, and (iii) \$0.4 million of expense resulting from the early termination of our undrawn SVB credit facility and \$0.3 million of losses on disposals of property, plant and equipment during the six months ended June 30, 2023.

## Management's Discussion and Analysis

<sup>(2)</sup> The estimated tax-effect of adjustments is determined by recalculating the tax provision on a Non-GAAP basis. The Non-GAAP effective income tax rate was 15.0% and 2.8% for the six months ended June 30, 2024 and 2023, respectively. For the six months ended June 30, 2024, the Non-GAAP effective income tax rate differed from the federal statutory tax rate of 21% in the U.S. primarily due to the research and development tax credits generated in 2024. We analyze the Non-GAAP valuation allowance position on a quarterly basis. In the fourth quarter of 2022, we removed the valuation allowance against all U.S. deferred tax assets for Non-GAAP purposes as a result of cumulative Non-GAAP U.S. income over the past three years and a significant depletion of net operating loss and tax credit carryforwards on a Non-GAAP basis. As of June 30, 2024, we have no valuation allowance against our remaining deferred tax assets for Non-GAAP purposes.

<sup>(3)</sup> Non-GAAP net income is increased for interest expense as part of the calculation for diluted Non-GAAP earnings per share.

### ***Adjusted EBITDA***

We define Adjusted EBITDA as net income or losses from continuing operations, adjusted to reflect the addition or elimination of certain income statement 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, if any;
- (gain) loss on sale of business;
- net cost associated with early lease terminations and leases without economic benefit;
- net (gain) loss on extinguishment of debt;
- gain on business interruption insurance recoveries; and
- non-recurring items not indicative of ongoing operations and other.

## Management's Discussion and Analysis

Adjusted EBITDA is a key measure used by management to understand and evaluate our core operating performance and trends, to generate future operating plans and to make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(In thousands)			
<b>Net income (loss)</b>	\$ 4,055	\$ (3,890)	\$ (5,178)	\$ (279)
Income tax (benefit) provision	(331)	153	(531)	(2,975)
Interest expense, net	698	322	65	1,236
Depreciation	7,964	5,460	16,017	10,080
Amortization	4,336	4,338	8,697	8,612
Stock-based compensation	11,360	8,005	23,699	15,383
Net cost associated with early lease terminations and leases without economic benefit	877	—	2,033	—
Net gain on extinguishment of debt	(10,267)	—	(10,267)	(12,767)
Gain on business interruption insurance recoveries	—	(4,000)	—	(4,000)
Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>	49	180	129	337
<b>Adjusted EBITDA</b>	<b>\$ 18,741</b>	<b>\$ 10,568</b>	<b>\$ 34,664</b>	<b>\$ 15,627</b>

<sup>(1)</sup> Non-recurring items not indicative of ongoing operations and other include less than \$0.1 million and \$0.2 million of losses on disposals of property, plant and equipment during the three months ended June 30, 2024 and 2023, respectively, and \$0.1 million and \$0.3 million for the six months ended June 30, 2024 and 2023, respectively.

## Management's Discussion and Analysis

### Free Cash Flow

Free cash flow represents net cash provided by or used in operating activities less net cash used in the acquisition of property, plant and equipment and capitalized development costs of software for internal use. We believe free cash flow is a useful indicator of liquidity and provides information to management and investors about the amount of cash generated from our core operations that can be used to invest in our business. Free cash flow has certain limitations because it is subject to working capital timing, it does not represent the total increase or decrease in the cash balance for the period, it does not take into consideration investment in long-term securities, nor does it represent residual cash flows available for discretionary expenditures. Therefore, it is important to evaluate free cash flow along with our condensed consolidated statements of cash flows.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(In thousands)			
Net cash provided by (used in) operating activities	\$ 24,436	\$ 3,086	\$ 26,901	\$ (3,268)
Net cash used in investing in capital assets <sup>(1)</sup>	(6,116)	(4,314)	(12,988)	(8,860)
<b>Free cash flow</b>	<b>\$ 18,320</b>	<b>\$ (1,228)</b>	<b>\$ 13,913</b>	<b>\$ (12,128)</b>

<sup>(1)</sup> Represents the acquisition cost of property, plant and equipment and capitalized development costs for software for internal use.

### Critical Accounting Policies and Significant Judgments and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, and expenses and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these judgments and estimates under different assumptions or conditions, and any such differences may be material.

There have been no material changes to our critical accounting policies and significant judgments and estimates as compared to the critical accounting policies and significant judgments and estimates disclosed in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on February 28, 2024 (the "Annual Report").

### Recently Issued Accounting Guidance

See Note 2, "Summary of Significant Accounting Policies," to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a summary of recently adopted accounting standards and recent accounting pronouncements not yet adopted, if applicable.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to certain market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates.

#### ***Interest Rate Risk***

We had cash and cash equivalents of \$62 million and marketable securities of \$14 million as of June 30, 2024, which were held for working capital purposes. Our cash and cash equivalents are comprised primarily of interest bearing checking and direct deposit accounts, and money market accounts. Marketable securities consist of time deposits and commercial paper not otherwise classified as cash equivalents. Such interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest income have not been significant. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Due to the short-term nature of our investments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates.

On May 1, 2024, we entered into an amendment to the Credit Agreement, which, among other things, increased our Credit Facility from \$50 million to \$100 million. Interest on borrowings under the Credit Facility accrues at an annual rate tied to a base rate or the SOFR, at our election. Loans based on SOFR bear interest at a rate equal to term SOFR for the applicable interest period plus 10 basis points plus an applicable margin between 2.25% and 2.75%, and loans based on the base rate bear interest at a rate equal to the base rate plus an applicable margin between 1.25% and 1.75%, in each case of the foregoing, depending upon our consolidated EBITDA for the most recent period of four consecutive fiscal quarters for which financial statements have been delivered under the Credit Agreement. As a result, we are exposed to interest rate risk as we make draws. As of June 30, 2024, the applicable weighted average interest rate was 7.94% and we had \$40 million in outstanding borrowings under the Credit Facility.

As of June 30, 2024, we had a gross carrying amount of \$35 million and \$250 million outstanding from our 2026 Convertible Notes and 2028 Convertible Notes, respectively. As the Convertible Notes have a fixed annual interest rate, we have no financial or economic interest exposure associated with changes in interest rates. However, the fair value of fixed rate debt instruments fluctuates when interest rates change. Additionally, the fair value can be affected when the market price of our common stock fluctuates. We carry the Convertible Notes at face value less unamortized discount on our balance sheet, and we present the fair value for required disclosure purposes only.

A hypothetical 10% change in interest rates would not have had a material impact on our financial results included elsewhere in this Quarterly Report on Form 10-Q.

### ***Foreign Currency Risk***

The functional currencies of our foreign subsidiaries are the respective local currencies of the jurisdictions in which they operate, which are primarily the Euro and the British Pound. Approximately 13% and 15% of our total revenue was generated outside North America for the six months ended June 30, 2024 and 2023, respectively. The majority of our revenues and operating expenses are denominated in U.S. dollars, and therefore are not currently subject to significant foreign currency risk. Our subsidiaries remeasure monetary assets and liabilities at period-end exchange rates, while non-monetary items are remeasured at historical rates. Revenue and expense accounts are remeasured at the average exchange rate in effect during the year. Foreign currency translation adjustments are accounted for as a component of accumulated other comprehensive loss within stockholders' equity. Gains or losses due to transactions in foreign currencies are included in other income, net in our condensed consolidated statements of operations. We do not currently engage in any hedging activity to reduce our potential exposure to currency fluctuations, although we may choose to do so in the future. To the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currencies result in increased revenue and operating expenses for our rest of world operations. Similarly, our revenue and operating expenses for our rest of world operations decrease if the U.S. dollar strengthens against foreign currencies. A hypothetical 10% adverse change in foreign currency exchange rates would have adversely impacted our net loss for the six months ended June 30, 2024 by approximately \$1.6 million.

## **Item 4. Controls and Procedures**

### ***Evaluation of disclosure controls and procedures***

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures are designed at a reasonable assurance level and are effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

### ***Changes in internal control over financial reporting***

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act during the quarter ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### ***Inherent limitation on the effectiveness of internal control***

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.



## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

Phone Recovery Services, LLC and Phone Administrative Services, Inc. acting or purporting to act on behalf of applicable jurisdictions, or the applicable county or city itself, have filed multiple lawsuits against us and/or one of our subsidiaries alleging that we failed to bill, collect and remit certain taxes and surcharges associated with the provision of 911 services.

The following county or municipal governments have named us in lawsuits that remain unresolved and are associated with the collection and remittance of 911 taxes and surcharges: (a) the City and County of San Francisco, California; (b) the following Illinois jurisdictions, collectively: Cook and Kane Counties, Illinois, the City of Chicago, Illinois, and the State of Illinois; and (c) the State of New York. The complaints allege that we failed to bill, collect and remit certain taxes and surcharges associated with 911 services pursuant to applicable laws.

We intend to vigorously defend these lawsuits and believe we have meritorious defenses to each. However, litigation is inherently uncertain, and any judgment or injunctive relief entered against us or any adverse settlement could negatively affect our business, results of operations and financial condition.

In addition to the litigation discussed above, from time to time, we may be subject to legal actions and claims in the ordinary course of business. We have received, and may in the future continue to receive, claims from third parties relating to number management and billing, employment-related claims, claims arising from customer misuse of our offerings, and claims asserting, among other things, infringement of their intellectual property rights. Future litigation may be necessary to defend ourselves, our partners and our customers by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights or to recover amounts owed to us. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

### Item 1A. Risk Factors

*A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. The risks and uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline.*

#### Risk Factors Summary

The following is a summary of the principal risks that could adversely affect our business, results of operations and financial condition.

##### *Risks Related to Our Business*

- Our future growth and the success of our expansion plans depend on a number of factors that are beyond our control.
- Our growth and financial health are subject to a number of economic risks.
- Approximately half of our operating cash is maintained in deposit accounts with various financial institutions and is not insured by the Federal Deposit Insurance Corporation ("FDIC").
- The market in which we participate is highly competitive, and we may not compete effectively.
- We may not be able to attract new customers in a cost-effective manner.
- The market for some of our services is new and unproven, and may decline or experience limited growth.

- Our ability to meet our goals for revenue growth, cash flow and operating performance depends on customers increasing their use of our services.
- We may not be able to increase the revenue that we derive from enterprises.
- We may not be able to develop service enhancements or new services that achieve market acceptance.
- We use AI in our business, and challenges with properly managing its use could adversely affect our results of operations.
- As we continue to expand geographically and otherwise, we may experience difficulty maintaining our corporate culture and operational infrastructure.
- We have grown rapidly, and may not be able to manage the growth effectively.
- Our pricing and billing systems are complex, and errors could adversely affect our results of operations.
- We must continue to develop effective systems to support our business.
- We may not be able to maintain and enhance our brand and increase market awareness.
- Failure to deliver high-quality support may adversely affect our customer relationships.
- We operate internationally, which exposes us to significant risks.
- The military conflict between Russia and Ukraine, including an expansion of that conflict to other areas, may adversely affect our business.
- Some of our revenue is concentrated in a limited number of enterprise customers.
- Attacks on or breaches of our networks or systems, or on those of third parties on which we rely, including denial-of-service and other cyberattacks, may result in disruption to our services, which could harm our business.
- We are currently subject to litigation, including litigation related to taxes and charges associated with our provision of 911 services.
- Customer misuse of our services and software could result in litigation and/or regulatory enforcement actions and harm our business and reputation.
- We are subject to litigation in the ordinary course of business, which may harm our business.
- The communications industry faces significant regulatory uncertainties.
- The effects of increased regulation of IP-based service providers are unknown.
- Expanded regulatory oversight and enforcement from state and federal agencies may increase compliance and litigation-related risks.
- We must obtain and maintain numerous licenses and permits, in the United States and internationally, to operate our network.
- If we violate regulatory requirements that apply to our operations, we may not be able to conduct our business.
- Our business is subject to complex and evolving laws, commercial standards, contractual obligations and other requirements regarding privacy and data protection.
- Our business may be harmed if we cannot obtain, retain and distribute local or toll-free numbers.
- We may be exposed to liabilities under anti-corruption, export control and economic sanction regulations.
- Third party intellectual property rights could prevent us from using technologies needed to provide our services.
- Our use of open source software could negatively affect our ability to sell our services and subject us to litigation.
- Indemnity provisions in various agreements potentially expose us to substantial liability.
- We may fail to protect our internally developed systems, technology and software and our intellectual property.
- We may be liable for the information that content owners or distributors distribute over our network.
- Third parties may use our services to commit fraud or steal our services.
- Our customers may choose to discontinue use of VoIP-based services and revert to traditional network service providers.
- We may lose customers if our platform or network fails or is disrupted.
- Defects or errors in our services could harm our business.
- If our emergency services do not function properly, we may be exposed to significant liability.
- Termination of relationships with key suppliers could cause delay and additional costs.
- Our customer churn rate may increase.
- The prices for some of our services have decreased in the past and may do so again in the future.
- The need to obtain additional IP circuits or interconnect with other networks could increase our costs.

- The loss of any member of our senior management team or key employees could harm our business.
- If we are unable to hire, retain and motivate qualified personnel, our business will suffer.
- We could be subject to additional tax liabilities for historic and future sales, use and similar taxes.
- Our global operations and legal entity structure subject us to potentially adverse income tax consequences.
- Our ability to use our net operating loss and tax credit carryforwards to offset future taxable income may be limited.
- We may be subject to significant tax-related liabilities and indemnity obligations if the Spin-Off (as defined below) is taxable.
- Our estimates or judgments relating to our critical accounting policies may prove to be incorrect.
- We may be unable to maintain an effective system of disclosure controls and internal control over financial reporting.
- If our goodwill or intangible assets become impaired, we may be required to record a significant charge.
- Foreign currency exchange rate fluctuations may harm our business.
- Natural disasters, pandemics, power outages, terrorist attacks, acts of war, civilian unrest and similar events could harm our business.
- We may acquire other businesses, which may divert our management's attention and impact our stock price.

***Risks Related to the Convertible Notes***

- Servicing our future indebtedness may require a significant amount of cash, which we may not have.
- We may not have the ability to raise the funds necessary for cash settlement of the Convertible Notes.
- The conditional conversion feature of the Convertible Notes may adversely affect our financial condition and operating results.
- The capped call transactions may affect the value of the Convertible Notes and our Class A common stock.
- We are subject to counterparty risk with respect to the Capped Calls.

***Risks Related to Ownership of Our Class A Common Stock***

- The trading price of our Class A common stock may be volatile and you could lose all or part of your investment.
- Substantial future sales of shares of our Class A common stock could cause the price of our Class A to decline.
- Our dual class capital structure concentrates voting control.
- We cannot predict the impact our capital structure may have on our stock price.
- We are effectively controlled by David A. Morken, our Co-Founder and Chief Executive Officer, whose interests may differ from other stockholders.
- Our stock price and trading volume could decline if securities or industry analysts stop covering our Class A Common Stock.
- Anti-takeover provisions in our organizational documents and Delaware law, could impair a takeover attempt.
- Our certificate of incorporation and bylaws include super-majority voting provisions.
- Our bylaws provide that Delaware will be the sole and exclusive forum for certain stockholder litigation.
- We may need additional capital in the future and such capital may be limited or unavailable.
- We do not intend to pay dividends for the foreseeable future.

***Risks Related to Our Business***

***Our future growth and the success of our expansion plans depend on a number of factors that are beyond our control.***

We have grown our business considerably since inception, and cannot guarantee we will be able to maintain or choose to target the same pace of growth in the future. Our success in achieving continued growth depends upon several factors including:

- our ability to hire and retain qualified and effective personnel, including, but not limited to, those with the expertise required to develop and maintain our service offerings, to sell those offerings and to operate our business effectively;
- the overall economic health of new and existing markets;
- the number and effectiveness of competitors;

- the pricing structure under which we will be able to purchase services required to serve our customers;
- our ability to successfully introduce new service offerings and maintain or enhance existing offerings;
- the availability to us of technologies needed to remain competitive;
- federal, state and international regulatory conditions, including the maintenance of regulation that protects us from unfair business practices by traditional network service providers or others with greater market power who have relationships with us as both competitors and suppliers; and
- changes in industry standards, laws, regulations, or regulatory enforcement in the United States and internationally.

***Our growth and financial health are impacted by a number of risks, including uncertain capital markets, recessionary fears, high rates of inflation and higher interest rates.***

In recent years, the financial markets in the United States have experienced substantial volatility in securities prices, reduced liquidity and credit availability, rating downgrades of certain investments and declining values with respect to others. If capital and credit markets continue to experience uncertainty, we may not be able to obtain debt or equity financing or to refinance our existing indebtedness on favorable terms or at all, which could impair our ability to execute on our strategy, and harm our financial performance. These conditions currently have not precluded us from accessing credit markets or financing our operations, but there can be no assurance that financial markets and confidence in major economies will not deteriorate.

In addition, we are vulnerable to changes in market preferences or other market changes, such as general economic conditions, recession and fears of recession, interest rates, tax rates and policies, and inflation. In recent years, the United States has experienced higher rates of inflation and as a result, we may experience a compression in our gross margins. These inflationary pressures could affect wages, the cost of and our ability to obtain components, the price of our products and services, our ability to meet customer demand, and our gross margins and operating profit. Inflation may further exacerbate other risks discussed in this “Risk Factors” section, such as risks related to our sales and marketing efforts and our ability to attract, motivate and retain sales, engineering and other key personnel. If we are unable to successfully manage the effects of inflation, our business, operating results, cash flows and financial condition may be adversely affected.

In an attempt to temper these higher rates of inflation, beginning in March 2022 the U.S. Federal Reserve steadily raised its benchmark federal funds interest rate, resulting in a commensurate rise in interest rates across numerous borrowing categories. This rise in interest rates may impact our ability to access debt capital on terms acceptable to us, or at all.

The U.S. and global economies have in the past, and will in the future, experience recessionary periods and periods of economic instability. During such periods, our existing and potential customers may choose not to expend the amounts that we anticipate based on our expectations with respect to the addressable market for the services we offer. There could also be a number of other effects from adverse general business and economic conditions on our business, including insolvency of any of our third-party suppliers or contractors, decreased market confidence, decreased interest in communications solutions, decreased discretionary spending and reduced customer demand for the services we offer, any of which could have a material adverse effect on our business, financial condition and results of operations and exacerbate some of the other risk factors contained in this Quarterly Report on Form 10-Q.

Key vendors upon which we rely also could be unwilling or unable to provide us with the materials or services that we need to operate our communications platform or otherwise on a timely basis or on terms that we find acceptable. Our financial counterparties, insurance providers or others also may default on their contractual obligations to us. If any of our key vendors fail, we may not be able to replace them without disruptions to, or deterioration of, our services and we also may incur higher costs associated with new vendors. Transitioning to new

vendors also may result in the loss of the value of assets associated with our integration of third-party services into our network or service offerings.

***Approximately half of our operating cash is maintained in deposit accounts with various financial institutions and is not insured by the FDIC.***

Approximately half of our operating cash is maintained in deposit accounts at various financial institutions and is not insured by the FDIC. We believe we employ a reasonable strategy to diversify our cash deposits among financial institutions. However, if any of the institutions into which our funds are deposited experience limited liquidity or otherwise defaults or does not perform its obligations to depositors, we may not be able to access those funds in a timely manner, or at all, which could adversely affect our business, financial condition or results of operations, and our prospects.

***The market in which we participate is highly competitive, and if we do not compete effectively, our business, results of operations and financial condition could be adversely affected.***

The market for cloud communications is rapidly evolving, significantly fragmented and highly competitive, with relatively low barriers to entry in some segments. The principal competitive factors in our market include completeness of our suite of service offerings, credibility with enterprises and developers, global reach, ease of integration and programmability, product features, platform scalability, reliability, deliverability, security and performance, brand awareness and reputation, the strength of sales and marketing efforts and customer support, as well as the cost of deploying and using our services. Our competitors fall into two primary categories:

- CPaaS companies that offer software APIs, less robust customer support and fewer other features, while relying on third-party networks and physical infrastructure; and
- network service providers that offer limited developer functionality on top of their own networks and physical infrastructure.

Some of our competitors and potential competitors are larger and have greater name recognition, longer operating histories, more established customer relationships, greater penetration into the enterprise space, a larger global reach, larger budgets and significantly greater resources than we do. In addition, they have the operating flexibility to bundle competing products and services at little or no incremental cost, including offering them at a lower price as part of a larger sales transaction. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. In addition, some competitors may offer services that address one or a limited number of functions at lower prices, with greater depth than our services or in different geographies. Our current and potential competitors may develop and market new services with comparable functionality to our services, which may force us to compete on price in order to remain competitive. In addition, some of our competitors have lower list prices than us, which may be attractive to certain customers even if those services have different or lesser functionality. If we are unable to maintain our current pricing due to competitive pressures, our revenue and margins will be reduced and our business, results of operations and financial condition will be adversely affected. Customers utilize our services in many ways and use varying levels of functionality that our services offer or are capable of supporting or enabling within their applications. Customers using only limited functionality may be able to more easily replace our services with competitive offerings. By contrast, customers using many of the features of our services or using our services to support or enable core functionality for their applications may have difficulty or find it impractical to replace our services with a competitor's services.

With the introduction of new services and new market entrants, we expect competition to intensify in the future. In addition, some of our customers choose to use both our services and our competitors' services in order to provide redundancy in their ability to deliver their own product offerings. Moreover, as we expand the scope of our services, we may face additional competition.

If one or more of our competitors were to merge or partner with another of our competitors, this change in the competitive landscape could further adversely affect our ability to compete effectively. In addition, pricing pressures and increased competition generally could result in reduced revenue, reduced margins, increased losses or the failure of our services to achieve or maintain widespread market acceptance, any of which could harm our business, results of operations and financial condition.

