

# Investor Presentation



FEBRUARY 2024

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This presentation contains forward-looking statements. All statements contained in this presentation other than statements of historical facts, including, without limitation, future financial and business performance or goals, the success of Bandwidth Inc.'s (the "Company") of our product offerings and platform and the value proposition of our products, are forward-looking statements. The words "anticipate," "believe," "continue," "estimate," "expect," "intend," "guide," "target," "may," "will" and similar expressions and their negatives are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks and uncertainties, including, without limitation, risks related to our rapid growth and ability to sustain our revenue growth rate, competition in the markets in which we operate, market growth, our ability to innovate and manage our growth, our ability to expand effectively into new markets, macroeconomic conditions both in the U.S. and globally, legal, reputational and financial risks which may result from ever-evolving cybersecurity threats, our ability to operate in compliance with applicable laws, as well as other risks and uncertainties set forth in the "Risk Factors" section of our latest Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") and any subsequent reports that we file with the SEC. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, we cannot guarantee future results, levels of activity, performance, achievements or events and circumstances reflected in the forward-looking statements will occur. We are under no obligation to update any of these forward-looking statements after the date of this presentation to conform these statements to actual results or revised expectations, except as required by law. You should, therefore, not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this presentation.

This presentation also includes certain financial measures not presented in accordance with generally accepted accounting principles in the United States ("GAAP") including certain guidance on non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of the Company's non-GAAP financial measures as tools for comparison. The Company provides a reconciliation of certain non-GAAP measures to the most directly comparable GAAP measures, which are available in the earnings press release for the relevant period and in the Appendix of this presentation.

Market data and industry information used throughout this presentation are based on management's knowledge of the industry and the good faith estimates of management. Management also relied, to the extent available, upon management's review of independent industry surveys and publications and other publicly available information prepared by a number of third party sources. The market data and industry information used in this presentation involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. Although we believe that these sources are reliable, we cannot guarantee the accuracy or completeness of this information, and we have not independently verified this information. While we believe the estimated market position, market opportunity and market size information included in this presentation are generally reliable, such information, which is derived in part from management's estimates and beliefs, is inherently uncertain and imprecise. No representations or warranties are made by the Company or any of its affiliates as to the accuracy of any such statements or projections. Projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described above. These and other factors could cause results to differ materially from those expressed in our estimates and beliefs and in the estimates prepared by independent parties.