Our current and potential competitors have developed and may develop in the future service offerings that are available internationally. To the extent that customers seek service offerings that include support and scaling internationally, they may choose to use other service providers to fill their communication service needs before we have fully expanded and scaled our international offerings. Each of these factors could lead to reduced revenue, slower growth and lower international brand name recognition amongst our industry competitors, any or all of which could harm our business, results of operations and financial condition.

***If we are unable to attract new customers in a cost-effective manner, then our business, results of operations and financial condition would be adversely affected.***

In order to grow our business, we must continue to attract new customers in a cost-effective manner. We use a variety of marketing channels to promote our services and our communications platform, and we periodically adjust the mix of our marketing programs. If the costs of the marketing channels we use increase dramatically, then we may choose to use alternative and less expensive channels, which may not be as effective as the channels we currently use. As we add to or change the mix of our marketing strategies, we may need to expand into more expensive channels than those we are currently in, which could adversely affect our business, results of operations and financial condition. We will incur marketing expenses before we are able to recognize any revenue that the marketing initiatives may generate, and these expenses may not result in increased revenue or brand awareness. We have made in the past, and may make in the future, significant expenditures and investments in new marketing campaigns. We cannot assure you that any new investments in sales and marketing, including any increased focus on enterprise sales efforts, will lead to the cost-effective acquisition of additional customers or increased sales or that our sales and marketing efficiency will be consistent with prior periods. If we are unable to maintain effective marketing programs, then our ability to attract new customers could be materially and adversely affected.

***The market for some of our services is new and unproven, may decline or experience limited growth and is dependent in part on enterprises and developers continuing to adopt our platform and use our services.***

We have been developing and providing a cloud-based platform that enables developers and organizations to integrate voice and messaging communications capabilities into their software applications. This market is relatively new and unproven and is subject to a number of risks and uncertainties. We believe that our future success will depend in large part on the growth, if any, of this market. For example, the utilization of software APIs by developers and organizations to build communications functionality into their applications is still relatively new, and developers and organizations may not recognize the need for, or benefits of, our services and platform. And even if they recognize the need for and benefits of our services and platform, they may decide to adopt alternative services and/or develop the necessary services in-house to satisfy their business needs. In order to grow our business and expand our market position, we intend to focus on educating enterprise customers about the benefits of our services and platform, expanding the functionality of our services, and bringing new technologies to market to increase market acceptance and use of our platform. Our ability to expand the market that our services and platform address depends upon a number of factors, including the cost, performance and perceived value associated with such services and platform. The market for our services and platform could fail to grow significantly or there could be a reduction in demand for our services and platform as a result of a lack of customer acceptance, technological changes or challenges, our inability to successfully introduce new product offerings, competing services and platforms, decreases in spending by current and prospective customers, weakening economic conditions, geopolitical developments, global pandemics, adverse regulatory developments or other causes. If our market does not experience significant growth or demand for our services and platform decreases, then our business, results of operations and financial condition could be adversely affected.

***Our ability to realize our goals for anticipated revenue growth, cash flow and operating performance depends on customers increasing their use of our services, and any loss of customers or decline in their use of our services could materially and adversely affect our business, results of operations and financial condition.***

Customers generally are charged based on the usage of our services. Most of our customers do not have long-term contractual financial commitments to us and, therefore, most of our customers may reduce or cease their use of our services at any time without penalty or termination charges. We cannot accurately predict customers' usage levels, and the loss of customers or reductions in their usage levels of our services may each have a negative impact on our business, results of operations and financial condition and may cause our net retention rate to decline in the future. If a significant number of customers cease using, or reduce their usage of, our services, we may be required to spend significantly more than planned on sales and marketing efforts to maintain or increase revenue from customers. Such additional sales and marketing expenditures could adversely affect our business, results of operations and financial condition. More specifically, if:

- we do not maintain or improve our current relationships with existing key customers;
- we are not able to expand the available capacity on our network to meet our customers' demands in a timely manner;
- we do not develop and maintain relationships with new large enterprise customers; or
- our customers choose to obtain these services from one of our competitors or develop similar capabilities in-house, then we may be unable to increase or maintain our revenue at acceptable margins.

***If we are unable to increase the revenue that we derive from enterprises, our business, results of operations and financial condition may be adversely affected.***

Our ability to expand our sales to enterprise customers will depend, in part, on our ability to effectively organize, focus and train our sales and marketing personnel and to attract and retain sales personnel with experience selling to enterprises. We believe there is significant competition for experienced sales professionals with the skills and technical knowledge our business requires. Our ability to achieve significant revenue growth in the future will depend, in part, on our ability to recruit, train and retain a sufficient number of experienced sales professionals, particularly those with experience selling to enterprises. In addition, even if we are successful in hiring qualified sales personnel, new hires require significant training and experience before they achieve full productivity, particularly for sales efforts targeted at enterprises and new territories. Our recent hires and planned hires may not become as productive as quickly as we expect and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we do business.

The sales cycle for typical enterprise customers is lengthy and complex. The adoption and implementation of our enterprise service offerings are often considered a strategic purchasing decision, and may require the approval of multiple executive-level technical and business decision makers, including security, compliance, procurement, operations and IT. In addition, enterprise customers often require extensive education about our services and significant customer support time, engage in protracted pricing negotiations, and seek to secure readily available development resources. Enterprise customers may also require deployment of our services on a limited basis prior to making a commitment to deploy our services more broadly over a contracted period of time. These complex and resource-intensive sales efforts could place outsized strain on our limited product and engineering resources.

Further, enterprise customers, including some of our customers, may choose to develop their own solutions in-house that do not include our services. They also may demand reductions in pricing as their usage of our services increases, which could have an adverse impact on our gross margin. We may not be successful in our efforts to

grow our enterprise customer base, and if we are unable to increase the revenue we derive from enterprises, then our business, results of operations and financial condition may be adversely affected.

***If we do not develop enhancements to our services and introduce new services that achieve market acceptance, our business, results of operations and financial condition could be adversely affected.***

Our ability to attract new customers and increase revenue from existing customers depends in part on our ability to increase adoption and usage of our services, enhance and improve functionality of our existing services, and introduce new services. The success of any enhancements or new services depends on several factors, including timely completion, adequate quality testing, actual performance quality, market-accepted pricing levels and overall market acceptance. Enhancements and new services that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, may have interoperability difficulties with our communications platform, network or other services, or may not achieve the broad market acceptance necessary to generate significant revenue. We also must integrate with a variety of network, hardware, mobile and software platforms and technologies, which requires us to adapt our communications platform and product offerings to changes and innovation in these technologies. Wireline and wireless telephone providers, as well as cell-phone operating system providers such as Apple and Google, have developed, and may in the future develop, new applications, functions or technologies intended to filter illegal robocalls or other unwanted phone calls or messages. Such applications, functions or technologies may inadvertently filter legal and desired calls or messages to or from our customers. In certain instances, we may need to update our services and technology to work with these applications, functions or technologies. Any failure to operate effectively with evolving or new technologies could reduce the demand for our services. If we cannot respond to these changes in a cost-effective manner, our services may become less competitive or obsolete, and our business, results of operations and financial condition could be adversely affected. To the extent that upgrades of existing products, services and technology are required for the introduction of new services, the success of these upgrades also may be dependent on reaching mutually acceptable terms with vendors and on vendors meeting their obligations in a timely manner.

Furthermore, our ability to increase the usage of our services depends, in part, on the development of new use cases for our services, which may be outside of our control. Our ability to generate usage of additional services by our customers may also require increasingly sophisticated and more costly sales efforts and result in a longer sales cycle. If we are unable to successfully enhance our existing services to meet evolving customer requirements, increase adoption and usage of our services or develop new services, or if our efforts to increase the usage of our services are more expensive than we expect, then our business, results of operations and financial condition would be adversely affected.

***We use AI in our business, and challenges with properly managing its use could result in reputational harm, competitive harm, and legal liability, and adversely affect our results of operations.***

We use AI in our business, and we continue to expand our research into and continued development of such capabilities. We offer our customers the ability to integrate certain AI technologies developed by third parties into certain of our offerings, and this integration capability is a prominent feature of our Maestro offering. Certain other features of our products are also supported by third-party AI technologies.

In addition, we are exploring the use of AI to potentially improve our internal functions and operations. Our competitors or other third parties may incorporate AI into their products and offerings, or use AI to gain internal efficiencies, more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our business, reputation and results of operations.

As with many developing technologies, AI presents risks and challenges, and may result in unintended consequences that could affect its further development, adoption, and use, and therefore our business. Deficiencies or other failures of AI systems could subject us to competitive harm, cybersecurity events, regulatory action, penalties, legal liability, or brand or reputational harm. Further, our customers may fail to provide adequate notice, collect consent, or otherwise fail to comply with applicable legal frameworks in their use of our products and



services, or integrated AI products and services, which may subject us to regulatory action, private rights of action, legal liability, or brand or reputational harm.

AI is an emerging technology for which the legal and regulatory landscape is not fully developed, including laws and regulations around potential liability for breaching intellectual property or privacy regulations. Laws and regulations applicable to AI are emerging and evolving, and the ultimate legal framework remains uncertain and may be inconsistent from jurisdiction to jurisdiction, including internationally. We may not always be able to anticipate how to respond to these legal frameworks, and our obligation to comply with the laws and regulations could entail significant costs, negatively affect our business, or entirely limit our ability to incorporate certain AI capabilities into our offerings.

***As we continue to expand geographically and otherwise, we may experience difficulties in maintaining our corporate culture, operational infrastructure and management, and our business, results of operations and financial condition could be adversely affected.***

We have experienced substantial expansion in our business, including internationally through our acquisition of Voxbone in late 2020. We believe that our corporate culture has been a critical component of our success. We have invested substantial time and resources in building our team and nurturing our culture. As we further expand our business and continue to grow internationally, we may find it difficult to maintain our corporate culture. Any failure to manage organizational changes in a manner that preserves the key aspects of our culture could hurt our chance for future success, including our ability to recruit and retain personnel, and effectively focus on and pursue our corporate objectives. This, in turn, could adversely affect our business, results of operations and financial condition.

In addition, our organizational structure has become more complex. In order to manage these increasing complexities, we will need to continue to scale and adapt our operational, financial and management controls, and our reporting systems and procedures. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and management resources before our revenue increases and without any assurances that our revenue will increase.

This expansion could strain our ability to maintain reliable service levels for our customers. If we fail to achieve the necessary level of efficiency in our organization as we grow, then our business, results of operations and financial condition could be adversely affected.

***Our pricing and billing systems are complex, and errors could adversely affect our results of operations.***

Our pricing and billing systems are complex to develop and challenging to implement. To be profitable, we must have accurate and complete information about the costs associated with voice and messaging, and properly incorporate such information into our pricing model. Our pricing model must also reflect accurate and current information about the market for our services, including the pricing of competitive alternatives for our services, as well as reliable forecasts of traffic volume. We may determine pricing for our services based on data that is outdated or otherwise flawed. Even if we have complete and accurate market information, we may not set prices that optimize both revenue and profitability. If we price our services too high, the amount of traffic that our customers may route to our network may decrease and accordingly our revenue may decline. If we price our services too low, our margins may be adversely affected, which will reduce our ability to achieve and maintain profitability.

Additionally, we rely on third parties to provide us with key software and services for our billing. If these third parties cease to provide those services to us for any reason, or fail to perform billing services accurately and completely, we may not be able to deliver accurate invoices promptly. Delays in invoicing can lead to delays in revenue recognition, and inaccuracies in our billing could result in lost revenue. If we fail to adapt quickly and effectively to changes affecting our costs, pricing and billing, our profitability and cash flow will be adversely affected.

***We must continue to develop effective business support systems to implement customer orders and to provide and bill our customers for services.***

We depend on our ability to continue to develop effective business support systems. This complicated undertaking requires significant resources and expertise and support from third-party vendors. Following the development of the business support systems, the data migration must be completed for the full benefit of the systems to be realized. Business support systems are needed for:

- quoting, accepting and inputting customer orders for services;
- provisioning, installing and delivering services;
- providing customers with direct access to the information systems included in our communications platform so that they can manage the services they purchase from us, generally through web-based customer portals; and
- billing for services.

***If we are not able to maintain and enhance our brand and increase market awareness of our company and services, then our business, results of operations and financial condition may be adversely affected.***

We believe that maintaining and enhancing our brand identity and increasing market awareness of our company and services are critical to achieving widespread acceptance of our company and our communications platform, strengthening our relationships with our existing customers, and attracting new customers. The successful promotion of our brand depends largely on our continued marketing efforts, our ability to continue to offer high quality services meeting the evolving needs of existing and prospective customers, and our ability to successfully differentiate our services from competing products and services. Our brand promotion activities may not be successful or yield increased revenue. In addition, independent industry analysts often provide reviews of our services and competing products and services, which may significantly influence the perception of our services in the marketplace. If these reviews are negative or not as strong as reviews of our competitors' services, then our brand may be harmed.

From time to time, we have received customer complaints about our services, including with respect to pricing, customer support, and disruption to, or outage of, our services. If we do not handle customer complaints effectively, then our brand and reputation may suffer, our customers may lose confidence in us and they may reduce or cease their use of our services. In addition, social media has become a widespread method by which consumers communicate about products and services they purchase, including our services and communications platform. Our ability to generate positive customer feedback and minimize negative feedback on social media channels where existing and potential customers seek and share information is important to our brand and reputation. Complaints or negative publicity about us, our services or our communications platform could materially and adversely affect our ability to attract and retain customers, our business, results of operations and financial condition.

The promotion of our brand also requires us to make substantial expenditures, and we anticipate that these expenditures will increase as our market becomes more competitive and as we expand into new markets. To the extent that these activities increase revenue, this revenue still may not be enough to offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, then our business may not grow, we may see our pricing power reduced relative to competitors and we may lose customers, all of which would adversely affect our business, results of operations and financial condition.

***Any failure to deliver and maintain high-quality customer support may adversely affect our relationships with our customers and prospective customers, and could adversely affect our reputation, business, results of operations and financial condition.***

Many of our customers depend on our customer support team to help them deploy or use our services effectively, to help them resolve post-deployment issues quickly and to provide ongoing support. If we do not

devote sufficient resources to, or are otherwise unsuccessful in, assisting our customers effectively, it could adversely affect our ability to retain existing customers and could prevent prospective customers from adopting our services. We may be unable to respond quickly enough to accommodate short-term increases in demand for customer support. We also may be unable to modify the nature, scope and delivery of our customer support to compete with changes in the support services provided by our competitors. Increased demand for customer support, without corresponding revenue, could increase costs and adversely affect our business, results of operations and financial condition. Our sales are highly dependent on our business reputation and on positive recommendations from existing customers. Any failure to deliver and maintain high-quality customer support, or a market perception that we do not maintain high-quality customer support, could adversely affect our reputation, business, results of operations and financial condition.

***We operate internationally, which exposes us to significant risks.***

We have expanded our international operations, including through the deployment of data centers in certain European locations and our acquisition of Voxbone in late 2020. As part of our growth strategy, we will continue to evaluate potential opportunities for further international expansion.

Operating in international markets requires significant resources and management attention, and subjects us to legal, regulatory, economic and political risks in addition to those we face in the United States. We have limited experience with international operations, and further international expansion efforts may not be successful.

In addition, we face risks in doing business internationally that could adversely affect our business, including:

- exposure to international political developments that may cause instability for businesses and volatility in global financial markets and the value of foreign currencies, any of which could disrupt trade and the sale of our services in international markets;
- difficulties in managing and staffing international operations, including difficulties related to the increased operations, travel, infrastructure, employee attrition and legal compliance costs associated with numerous international locations;
- our ability to effectively price our products in competitive international markets;
- new and different sources of competition;
- costs associated with network service providers outside of the United States;
- the need to adapt and localize our products for specific countries;
- challenges in understanding and complying with local laws, regulations and customs in multiple foreign jurisdictions, particularly in the areas of telecommunications and data privacy and security;
- complexities related to differing technical standards, certification requirements and audit requirements outside the United States, which could prevent customers from deploying our products or limit their usage;
- export controls and economic sanctions administered by the Bureau of Industry and Security of the U.S. Department of Commerce and the Office of Foreign Assets Control of the U.S. Department of the Treasury;
- compliance with various anti-bribery and anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and U.K. Bribery Act 2010;
- international trade policies, tariffs and other non-tariff barriers, such as quotas;
- more limited protection for intellectual property rights in some countries;

- adverse consequences relating to the complexity of operating in multiple international jurisdictions with differing tax frameworks;
- fluctuations in currency exchange rates, which could increase the price of our products outside of the United States, increase the expenses of our international operations and expose us to foreign currency exchange rate risk;
- currency control regulations, which might restrict or prohibit our conversion of other currencies into U.S. dollars;
- restrictions on the transfer of funds;
- deterioration of political relations between the United States and other countries;
- public health epidemics, such as COVID-19, or natural disasters, which could have an adverse impact on our employees, contractors, customers, partners, travel and the global economy; and
- political or social unrest, acts of war or economic instability in a specific country or region in which we operate, which could have an adverse impact on our operations in that location.

In addition, due to potential costs from our international expansion efforts and network service provider fees outside of the United States, our gross margin for international customers may be lower than our gross margin for domestic customers. As a result, our overall gross margin may fluctuate as we further expand our operations and customer base internationally.

Our failure to manage any of these risks successfully could harm our international operations, and adversely affect our business, results of operations and financial condition.

***The military conflict between Russia and Ukraine, and the global response to this conflict, may adversely affect our business and results of operations.***

In response to the military conflict between Russia and Ukraine, the U.S., U.K., EU and others imposed significant additional sanctions and export controls against Russia and certain Russian individuals and entities, and we terminated our service offerings in Russia and Belarus.

We have operations, as well as current and potential new customers, in several locations in Europe, including an office in Romania. If the conflict extends beyond Ukraine or further intensifies, it could have an adverse impact on our operations in Romania or other affected areas. Although neither Russia nor Belarus constituted a material portion of our business, a significant escalation or further expansion of the conflict's current scope or related disruptions to the global markets could have a material adverse effect on our results of operations. And while we do not offer any services in Ukraine, we continue to monitor the situation in that country and globally, and assess the military conflict's potential impact on our business.

***Some of our revenue is concentrated in a limited number of customers.***

A significant portion of our revenue is concentrated among a limited number of customers. If we lost one or more of our top ten customers, or, if one or more of these major customers significantly decreased orders for our services, our business would be materially and adversely affected.

*Attacks on or breaches of our networks or systems, or those of third parties upon which we rely, could degrade our ability to conduct our business, compromise the integrity of our services and our communications platform, result in service degradation or outages, significant data losses, the theft of our intellectual property, investigations by government agencies and damage to our reputation, and could expose us to liability to third parties and require us to incur significant additional costs to maintain the security of our networks and data.*

We depend upon our IT systems to conduct virtually all of our business operations, ranging from our internal operations and R&D activities to our marketing and sales efforts and communications with our customers and business partners. Cyber-attacks, including through the use of malware, computer viruses, distributed denial of service (“DDoS”) attacks, credential harvesting and other means for obtaining unauthorized access to or disrupting the operation of our networks and systems and those of our suppliers, vendors and other service providers, could cause harm to our business, including by misappropriating our proprietary information or that of our customers, employees and business partners or to cause interruptions of our services and our communications platform. Cyber-attacks may cause service degradation or outages, equipment failures, loss of information, including sensitive personal information of customers or employees or valuable technical and marketing information, as well as disruptions to our or our customers’ operations. Cyber-attacks against companies have increased in frequency, scope and potential harm in recent years. Further, the perpetrators of cyber-attacks are not restricted to particular groups or persons. These attacks may be committed by company employees or external actors operating in any geography, including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective, and may even be launched by or at the behest of nation states.

Despite our efforts to reduce the risks associated with cyber-attacks, including the implementation of a number of defensive measures and protocols designed to protect our systems and networks, there can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information, and such efforts may be insufficient to repel or mitigate the effects of a major cyber-attack. Cybersecurity events, like the DDoS attack we experienced in late 2021, may have cascading effects that unfold over time and result in additional costs, including costs associated with defensive measures, investigations, contractual claims, performance penalties, litigation, the loss of future business and other losses and liabilities that may be difficult to foresee. Any perception by existing and prospective customers that our network and systems are not secure could result in a material loss of business and revenue and damage our reputation. We will continue to deploy security enhancements in an effort to further secure our network.

The techniques used by individuals or entities to access, disrupt or sabotage devices, systems and networks change frequently and may not be recognized until launched against a target. We may be unable to anticipate these techniques, and we may not become aware in a timely manner of a security breach, which could exacerbate the negative impact of such an event on our business or that of our customers. Additionally, we depend upon our employees and contractors to appropriately handle confidential and sensitive data, including customer data and customer proprietary network information pursuant to applicable federal law, and to deploy our IT resources in a safe and secure manner that does not expose our network systems to security breaches or the loss of data. Any data security incidents, including inadvertent disclosure or internal malfeasance by our employees, unauthorized access or usage, virus or similar breach or disruption of us or our services providers, could result in a loss of confidential information, theft of our intellectual property, damage to our reputation, loss of customers, litigation, regulatory investigations, fines, penalties and other liabilities.

Our existing general liability and cyber liability insurance policies may not cover, or may cover only a portion of, any potential claims related to cyber incidents or security breaches that we experience or may not be adequate to indemnify us for all or any portion of liabilities that may be imposed. We also cannot be certain that our existing insurance coverage will continue to be available on acceptable terms or in amounts sufficient to cover the potentially significant losses that may result from a security incident or breach or that the insurer will not deny coverage of any future claim. Many global insurance carriers now exclude coverage for attacks carried out by nation-states from their cyber insurance policies. Accordingly, if our cybersecurity measures and those of our

service providers fail to protect against unauthorized access, attacks (which may include sophisticated cyber-attacks) and the mishandling of data by our employees and contractors, then our reputation, business, results of operations and financial condition could be adversely affected.

***We are currently subject to litigation related to taxes and charges associated with our provision of 911 services, which could divert management's attention and adversely affect our results of operations.***

We, along with many other telecommunications companies and similar service providers, currently are subject to litigation regarding our billing, collection and remittance of non-income-based taxes and other similar charges regarding 911 services alleged to apply in certain states, counties, and municipalities located in California, Illinois and New York. See "Part II, Item 1. Legal Proceedings," in this Quarterly Report on Form 10-Q. We may face similar litigation in other jurisdictions in the future. While we are vigorously defending these lawsuits, litigation is inherently uncertain. Tax assessments, penalties and interest or future requirements arising from these lawsuits, the settlement of any such lawsuit or any other lawsuits that may arise in other jurisdictions, may adversely affect our business, results of operations and financial condition.

***We face a risk of litigation and/or regulatory enforcement actions resulting from customer or end user misuse of our services and software to make or send unauthorized and/or unsolicited calls and/or messages, including those in violation of the TCPA, the TSR, and other state and federal laws. Customer or end user misuse of our services and software also could damage our reputation.***

Calls and/or text messages originated or passed to us by our customers may subject us to potential risks, including litigation, civil liability, regulatory enforcement actions, fines, and reputational damage. For example, the TCPA restricts telemarketing and the use of technologies that enable automatic calling and/or messaging without proper customer consent. In addition, the TSR prohibits deceptive and abusive telemarketing practices. The TSR, which is enforced by the FTC, makes it unlawful for any person or entity to "provide substantial assistance or support to any seller or telemarketer when that person knows or consciously avoids knowing that the seller or telemarketer is engaged in any act or practice" that violates the TSR.

The misuse of our offerings by our customers, or customers of our customers, may result in civil claims and/or enforcement actions against us, including those arising due to misuse of our platform or offerings, and requests for information through third-party subpoenas or regulatory investigations. For example, we have received correspondence from the FTC relating to customers using our network to transit "robocall" traffic. We have received similar correspondence from the FCC relating to our role as a gateway provider. Internationally, we also may become subject to similar laws imposing limitations on marketing calls to wireline and wireless numbers. The scope and interpretation of the laws that are or may be applicable to the making and/or delivery of calls and/or messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by taking mandatory actions such as obtaining proper customer consent, we could become subject to lawsuits, fines, civil penalties, potentially significant statutory damages, consent decrees, injunctions, adverse publicity, loss of user confidence in our services, loss of users and other adverse consequences, which could materially harm our business.

Some of our customers, or customers of our customers, may use our platform to transmit illegal, offensive, unsolicited and/or unauthorized calls and messages, including spam, phishing scams, and links to harmful applications. Some of our customers also may reproduce and distribute copyrighted material or the trademarks of others without permission. Such actions violate our practices and policies, including our Acceptable Use Policy, which applies to all customers. We generally complete considerable "know-your-customer" reviews before a customer, and in certain jurisdictions, an end user, can use our platform, although we cannot always conduct proactive audits of our customers thereafter to confirm compliance with our practices and policies, including our Acceptable Use Policy. We generally rely on our customers' contractual representations to us that their use of our platform will comply with applicable law and our practices and policies. In cases where our customers are reselling our services, we are relying on a contractual pass-through by our customers of similar contractual representations from their end users. We also generally evaluate complaints that we receive regarding our customers' use of our

platform. Our substantial efforts will not prevent all illegal robocalls and other fraudulent activity. The unlawful or fraudulent use of our platform could subject us to claims for damages, copyright or trademark infringement, regulatory enforcement, fraud, or negligence or damage our reputation. Even if claims asserted against us do not result in liability, we may incur substantial costs to investigate and defend such claims. If we are found to be liable for our customers' activities, we could be required to pay fines or penalties, redesign our business methods, limit our provision of certain services or otherwise expend resources to remedy any damages caused by such actions and avoid future liability.

***We are also subject to litigation in the ordinary course of business, and uninsured judgments or a rise in insurance premiums may adversely affect our results of operations.***

In the ordinary course of business, we are subject to various claims and litigation. Any such claims, regardless of merit, could be time-consuming and expensive to defend and could divert management's attention and resources. In accordance with customary practice, we maintain insurance against some, but not all, of these potential claims. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. The levels of insurance we maintain may not be adequate to fully cover any and all losses or liabilities. Further, we may not be able to maintain insurance at commercially acceptable premium levels or at all. If any significant judgment, claim (or a series of claims), a settlement or other event is not fully insured or indemnified against, it could have a material adverse impact on our business, financial condition and results of operations. There can be no assurance as to the actual amount of these liabilities or the timing thereof. We cannot be certain that the outcome of current or future litigation will not have a material adverse impact on our business and results of operations. See "Part II, Item 1. Legal Proceedings," in this Quarterly Report on Form 10-Q.

***The communications industry faces significant regulatory uncertainties and the resolution of these uncertainties could harm our business, results of operations and financial condition.***

If current or future regulations change, the Federal Communications Commission (the "FCC"), state regulators or regulators in other jurisdictions may not grant us required regulatory authorizations or may take action against us if we are found to have provided services without obtaining the necessary authorizations, or to have violated other requirements of their rules and orders. Delays in receiving required regulatory approvals or the enactment of new adverse regulation or regulatory requirements may slow our growth and have a material adverse effect on our business, results of operations and financial condition.

Proceedings before the FCC or regulators from international jurisdictions could limit our access to various network services or further increase the rates we must pay for such services. For example, proceedings before the FCC could result in an increase in the amount we pay to other carriers or a reduction in the revenue we derive from other carriers in, or retroactive liability for, access charges and reciprocal compensation. On December 17, 2019, the FCC issued an order that revised its interpretation of the Voice-over Internet Protocol ("VoIP") symmetry rule. The FCC now concludes that LECs may assess end office switched access charges only if the LEC or its VoIP partner provides a physical connection to the last-mile facilities used to serve an end user. If neither the LEC nor its VoIP partner provides such a physical connection, the LEC may not assess end office switched access charges. The FCC also decided to give its order retroactive effect. We cannot predict the impact this FCC order may have on our business, including whether other carriers will agree with our legal interpretations and treatments, at this time. Other proceedings before the FCC could also result in increases in the cost of regulatory compliance. For example, the FCC continues to examine how to improve the delivery of emergency 911 services and whether to expand requirements to include communications services not currently subject to emergency calling obligations. A number of states also have proceedings pending that could impact our access to and the rates we pay for network services. Other state proceedings could limit our pricing and billing flexibility. Our business would be substantially impaired if the FCC, the courts, state commissions, or interconnected carriers eliminated our access to the facilities and services we use to serve our customers, substantially increased the rates we pay for facilities and services, increased the costs or complexity associated with providing emergency 911 services or adversely affected the revenue we receive from other carriers or our customers. In addition, congressional legislative efforts to rewrite the Telecommunications Act of 1996 or enact other telecommunications legislation such as the TRACED Act, as well

as various state legislative initiatives, may cause major industry and regulatory changes. We cannot predict the outcome of these proceedings or legislative initiatives or the effects, if any, that these proceedings or legislative initiatives may have on our business and operations.

While we believe we comply in all material respects with all material federal, state, local and international rules and regulations, these regulations are subject to interpretation and the relevant regulators may determine that our application of these rules and regulations is not consistent with their interpretation. Additionally, third parties or government agencies may bring action with federal, state, local or international regulators if they believe a provider has breached applicable rules and regulations.

***The effects of increased regulation of IP-based service providers are unknown.***

While the FCC has generally subjected IP-based service providers in the United States to less stringent regulatory oversight than traditional common carriers, the FCC has imposed certain regulatory obligations on providers of interconnected and non-interconnected VoIP services, including the obligations to contribute to the Universal Service Fund, to provide 911 services, and to comply with the Communications Assistance for Law Enforcement Act. The TRACED Act aims to mitigate illegal robocalls by directing the FCC to conduct certain rulemaking proceedings that include adopting rules that require participation in the technical standard known as STIR/SHAKEN, among other requirements. For large carriers operating in the United States, IP-based network equipment and the IP services that operate on such equipment were required to support the STIR/SHAKEN framework as of June 30, 2021. We previously reported that we had a small subset of services and customer accounts that operated on legacy IP equipment that was not STIR/SHAKEN capable prior to the prescribed deadline; however, that equipment was retired in 2022 and we are currently in compliance with STIR/SHAKEN requirements. While additional countries have adopted or are expected to adopt the STIR/SHAKEN framework, other countries may seek to impose alternative regulatory obligations in an effort to mitigate illegal robocalling.

Noncompliance with applicable FCC, FTC, state public utility corporations, or other regulations or requirements could subject us to investigations, sanctions, enforcement actions, fines, consent decrees or other collateral consequences. If any governmental sanctions or fines are imposed, our business, results of operations, and financial condition could be materially adversely affected. In addition, responding to any governmental action will likely result in a diversion of management's attention and resources and an increase in professional fees.

***Our operations are subject to significant regulation and require us to obtain and maintain numerous governmental licenses and permits in the United States and internationally. If we fail to obtain and maintain those licenses and permits, we may not be able to conduct our business. Moreover, changes in regulatory requirements could significantly increase our costs or otherwise adversely affect our operations.***

In the ordinary course of operating our network and providing our services, we must obtain and maintain a variety of telecommunications and other licenses, permits and authorizations. We also must comply with a variety of ongoing regulatory obligations. If we are unable to obtain and maintain the licenses and permits needed to operate and expand our network on acceptable terms and on a timely basis, our business could be materially adversely affected. In addition, the cancellation or non-renewal of the licenses or permits we hold could materially adversely affect our business. Our failure to comply with the obligations imposed upon license and permit holders, including the payment of fees, may cause sanctions or additional costs, including the revocation of authority to provide services.

Our operations are subject to regulation at the country, state and local levels. Changes to existing regulations or rules, or the failure of regulatory agencies to regulate in areas historically regulated on matters such as network neutrality, licensing fees, environmental, health and safety, privacy, intercarrier compensation, emergency services, interconnection, illegal robocalling, extraterritorial use of telephone numbers, and other areas, in general or particular to our industry, may increase uncertainty, increase costs, restrict operations or decrease revenue.



Our inability or failure to comply with telecommunications and other laws and regulations could cause the temporary or permanent suspension of our operations. For example, we have received correspondence from the FCC relating to traffic transmitted by us as a gateway provider on behalf of overseas providers. Under FCC rules, gateway providers must take reasonable and effective steps to ensure that any foreign originating or intermediate providers are not using a gateway provider to carry or process a high volume of illegal traffic onto U.S. networks. Any failure to abide by these rules may result in enforcement action, up to and including an order from the FCC directing voice providers to block traffic from an identified gateway provider.

In addition, if we cannot provide emergency calling functionality through our communications platform to meet any applicable federal, state or international requirements, the competitive advantages that we have may not persist, adversely affecting our ability to obtain and to retain enterprise customers which could have an adverse impact on our business.

We are subject to communications laws and regulations in the non-U.S. countries where we offer our services. Numerous country-specific laws and governmental regulations apply to our business and may increase our costs, impact our products and communications platform or prevent us from offering or providing our products in certain countries. Many existing non-U.S. laws and regulations may not fully contemplate CPaaS solutions and the interpretation and enforcement of non-U.S. laws and regulations may involve significant uncertainties. For example, several European countries have adopted “know your customer” requirements regarding end users and have mandated the real-time provisioning of data to national law enforcement authorities’ systems.

***Our business is subject to complex and evolving laws and regulations, commercial standards, contractual obligations and other requirements related to information collection.***

We are subject to various federal, state, local and foreign laws and regulations, contractual commitments and industry standards that create obligations and impose restrictions with respect to the collection, storage, retention, use, processing, transmission, sharing, disclosure and protection of personal data and other customer data, including “customer proprietary network information” as defined in applicable U.S. laws. We must comply with these obligations and restrictions and may be subject to significant consequences, including penalties and fines, if we fail to comply. These obligations and restrictions continue to develop and evolve rapidly, and it is possible that we may not be, or may not have been, compliant with each such obligation and restriction.

The complexity and evolving nature of these obligations and restrictions subject us to the risk of differing interpretations, inconsistency or conflicts among countries or rules, and creates uncertainty regarding their application to our business. Uncertainty and changes in the requirements of multiple jurisdictions may increase the cost of compliance, delay or reduce demand for our services, restrict our ability to offer services in certain locations, impact our customers’ ability to utilize our services in certain jurisdictions, or subject us to sanctions by national data protection regulators, all of which could harm our business, financial condition and results of operations.

These obligations and restrictions may limit our ability to collect, store, process, use, transmit and share data with our customers, employees, consultants and third-party providers, which may result in our inability in certain cases to provide services to our customers or to offer a global customer experience. These obligations may also limit the ability of our customers to collect, store, retain, protect, use, process, transmit, share and disclose data with others through our services. Compliance with, and other burdens imposed by, such obligations and restrictions could increase the cost of our operations and adversely impact our business.

Any failure to comply with these obligations and restrictions or our own posted privacy policies and notices, or any security incident that results in a personal data breach or the unauthorized access to, or the acquisition, release or transfer of, other customer data, could subject us to investigations, proceedings or actions against us by governmental entities or others, lawsuits, fines, criminal penalties, statutory damages, consent decrees, injunctions, adverse publicity, contractual liability, civil liabilities, loss of customer confidence, damage to our brand and reputation or a loss of customers, any of which could materially harm our business.

If we were to suffer or if one of our customers or vendors were to suffer a personal data breach or other security incident, we may be subject to the jurisdiction of a variety of governmental agencies. We may have to comply with a variety of data breach requirements at the national and state levels in the United States and in other countries, comply with any resulting investigations, as well as offer mitigation to customers and potential end users of certain customers to which we provide services. We could also be subject to fines, forfeitures and other penalties that may adversely impact our business.

From time to time, various federal, state and foreign legislative or regulatory bodies may enact new or additional laws and regulations concerning data-protection issues. For example, certain laws or regulations may mandate disclosure of customer information to domestic or international law enforcement bodies, which could adversely impact our business, our brand or our reputation with customers and may not always provide a level of protection for such information that is required by other laws or regulations. In other cases, some countries may limit the transfer of personal data or require that that personal data regarding customers in their country be maintained solely in their country. Having to maintain local data centers and redesign product, service and business operations to limit the processing of personal data to within individual countries could increase our operating costs significantly.

Additionally, some of our third-party vendors may have access to customer, end user or employee data. If these third-party vendors violate obligations and restrictions related to applicable data protection laws or our policies or contractual commitments, such violations may also put us, or data relating to our customers, end users or employees, at risk and could in turn have a material and adverse effect on our business.

***Our business could suffer if we cannot obtain or retain local or toll-free numbers, are prohibited from obtaining local or toll-free numbers, or are limited to distributing local or toll-free numbers to only certain customers.***

Our future success depends on our ability to procure large quantities of local and toll-free numbers to meet customer demands at reasonable cost and without undue restrictions. Our ability to procure and distribute numbers depends on factors outside of our control, such as regulations, the practices of the communications carriers that provide numbers to us in certain jurisdictions, the cost of obtaining and managing numbers and the level of demand for new numbers. Due to their limited availability, there are certain popular area code prefixes and specialized numbers that we may not be able to obtain in desired quantities. Our inability to acquire or retain numbers would make our services, including our communications platform, less attractive to potential customers that desire assignments of particular numbering resources. In addition, future growth of our customer base, together with growth of customer bases of other providers of communications services, has increased, which increases our dependence on needing large quantities of local and toll-free numbers associated with desirable area codes or specific toll-free numbering resources at a reasonable cost and without undue restriction. If we are not able to obtain or retain adequate local and toll-free numbers, or attractive subsets of such resources, our business, results of operations and financial condition could be materially adversely affected.

In addition, in order to procure, distribute and retain telephone numbers in certain foreign jurisdictions, we will be required to register with the local telecommunications regulatory authorities, some of which have been increasingly monitoring and regulating the categories of phone numbers that are eligible for provisioning to our customers, including geographical, regional, local and toll-free phone numbers. We have obtained licenses or are obtaining licenses in various countries in which we do business, but in some countries, the regulatory regime around provisioning of phone numbers is unclear, subject to change, and may conflict from jurisdiction to jurisdiction. Furthermore, these regulations and governments' approach to their enforcement, as well as our products and services, are evolving and we may be unable to maintain compliance with applicable regulations, or enforce compliance by our customers, on a timely basis or without significant cost. Also, compliance with these regulations may require changes in products or business practices that result in reduced revenue. If we or our customers use or assign phone numbers in these countries in a manner that violates applicable rules and regulations, we may also be subject to significant penalties or governmental action, including government-initiated audits and, in extreme cases, may be precluded from doing business in that particular country. In the event of non-compliance, we may be forced to reclaim phone numbers from our customers, which could result in loss of customers, breach of contract claims,

loss of revenue and reputational harm, all of which could have a material adverse effect on our business, results of operations and financial condition.

***We may be exposed to liabilities under anti-corruption, export control and economic sanction regulations, and similar laws and regulations, and any determination that we violated any of these laws or regulations could have a material adverse effect on our business.***

We are subject to the Foreign Corrupt Practices Act (“FCPA”), the U.K. Bribery Act and other laws that prohibit improper payments or offers of payments to foreign governments and their officials, political parties, and/or private parties by persons and entities for the purpose of obtaining or retaining business. Our international activities create the risk of unauthorized payments or offers of payments by one of our employees or consultants, even though these parties are not always subject to our control. Our policies prohibit these practices by our employees and consultants, although our existing safeguards and any future improvements may prove to be less than effective, and our employees or consultants may engage in conduct for which we might be held responsible. Violations of the FCPA, the U.K. Bribery Act or other laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results, and financial condition.

Our products and services may be subject to export control and economic sanctions regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department’s Office of Foreign Assets Control. Our products and services must be offered and sold in compliance with these laws and regulations. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face liability. In addition, changes in our products or services, changes in applicable regulations, or change in the target of such regulations, could also result in decreased use of our products and services, or in our decreased ability to sell our products or provide our services to existing or prospective customers with international operations. Any decreased use of our products and services or limitation on our ability to export our products and provide our services could adversely affect our business, results of operations and financial condition.

***Intellectual property and proprietary rights of others could prevent us from using necessary technology to provide our services or subject us to expensive intellectual property litigation.***

If technology that we require to provide our services, including our communications platform, was determined by a court to infringe a patent held by another entity that will not grant us a license on terms acceptable to us, we could be precluded by a court order from using that technology and we would likely be required to pay significant monetary damages to the patent holder. The successful enforcement of these patents, or our inability to negotiate a license for these patents on acceptable terms, could force us to cease (i) using the relevant technology and (ii) offering services incorporating the technology. If a claim of infringement was brought against us based on the use of our technology or against our customers based on their use of our services for which we are obligated to indemnify, we could be subject to litigation to determine whether such use or sale is, in fact, infringing. This litigation could be expensive and distracting, regardless of the outcome.

While our own limited patent portfolio may deter other operating companies from bringing such actions, patent infringement claims may also be asserted by patent holding companies, which do not use technology and whose sole business is to enforce patents against operators, such as us, for monetary gain. Because such patent holding companies, commonly referred to as patent “trolls,” do not provide services or use technology, the assertion of our own patents by way of counter-claim would be largely ineffective.

***Our use of open source software could negatively affect our ability to sell our services and subject us to possible litigation.***

Our services, including our communications platform, incorporate open source software, and we expect to continue to incorporate open source software in our services in the future. Few of the licenses applicable to open source software have been interpreted by courts, and there is a risk that these licenses could be construed in a

manner that could impose unanticipated conditions or restrictions on our ability to commercialize our services, including our communications platform. Moreover, although we have implemented policies to regulate the use and incorporation of open source software into our services, we cannot be certain that we have not incorporated open source software in our services in a manner that is inconsistent with such policies. If we fail to comply with open source licenses, we may be subject to certain requirements, including requirements that we offer our services that incorporate the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and that we license such modifications or derivative works under the terms of applicable open source licenses. If an author or other third-party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from generating revenue from customers using services that contained the open source software and required to comply with onerous conditions or restrictions on these services. In any of these events, we and our customers could be required to seek licenses from third parties in order to continue offering our services and to re-engineer our services or discontinue offering our services to customers in the event re-engineering cannot be accomplished on a timely basis. Any of the foregoing could require us to devote additional R&D resources to re-engineer our services, could result in customer dissatisfaction and may adversely affect our business, results of operations and financial condition.

***Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.***

Our agreements with customers and other third parties typically include indemnification or other provisions under which we agree to indemnify or are otherwise liable to them for losses suffered or incurred as a result of claims of intellectual property infringement, damages caused by us to property or persons or other liabilities relating to or arising from our services or platform or other acts or omissions. The term of these contractual provisions often survives termination or expiration of the applicable agreement. Large indemnity payments or damage claims from contractual breach could harm our business, results of operations and financial condition. Although we normally contractually limit our liability with respect to such obligations, we may still incur substantial liability related to them. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other current and prospective customers, reduce demand for our services and adversely affect our business, results of operations and financial condition.

***If we fail to protect our internally developed systems, technology and software and our patents and trademarks, we may become involved in costly litigation or our business or brand may be harmed.***

Our ability to compete effectively is dependent in large part upon the maintenance and protection of systems and software that we have developed internally, including some systems and software based on open standards. We cannot patent much of the technology that is important to our business. In addition, any pending patent applications may not be granted, and any issued patent that we own may be challenged, narrowed, invalidated or circumvented. To date, we have relied on patent, copyright and trade secret laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our rights to our technology. While we typically enter into confidentiality agreements with our employees, consultants, customers, and vendors in an effort to control access to and distribution of technology, software, documentation and other information, these agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our technology without authorization. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any rights against such party. Policing unauthorized use of our technology is difficult. The steps we take may not prevent misappropriation of the technology we rely on. In addition, effective protection may be unavailable or limited in some jurisdictions outside the United States. Litigation may be necessary in the future to enforce or protect our rights or to determine the validity and scope of the rights of others. That litigation could cause us to incur substantial costs and divert

resources away from our daily business, which in turn could adversely affect our business, results of operations and financial condition.