# **Leading the worldwide cloud communications revolution**

**Bandwidth software embeds voice, messaging and emergency calling into apps, AI-ready contact centers and workplaces**

# Bandwidth by the numbers

**\$17b**

2023 market opportunity<sup>1</sup>

**\$601m** 21% CAGR<sup>2</sup>

2023 Revenue

**\$48m** up 39% y/y

2023 Adjusted EBITDA<sup>3</sup>

**\$19m** up >2x y/y

2023 Free cash flow<sup>3</sup>



Bandwidth powers cloud communications at scale

**>65 countries**

Communications cloud global coverage

**11 years**

Median tenure of top 20 customers

**>99%**

Customer name retention rate

**\$178k** up 5% y/y

Average annual customer revenue

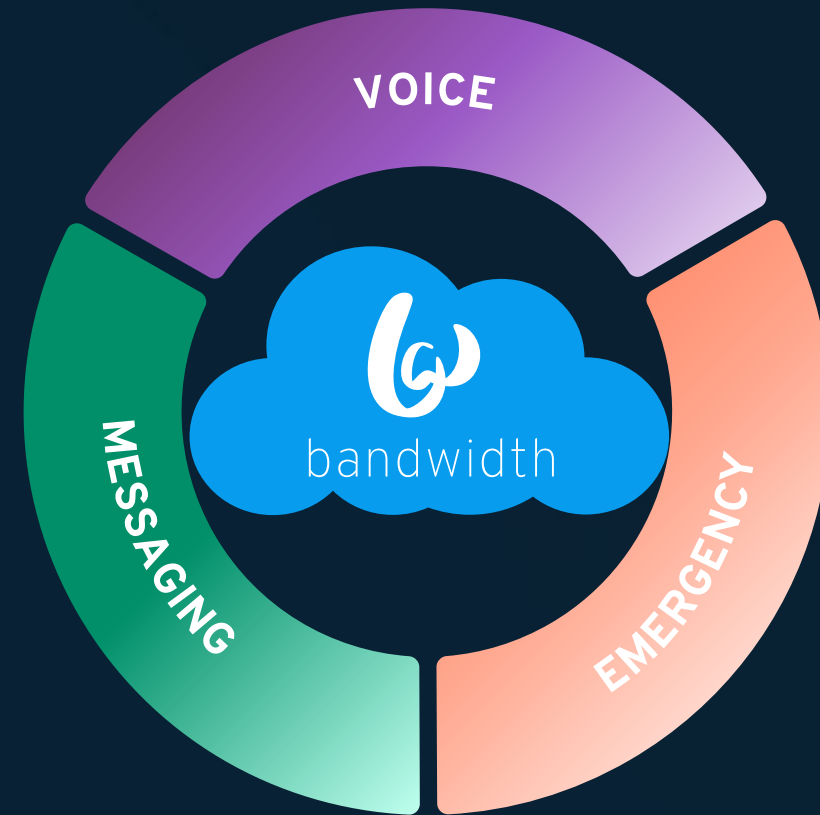
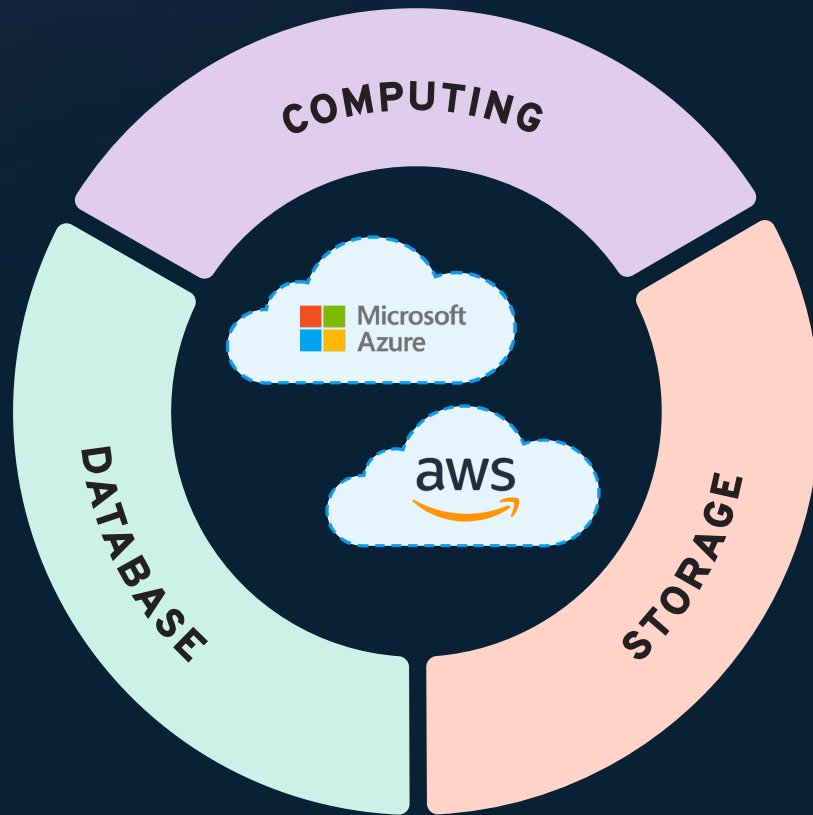
<sup>1</sup> Source: Analyst and company estimates.

<sup>2</sup> 3-year compound annual growth rate (CAGR) from 2020-2023.

<sup>3</sup> See appendix for GAAP to non-GAAP reconciliation

Note: See Appendix for definitions and calculations of metrics presented on this slide.

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



*Limitations of*  
**Pure-play  
CPaaS**


















Limited scalability  
Lacks direct network control  
Poor support experience

**THE PROBLEM:  
CHOICES ARE  
INCOMPLETE FOR  
GLOBAL COMMUNICATIONS**

*Limitations of*  
**Network only  
operators**

Geographically restricted  
Slow-to-market on new  
innovations  
Lacks software platform  
and integration  
Limited AI capabilities

# Bandwidth is well positioned to solve this problem

	Bandwidth	Network operators	CPaaS providers
Software platform			
Innovation			
AI capabilities			
Sole global provider			
Scalability			
Direct network control			
Best-in-class support experience			

# The Bandwidth difference

## CONSUMABLE BY SOFTWARE

**Making communications consumable by software**

Control and automation  
Universal flexibility  
AI-ready

## OWNER-OPERATED NETWORK

**Global network delivers quality, insights, and deep monitoring**

15 years and 6 million work hours to recreate

## REGULATORY RIGHT-HAND

**A trusted expert**

20+ years of global regulatory experience



# Providing global comms at scale across three target markets



## GLOBAL COMMUNICATIONS PLANS

Powering employees talking to each other and their customers through Unified Communications and Contact Center platforms

 Microsoft  Google  GENESYS  zoom



## PROGRAMMABLE SERVICES

Powering digital engagements and notifications with programmable voice and messaging

 yotpo.  Textmagic  Rover  arlo



## DIRECT ENTERPRISE

Powering innovative customer experiences for the Global 2000 with composable solutions that integrate best-in-class CX and AI tools

 VIKING  
RIVER CRUISES

Uber

 WYNDHAM  
HOTELS & RESORTS

DocuSign

 bandwidth

## GLOBAL COMMUNICATIONS PLANS

# Leverage our cloud to scale

Benefit from global reach, software automation,  
and network resiliency



## PROGRAMMABLE SERVICES

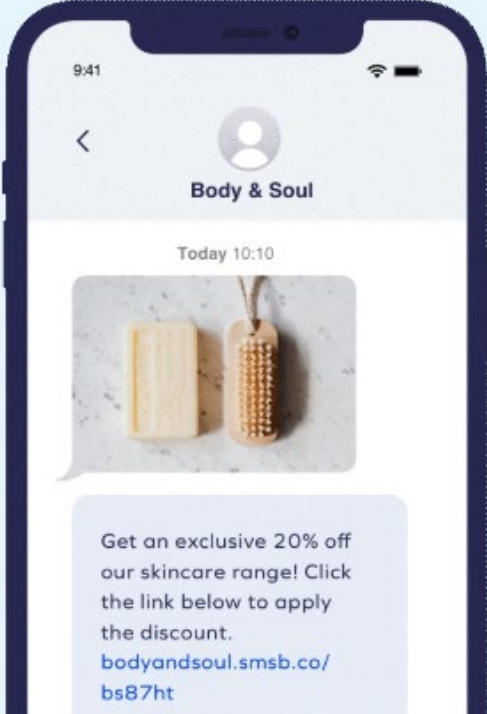
# Consume communications via software

Benefit from trusted messaging channels with high-throughput for reliability, scalability, and deliverability

Bandwidth's  
software-  
powered  
messaging

**#1**  
sender in toll-  
free  
messaging

**yotpo.**



“ With Bandwidth, our deliverability rates are higher than the industry standard and we had 100% uptime. ”

*Omer Bar-Joseph  
SVP, GM Usage Business*

## DIRECT ENTERPRISE

# Transform communications for the global 2000

Benefit from control and automation,  
pre-built integrations including AI tools  
and no-code visual builder with Maestro™  
Platform

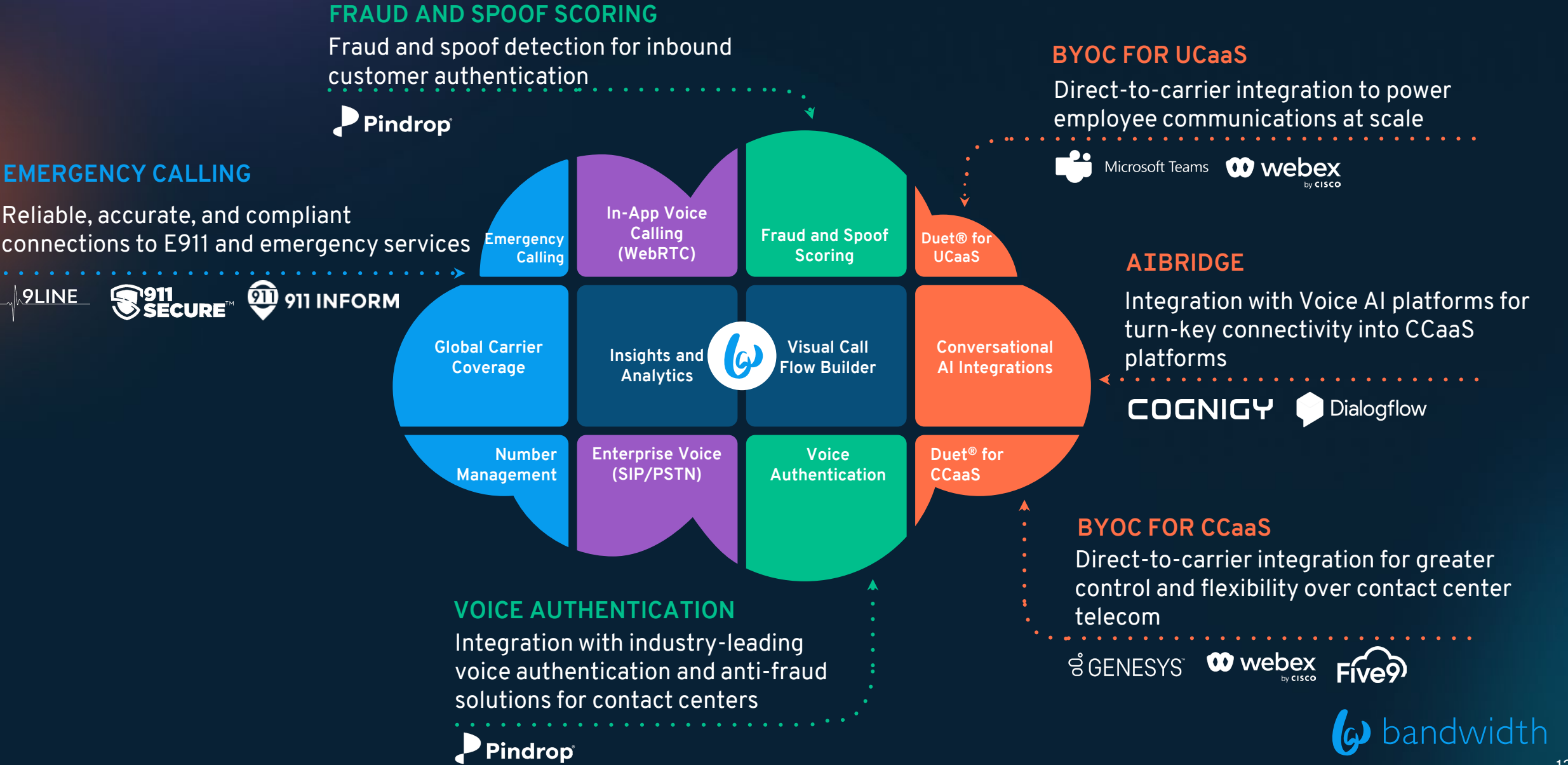
**ONE**  
control point  
for critical  
integrations