The unlicensed use of our brands by third parties could harm our reputation, cause confusion among our customers or impair our ability to market our services. Accordingly, we have registered trademarks and service marks and have applied for registration of our trademarks and service marks in the United States and certain jurisdictions outside the United States to establish and protect our brand names as part of our intellectual property strategy. The laws of some countries do not protect intellectual property and other proprietary rights to the same extent as the laws of the United States. Our exposure to unauthorized copying, transfer and use of our proprietary technology or information may increase as we expand our international operations. We cannot assure you that our pending or future trademark applications will be approved. Although we anticipate that we would be given an opportunity to respond to any such rejections, we may be unable to overcome any such rejections. In addition, in proceedings before the U.S. Patent and Trademark Office third parties are given an opportunity to oppose pending trademark applications and seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. In the event that our trademarks are successfully challenged, we could be forced to rebrand our services, which could result in loss of brand name recognition. Moreover, successful opposition to our applications might encourage third parties to make additional oppositions or commence trademark infringement proceedings against us, which could be costly and time consuming to defend against. If we decide to take limited or no action to protect our trademarks, our trademark rights may be diluted and subject to challenge or invalidation, which could materially and adversely affect our brand in the marketplace. Certain of the trademarks we may use may become so well known by the public that their use becomes generic and they lose trademark protection. Over the long term, if we are unable to establish name recognition based on our trademark and tradenames, then we may not be able to compete effectively and our business may be adversely affected. Further, we cannot assure you that competitors will not infringe our trademarks or that we will have adequate resources to enforce our trademarks.

***We may be liable for the information that content owners or distributors distribute over our network.***

The law relating to the liability of private network operators for information carried on or disseminated through their networks remains unsettled. While we disclaim any liability for third-party content in our services agreements, we may become subject to legal claims relating to the content disseminated on our network, even though such content is owned or distributed by our customers or a customer of our customers. For example, lawsuits may be brought against us claiming that material distributed using our network was inaccurate, offensive or violated the law or the rights of others. Claims could also involve matters such as defamation, invasion of privacy and copyright infringement. In addition, the law remains unclear over whether content may be distributed from one jurisdiction, where the content is legal, into another jurisdiction, where it is not. Companies operating private networks have been sued in the past, sometimes successfully, based on the nature of material distributed, even if the content is not owned by the network operator and the network operator has no knowledge of the content or its legality. It is not practical for us to monitor all of the content distributed using our network. We may need to take costly measures to reduce our exposure to these risks or to defend ourselves against such claims, which could adversely affect our results of operations and financial condition.

***Third parties may fraudulently use our name to obtain access to customer accounts and other personal information, use our services to commit fraud or steal our services, which could damage our reputation, limit our growth or cause us to incur additional expenses.***

Our customers may have been subject to “phishing,” which occurs when a third party calls or sends an email or pop-up message to a customer that claims to be from a business or organization that provides services to the customer. The purpose of the inquiry is typically to encourage the customer to visit a bogus website designed to look like a website operated by the legitimate business or organization or provide information to the operator. At the bogus website, the operator attempts to trick the customer into divulging customer account or other personal information such as credit card information or to introduce viruses through “Trojan horse” programs to the customers’ computers. This could result in identity theft from our customers and the unauthorized use of our

services. Third parties also have used our communications services to commit fraud. If we are unable to detect and prevent “phishing” and other similar methods, use of our services for fraud and similar activities, our brand reputation and growth may suffer and we may incur additional costs, including costs to increase security, or be required to credit significant amounts to customers.

Third parties also have used our communications services without paying, including by submitting fraudulent credit information and fraudulent credit card information. This has resulted in our incurring the cost of providing the services, including incurring call termination fees, without any corresponding revenue. We have implemented anti-fraud procedures in order to limit the expenses resulting from theft of service. If our procedures are not effective, theft of service could significantly increase our expenses and adversely affect our business, results of operations and financial condition.

***If our customers or their end users do not accept the differences between our service and traditional telephone service, they may choose to remain with their current telephone service provider or may choose to return to service provided by traditional network service providers.***

Aspects of our services based on VoIP, including our communications platform, are not the same as traditional network service providers. Our continued growth is dependent on the adoption of our services by mainstream customers and their end users, so these differences are important. For example:

- Our 911 calling and other emergency calling services are different, in significant respects, from the 911 and other emergency calling services associated with traditional wireline and wireless telephone providers and, in certain cases, with other VoIP providers.
- In the event of a power loss or Internet access interruption experienced by a customer, our service may be interrupted.
- Our customers’ end users may experience lower call quality than they are used to from traditional wireline or wireless telephone companies, including static, echoes and delays in transmissions.
- Our customers’ end users may not be able to call premium-rate telephone numbers such as 1-900 numbers and 976 numbers.

***We may lose customers if we experience failures of our system or communications platform that significantly disrupt the availability and quality of the services that we provide. Such failures may also cause interruptions to service delivery and the completion of other corporate functions.***

Our operations depend on our ability to limit and mitigate interruptions or degradation in service for customers. Interruptions in service or performance problems, for whatever reason, could undermine our customers’ confidence in our services and cause us to lose customers or make it more difficult to attract new ones. Because many of our services are critical to the businesses or daily lives of many of our customers or our customers’ end users, any significant interruption or degradation in service also could result in lost profits or other losses to customers. Although our service agreements generally limit our liability for service failures and generally exclude any liability for “consequential” damages such as lost profits, a court might not enforce these limitations on liability, which could expose us to financial loss. We also sometimes provide our customers with committed service levels. If we fail to meet these committed service levels, we could be required to provide service credits or other compensation to our customers, which could adversely affect our results of operations.

The failure of any equipment or facility on our network, including our network operations control centers and network data storage locations, could interrupt customer service and other corporate functions until we complete necessary repairs or install replacement equipment. Our business continuity plans also may be inadequate to address a particular failure that we experience. Delays, errors or network equipment or facility failures could result from natural disasters, pandemics, such as COVID-19, disease, accidents, terrorist acts, acts of war, power

losses, security breaches, vandalism or other illegal acts, computer viruses or other causes. These delays, errors or failures could significantly impair our business due to:

- service interruptions;
- malfunction of our communications platform on which our enterprise users rely for voice, messaging or emergency service functionality;
- exposure to customer liability;
- the inability to install new service;
- the unavailability of employees necessary to provide services;
- the delay in the completion of other corporate functions such as issuing bills and the preparation of financial statements; or
- the need for expensive modifications to our systems and infrastructure.

***Defects or errors in our services could diminish demand for our services, harm our business and results of operations and subject us to liability.***

Our customers use our services for important aspects of their businesses, and any errors, defects or disruptions to our services and any other performance problems with our services could damage our customers' businesses and, in turn, hurt our brand and reputation. We provide regular updates to our services, which have in the past contained, and may in the future contain, undetected errors, failures, vulnerabilities and bugs when first introduced or released. Real or perceived errors, failures or bugs in our services could result in negative publicity, loss of or delay in market acceptance of our platform, loss of competitive position, lower customer retention or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem. In addition, we may not carry insurance sufficient to compensate us for any losses that may result from claims arising from defects or disruptions in our services. As a result, our brand and reputation could be harmed, and our business, results of operations and financial condition may be adversely affected.

***If our emergency services do not function properly, we may be exposed to significant liability from our users.***

Certain of our IP telephony offerings, as well as the 911 and other emergency services solutions that we offer are subject to FCC and other rules governing the delivery of emergency calling services. The rules and laws that govern emergency calling services are subject to change as communications technologies and consumer use cases evolve. Similar providers of IP telephony services, our 911 and other emergency services are different from those associated with traditional local telecommunications services. These differences may lead to an inability to make and complete calls that would not occur for users of traditional telephony services. For example, to provide the emergency calling services required by the FCC's rules to our IP telephony consumers, we may use components of both the wireline and wireless infrastructure in unique ways that can result in failed connections and calls routed to incorrect emergency call centers. Routing emergency calls through the Internet may be adversely affected by power outages and network congestion that may not occur for users of traditional telephony services. Emergency call centers may not be equipped with appropriate hardware or software to accurately process and respond to emergency calls initiated by consumers of our IP telephony services, and calls routed to the incorrect emergency call center can significantly delay response times for first responders. Users of our interconnected VoIP telephony services from a fixed address in the United States are required to manually update their location information for use when calling 911, and failure to do so may result in dispatching assistance to the wrong location. Even manual updates require a certain amount of time before the updated address appears in the relevant databases which could result in misrouting emergency calls to the wrong emergency calling center, dispatching first responders to the wrong address, or both. Similar requirements and delays applicable to relevant databases also apply to local emergency services provided outside the United States. Moreover, the relevant rules with respect to what address

information should be provided to emergency call centers when the call originates from a mobile application are unsettled and evolving. As a result, we could be subject to enforcement action by the FCC or other entities — possibly exposing us to significant monetary penalties, cease and desist orders, civil liability, loss of user confidence in our services, loss of users, and other adverse consequences, which could materially harm our business. The FCC’s rules, and some states, also impose other obligations, such as properly recording our customers’ registered locations, obtaining affirmative acknowledgement from customers that they are aware of the differences between emergency calling services associated with IP telephony as compared with traditional telecommunications services, and distribution of appropriate warning labels to place on or near hardware used to place IP telephony calls. Similar obligations apply to local emergency services provided outside the United States. Failure to comply with these requirements, or failure of our communications platform such that 911 and other emergency calls did not complete or were misrouted, may result in FCC, foreign regulatory or other enforcement action, state attorneys’ general investigations, potential exposure to significant monetary penalties, cease and desist orders, civil liability to our users and their customers, loss of user confidence in our services, loss of users, and other adverse consequences, which could materially harm our business.

National regulations, including the FCC’s rules, also require that we timely report certain 911 and other emergency service outages. The FCC or other applicable regulatory authorities may make inquiries regarding matters related to any reported 911 or other emergency service outage. Any inquiry could result in regulatory enforcement action, potential monetary penalties and other adverse consequences.

***Any disruption to or termination of arrangements with key suppliers could cause delay and additional costs and could harm our relationships with current and prospective customers.***

Our business is dependent on third-party suppliers for fiber, computers, software, transmission electronics and related network components, as well as providers of network colocation facilities that are integrated into our network, some of which are critical to the operation of our business. If any of these critical relationships is terminated, a supplier either exits or curtails its business as a result of economic conditions, a supplier fails to provide critical services or equipment, or the supplier is forced to stop providing equipment or services due to supply chain issues or legal constraints, such as patent infringement, and we are unable to reach suitable alternative arrangements quickly, we may experience significant additional costs or we may not be able to provide certain services to customers. If that happens, our business, results of operations and financial condition could be materially adversely affected. There can be no assurance that alternative components or equipment will be available when required or on terms that are commercially reasonable, which could extend our lead times, increase the cost of maintaining our network, result in service outages and otherwise harm our business, operating results and financial condition. We may not be able to continue to procure components at reasonable prices, which may require us to enter into longer-term contracts with component suppliers to obtain components at competitive prices. Any of the foregoing disruptions could exacerbate other risk factors and increase our costs and decrease our gross margins, harming our business, operating results and financial condition.

Many of our third-party suppliers do not have long-term committed contracts with us and may interrupt services or terminate their agreements with us without notice or by providing 30 days prior written notice. Although we expect that we could receive similar services from other third-party suppliers, if any of our arrangements with our third-party suppliers are terminated or interrupted, we could experience interruptions in our ability to make our services available to customers, as well as delays and additional expenses in arranging alternative providers. If a significant portion of our third-party suppliers fail to provide these services to us on a cost-effective basis or otherwise terminate or interrupt these services, the delay caused by qualifying and switching to other providers could be time consuming and costly and could adversely affect our business, results of operations and financial condition.

***Our customer churn rate may increase.***

Customer churn occurs when a customer reduces usage or discontinues service with us, whether voluntarily or involuntarily, such as a customer switching some or all of its usage to a competitor or going out of business.



Changes in the economy, increased competition from other providers, cyber incidents such as the DDoS attack we experienced in late 2021, or issues with the quality of service we deliver can impact our customer churn rate. We cannot predict future pricing by our competitors, but we anticipate that price competition will continue. Lower prices offered by our competitors could contribute to an increase in customer churn. We cannot predict the timing, duration or magnitude of any deteriorated economic conditions or its impact on our target of customers. Higher customer churn rates could adversely affect our revenue growth. Higher customer churn rates could cause our net retention rate to decline. A sustained and significant growth in the churn rate could have a material adverse effect on our business.

***The market prices for certain of our services have decreased in the past and may decrease in the future, resulting in lower revenue than we anticipate.***

Market prices for certain of our services have decreased over recent years. These decreases resulted from downward market pressure and other factors including:

- technological changes and network expansions, which have resulted in increased transmission capacity available for sale by us and by our competitors; and
- some of our competitors have been willing to accept smaller operating margins in the short term in an attempt to increase long-term revenue.

To retain customers and revenue, we must sometimes reduce prices in response to market conditions and trends. We cannot predict to what extent we may need to reduce our prices to remain competitive or whether we will be able to sustain future pricing levels as our competitors introduce competing services or similar services at lower prices. Our ability to meet price competition may depend on our ability to operate at costs equal to or lower than our competitors or potential competitors. As our prices for some of our services decrease, our operating results may suffer unless we are able to either reduce our operating expenses or increase traffic volume from which we can derive additional revenue.

***The need to obtain additional IP circuits from other providers increases our costs. In addition, the need to interconnect our network to networks that are controlled by others could increase our costs and adversely impact our business.***

We lease all of our IP circuits from third parties. We could incur material expenses if we were required to locate alternative IP circuits. We may not be able to obtain reasonable alternative IP circuits if needed. Failure to obtain usage of alternative IP circuits, if necessary, could have a material adverse effect on our ability to carry on business operations. In addition, some of our agreements with other providers require the payment of amounts for services whether or not those services are used. Our reliance on third-party providers may reduce our operating flexibility, ability to make timely service changes and ability to control quality of service.

In the normal course of business, we need to enter into interconnection agreements with many local telephone companies, as well as the owners of networks that our customers desire to access to deliver their services. We are not always able to secure these interconnection agreements on favorable terms. In some jurisdictions, we rely on third party access and networks for local connectivity. We are not always able to secure this access and local connectivity on favorable terms. Costs of obtaining service from other communications carriers comprise a significant proportion of the operating expenses of long distance carriers. Changes in regulation, particularly the regulation of telecommunication carriers and local access network owners, could indirectly, but significantly, affect our competitive position. These changes could increase or decrease the costs of providing our services. Further, if problems occur with our third-party providers or local telephone companies, it may cause errors or poor quality communications, and we could encounter difficulties identifying the source of the problem. The occurrence of errors or poor quality communications on our services, whether caused by our platform or a third-party provider, may result in the loss of our existing customers or the delay of adoption of our services by potential customers and may adversely affect our business, results of operations and financial condition.

Network providers also may institute additional fees due to regulatory, competitive or other industry-related changes that increase our costs. For example, the major U.S. cellular carriers and their intermediaries have added a variety of fees that are applied to A2P messages delivered to their subscribers. While we may be able to negotiate with network providers, absorb the increased costs, or charge these costs to our customers, we cannot assure you that we will be able to do so. In the case of new A2P fees, we currently pass, and expect to continue to pass, these fees on to our customers who send A2P messages to the carrier's subscribers. This is expected to increase our revenue and cost of goods sold, but is not expected to impact the gross profit received for sending these messages. However, these changes may still have a negative impact on our gross margins mathematically. We also may not be able to effectively respond to any new fees if all network providers in a particular market impose equivalent fee structures, if the magnitude of the fees is disproportionately large when compared to the underlying prices paid by our customers, or if market conditions limit our ability to increase the prices we charge our customers.

In connection with the delivery of text messages to customers of mobile carriers in the U.S., and in certain other instances, our customers' traffic must be routed through intermediaries who have direct access to network service providers. Although we are seeking direct connections with network service providers in a number of countries, we expect that we will continue to rely on intermediaries for these services for some period of time. These intermediaries sometimes have offerings that directly compete with our products and may stop providing services to us on a cost-effective basis. If a significant portion of these intermediaries stop providing services or stop providing services on a cost-effective basis, our business could be adversely affected.

***We depend largely on the continued services of our senior management and other key employees, the loss of any of whom could adversely affect our business, results of operations and financial condition.***

Our future performance depends on the continued services and contributions of our senior management and other key employees to execute on our business plan, to develop our platform, to deliver our services to customers, to attract and retain customers and to identify and pursue opportunities. The loss of services of senior management or other key employees, such as those who develop and maintain our service offerings, could significantly delay or prevent the achievement of our development and strategic objectives. In particular, we depend to a considerable degree on the vision, skills, experience and effort of our Chief Executive Officer, David A. Morken. The replacement of any of our senior management personnel or other key employees can involve significant time and costs, and such loss could significantly delay or prevent the achievement of our business objectives. The loss of the services of our senior management or other key employees for any reason could adversely affect our business, results of operations and financial condition.

***If we are unable to hire, retain and motivate qualified personnel, our business will suffer.***

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel, and our inability to do so could adversely affect our business, results of operations and financial condition. Competition for talent in the technology industry has become increasingly intense, and the market to recruit, retain and motivate talent has become even more competitive. Many key individual contributors, particularly in software development, sales and cloud computing and telecommunications infrastructure, are critical to our success and can attract very significant compensation packages. In addition, we believe that there is, and will continue to be, intense competition for highly skilled management, technical, sales and other personnel with experience in our industry in the Raleigh, North Carolina area, where our corporate headquarters are located, and in other geographic locations where we maintain offices.

We have experienced and may continue to experience difficulties attracting, hiring and retaining highly-skilled personnel with appropriate qualifications, and may not be able to fill positions in desired geographic areas or at all. These difficulties may be exacerbated by the reactions of employees and prospective employees to our policies related to remote working flexibility. As a result, we have also experienced and may continue to experience increased compensation and training costs that may not be offset by either improved productivity or higher sales, which could reduce our profitability.

We seek to provide competitive compensation packages and a high-quality work environment to hire, retain and motivate employees. If we are unable to retain and motivate our existing employees and attract qualified personnel to fill key positions, we may be unable to manage our business effectively, including the development, marketing and sale of our services, which could adversely affect our business, results of operations and financial condition. To the extent we hire personnel from competitors, we also may be subject to allegations that they have been improperly solicited or hired, or that they divulged proprietary or other confidential information.

Volatility or declines in our stock price may also affect our ability to attract and retain key personnel. Employees may be more likely to terminate their employment with us if the shares they own or the shares underlying any restricted stock units have not significantly appreciated in value, or if the value of the shares underlying restricted stock units they hold has depreciated significantly. If we are unable to retain our employees, our business, results of operations and financial condition could be adversely affected.

In addition, we believe our corporate culture has been a key contributor to our success to date. We, along with many companies in the technology industry, experienced higher than average attrition in the “great resignation,” in which the technology industry saw a dramatic increase in workers leaving their positions in 2020 and 2021 during the COVID-19 pandemic. As we continue to grow and expand globally and navigate shifting workforce priorities, including the desire of many of our employees and prospective employees for a hybrid work model with the ability to work remotely for part of the week, and the increasing demand of employees and prospective employees for fully remote work, we may find it difficult to maintain important aspects of our corporate culture. This could negatively affect our ability to retain and recruit personnel who are essential to our future success, and could ultimately have a negative impact on our ability to innovate our technology and our business.

***We could be subject to additional tax liabilities for historic and future sales, use and similar taxes, which could adversely affect our results of operations.***

We conduct operations in many tax jurisdictions throughout the United States and internationally. In many of these jurisdictions, non-income-based taxes such as sales, use and telecommunications taxes, including those associated with (or potentially associated with) VoIP telephony services or 911 services, are or may be assessed on our operations. We also face exposure to other non-income-based international taxes such as value added taxes that are or may be assessed on our operations. The systems and procedures necessary to comply in these jurisdictions are complex to develop and challenging to implement. Additionally, we rely heavily on third parties to provide us with key software and services for compliance. If these third parties cease to provide those services to us for any reason, or fail to perform services accurately and completely, we may not be able to accurately bill, collect or remit applicable non-income-based taxes. Historically, we have not billed or collected certain of these taxes and, in accordance with GAAP, we have recorded a provision for our tax exposure in these jurisdictions when it is both probable that a liability has been incurred and the amount of the exposure can be reasonably estimated. These estimates include several key assumptions including, but not limited to, the taxability of our services, the jurisdictions in which we believe we have nexus, and the sourcing of revenue to those jurisdictions. In the event these jurisdictions challenge our assumptions and analysis, our actual exposure could differ materially from our current estimates.

Taxing authorities also may periodically perform audits to verify compliance and include all periods that remain open under applicable law, which customarily range from three to four years. At any point in time, we may undergo audits that could result in significant assessments of past taxes, fines and interest if we were found to be non-compliant. During the course of an audit, a taxing authority may, as a matter of policy, question our interpretation and/or application of their rules in a manner that, if we were not successful in substantiating our position, could potentially result in a significant financial impact to us.

Furthermore, certain jurisdictions in which we do not collect sales, use and similar taxes may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties and interest or future requirements may adversely affect our business, results of operations and financial condition.

***Our global operations and legal entity structure subject us to potentially adverse income tax consequences.***

We conduct our international operations through subsidiaries and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. Our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Also, our tax expense could be affected depending on the applicability of withholding and other taxes under the tax laws of certain jurisdictions in which we have business operations. The relevant revenue and taxing authorities may disagree with positions we have taken generally, or our determinations as to income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position were not sustained, we could be required to pay additional taxes, interest and penalties, which could result in additional tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations.

We are unable to predict what global or U.S. tax reforms may be proposed or enacted in the future or what effects such future changes would have on our business. Any such changes in tax legislation, regulations, policies or practices in the jurisdictions in which we operate could increase the estimated tax liability that we have expensed to date and paid or accrued on our balance sheet; affect our financial position, future results of operations, cash flows, and effective tax rates where we have operations; reduce post-tax returns to our stockholders; and increase the complexity, burden, and cost of tax compliance. We are subject to potential changes in relevant tax, accounting, and other laws, regulations, and interpretations, including changes to tax laws applicable to corporate multinationals.

Certain government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational companies. For example, the Organisation for Economic Co-operation and Development (the “OECD”) is conducting a project focused on base erosion and profit shifting in international structures, which seeks to establish certain international standards for taxing the worldwide income of multinational companies. In addition, the OECD is working on a “BEPS 2.0” initiative, which is aimed at (i) shifting taxing rights to the jurisdiction of the consumer and (ii) ensuring all companies pay a global minimum tax. On October 8, 2021, the OECD announced an agreement by members of the Inclusive Framework delineating an implementation plan, and on December 20, 2021, the OECD released model rules for the domestic implementation of a 15% global minimum tax. Further, several countries have proposed or enacted taxes applicable to digital services, which could apply to our business. As a result of these developments, the tax laws of certain countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could increase our liabilities for taxes, interest and penalties, and therefore could harm our business, cash flows, results of operations and financial position.

The governments of countries in which we operate and other governmental bodies could make unprecedented assertions about how taxation is determined in their jurisdictions that are contrary to the way in which we have interpreted and historically applied the rules and regulations in our tax returns filed in such jurisdictions. New laws could significantly increase our tax obligations in the countries in which we do business or require us to change the way we operate our business. As a result of the large and expanding scale of our international business activities, many of these changes to the taxation of our activities could adversely impact our worldwide effective tax rate and harm our financial position, results of operations, and cash flows.

***Our ability to use our net operating loss and tax credit carryforwards to offset future taxable income may be subject to certain limitations.***

The future utilization of our net operating loss and tax credit carryforwards (collectively, “Tax Attributes”) may be limited due to changes in ownership as defined under Section 382 of the Code. In general, if we experience a greater than 50% aggregate change in ownership of certain significant stockholders or groups over a three-year period, utilization of our pre-change Tax Attributes is subject to an annual limitation under Section 382 of the Code (and similar state laws). The annual limitation generally is determined by multiplying the value of our stock at the time of such ownership change (subject to certain adjustments) by the applicable long-term tax-exempt rate. Such limitations may result in expiration of a portion of the pre-change Tax Attributes before utilization and may be substantial. In the past we may have experienced, and in the future may experience, ownership changes as a result of

subsequent shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre-change Tax Attributes to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us.

***We may be subject to significant U.S. federal income tax-related liabilities and indemnity obligations if there is a determination that the Spin-Off is taxable for U.S. federal income tax purposes.***

We may be subject to significant U.S. federal income tax-related liabilities with respect to our prior distribution of all of the issued and outstanding shares of the common stock of Relay, Inc. (f/k/a Republic Wireless, Inc.) (“Relay”), our former subsidiary, to our stockholders as of and on November 30, 2016 (the “Spin-Off”), if there is a determination that the Spin-Off is taxable for U.S. federal income tax purposes. In that regard, even if the Spin-Off otherwise qualified as a tax-free transaction to us and our stockholders under Section 355, Section 368(a)(1)(D) and related provisions of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) at the time of the Spin-Off, we would be subject to corporate-level taxable gain under Section 355(e) of the Code (“Section 355(e)”) if there was a 50% or greater change in ownership, by vote or value, of shares of our stock or Relay’s stock that occurred after the Spin-Off as part of a plan or series of related transactions that included the Spin-Off. For purposes of Section 355(e), any acquisitions or issuances of our stock, including pursuant to our initial public offering and pursuant to the reorganizations undertaken and arrangements entered into in connection with our initial public offering, or Relay’s stock, in each case, that occurred within two years after the Spin-Off are generally presumed to be part of a plan or series of related transactions with respect to the Spin-Off.

In connection with the Spin-Off, we received an opinion from Skadden, Arps, Slate, Meagher & Flom LLP substantially to the effect that, among other things, the Spin-Off should qualify as a tax-free transaction for U.S. federal income tax purposes under Section 355 and Section 368(a)(1)(D) of the Code. In addition, in light of the implications that would arise for us if Section 355(e) applied to the Spin-Off, we received an opinion from Kilpatrick Townsend & Stockton LLP in connection with our initial public offering substantially to the effect that (i) as of the date of the initial public offering, we would not be required to recognize gain with respect to the Spin-Off pursuant to Section 355(e), and (ii) any increases in voting power attributable to conversions of our Class B common stock to Class A common stock by those who held our Class B common stock as of the date of the initial public offering would not cause us to recognize gain with respect to the Spin-Off pursuant to Section 355(e) (together with the opinion from Skadden, Arps, Slate, Meagher & Flom LLP with respect to the Spin-Off, the “Tax Opinions”). Neither of the Tax Opinions is binding on the Internal Revenue Service (the “IRS”) or the courts, however, and the IRS or the courts may not agree with the conclusions reached in the Tax Opinions. Moreover, the Tax Opinions were based upon, among other things, the laws in effect at the time of each of the Tax Opinions and certain assumptions and representations as to factual matters made by us. Any change in applicable law, which may be retroactive, or the failure of any such assumptions or representations to be true, could adversely affect the validity of the conclusions reached in the Tax Opinions.

If the conclusions of the Tax Opinions are not correct, or if the Spin-Off is otherwise ultimately determined to be a taxable transaction, we would be liable for significant U.S. federal income tax related liabilities. In addition, pursuant to the Tax Sharing Agreement, dated November 30, 2016, between us and Relay (the “Tax Sharing Agreement”), we must generally indemnify Relay for any taxes or losses incurred by it (or its respective subsidiaries) resulting from the Spin-Off failing to qualify as a tax-free transaction for U.S. federal income tax purposes (including due to the application of Section 355(e)) as a result of subsequent actions we take or fail to take. The amount of any indemnity obligations we may have under the Tax Sharing Agreement in such case may be material.

Even if Section 355(e) does not apply to the Spin-Off as of the date of our initial public offering or as a result of an increase in voting power attributable to conversions of our Class B common stock by those who held such stock as of our initial public offering, subsequent acquisitions or issuances of our stock could be treated as part of a plan or series of related transactions with respect to the Spin-Off. Accordingly, in light of the requirements of Section 355(e), we might forego share repurchases, stock issuances and other strategic transactions. Notwithstanding the foregoing, it is possible that we, Relay or the holders of our respective stock might

inadvertently cause, permit or otherwise not prevent a change in the ownership of our stock or Relay's stock to occur, which would cause Section 355(e) to apply to the Spin-Off, thereby triggering significant U.S. federal income tax-related liabilities and indemnity obligations under the Tax Sharing Agreement of approximately \$50 million. This approximation is based on our current expectations and the tax laws in effect as of our initial public offering. However, we cannot provide any assurance that this estimate will prove to be accurate in the event that Section 355(e) were to apply.

***If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our condensed consolidated financial statements include those related to revenue recognition, capitalized internal-use software costs, other non-income taxes, business combination and valuation of goodwill and purchased intangible assets and share-based compensation. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our Class A common stock.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.***

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and the rules and regulations of the applicable listing standards of the NASDAQ Global Select Market. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Our disclosure controls and other procedures are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers, and we continue to evaluate how to improve controls. We are also continuing to improve our internal control over financial reporting. In order to develop, maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our consolidated financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting. Ineffective disclosure controls

and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the NASDAQ Global Select Market.

Our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have a material and adverse effect on our business, results of operations and financial condition and could cause a decline in the trading price of our Class A common stock.

***If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.***

We review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. An adverse change in market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill or intangible assets. Any such charges may adversely affect our results of operations.

***We face exposure to foreign currency exchange rate fluctuations, and such fluctuations could adversely affect our business, results of operations and financial condition.***

We face exposure to the effects of fluctuations in currency exchange rates. While historically we have primarily transacted in U.S. dollars, we generally have transacted with customers and partners in Europe in British Pounds and Euros. We expect to expand the number of transactions with customers and partners that are denominated in foreign currencies in the future as we continue to expand our business internationally. We also incur expenses for some of our network service provider costs outside of the United States in local currencies and for employee compensation and other operating expenses in local currency. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in an increase to the U.S. dollar equivalent of such expenses.

In addition, our international subsidiaries maintain net assets denominated in currencies other than the functional operating currencies of these entities. As we expand our international operations, we will become more exposed to the effects of fluctuations in currency exchange rates. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar may affect our results of operations due to transactional and translational re-measurements. Such foreign currency exchange rate fluctuations could make it more difficult to detect underlying trends in our business and results of operations. The trading price of our Class A common stock also could be adversely affected if fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors and securities analysts who follow our stock.

We do not currently maintain a program to hedge transactional exposures in foreign currencies. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

***Earthquakes, hurricanes, fires, floods, pandemics, power outages, terrorist attacks, acts of war, civilian unrest and other significant events could disrupt our business and ability to serve our clients.***

A significant event, such as an earthquake, hurricane, a fire, a flood, a pandemic, such as COVID-19, a power outage, terrorist attack, act of war, such as the ongoing Russia-Ukraine conflict or the Israel-Hamas conflict, or civilian unrest could have a material adverse effect on our business, results of operations or financial condition.

Health concerns or governmental, legal, political or regulatory developments in the United States or other countries in which we or our customers, partners and service providers operate could cause economic, labor or social instability and could materially adversely affect our business and our results of operations and financial condition. Future developments, which are very uncertain, include evolving responses by governments and businesses. These future developments could materially adversely affect our business and our results of operations and financial condition. Our IP network is designed to be redundant and to offer seamless backup support in an emergency. While our network is designed to withstand the loss of any one data center at any point in time, the simultaneous failure of multiple data centers could disrupt our ability to serve our clients. Additionally, certain of our capabilities cannot be made redundant feasibly or cost-effectively. Acts of physical or cyber terrorism or other geopolitical unrest, including acts of war, also could cause disruptions in our business. The adverse impacts of these risks may increase if our disaster recovery plans prove to be inadequate.

***We may acquire or invest in companies, which may divert our management's attention and result in debt or dilution to our stockholders. We may not be able to efficiently and effectively integrate acquired operations, and thus may not fully realize the anticipated benefits from such acquisitions.***

We may evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products and other assets in the future. We may also enter into relationships with other businesses to expand our products and platform, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing or investments in other companies.

Achieving the anticipated benefits of any acquisitions depends in part upon whether we can integrate new businesses in an efficient and effective manner. The integration of any acquired businesses involves a number of risks, including, but not limited to:

- demands on management related to any significant increase in size after the acquisition;
- the disruption of ongoing business and the diversion of management's attention from the management of daily operations to management of integration activities;
- failure to fully achieve expected synergies and costs savings;
- unanticipated impediments in the integration of departments, systems, including accounting systems, technologies, books and records and procedures, as well as in maintaining uniform standards, controls, including internal control over financial reporting required by the Sarbanes-Oxley Act, procedures and policies;
- difficulty establishing and maintaining appropriate governance, reporting relationships, policies, controls, and procedures for the acquired business, particularly if it is based in a country or region where we did not previously operate;
- new or more stringent regulatory compliance obligations and costs by virtue of the acquisition, including risks related to international acquisitions that may operate in new jurisdictions or geographic areas where we may have no or limited experience;
- loss of customers or the failure of customers to order incremental services that we expect them to order;
- difficulty and delays in integrating the products, technology platforms, operations, systems, and personnel of the acquired business with our own, particularly if the acquired business is outside of our core competencies and current geographic markets;
- failure to provision services that are ordered by customers during the integration period;
- higher integration costs than anticipated;



- difficulties in the assimilation and retention of highly qualified, experienced employees, many of whom may be geographically dispersed;
- litigation, investigations, proceedings, fines, or penalties arising from or relating to the transaction or the acquired business, and any resulting liabilities may exceed our forecasts;
- acquisition of businesses with different revenue models, different contractual relationships, and increased customer concentration risks;
- assumption of long-term contractual obligations, commitments, or liabilities (for example, the costs associated with leased facilities), which could adversely impact our efforts to achieve and maintain profitability and impair our cash flow;
- failure to successfully evaluate or utilize the acquired business' technology and accurately forecast the financial impact of an acquisition, including accounting charges; and
- drag on our overall revenue growth rate or an increase of our net loss, which could cause analysts and investors to reduce their valuation of our company.

Successful integration of any acquired businesses or operations will depend on our ability to manage these operations, realize opportunities for revenue growth presented by strengthened service offerings and expanded geographic market coverage, obtain better terms from our vendors due to increased buying power, and eliminate redundant and excess costs to fully realize the expected synergies. Because of difficulties in combining geographically distant operations and systems which may not be fully compatible, we may not be able to achieve the financial strength and growth we anticipate from the acquisitions.

We may not realize our anticipated benefits from our acquisitions, if any, or may be unable to efficiently and effectively integrate acquired operations as planned. If we fail to integrate acquired businesses and operations efficiently and effectively or fail to realize the benefits we anticipate, we would be likely to experience material adverse effects on our business, financial condition, results of operations and future prospects.

Acquisitions or investments may also require us to issue debt or equity securities, use our cash resources, incur debt or contingent liabilities, amortize intangibles, or write-off acquisition-related expenses. In addition, we cannot predict market reactions to any acquisitions we may make or to any failure to announce any future acquisitions.

While we would conduct due diligence in connection with any acquisition opportunities, there may be risks or liabilities that such due diligence efforts fail to discover, that are not disclosed to us or that we inadequately assess. The failure to timely identify any material liabilities associated with any acquisitions could adversely affect our business, results of operations, and financial condition.

We have incurred, and may continue to incur, significant, non-recurring costs in connection with the acquisition and integrating our operations with those of Voxbone, including costs to consolidate business support systems and service offerings. We cannot ensure that the elimination of duplicative costs or the realization of other efficiencies will offset the transaction and integration costs in the near term or at all.

#### **Risks Related to the Convertible Notes**

***Servicing our debt requires a significant amount of cash, and our business may not generate sufficient cash flow to repay our indebtedness.***

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance the Convertible Notes depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be

required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, any of our future debt agreements may contain restrictive covenants that may prohibit us from adopting any of these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our indebtedness.

***We may incur substantially more debt or take other actions which would intensify the risks discussed above.***

We and our subsidiaries may be able to incur substantial additional debt in the future, some of which may be secured debt. We will not be restricted under the terms of the indentures governing the Convertible Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indentures governing the Convertible Notes that could have the effect of diminishing our ability to make payments on the Convertible Notes when due.

***We may not have the ability to raise the funds necessary for cash settlement upon conversion of the Convertible Notes or to repurchase the Convertible Notes for cash following a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion of the Convertible Notes or to repurchase the Convertible Notes.***

Subject to limited exceptions, holders of the Convertible Notes have the right to require us to repurchase their Convertible Notes upon the occurrence of a fundamental change at a cash repurchase price generally equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. In addition, upon conversion of the Convertible Notes, unless we elect to deliver solely shares of our Class A common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Convertible Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Convertible Notes surrendered therefor or pay the cash amounts due upon conversion. In addition, our ability to repurchase the Convertible Notes or to pay cash upon conversions of the Convertible Notes may be limited by applicable law, by regulatory authorities or by agreements governing our future indebtedness. Our failure to repurchase the Convertible Notes at a time when such repurchase is required by the indentures governing the Convertible Notes or to pay the cash amounts due upon future conversions of the Convertible Notes as required by such indentures would constitute a default under such indentures. A default under the indentures governing the Convertible Notes or the fundamental change itself may also lead to a default under agreements governing our existing or future indebtedness, which may result in such existing or future indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under such existing or future indebtedness and repurchase the Convertible Notes or make cash payments upon conversions thereof.

***The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion feature of the Convertible Notes is triggered, holders of Convertible Notes will be entitled to convert the Convertible Notes at any time during specified periods at their option as described in the indentures governing the Convertible Notes. If one or more holders elect to convert their Convertible Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Convertible Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

***The Capped Calls may affect the value of the Convertible Notes and our Class A common stock.***

In connection with the pricing of our 0.25% Convertible Notes due March 1, 2026 (the “2026 Convertible Notes”) and 0.50% Convertible Notes due April 1, 2028 (the “2028 Convertible Notes”) and, together with the 2026 Convertible Notes, the “Convertible Notes”), we entered into privately negotiated capped call transactions (the “2026 Capped Calls” and the “2028 Capped Calls,” respectively and, collectively, the “Capped Calls”) with certain financial institutions (the “option counterparties”). The Capped Calls are expected generally to reduce the potential dilution upon any conversion of the Convertible Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Convertible Notes, as the case may be, with such reduction and/or offset subject to a cap.

We have been advised that, in connection with establishing their initial hedges of the Capped Calls, the option counterparties or their respective affiliates entered into various derivative transactions with respect to our Class A common stock concurrently with or shortly after the pricing of the Convertible Notes.

In addition, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions from time to time prior to the maturity of the Convertible Notes (and are likely to do so during any observation period related to a conversion of Convertible Notes). This activity could also cause or avoid an increase or a decrease in the market price of our Class A common stock or the Convertible Notes, which could affect your ability to convert the Convertible Notes and, to the extent the activity occurs during any observation period related to a conversion of Convertible Notes, it could affect the number of shares and value of the consideration that you will receive upon conversion of such Convertible Notes.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the Convertible Notes or our Class A common stock. In addition, we do not make any representation that the option counterparties will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

***We are subject to counterparty risk with respect to the Capped Calls.***

The option counterparties are financial institutions, and we will be subject to the risk that any or all of them might default under the Capped Calls. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Past global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the capped call transactions with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our Class A common stock. In addition, upon a default by an option counterparty, we may suffer more dilution than we currently anticipate with respect to our Class A common stock. We can provide no assurances as to the financial stability or viability of the option counterparties.

**Risks Related to Ownership of Our Class A Common Stock**

***The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.***

Prior to our initial public offering, there was no public market for shares of our Class A common stock. On November 10, 2017, we sold shares of our Class A common stock to the public at \$20.00 per share. From November 10, 2017, the date that our Class A common stock began trading on the NASDAQ Global Select Market, through June 30, 2024, the trading price of our Class A common stock has ranged from \$9.20 per share to \$198.61 per share. The trading price of our Class A common stock may continue to be volatile and could fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- general market volatility caused by epidemics, endemics and pandemics such as COVID-19, acts of war, or other significant domestic or international events;
- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of technology stocks;
- volatility in the trading volumes of our Class A common stock;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our Class A common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new products or services;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both;
- regulatory actions or developments affecting our operations, those of our competitors or our industry more broadly;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses, products, services or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- new rules adopted by certain index providers, such as S&P Dow Jones, that limit or preclude inclusion of companies with multi-class capital structures in certain of their indices;
- any significant change in our management; and
- general economic conditions and slow or negative growth of our markets.

In addition, in the past, securities class action litigation has often been instituted following periods of volatility in the overall market and the market price of a particular company's securities. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

***Substantial future sales of shares of our Class A common stock could cause the market price of our Class A common stock to decline.***

The market price of our Class A common stock could decline as a result of substantial sales of our Class A common stock, particularly sales by our directors, executive officers and significant stockholders, or the perception in the market that holders of a large number of shares intend to sell their shares.

Additionally, we rely on equity-based compensation as an important tool in attracting, retaining and motivating our employees. Shares of Class A common stock issued upon the exercise of outstanding options and upon the vesting of restricted stock unit awards under our equity incentive plans, and the shares reserved for future issuance under our equity incentive plans, will become eligible for sale in the public market upon issuance and will result in dilution to existing holders of our Class A common stock. Certain holders of our Class A common stock have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for our stockholders or ourselves.

***The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of our initial public offering. This may limit or preclude stockholders' ability to influence corporate matters, including the election of directors, amendments to our organizational documents and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.***

Our Class A common stock has one vote per share, and our Class B common stock has ten votes per share. Substantially all of our Class B common stock continues to be held by our current Chairman and CEO, David Morken, and our co-Founder Henry Kaestner. Because of the ten-to-one voting ratio between our Class B and Class A common stock, these holders of our Class B common stock collectively control approximately 46% of the combined voting power of our common stock and therefore would be able to exert significant influence over all matters submitted to our stockholders for approval. This concentrated voting control limits or precludes stockholders' ability to influence corporate matters for the foreseeable future, including the election of directors, amendments to our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that stockholders may feel are in their best interest as one of our stockholders.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term.

***We cannot predict the impact our capital structure may have on our stock price.***

In July 2017, S&P Dow Jones, a provider of widely followed stock indices, announced that companies with multiple share classes, such as ours, will not be eligible for inclusion in certain of their indices. As a result, our Class A common stock will likely not be eligible for these stock indices. Many investment funds are precluded from investing in companies that are not included in such indices, and these funds would be unable to purchase our Class A common stock if we were not included in such indices. We cannot assure you that other stock indices will not take a similar approach to S&P Dow Jones in the future. Exclusion from indices could make our Class A common stock less attractive to investors and, as a result, the market price of our Class A common stock could be adversely affected.

In addition, several stockholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our common stock may cause stockholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any actions or publications by stockholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A common stock.

***We are effectively controlled by David A. Morken, our Co-Founder and Chief Executive Officer, whose interests may differ from other stockholders.***

Mr. Morken has the ability to effectively control the appointment of our management, the entering into of mergers, sales of substantially all or all of our assets and other extraordinary transactions and influence amendments to our certificate of incorporation and bylaws. In any of these matters, the interests of Mr. Morken may differ from or conflict with your interests. Moreover, this concentration of ownership may also adversely affect the trading price for our Class A common stock to the extent investors perceive disadvantages in owning stock of a company with a controlling stockholder.

***If securities or industry analysts cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our Class A common stock adversely, the trading price of our Class A common stock and trading volume could decline.***

The trading market for our Class A common stock is influenced by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If any of the analysts who may cover us change their recommendation regarding our Class A common stock in an adverse manner, or provide more favorable recommendations about our competitors relative to us, the trading price of our Class A common stock would likely decline. If any analyst who covers us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the trading price of our Class A common stock or trading volume to decline.