**Future  
proofed**  
with AI-ready  
capability



- One contract
- One customer experience
- One operating procedure
- One source for global expertise
- One-click integrations for best-in-class apps
- One relationship

# Maestro™ Platform: AI-ready integrations for Global 2000



# An experienced leadership team



**David Morken**  
Cofounder, Chief Executive  
Officer, and Chairman



**Daryl Raiford**  
Chief Financial Officer



**Anthony Bartolo**  
Chief Operating Officer



**Rebecca Bottorff**  
Chief People Officer  
and Director



**Devesh Agarwal**  
Chief Software Strategy Officer



**Scott Mullen**  
Chief Technology Officer



**Sandy Preizler**  
Chief Revenue Officer





# Success powered by strong culture and values

## RECOGNIZED NATIONALLY AND LOCALLY

Bandwidth's unique culture has been featured in several national media outlets, including:

Forbes

TRIANGLE  
BUSINESS JOURNAL

NBC

TODAY

THE WALL STREET JOURNAL  
WSJ

FAST  
COMPANY

## ACCESS TO LOCAL TOP TECH TALENT

- Based in Research Triangle Park, NC
- Vibrant tech community with strong talent pool
- Top universities nearby for recruiting

UNC

Duke  
UNIVERSITY

NC STATE  
UNIVERSITY

## CULTURE

An award winning company culture focused on the growth of employees and their families in and out of the workplace centered on Bandwidth's Whole Person Promise:

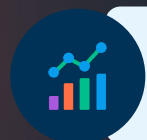
- Mahalo moments – time away for life events
- Employee development programs
- Ohana child development center
- Bandwidth Cares charitable programs
- Go & Do community days
- Wellness – physical, nutritional, and mental
- 90-minute workout lunches
- Vacation email embargo policy