***Anti-takeover provisions contained in our second amended and restated certificate of incorporation and third amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.***

Our second amended and restated certificate of incorporation, third amended and restated bylaws and Delaware law contain provisions which could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors. Among other things, our second amended and restated certificate of incorporation and third amended and restated bylaws include provisions:

- authorizing “blank check” preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our Class A and Class B common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- providing for a dual class common stock structure in which holders of our Class B common stock have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class A and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- providing that our board of directors is classified into three classes of directors with staggered three-year terms;
- prohibiting stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- requiring super-majority voting to amend some provisions in our second amended and restated certificate of incorporation and third amended and restated bylaws;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors; and

- controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents certain stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of at least two-thirds of our outstanding common stock not held by such 15% or greater stockholder.

Any provision of our second amended and restated certificate of incorporation, third amended and restated bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock and could also affect the price that some investors are willing to pay for our Class A common stock.

***Our second amended and restated certificate of incorporation and our third amended and restated bylaws include super-majority voting provisions that will limit your ability to influence corporate matters.***

Our second amended and restated certificate of incorporation and our third amended and restated bylaws include provisions that require the affirmative vote of two-thirds of all of the outstanding shares of our capital stock entitled to vote to effect certain changes. These changes include amending or repealing our third amended and restated bylaws or second amended and restated certificate of incorporation or removing a director from office for cause. If all or substantially all of the holders of our Class B common stock convert their shares into Class A common stock voluntarily or otherwise, Mr. Morken may control the majority of the voting power of our outstanding capital stock, and therefore he may have the ability to prevent any such changes, which will limit a stockholder's ability to influence corporate matters.

***Our third amended and restated bylaws provide, subject to certain exceptions, that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or stockholders.***

Our third amended and restated bylaws provide, subject to limited exceptions, that the Court of Chancery of the State of Delaware will, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or stockholder to us or our stockholders; (iii) any action asserting a claim against us that is governed by the internal affairs doctrine; or (iv) any action arising pursuant to any provision of the Delaware General Corporation Law, our second amended and restated certificate of incorporation or our third amended and restated bylaws. This exclusive forum provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act, which provides for exclusive jurisdiction of the federal courts. It could apply, however, to a suit that asserts claims under the Securities Act and falls within one or more of the categories enumerated in our choice of forum provision, inasmuch as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. There is uncertainty as to whether a court would enforce such provision with respect to claims under the Securities Act, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

Our choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims. While Delaware courts have determined that choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than that designated in our exclusive forum provision. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provision of our third amended and restated bylaws. Alternatively, if a court were to find the choice of forum provision contained in our third amended and restated bylaws to be

inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations.

***We may need additional capital in the future and such capital may be limited or unavailable. Failure to raise capital when needed could prevent us from growing in accordance with our plans.***

We may require more capital in the future from equity or debt financings to fund our operations, finance investments in equipment and infrastructure, acquire complementary businesses and technologies, and respond to competitive pressures and potential strategic opportunities. If we are required to raise additional funds through further issuances of equity or other securities convertible into equity, our existing stockholders could suffer significant dilution, and any new shares we issue could have rights, preferences or privileges senior to those of the holders of our Class A common stock. The additional capital we may seek may not be available on favorable terms or at all. If we are unable to obtain capital on favorable terms or at all, we may have to reduce our operations or forego opportunities, and this may have a material adverse effect on our business, financial condition and results of operations.

***We do not intend to pay dividends for the foreseeable future.***

We have never declared or paid any cash dividends on our Class A common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

***If a large number of shares of our Class A common stock is sold in the public market, the sales could reduce the trading price of our Class A common stock and impede our ability to raise future capital.***

We cannot predict what effect, if any, future issuances by us of our Class A common stock will have on the market price of our Class A common stock. In addition, shares of our Class A common stock that we issue in connection with an acquisition may not be subject to resale restrictions. The market price of our Class A common stock could drop significantly if certain large holders of our Class A common stock, or recipients of our Class A common stock in connection with an acquisition, sell all or a significant portion of their shares of Class A common stock or are perceived by the market as intending to sell these shares other than in an orderly manner. In addition, these sales could impair our ability to raise capital through the sale of additional Class A common stock in the capital markets.



**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

**Item 5. Other Information**

The following table describes any contracts, instructions or written plans for the sale or purchase of our securities adopted, amended or terminated by our directors or executive officers during the three months ended June 30, 2024, each of which is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c).

Name and Title	Date of Adoption of Rule 10b5-1 Trading Plan	Scheduled Expiration Date of Rule 10b5-1 Trading Plan	Aggregate Number of Securities to be Purchased or Sold
Devin M. Krupka <i>SVP, Principal Accounting Officer</i>	6/4/2024	3/7/2025	Covers the sale of up to (i) 3,442 shares of Class A common stock, plus (ii) an indeterminate number of shares of Class A common stock issued upon future equity award vesting events.
Rebecca G. Bottorff <i>Director and Chief People Officer</i>	6/13/2024	6/1/2025	Covers the sale of up to (i) 22,453 shares of Class A common stock, plus (ii) an indeterminate number of shares of Class A common stock issued upon future equity award vesting events.

**Item 6. Exhibits**

## Exhibit Index

<b>Exhibit number</b>	<b>Description of Exhibit</b>	<b>Form</b>	<b>File No.</b>	<b>Exhibit</b>	<b>Filing Date</b>
<a href="#">3.1</a>	Second Amended and Restated Certificate of Incorporation.	10-Q	001-38285	3.1	12/14/2017
<a href="#">3.2</a>	Third Amended and Restated Bylaws.	8-K	001-38285	3.1	11/2/2023
<a href="#">10.1</a>	Letter Agreement, dated July 1, 2024, between Bandwidth Inc. and Anthony F. Bartolo.				Filed herewith
<a href="#">10.2</a>	Employment Agreement, dated July 1, 2022, between Bandwidth Inc. and Devesh Agarwal.				Filed herewith
<a href="#">31.1</a>	Certificate of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				Filed herewith
<a href="#">31.2</a>	Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				Filed herewith
<a href="#">32.1*</a>	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 2002.				Furnished herewith
101.INS	XBRL Instance Document - the Instance Document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL Document.				Filed herewith
101.SCH	XBRL Taxonomy Schema Document.				Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				Filed herewith

\* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

**SIGNATURES**

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

BANDWIDTH INC.

Date: August 1, 2024

By: /s/ David A. Morken  
David A. Morken  
Chief Executive Officer  
(Principal Executive Officer)

Date: August 1, 2024

By: /s/ Daryl E. Raiford  
Daryl E. Raiford  
Chief Financial Officer  
(Principal Financial Officer)

Date: August 1, 2024

By: /s/ Devin M. Krupka  
Devin M. Krupka  
Senior Vice President, Corporate Controller  
(Principal Accounting Officer)

July 1, 2024

Anthony F. Bartolo  
5 Gray Bluff Place  
Durham, NC 27705

Dear Anthony:

This letter, upon your signature, will be the agreement (the “**Agreement**”) between you and Bandwidth Inc. (“**Bandwidth**” or the “**Company**”), on the terms of your separation from service at Bandwidth:

1. **Your Last Date of Employment and Related Matters.** Your last day of employment with the Company is July 1, 2024 (the “**Last Date of Employment**”). Through and until your Last Date of Employment, you will be paid in accordance with the Company’s customary semi-monthly payroll practices, less customary and applicable deductions. Upon your Last Date of Employment, the Company will pay you for accrued, unused paid time off (vacation), and no other forms of non-working paid time off benefits will be owed to you.

*Additional Information Regarding Medical, Dental and Other Benefits.* Subject to the terms and conditions of the applicable plan documents, your medical and dental benefits will terminate on July 31, 2024, which is the last day of the last month in which you are actively employed. Upon the termination of your benefits, you will be provided separate information regarding your right thereafter to continue coverage as required by COBRA. FSA, life insurance and long term disability benefits will terminate on your Last Date of Employment. Any voluntary accident benefits you may have will terminate as of July 31, 2024.

2. **Payments to You.** In consideration of your acceptance of this Agreement, and subject to the terms contained herein, and subject to the release of claims in Section 6 of this Agreement becoming effective and irrevocable, the Company agrees to provide you with the following payments and benefits:

- a. Bandwidth agrees to accelerate, to July 1, 2024, the vesting of 62,630 restricted stock units (“RSUs”) you hold (which represents the number of RSUs which would have otherwise vested over the 9 months following the date of this Agreement but for the termination of your employment). Any other RSUs that you hold shall be forfeited for no consideration.
- b. Bandwidth agrees to grant you, on July 1, 2024, an immediately-vested award of RSUs (the “New RSU Award”). The shares of Bandwidth Class A common stock underlying this New RSU Award will be released to you on the earlier of March 14, 2025 or upon your death (the actual date of settlement, the “Settlement Date”) so long as you have complied with (as determined by the Company) (a) the provisions of the Employment Agreement, dated as of February 22, 2022 and amended as of March 24, 2022, between you and the Company (the “Employment Agreement”), any non-competition, non-solicitation, confidentiality or other

restrictive covenant agreement and each other similar agreement(s) (collectively, and together with the Employment Agreement, the “Existing Agreements”), the provisions of which survive the termination of your employment and (b) the terms of this Agreement. The number of shares of Bandwidth Class A common stock to be released to you on the Settlement Date in respect of the New RSU Award shall be determined by dividing \$1,107,760 by the closing price of Bandwidth Class A common stock on the last trading day preceding the Settlement Date. You acknowledge and agree that the New RSU Award will be granted under Bandwidth’s 2017 Incentive Award Plan (as amended and/or restated and will be subject to your timely execution of an award agreement in substantially the form of Bandwidth’s standard form of award agreement, with terms as set forth in this Agreement.).

- c. Subject to the terms and conditions included herein, we will pay you a healthcare stipend in the amount of \$2,540.00 per month (increased, if necessary, in 2025 to the extent of any increase in applicable health insurance rates), grossed up for taxes, to facilitate your purchase of healthcare coverage of your choice (including COBRA, as described below). This amount will be payable on the last business day of each month, beginning on July 31, 2024 and concluding on June 30, 2025. You must elect COBRA in a timely fashion to obtain the continuation of existing health insurance benefits coverage under Bandwidth’s existing plan(s). You will be responsible for paying the COBRA benefits, if timely elected.

The payments through your Last Date of Employment, as set forth in Section 1, and the payments referred to in Sections 2(a), 2(b) and 2(c) shall be referred to, collectively, as the “Payments.” You represent and agree that the Payments represent the entire amount to be paid upon your separation from service, and that it includes payment for any and all outstanding amounts, reimbursements, and payments that you believe are owed to you by the Company as of the date of this Agreement, and that the Payments are in excess of any and all such amounts that you claim you are owed. Except as otherwise expressly required by applicable law, including without limitation the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or as specifically provided in this Agreement, all of your rights to salary, severance, benefits, bonuses and other compensatory amounts will cease on the Last Date of Employment.

3. Upon your failure to comply with, or upon your breach of, this Agreement or any of the Existing Agreements, in addition to all other rights and remedies Bandwidth and any of its affiliates may have, (i) all of the New RSUs will immediately be forfeited for no consideration, and (ii) you shall, within 15 days following such violation, repay to Bandwidth or its designee an amount in cash equal to the sum of the gross amount of all of the Payments (as calculated by Bandwidth), including in respect of the RSUs (and including any shares of common stock in respect of RSUs which have been settled and released to you) (the “Clawback Amount”). In addition, Bandwidth shall be entitled to reduce any payments owed by Bandwidth or its affiliates to you by the Clawback Amount (or a portion thereof) in lieu of repayment of the Clawback Amount (or applicable portion thereof), and shall be entitled to elect to be paid in shares of common stock issued in settlement of the RSUs in lieu of a cash amount.

**4. Nondisparagement; Confidentiality; Continuing Obligations to the Company; Return of Company Equipment.**

- a. You agree that, except as required or expressly permitted by law, you will not do or say anything that a reasonable person would expect at the time would have the effect of diminishing or constraining the goodwill and good reputation of the Company and Representatives (as defined in Section 5), and you will not disparage or seek to injure the reputation of the Company or Representatives. This provision does not apply on occasions when you are subpoenaed or ordered by a court or other governmental authority to testify or give evidence, and must of course, respond truthfully, or to conduct otherwise protected by law.
- b. You will not disclose or use any information regarding the Company and Representatives': business practices, procedures, and policies; trade secrets; customer lists; price lists; product marketing; and any and all other proprietary information of the Company and Representatives, except to the extent required by law, and in such event you will provide Bandwidth with prompt written notice of that fact so that Bandwidth may seek a protective order, confidential treatment or other appropriate remedy. In any event, you shall furnish only that portion of the information that is legally required.
- c. You agree to abide by all provisions of the Existing Agreements which by their terms survive the termination of your employment.
- d. You agree that you have returned or will return immediately any property or assets of The Company, including but not limited to keys, records, computers, peripherals, computer files and disks, notes, memoranda, models, inventory and equipment and every item and every document (including any items, documents, material or information that is that stored, maintained, or accessible by electronic or computerized means, and which may be further described below) in your possession or control that is The Company's property or contains Company information, in whatever form. You acknowledge and stipulate that all of the Company's electronic and telephonic communication systems, computers and other business equipment including, but not limited to, computer systems, data bases, phone mail, modems, e-mail, Internet access, Web sites, fax machines, techniques, processes, formulas, mask works, source codes, programs, semiconductor chips, processors, memories, disc drives, tape heads, computer terminals, keyboards, storage devices, printers and optical character recognition devices, and any and all components, devices, techniques or circuitry incorporated in any of the above and similar business devices (herein collectively referred to as "**Electronic Equipment**"), are the sole property of the Company, and that any information transmitted by, received from, or stored in such Electronic Equipment is also the Company's property. You further agree that you will not, directly or indirectly, for yourself or for any other person or entity, use, access, copy, or retrieve, or attempt to use, access, copy, or retrieve, any of the Company's Electronic Equipment or any information on the Company's Electronic Equipment. You agree that you will immediately provide all system credentials related to your Company employment and duties, including any user identifications, passwords or similar

information, and will respond to any necessary follow-up communications related to system access and proprietary knowledge related to system security, configuration and operation.

- e. In accordance with 18 U.S.C. §1833, notwithstanding anything to the contrary in this Agreement or any other agreement between you and Bandwidth or any of its subsidiaries in effect as of the date you receive this Agreement (together, the “**Subject Documents**”): (a) you will not be in breach of any Subject Document, and shall not be held criminally or civilly liable under any federal or state trade secret law (i) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (b) if you file a lawsuit for retaliation by Bandwidth for reporting a suspected violation of law, you may disclose the trade secret to your attorney, and may use the trade secret information in the court proceeding, if you file any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order. Furthermore, the parties agree that nothing in the Subject Documents prohibits you from reporting possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation, filing a charge of discrimination, harassment or retaliation with, or participating in any investigation or proceeding conducted by or before, the U.S. Equal Employment Opportunity Commission or similar state or local administrative agency or releases or restrains your right to receive an award for information provided to any such government agencies.

5. **Remedies.** You acknowledge that the provisions of Section 4 are of unique and substantial value to the Company, and that in the event that you breach any of the provisions of Section 4 or the Existing Agreements, the Company will have the right to immediately obtain equitable relief, including an injunction or decree of specific performance from any court of competent jurisdiction to restrain you from violating such provisions or to compel you to perform such undertakings or agreements. You agree that monetary relief cannot remedy a breach of the provisions of Section 4 and the Existing Agreements, and therefore an injunction is justifiable. Even if any violation occurs by you and regardless of whether the Company obtains legal, equitable or other relief against you, you agree that you will remain subject to all of the terms of this Agreement. Furthermore, the Company will be entitled to cease making any payments or providing any benefit otherwise required by this Agreement upon a breach of any of the provisions of Section 4 or of the Existing Agreements.

6. **Release of the Company.** In consideration of the Payments, you hereby covenant not to sue and fully and forever release and discharge the Company and its officers, directors, managers, stockholders, members, agents, attorneys, employees, former employees, and representatives, and the Company’s affiliates, predecessors, successors, subsidiaries, related entities and their respective directors, officers, managers, members, employees, agents, and representatives (hereinafter collectively referred to as “**Company and Representatives**”) from any and all claims, demands, damages, liens, actions, suits,

causes of action, obligations, debts, costs, expenses, attorneys' fees, judgments, orders or liabilities of whatever kind or nature in law, equity or otherwise, whether now known or unknown, whether asserted or not asserted, which you may have through the date that this Agreement is signed, arising out of or in connection with your employment with the Company and/or your separation from employment with the Company. These released claims include, but are not limited to, claims arising under federal, state, and local statutory or common law, and the law of contract and tort. These released claims further include, but are not limited to, any claims you may have under the Age Discrimination in Employment Act, as amended, the Americans with Disabilities Act, as amended, the Fair Labor Standards Act, as amended, Title VII of the Civil Rights Act of 1964, as amended, and the North Carolina Wage and Hour Act.

7. **Advised to Consult Attorney.** This Agreement affects important rights and includes a release of any and all claims arising out of any alleged violations of your rights while employed, including, but not limited to, any claims under the Age Discrimination in Employment Act of 1967, as amended, 29 U.S.C. § 621 et seq. Because this Agreement affects important rights, you are advised to consult with an attorney prior to executing this Agreement.

8. **Time to Accept.** You have twenty-one (21) days from the date you receive this Agreement to fully review and consider whether or not you wish to agree to all of its terms and conditions and to advise the Company of the same. You may take as much of that time as you wish before signing. In the event you sign this Agreement before that time, you certify, by your signature, that you knowingly and voluntarily waive the right to the full twenty-one (21) days, for reasons personal to you, with no pressure by the Company and Representatives to do so. To accept the Agreement, please date and sign this Agreement and return it to: Office of General Counsel, Bandwidth Inc., 2230 Bandmate Way, Raleigh, NC 27607.

9. **Revocation.** You are advised that should you sign this Agreement, accepting its terms and conditions, you will have a period of seven (7) days from the date of acceptance to change your mind and revoke this Agreement. If you decide to revoke this Agreement, then you must deliver written notice to: Office of General Counsel, Bandwidth Inc., 2230 Bandmate Way, Raleigh, NC 27607, within such 7-day period. The other terms and conditions contained herein will not be enforceable by the parties hereto until the expiration of this seven (7) day period (the date after the expiration of this period to be the "**Effective Date**").

10. **No Pending Claims.** You represent that you have no other pending claims against the Company and Representatives.

11. **No Tax Advice.** You agree and acknowledge that the Company and Representatives have not made any representations regarding the tax consequences of any funds received pursuant to this Agreement. The provisions of Section 13 of the Employment Agreement ("Section 409A") are hereby incorporated into this Agreement, *mutatis mutandis*.

12. **No Admission of Wrongdoing.** This Agreement will not in any way be construed as an admission by the Company and Representatives that they acted wrongfully with respect to you or that you have any rights against any of these persons.



13. **Severability; Related Matters.** The provisions of this Agreement are severable and if any part of it is found to be unenforceable the other Sections will remain fully and validly enforceable. In the event of a dispute hereunder, the language of all valid parts of this Agreement will be interpreted in accordance with its fair meaning and will not be interpreted either for or against either of the Parties hereto on the ground that such party drafted or caused to be drafted this Agreement or any part hereto.

14. **No Waiver Except In Writing.** No breach of any provision or provisions of this Agreement by either party can be waived unless done so expressly and in writing. Express waiver of any one breach will not be deemed a waiver of any other breach of the same provision or any other provision of this Agreement.

15. **No Reliance.** You acknowledge that you have not relied on any representation, communication or statement, written or oral, not set forth in this Agreement, and this Agreement supersedes and/or modifies any and all prior agreements, correspondence or communications between you and the Company and Representatives, except as provided in Section 3(c) with respect to the Existing Agreements.

16. **Governing Law.** You agree that this Agreement will be governed by and construed in accordance with the law of the State of North Carolina, without regard to its choice of law principles.

17. **Voluntary Agreement.** You acknowledge that you voluntarily enter into this Agreement with a full and complete understanding of its terms and legal effect. You represent that you were advised to consult with legal counsel about the provisions of this Agreement before signing below.

Bandwidth would like to thank you for your service, and we wish you every success in your future endeavors.

Sincerely,

/s/ David A. Morken

David Morken

Chief Executive Officer

Anthony F. Bartolo

July 1, 2024

Page 7

You understand and agree that you have executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of Bandwidth or any third party, with the full intent of releasing all of your claims against the Company and Representatives. You acknowledge that: (a) you have read this Agreement; (b) you have not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement; (c) you have been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of your own choice or have elected not to retain legal counsel; (d) you understand the terms and consequences of this Agreement and of the releases it contains; and (e) you are fully aware of the legal and binding effect of this Agreement.

PLEASE READ CAREFULLY. THIS SEPARATION AGREEMENT  
AND GENERAL RELEASE INCLUDES A RELEASE OF ALL KNOWN  
AND UNKNOWN CLAIMS THROUGH THE DATE OF YOUR SIGNATURE.

Accepted and agreed:

/s/ Anthony F. Bartolo

Dated: July 1, 2024

## EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is made and entered into as of July 1, 2022, by and between Bandwidth Inc. (“Bandwidth”), a Delaware corporation with its principal place of business at 900 Main Campus Drive, Suite 100, Raleigh, North Carolina 27606, and Devesh Agarwal (“Executive”).

### **BACKGROUND**

A. Bandwidth seeks to employ Executive as Bandwidth’s Chief Software Strategy Officer.

B. Bandwidth and Executive now desire to enter into this Agreement in order to formalize the terms and conditions of employment pursuant to this Agreement.

C. All initially capitalized terms are defined herein (but not necessarily where first used) or are defined in **Exhibit A** attached hereto and incorporated herein by this reference.

### **AGREEMENT**

In consideration of the foregoing, the agreements made herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. **Employment Period.** Bandwidth agrees to employ Executive and Executive agrees to serve Bandwidth for the period beginning on July 11, 2022 (or such other date as mutually agreed between Executive and Bandwidth, the “Effective Date”) and ending at 11:59 p.m., Raleigh, North Carolina, local time, on December 31, 2022 (as may be extended, the “Employment Period”). The Employment Period will automatically extend for consecutive additional one (1) year periods unless either party provides the other with written notice to the contrary no less than sixty (60) days prior to the expiration of the then current Employment Period. If notice of non-extension is provided by Bandwidth, this Agreement and Executive’s employment shall terminate at the end of the then current Employment Period, and such termination of employment shall be treated as a termination by Bandwidth other than for Cause. This Agreement may be terminated before the expiration of the Employment Period as provided in Section 4.

2. **Nature of Duties.**

2.1 During the Employment Period, Executive will serve as Bandwidth’s Chief Software Strategy Officer. As such, Executive will act in conformity with the management policies, guidelines and directions issued by Bandwidth’s Board of Directors, Chief Executive Officer and Chief Operating Officer (the “Chief Operating Officer”), and will have general charge and supervision of those functions and such other responsibilities as the Chief Operating Officer determines and assigns. Executive will report to the Chief Operating Officer.

2.2 Executive will work exclusively for Bandwidth on a full-time basis, with his primary office at Bandwidth's office in Raleigh, North Carolina. During normal business hours, Executive will devote substantially all of his business time and attention to Bandwidth's business. Executive acknowledges and agrees that the performance of Executive's duties and responsibilities hereunder may require global business travel from time to time. The foregoing does not prohibit Executive from engaging in civic, professional and business activities that do not interfere with his duties to Bandwidth, and that otherwise do not violate this Agreement.

2.3 Executive will perform his duties and responsibilities hereunder diligently, faithfully and loyally.

2.4 Executive (a) will abide by any confidentiality and non-solicitation provisions of any agreement(s) to which he is bound in respect of his employment with any former employer, (b) will not use any confidential or proprietary information of a former employer or other party in the performance of his duties and responsibilities for Bandwidth, and (c) will not solicit customers or employees of a former employer or other party in violation of any applicable such provision(s).

3. **Compensation and Benefits.**

3.1 **Base Salary and Expenses.**

3.1.1 During the Employment Period, Bandwidth will pay to Executive a salary at the initial rate of \$350,000 per annum (the "Base Salary"). The Base Salary will be earned and paid in equal installments, semi-monthly, or at such other interval as the Bandwidth's Board of Directors (the "Board") or Compensation Committee of the Board (the "Compensation Committee") directs, but no less often than once each month. At the beginning of each year during the Employment Period, the Chief Executive Officer will in good faith review the Base Salary and recommend to the Board and/or Compensation Committee any increases (but not decreases) for determination by the Board and/or the Compensation Committee. Bandwidth shall be entitled to withhold, or cause to be withheld, any amount of federal, state, city or other withholding taxes or other amounts either required by law or authorized by Executive with respect to payments made to Executive in connection with his employment hereunder.

3.1.2 Bandwidth will reimburse Executive for all reasonable out-of-pocket business expenses incurred by Executive on Bandwidth's behalf during the Employment Period, so long as such expenses are reimbursable under Bandwidth's policies in effect from time to time. At Executive's request, expenses will be advanced before an expenditure is incurred, or they will be paid by Bandwidth directly to third parties from which goods or services are being obtained.

3.2 **Bonus Compensation.**

3.2.1 In addition to the Base Salary, Bandwidth will pay to Executive bonus compensation each year during the Employment Period of up to 50% (the "Target Bonus") of the Base Salary pursuant to Bandwidth's Management By Objective ("MBO") Plan (the "MBO Bonus Compensation").

3.2.2 MBO Bonus Compensation for a given year will be earned, if at all, based upon satisfaction of Executive's individual performance objectives and Bandwidth's corporate objectives, with each component weighted as set forth in the MBO Plan approved by the Compensation Committee. The portion of MBO Bonus

Compensation based on Executive's individual performance objectives will be earned pro-rata upon Executive attaining each objective, as reasonably determined by the Chief Executive Officer, who will make recommendations to the Compensation Committee as to Executive's satisfaction of such individual performance objectives. The portion of MBO Bonus Compensation based on corporate objectives will be earned pro-rata based on the achievement, and weighting, of Bandwidth's corporate objectives as reasonably determined by the Chief Executive Officer, who will make recommendations to the Compensation Committee as to Bandwidth's satisfaction of its corporate objectives. Executive may receive more than the Target Bonus if Bandwidth exceeds its corporate objectives for a given year. Solely by way of example, if Bandwidth achieves one hundred percent (100%) of each of the corporate objectives established from time to time and Executive achieves one hundred one percent (101%) of Executive's personal objectives, the MBO Bonus Compensation would be calculated by multiplying Executive's Target Bonus by 1.01. Notwithstanding the foregoing, the Compensation Committee may in its discretion limit the extent to which the Target Bonus may be exceeded.

The Chief Executive Officer from time to time may recommend for consideration by the Compensation Committee the inclusion of additional corporate objectives or changes to the weighting of corporate objectives.

3.2.3 Notwithstanding anything to the contrary herein, (a) the Compensation Committee will have final approval of MBO Bonus Compensation, if any, to be paid to Executive, and (b) Bandwidth may alter the bonus compensation programs applicable to Executive, or any components thereof, at any time in its discretion.

3.2.4 Any MBO Bonus Compensation will be paid no later than March 15<sup>th</sup> of the year succeeding the calendar year with respect to which the MBO Bonus Compensation, if any, is earned. Executive's MBO Bonus Compensation for 2022 will be pro-rated for the Executive's partial year of employment during the 2022 calendar year.

3.2.5 Bandwidth will pay to Executive a one-time delayed signing bonus of \$40,000 on June 30, 2023 provided Executive remains employed with Bandwidth on such date.

3.2.6 In addition to the MBO Bonus Compensation, the Chief Operating Officer will from time to time review Executive's efforts on behalf of Bandwidth and may recommend to the Chief Executive Officer a special bonus for extraordinary service. Special bonuses, if any, will not count as any other compensation payable under this Agreement.

### 3.3 Restricted Stock Units.

3.3.1 Bandwidth will grant Executive an award of a number of restricted stock units (the "RSUs") equal to (i) \$500,000, divided by (ii) the closing sales price of a share of common stock of Bandwidth on the effective date of the approval of the grant of such RSUs under Bandwidth's 2017 Incentive Award Plan, as amended and/or restated, which will vest in four equal annual installments following the Effective Date, subject to Executive's continued service to Bandwidth (the "Initial RSU Award"). The Initial RSU Award will be governed by and subject to the terms of the Plan and a separate RSU award agreement to be entered into between Executive and Bandwidth.

3.3.2 Upon a Qualifying Termination (as defined below) other than in connection with a Change in Control, the Initial RSU Award and any other equity award granted to Executive by Bandwidth that is scheduled to vest solely based on the passage of time (as opposed to performance goals) will become vested, subject to the release requirement in Section 3.4.2, with respect to that portion of the award that is scheduled to vest within six (6) months following Executive's termination.

3.3.3 All of Executive's unvested RSU's and any other equity award granted to Executive by Bandwidth that is scheduled to vest solely based on the passage of time (as opposed to performance goals) will become fully vested upon the earlier of (a) Executive's death prior to termination or expiration of this Agreement, or (b) a Change in Control.

3.3.4 This Section 3.3 is intended to be an award agreement itself, and is intended to supplement the terms and conditions of any and all other award agreements between Bandwidth and Executive relating to any options or restricted stock granted to Executive by Bandwidth, and the terms of this Section 3.3 will govern the terms of such other award agreements in the event of any conflicts, regardless of whether such other agreements are heretofore or have previously been entered into by the parties.

#### 3.4 Cash Severance Benefits.

3.4.1 If Bandwidth terminates Executive other than for Cause, or Executive resigns for Good Reason (either, a "Qualifying Termination"), including with respect to a Qualifying Termination that occurs within twelve (12) months following a Change in Control, then Bandwidth will pay to Executive an amount in cash ("Severance") equal to (i) one hundred percent (100%) of the then-current Base Salary, plus (ii) one hundred percent (100%) of the Target Bonus, plus (iii) a healthcare stipend, grossed up for taxes, in an amount sufficient to facilitate your purchase of healthcare coverage of your choice (including COBRA) comparable to your then-current coverage for a period of twelve (12) months. Such amount, less any applicable taxes and other similar amounts, will be paid in equal installments over a twelve (12) month period following the termination in accordance with Bandwidth's standard payroll practices and procedures.

3.4.2 Notwithstanding anything to the contrary in this Agreement, the receipt of any Severance and the acceleration of any equity vesting, in whole or in part, provided for pursuant to this Agreement or otherwise will be dependent upon Executive's delivery to Bandwidth of an effective general release of claims substantially in the form attached hereto as Exhibit B not later than sixty (60) days after the date of Executive's termination of employment (or such longer period as may be required by applicable law), and shall be paid or commence no later than thirty (30) days thereafter, with the first payment to include any amounts that would have been payable on payroll dates occurring after Executive's termination of employment and prior to such first payment.

3.5 Annual Equity Awards. During the Employment Period, Bandwidth will consider granting Executive annual equity-based awards.

3.6 Vacation. During the Employment Period, Executive will be entitled to take vacation time in accordance with Bandwidth's policies, but no less than 20 days of paid vacation per year. Bandwidth and Executive will reasonably agree on when vacation time can be taken, and how many weeks can be taken consecutively. In the event that all or any part of the vacation is not taken for any reason during any year, there will be no compensation

paid in lieu thereof, and accrued and unused vacation time will not be carried over and added to the vacation time for the succeeding year in accordance with such policy, unless otherwise approved by the Chief Operating Officer.

3.7 Health, Disability, Retirement, Death and Insurance Benefits. Bandwidth will provide Executive with the same health, disability, retirement, death and other fringe benefits as are generally provided to the executive employees of Bandwidth in accordance with such terms, conditions and eligibility requirements as may from time to time be established or modified by Bandwidth; provided, that Bandwidth will pay the entire premium for Executive's then-current coverage under Bandwidth's group health insurance plan unless Bandwidth reasonably determines that paying the entire premium would be discriminatory and could subject Executive to adverse income tax consequences.

3.8 Indemnification.

3.8.1 During the Employment Period and after Executive's termination of employment, Bandwidth shall indemnify Executive and hold Executive harmless from and against any claim, loss or cause of action arising from or out of Executive's performance as an officer, director or employee of Bandwidth or any of its subsidiaries or other affiliates or in any other capacity, including any fiduciary capacity, in which Executive serves at Bandwidth's request, in each case to the maximum extent permitted by law and under Bandwidth's Certificate of Incorporation and By-Laws. This indemnification right is in addition to any similar rights under any statute, Bandwidth's Certificate of Incorporation, By-Laws and under any other applicable agreements that now exist or may exist from time to time. During the Employment Period and for at least 3 years following Executive's termination of employment, Executive shall be covered by any policy of directors' and officers' liability insurance maintained by Bandwidth for the benefit of its officers and directors.

4. Termination.

4.1 Executive's employment with Bandwidth will terminate automatically upon Executive's death.

4.2 Bandwidth may terminate Executive's employment at any time, including for Cause as set forth in Section 4.4 below. Employee may terminate Executive's employment at any time, including with Good Reason pursuant to 4.3 below.

4.3 If at any time during the Employment Period Bandwidth (i) assigns Executive to serve in a capacity other than as Bandwidth's Chief Software Strategy Officer or assigns Executive to perform tasks inconsistent with such position, in each case, which results in a material diminution in Executive's authority, duties or responsibilities, or (ii) Bandwidth materially breaches any provision of this Agreement (either such circumstance referred to herein as "Good Reason"), then Executive may resign his employment by providing notice to Bandwidth within thirty (30) days of such event of the reasons for his resignation under this provision. Bandwidth shall have thirty (30) days following receipt of such notice to remedy and cure the alleged diminution or breach. If Bandwidth does not cure such breach, Executive shall resign his employment and such resignation will be deemed to be a termination by Bandwidth other than for Cause and/or a resignation by Executive for Good Reason. Executive can resign at any time other than for Good Reason.

4.4 Bandwidth will have the right to terminate Executive at any time, immediately, for Cause. "Cause" will mean: (i) Executive is convicted of any felony (or Executive pleads guilty or nolo contendere thereto); (ii) Executive fails or refuses to perform, in any material respect, the written policies or directives of the Board of Directors, the Chief Executive Officer or the Chief Operating Officer, unless such failure is corrected within thirty (30) days following his receipt of written notice of such failure from Bandwidth that specifically identifies the manner in which Bandwidth believes Executive has substantially failed to materially perform his duties; (iii) Executive materially breaches the provisions set forth in Section 2.2 of this Agreement unless such breach is corrected within thirty (30) days following his receipt of written notice of such breach from Bandwidth that specifically identifies the manner in which Bandwidth believes Executive has breached such Section 2.2, and such failure shall not be eligible for correction if it occurs more than once in any three month period, provided that Executive has been provided notice of such initial breach; (iv) Executive materially breaches this Agreement or any other agreement between Bandwidth and Executive, including, without limitation, any applicable nondisclosure agreement, unless such failure is corrected within thirty (30) days following his receipt of written notice of such failure from Bandwidth that specifically identifies the manner in which Bandwidth believes Executive has breached the agreement; or (v) gross or willful misconduct by Executive with regard to Bandwidth or any employee of Bandwidth that is materially injurious to Bandwidth or such employee.

#### 5. **Effects of Termination.**

5.1 Upon Executive's termination of employment for any reason (including death), he will be entitled to receive (in addition to any compensation and benefits he is entitled to receive under Section 3 above, if applicable): (i) any earned but unpaid Base Salary, (ii) any earned but unpaid Bonus Compensation, (iii) unreimbursed business expenses in accordance with Bandwidth's policies for which expenses Executive has provided appropriate documentation, (iv) a lump sum cash amount equal to the value of his unused vacation days in accordance with the standard written policy of Bandwidth, and (v) any vested amounts or benefits to which Executive is then entitled under the terms of the benefit plans then sponsored by Bandwidth in accordance with their terms. All of Bandwidth's other obligations under this Agreement will end immediately upon Executive's termination of employment. Notwithstanding the foregoing, the provisions of Section 3.8 hereof, to the extent such provisions by their terms call for performance subsequent to termination of Executive's employment hereunder, or of this Agreement, shall survive such termination.

5.2 Any controversy or claim arising out of or relating to the benefits and entitlements of Executive following a Change of Control will be resolved by binding arbitration in Raleigh, North Carolina with the American Arbitration Association, pursuant to their commercial arbitration rules then in effect. The determination of the arbitrator will be conclusive and binding on Bandwidth and Executive, and judgment may be entered on the arbitrator's award in any court of competent jurisdiction. The prevailing party may recover its attorneys' fees and expenses incurred in such dispute, including the cost of the Arbitration if the prevailing party initiated the action.



## 6. Covenant Not To Compete.

6.1 Inducement. This covenant between Executive and Bandwidth is being executed and delivered by Executive in consideration of Executive's employment with Bandwidth and each party's rights and obligations agreed to hereunder (including, without limitation, the Base Salary, Bonus Compensation, the Signing Bonus and other benefits and payments set forth herein). Executive acknowledges that Bandwidth's business and Executive's responsibilities are international in scope.

6.2 Restricted Activities — Duration. Except as otherwise consented to or approved by the Chief Executive Officer in writing, Executive agrees that during the term of this Agreement and for twelve (12) months after Executive's employment with Bandwidth ends, regardless of the time, manner or reasons for termination, and regardless of whether terminated by Executive or Bandwidth, but only so long as Bandwidth does not breach its obligations in this Agreement, Executive will not, directly or indirectly, acting alone or as a member of a partnership or as an owner, director, officer, employee, manager, representative or consultant of any corporation or other business entity:

6.2.1 engage in any business in competition with the business that is conducted by Bandwidth in the United States, Canada or any European, Asian, Pacific or other foreign country in which Bandwidth then or thereafter transacts business or is making a bona fide attempt to do so;

6.2.2 induce, request or attempt to influence any customers or suppliers of Bandwidth to curtail or cancel their business or prospective business with Bandwidth or in any way interfere with Bandwidth's business relationships; or

6.2.3 induce, solicit, assist or facilitate the inducement or solicitation by a third person of any employee, officer, agent or representative of Bandwidth, to terminate their respective relationship with Bandwidth or in any way interfere with Bandwidth's employee, officer, agent or representative relationships.

6.3 Tolling; Relief of Obligations. In the event that Executive breaches any provision of this Section 6, that violation will toll the running of the restricted period set forth in Section 6.2 from the date of commencement of such violation until such violation ceases.

6.4 "Blue Penciling" or Modification. If the length of time, geographic area or scope of restricted business activity set forth in Section 6.2 is deemed unreasonably restrictive or unreasonable in any other respect in any court proceeding, Executive and Bandwidth agree and consent to such court's modifying or reducing such restriction(s) to the extent deemed reasonable under the circumstances then presented. Executive agrees and acknowledges that for purposes of this Section 6, Executive is an executive, manager or officer of Bandwidth.

6.5 Definitions. As used in this Section 6, the following terms will have the following definitions:

(i) The terms "compete" or "in competition," as used herein, will be deemed to include, without limitation, becoming or being an employee, owner, partner, consultant, agent, stockholder, director, or officer of any person, partnership, firm, corporation or other entity (other than Bandwidth) which engages in (i) the

business of developing, providing, offering and selling (A) retail VoIP services, including, without limitation, IP based unified communications services and trunking services; wholesale VoIP services; (B) wholesale origination, termination or SMS services; (C) emergency solutions for telecommunications carriers, including, without limitation, end-to-end call control and support, real-time address validation, automated provisioning and/or geospatial routing; (D) communication platform as a service (or CPaaS) solutions, including, without limitation, application program interfaces deploying, causing the use of, or using origination, termination, or SMS services; and/or (E) product(s) or service(s) to which any of clauses (A) through (D) apply and/or any product(s) or service(s) that perform substantially similar functions to which any of clauses (A) through (D) apply, or (ii) any other business conducted by Bandwidth immediately prior to such termination (or in which Bandwidth shall at such time be actively preparing to engage). Notwithstanding the foregoing, ownership of five (5%) percent or less of any class of securities of an entity will not constitute competition with Bandwidth.

(ii) The phrases “engage in a business” or “engage in a line of business” and similar phrases will be deemed to include marketing or otherwise selling products or researching, writing, developing, designing, distributing, testing or manufacturing products or services or otherwise preparing to market or sell products or services.

#### **7. Nondisclosure of Confidential Information.**

7.1 Executive acknowledges that the discharge of his duties under this Agreement will necessarily involve his access to Confidential Information. Executive acknowledges that the unauthorized use by him or disclosure by him of such Confidential Information to third parties might cause irreparable damage to Bandwidth and Bandwidth’s business. Accordingly, Executive agrees that at all times after the date hereof he will not copy, publish, disclose, divulge to or discuss with any third party nor use for his own benefit or that of others, without the prior express written consent of the Chief Executive Officer, except in the normal conduct of his duties under this Agreement, any Confidential Information, it being understood and acknowledged by Executive that all Confidential Information created, compiled or obtained by Executive or Bandwidth, or furnished to Executive by any person while Executive is associated with Bandwidth remains its exclusive property. Notwithstanding the foregoing, in the event Executive is legally compelled (by subpoena or other judicial authority, or by valid governmental demand) to disclose any Confidential Information, Executive agrees that he will provide Bandwidth with prompt written notice of such compelled disclosure, so that Bandwidth may seek a protective order or other appropriate remedy and/or waive compliance (which must be in writing) with the provisions of this Agreement. In the event that such protective order or other remedy acceptable to Bandwidth is not obtained, or that Bandwidth waives, in writing, full compliance with this Section 7.1, Executive agrees that he will furnish only that portion of such Confidential Information that is legally required and will use his best efforts to obtain reliable assurance that the recipient of any portion of Confidential Information compelled to be disclosed will keep any disclosed information confidential.

7.2 Promptly upon termination of his employment, irrespective of the time or manner thereof or reason therefor, and whether such termination is by Bandwidth or Executive, Executive agrees to return and surrender to Bandwidth all tangible Confidential Information in any manner in his control or possession, as well as all other Bandwidth property.

7.3 Pursuant to the Defend Trade Secrets Act of 2016, Executive understands that:

An individual may not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (a) is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (b) is made in a complaint or other document that is filed under seal in a lawsuit or other proceeding.

Further, an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the employer's trade secrets to the attorney and use the trade secret information in the court proceeding if the individual: (a) files any document containing the trade secret under seal; and (b) does not disclose the trade secret, except pursuant to court order.

#### 8. **Remedies Inadequate.**

8.1 Executive acknowledges that the services to be rendered by him to Bandwidth as contemplated by this Agreement are special, unique and of extraordinary character. Executive expressly agrees and understand that the remedy at law for any breach by him of Section 6 or 7 of this Agreement will be inadequate and that the damages flowing from such breach are not readily susceptible to being measured in monetary terms. Accordingly, upon adequate proof of Executive's violation of any legally enforceable provision of Section 6 or 7, Bandwidth will be entitled to immediate injunctive relief, including, without limitation, a temporary order restraining any threatened or further breach. In the event any equitable proceedings are brought to enforce the provisions of any of Section 6, 7 or 8, Executive agrees that he will not raise in such proceedings any defense that there is an adequate remedy at law, and Executive hereby waives any such defense. Nothing in this Agreement will be deemed to limit Bandwidth's remedies at law or in equity for any breach by Executive of any of the provisions of Section 6 or 7 which may be pursued or availed of by Bandwidth. Without limiting the generality of the immediately preceding sentence, any covenant on Executive's part contained in Section 6 or 7, which may not be specifically enforceable will nevertheless, if breached, give rise to a cause of action for monetary damages.

8.2 Executive has carefully considered, and has had adequate time and opportunity to consult with his own counsel or other advisors regarding the nature and extent of the restrictions upon him and the rights and remedies conferred upon Bandwidth under Sections 6, 7 and 8, and hereby acknowledges and agrees that such restrictions are reasonable in time, territory and scope, are designed to eliminate competition which otherwise would be unfair to Bandwidth, do not stifle the inherent skill and experience of Executive, would not operate as a bar to Executive's sole means of support, are fully required to protect the legitimate interests of Bandwidth and do not confer a benefit upon Bandwidth disproportionate to the detriment to Executive.

8.3 The covenants and agreements made by Executive in Sections 6, 7 and 8 will survive full payment by Bandwidth to Executive of the amounts to which Executive is entitled under this Agreement, the expiration of the Employment Period and this Agreement.

9. **Rights.** Executive acknowledges and agrees that any procedure, design feature, schematic, invention, improvement, development, discovery, know how, concept, idea or the like (whether or not patentable, registrable under copyright or trademark laws, or otherwise protectable under similar laws) that Executive may conceive of, suggest, make, invent, develop or implement, during the course of his service pursuant to this

Agreement (whether individually or jointly with any other person or persons), relating in any way to the business of Bandwidth or to the general industry of which Bandwidth is a part, as well as all physical embodiments and manifestations thereof, and all patent rights, copyrights, trademarks (or applications therefor) and similar protections therein (all of the foregoing referred to as “Work Product”), will be the sole, exclusive and absolute property of Bandwidth. All Work Product will be deemed to be works for hire and, in addition to the Work Product being works for hire, Executive hereby assigns to Bandwidth all right, title and interest in, to and under such Work Product, including without limitation, the right to obtain such patents, copyright registrations, trademark registrations or similar protections as Bandwidth may desire to obtain. Executive will immediately disclose all Work Product to Bandwidth and agrees, at any time, upon Bandwidth’s request and without additional compensation, to execute any documents and otherwise to reasonably cooperate with Bandwidth respecting the perfection of its right, title and interest in, to and under such Work Product, and in any litigation or controversy in connection therewith, all expenses incident thereto to be borne by Bandwidth.

10. **Assignment of Payment Rights.** In no event will Bandwidth be obligated to make any payment under this Agreement to any assignee or creditor of Executive, other than to the estate of Executive after his death. Prior to the time of payment under this Agreement, neither Executive nor his legal representative will have any right by way of anticipation or otherwise to dispose of any interest under this Agreement.

11. **Bandwidth’s Obligations Unfunded.** Except as to any benefits that may be required to be funded under any benefit plan of Bandwidth pursuant to law, as provided for in this Agreement or pursuant to other agreements and which are not for the sole benefit of Executive, the obligations of Bandwidth under this Agreement are not funded and Bandwidth will not be required to set aside or deposit in escrow any monies in advance of the due date for payment thereof to Executive.

12. **Notices.** Any notice to be given hereunder by Bandwidth to Executive will be deemed to be given if delivered to Executive in person, if emailed (except that any Notice of breach given pursuant to Paragraph 4.4 below may not be given by e-mail) to Executive at his business email address or if mailed (except that any Notice of breach given pursuant to Paragraph 4.4 below must be mailed by Certified Mail Return Receipt Requested) or overnighted to Executive at his address last known on the records of Bandwidth, and any notice to be given by Executive to Bandwidth will be directed either to Bandwidth’s Chief Executive, Secretary or General Counsel, and in any case it will be deemed to be given if delivered in person, if emailed to the address at his business email address or if mailed or overnighted to the person at his address last known on the records of Bandwidth, unless any party will have duly notified the other parties in writing of a change of address. All notices are deemed given when delivered to such address, or if otherwise actually received by the addressee.

13. **Section 409A.**

13.1 In order to ensure compliance with Code Section 409A and the regulations and guidance promulgated thereunder (collectively “Section 409A”), the provisions of this Section 13 shall govern in all cases over any contrary or conflicting provision in this Agreement (other than a comparable Section 409A provision that is expressly intended to govern over this provision by its terms). The intent of the parties is that payments and benefits under this Agreement comply with, or be exempt from, Section 409A and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted and administered to be in compliance therewith. Executive acknowledges and agrees that Bandwidth has made no representation to Executive as to the tax treatment of the

compensation and benefits provided pursuant to this Agreement and that Executive is solely responsible for all taxes due with respect to such compensation and benefits.

13.2 To the extent necessary to comply with Section 409A, references in this Agreement to “termination of employment” or “terminates employment” (and similar references) shall have the same meaning as “separation from service” under Code Section 409A(a)(2)(A)(i), and no payment subject to Section 409A that is payable upon a termination of employment shall be paid unless and until (and not later than applicable in compliance with Section 409A) when Executive incurs a “separation from service” under Code Section 409A(a)(2)(A)(i) (a “Separation from Service”). In addition, if Executive is a “specified employee” within the meaning of Section 409A at the time of his Separation from Service, any nonqualified deferred compensation subject to Section 409A that would otherwise have been payable on account of, and within the first six months following, Executive’s Separation from Service, and not by reason of another event under Section 409A, will become payable on the first business day after six months following the date of Executive’s Separation from Service or, if earlier, the date of Executive’s death.

13.3 Consistent with the requirements of Section 409A, to the extent that any reimbursement or in-kind benefit provided is taxable and subject to Section 409A, unless stated otherwise: (i) reimbursements and in-kind benefits will be provided only during the period during which Executive is employed or receiving Severance; (ii) the expenses eligible for reimbursement or the in-kind benefits provided in any given calendar year will not affect the expenses eligible for reimbursement or the in-kind benefits provided in any other calendar year; (iii) the reimbursement of an eligible expense must be made no later than the last day of calendar year following the calendar year in which the expense was incurred; and (iv) the right to reimbursements or in-kind benefits cannot be liquidated or exchanged for any other benefit.

13.4 Executive’s right to receive any installment payments under this Agreement, including without limitation any continuation salary payments that are payable on Bandwidth payroll dates, shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment as permitted under Section 409A. Except as otherwise permitted under Section 409A, no payment hereunder shall be accelerated or deferred unless such acceleration or deferral would not result in additional tax or interest pursuant to Section 409A.

13.5 In no event may Executive, directly or indirectly, designate the calendar year of any payment to be made under this Agreement that is considered nonqualified deferred compensation subject to Section 409A. In no event shall the timing of Executive’s execution of the general release of claims, directly or indirectly, result in Executive designating the calendar year of payment of any nonqualified deferred compensation subject to Section 409A, and if such a payment that is subject to execution of the general release of claims could be made in more than one taxable year, payment shall be made in the later taxable year.

14. **Amendments.** This Agreement will not be modified or discharged, in whole or in part, except by an agreement in writing signed by all parties.

15. **Entire Agreement.** Except as expressly provided for herein, this Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. The parties are not relying on any other representation, express or implied, oral or written. This Agreement supersedes any prior employment agreement, written or oral, between Executive and Bandwidth; provided, however that other non-competition, non-solicitation,

confidentiality agreements, and other restrictive covenant agreements between Executive and Bandwidth remain in effect and this Agreement and such other agreements may be enforced by Bandwidth independently or simultaneously.

16. **Captions; Terms.** The captions contained in this Agreement are for convenience of reference only and do not affect the meaning of any terms or provisions hereof. References to “termination of employment,” “termination of Executive,” “termination of this Agreement,” “termination of the Employment Period,” and any other terms of similar meaning will all be deemed equivalent. Masculine, feminine and neuter pronouns are interchangeable as context requires.

17. **Binding Effect.** The parties may not assign this Agreement and may not assign or delegate any right or duty hereunder and any attempt to do so is void. Subject to the foregoing, the rights and obligations of Bandwidth hereunder will inure to the benefit of, and will be binding upon, Bandwidth and its successors and assigns, and the rights and obligations of Executive hereunder will inure to the benefit of, and will be binding upon, Executive and his heirs, personal representatives and estate.

18. **Severable Provisions.** The provisions of this Agreement are severable, and if any one or more provisions may be determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions and any partially enforceable provision will be binding and enforceable to the extent enforceable in any jurisdiction.

19. **Governing Law and Venue.** This Agreement will be interpreted, construed, and enforced in all respects in accordance with the laws of the State of North Carolina, without regard to conflict of laws. Other than disputes that by the terms of this Agreement are to be resolved through binding arbitration, any and all actions brought arising out of, or based in whole or in part upon this Agreement or the employment relationship between Executive and Bandwidth, will be brought in either a federal or state court sitting in Raleigh, North Carolina, and the parties consent to jurisdiction and venue thereof.

IN WITNESS WHEREOF, the undersigned have executed this Agreement on the day and year first above written, effective the Effective Date.

**Bandwidth:**

**BANDWIDTH INC.**

By /s/ Rebecca Bottorff  
Rebecca Bottorff  
Chief People Officer

**Executive:**

/s/ Devesh Agarwal  
Devesh Agarwal

**EXHIBIT A**  
**EMPLOYMENT AGREEMENT**  
**DEFINITIONS**

“Change in Control” means, and will be deemed to have occurred at such time as: (i) any “person” (as such term is used in Section 13(d) and 14(d) of the Exchange Act) becomes the “beneficial owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of twenty-five percent (25%) or more of the combined voting power of Bandwidth’s Voting Securities; (ii) sale of all or substantially all of the assets of Bandwidth, or any merger, consolidation, or reorganization to which Bandwidth is a party and as the result of which Bandwidth’s stockholders prior to the transaction do not own at least fifty percent (50%) of the voting power of the surviving entity in the election of directors; or (iii) individuals who constitute the Continuing Directors cease for any reason to constitute at least a majority of Bandwidth’s Board of Directors. Notwithstanding the foregoing, no event unilaterally caused by Executive by virtue of his stock ownership will be a Change in Control. Further notwithstanding the foregoing, a Change in Control shall not be deemed to occur unless the transaction also constitutes a change in the ownership or effective control of Bandwidth or a change in the ownership of a substantial portion of the assets of Bandwidth, each as defined in Code Section 409A(a)(2)(A)(v) and the regulations promulgated thereunder; however, a Change in Control shall be deemed to occur if the transaction constitutes a change in the ownership or effective control of Bandwidth or a change in the ownership of a substantial portion of the assets of Bandwidth, each as defined in Code Section 409A(a)(2)(A)(v) and the regulations promulgated thereunder, regardless of whether it satisfies the foregoing.

“Confidential Information” means all information or trade secrets of any type or description belonging to Bandwidth that are proprietary and confidential to Bandwidth and are not publicly disclosed or are only disclosed with restrictions. Without limiting the generality of the foregoing, Confidential Information includes strategic plans for carrying on business, other business plans, cost data, internal financial information, customer lists, employee lists, vendor lists, business partner or alliance lists, drawings, designs, schematics, flow charts, specifications, inventions, calculations, discoveries and any letters, papers, documents or instruments disclosing or reflecting any of the foregoing, and all information revealed to, acquired or created by Executive during Executive’s employment by Bandwidth relating to any of the foregoing.

“Continuing Directors” will mean and include the persons constituting Bandwidth’s Board of Directors as of the Effective Date, and any person who becomes a director of Bandwidth subsequent to the date hereof whose election, or nomination for election by Bandwidth’s stockholders, was approved by an affirmative vote of at least a majority of the then Continuing Directors (either by a specific vote or if Bandwidth is then subject to the proxy rules of the Exchange Act then by approval of the proxy statement of Bandwidth in which such person is named as a nominee for director or of the inclusion of such person in such Proxy Statement as such a nominee, in any case without objection by any member of such approving majority of the then Continuing Directors to the nomination of such person or the naming of such person as a director nominee).

“Voting Securities” means Bandwidth’s outstanding securities ordinarily having the right to vote at elections of directors.



**EXHIBIT B  
FORM OF RELEASE**

**Separation Agreement and Release**

**This Separation Agreement and Release** (“Agreement”) is made by and between Devesh Agarwal (“Executive”) and Bandwidth Inc. (the “Company”) (collectively referred to as the “Parties” or individually referred to as a “Party”). Capitalized terms used but not defined in this Agreement shall have the meanings set forth in the Employment Agreement (as defined below).

WHEREAS, the Parties have previously entered into that certain Employment Agreement, dated as of July \_\_, 2022 (the “Employment Agreement”); and

WHEREAS, in connection with Executive’s termination of employment with the Company or a subsidiary or affiliate of the Company effective \_\_\_\_\_, 20\_\_, the Parties wish to resolve any and all disputes, claims, complaints, grievances, charges, actions, petitions, and demands that Executive may have against the Company and any of the Releasees as defined below, including, but not limited to, any and all claims arising out of or in any way related to Executive’s employment with or separation from the Company or its subsidiaries or affiliates but, for the avoidance of doubt, nothing herein will be deemed to release any rights or remedies in connection with Executive’s ownership of vested equity securities of the Company, Executive’s right to indemnification, advancement of expenses, claims for coverage and similar rights under the Employment Agreement, the constituent documents of the Company or any of its subsidiaries or affiliates pursuant to contract or applicable law, under any insurance policies maintained by the Company or any of its subsidiaries or affiliates, or Executive’s rights to receive the payments and benefits described in Sections 3.3.2 and 3.4 of the Employment Agreement (collectively, the “Retained Claims”).

NOW, THEREFORE, in consideration of the severance payments and benefits described in Section 3.3.2 and Section 3.4 of the Employment Agreement, which, pursuant to the Employment Agreement, are conditioned on Executive’s execution and non-revocation of this Agreement, and in consideration of the mutual promises made herein, the Company and Executive hereby agree as follows:

1. **Severance Payments; Salary and Benefits.** The Company agrees to provide Executive with the severance payments and benefits described in Sections 3.3.2 and 3.4 of the Employment Agreement, vesting or payable at the times set forth in, and subject to the terms and conditions of, the Employment Agreement. In addition, to the extent not already paid, and subject to the terms and conditions of the Employment Agreement, the Company shall pay or provide to Executive all other payments or benefits described in Section 5.1 of the Employment Agreement, subject to and in accordance with the terms thereof.

2. **Release of Claims.** Executive agrees that, other than with respect to the Retained Claims, the foregoing consideration represents settlement in full of all outstanding obligations owed to Executive by the Company, any of its direct or indirect subsidiaries and affiliates, and any of its or their respective current and former officers, directors, equity holders, managers, employees, agents, investors, attorneys,

shareholders, administrators, affiliates, benefit plans, plan administrators, insurers, trustees, divisions, and subsidiaries and predecessor and successor corporations and assigns (collectively, the "Releasees"). Executive, on Executive's own behalf and on behalf of any of Executive's affiliated companies or entities and any of Executive's or their respective heirs, family members, executors, agents, and assigns, other than with respect to the Retained Claims, hereby and forever releases the Releasees from, and agrees not to sue concerning, or in any manner to institute, prosecute, or pursue, any claim, complaint, charge, duty, obligation, or cause of action relating to any matters of any kind, whether presently known or unknown, suspected or unsuspected, that Executive may possess against any of the Releasees arising from any omissions, acts, facts, or damages that have occurred up until and including the date Executive signs this Agreement, including, without limitation:

(a) any and all claims relating to or arising from Executive's employment or service relationship with the Company or any of its direct or indirect subsidiaries or affiliates and the termination of that relationship;

(b) any and all claims relating to, or arising from, Executive's right to purchase, or actual purchase of any shares of stock or other equity interests of the Company or any of its affiliates, including, without limitation, any claims for fraud, misrepresentation, breach of fiduciary duty, breach of duty under applicable state corporate law, and securities fraud under any state or federal law;

(c) any and all claims for wrongful discharge of employment; termination in violation of public policy; discrimination; harassment; retaliation; breach of contract, both express and implied; breach of covenant of good faith and fair dealing, both express and implied; promissory estoppel; negligent or intentional infliction of emotional distress; fraud; negligent or intentional misrepresentation; negligent or intentional interference with contract or prospective economic advantage; unfair business practices; defamation; libel; slander; negligence; personal injury; assault; battery; invasion of privacy; false imprisonment; conversion; and disability benefits;

(d) any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974; the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; and the Sarbanes-Oxley Act of 2002;

(e) any and all claims for violation of the federal or any state constitution;

(f) any and all claims arising out of any other laws and regulations relating to employment or employment discrimination;

(g) any claim for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment of any of the proceeds received by Executive as a result of this Agreement;

(h) any and all claims arising out of the wage and hour and wage payments laws and regulations of the state or states in which Executive has provided service to the Company or any of its affiliates (including, without limitation, the Retaliatory Employment Discrimination Act (REDA), the North Carolina Persons with Disabilities Protection Act (PDPA), the Equal Employment Practices Act (EEPA), the Sickle Cell and Hemoglobin Trait Discrimination Act, the Genetic Testing and Information Discrimination Act, the Use of Lawful Products Discrimination Act, the AIDS and HIV Status Discrimination Act, the Jury Service Discrimination Act, and the Military Service Discrimination Act); and

(i) any and all claims for attorneys' fees and costs.

Executive agrees that the release set forth in this section shall be and remain in effect in all respects as a complete general release as to the matters released. This release does not release claims that cannot be released as a matter of law, including, but not limited to, Executive's right to report possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation (including Executive's right to receive an award for information provided to any such government agencies), Executive's right to file a charge with or participate in a charge by the Equal Employment Opportunity Commission, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company (with the understanding that Executive's release of claims herein bars Executive from recovering monetary or other individual relief from the Company or any Releasee) in connection with any charge, investigation or proceeding, or any related complaint or lawsuit, filed by Executive or by anyone else on Executive's behalf before the federal Equal Employment Opportunity Commission or a comparable state or local agency), claims for unemployment compensation or any state disability insurance benefits pursuant to the terms of applicable state law, claims to continued participation in certain of the Company's group benefit plans pursuant to the terms and conditions of COBRA, claims to any benefit entitlements vested as the date of separation of Executive's employment, pursuant to written terms of any employee benefit plan of the Company or its affiliates and Executive's right under applicable law, and any Retained Claims. This release further does not release claims for breach of Sections 3.3.2, 3.4, and 5.1 of the Employment Agreement, which claims shall be considered Retained Claims.

3. Acknowledgment of Waiver of Claims under ADEA. Executive understands and acknowledges that Executive is waiving and releasing any rights Executive may have under the Age Discrimination in Employment Act of 1967 ("ADEA"), and that this waiver and release is knowing and voluntary. Executive understands and agrees that this waiver and release does not apply to any rights or claims that may arise under the ADEA after the date Executive signs this Agreement. Executive understands and acknowledges that the consideration given for this waiver and release is in addition to anything of value to which Executive was already entitled. Executive further understands and acknowledges that Executive has been advised by this writing that: (a) Executive should consult with an attorney prior to executing this Agreement; (b) Executive has [21][45] days within which to consider this Agreement, and the Parties expressly agree that such time period to review this Agreement shall not be extended upon any material or immaterial changes to this Agreement; (c) Executive has 7 business days

following Executive's execution of this Agreement to revoke this Agreement pursuant to written notice to the General Counsel of the Company; (d) this Agreement shall not be effective until after the revocation period has expired; and (e) nothing in this Agreement prevents or precludes Executive from challenging or seeking a determination in good faith of the validity of this waiver under the ADEA, nor does it impose any condition precedent, penalties, or costs for doing so, unless specifically authorized by federal law. In the event Executive signs this Agreement and returns it to the Company in less than the 21 day period identified above, Executive hereby acknowledges that Executive has freely and voluntarily chosen to waive the time period allotted for considering this Agreement.

4. Post-Termination Obligations. Executive reaffirms Executive's continuing obligations under Sections 6, 7 and 9 of the Employment Agreement.

5. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

6. No Oral Modification. This Agreement may only be amended in a writing signed by Executive and a duly authorized officer of the Company.

7. Governing Law; Dispute Resolution. This Agreement shall be subject to the provisions of Sections 5.2 and 19 of the Employment Agreement.

8. Effective Date. Executive has seven business days after Executive signs this Agreement to revoke it and this Agreement will become effective upon the expiration of such seven business day period, so long as it has been signed by the Parties and has not been revoked by Executive before that date.

9. Trade Secrets; Whistleblower Protections. In accordance with 18 U.S.C. §1833, notwithstanding anything to the contrary in this Agreement, the Employment Agreement, the Proprietary Information Agreement or any other agreement between Executive and the Company or any of its subsidiaries in effect as of the date Executive receives this Agreement (together, the "Subject Documents"): (a) Executive will not be in breach of the Subject Document, and shall not be held criminally or civilly liable under any federal or state trade secret law (i) for the disclosure of a trade secret that is made in confidence to a federal, state, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, or (ii) for the disclosure of a trade secret that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal; and (b) if Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Executive may disclose the trade secret to Executive's attorney, and may use the trade secret information in the court proceeding, if Executive files any document containing the trade secret under seal, and does not disclose the trade secret, except pursuant to court order. Furthermore, the Parties agree that nothing in the Subject Documents prohibits Executive from reporting possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section

806 of the Sarbanes-Oxley Act of 2002, or any other whistleblower protection provisions of state or federal law or regulation or releases or restrains Executive’s right to receive an award for information provided to any such government agencies.

10. Voluntary Execution of Agreement. Executive understands and agrees that Executive executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of the Company or any third party, with the full intent of releasing all of Executive’s claims against the Company and any of the other Releasees. Executive acknowledges that: (a) Executive has read this Agreement; (b) Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement; (c) Executive has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of Executive’s own choice or has elected not to retain legal counsel; (d) Executive understands the terms and consequences of this Agreement and of the releases it contains; and (e) Executive is fully aware of the legal and binding effect of this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the respective dates set forth below.

Dated:

\_\_\_\_\_  
Devesh Agarwal

**BANDWIDTH INC.**

By: \_\_\_\_\_

Name:

Title:

Dated:

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, David A. Morken, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bandwidth Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2024

/s/ David A. Morken

David A. Morken

Chief Executive Officer

*(Principal Executive Officer)*

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF  
THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Daryl E. Raiford certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bandwidth Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a—15(e) and 15d—15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 1, 2024

/s/ Daryl E. Raiford

---

Daryl E. Raiford

Chief Financial Officer

*(Principal Financial Officer)*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), David A. Morken, Chief Executive Officer of Bandwidth Inc. (the “Company”), and Daryl E. Raiford, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024, to which this Certification is attached as Exhibit 32.1 (the “Periodic Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 1, 2024

/s/ David A. Morken

David A. Morken

Chief Executive Officer

*(Principal Executive Officer)*

/s/ Daryl E. Raiford

Daryl E. Raiford

Chief Financial Officer

*(Principal Financial Officer)*