# Financial Information and Medium-Term Targets





# Three core operating principles expected to guide profitable growth through 2026



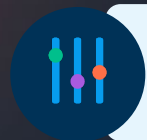
Profitable growth

15-20%

REVENUE CAGR<sup>1</sup>

>60%

NON-GAAP GROSS MARGIN



Operating leverage



Cash flow generation

>20%

ADJUSTED EBITDA MARGIN

>15%

FCF MARGIN

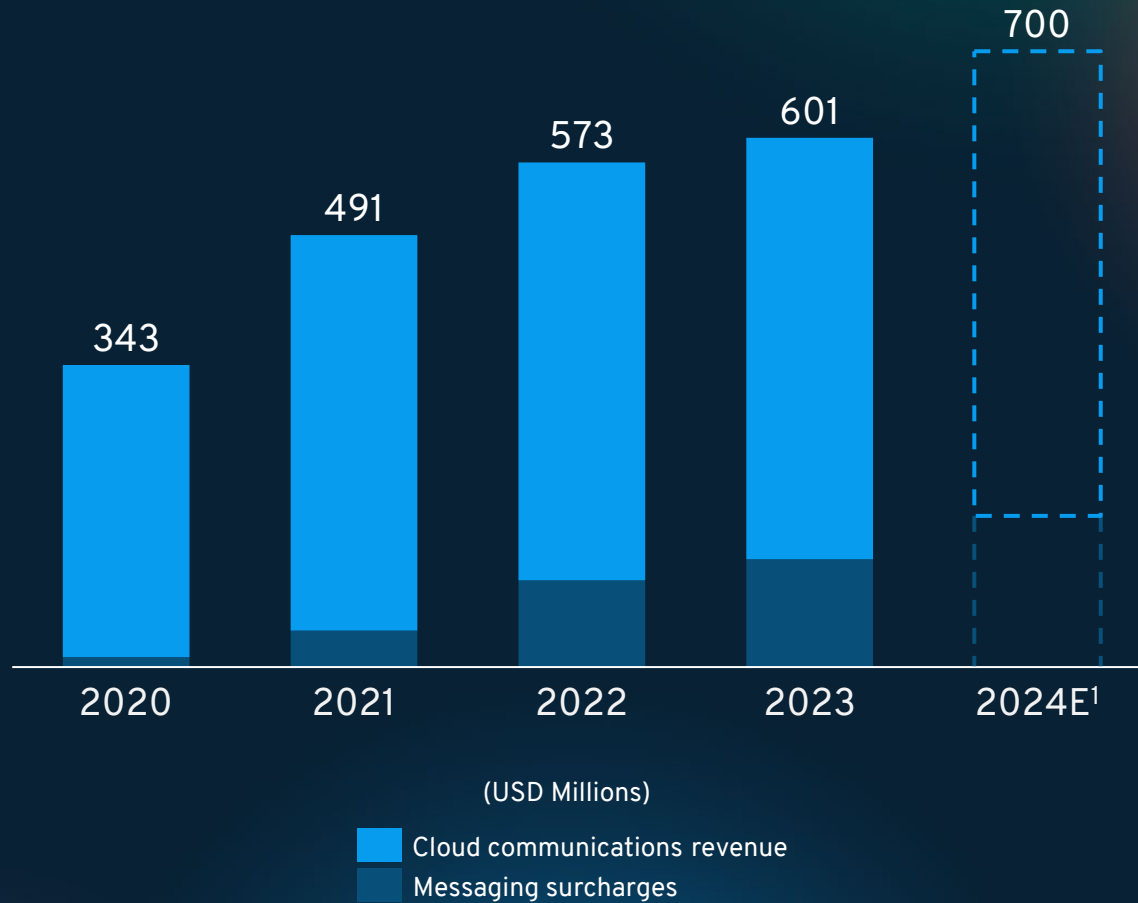


<sup>1</sup>2023-2026 revenue CAGR.

Note: Medium-term targets exclude revenue from pass-through messaging surcharges. Information regarding Non-GAAP gross margin, adjusted EBITDA margin, and free cash flow margin including the definitions, GAAP to non-GAAP reconciliations, and calculations are included in the Appendix. The Company has not reconciled its medium-term targets for non-GAAP gross margin, adjusted EBITDA margin, and free cash flow margin to their most closely comparable GAAP metrics as it cannot reasonably calculate those GAAP metrics at this time.

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

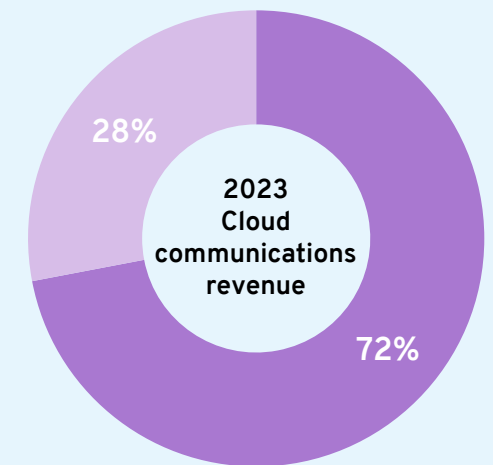
# Consistent Revenue growth



<sup>1</sup> Represents midpoint of guidance provided in the Financial Outlook section of February 28, 2024 earnings press release.  
Note: Definitions for Cloud communications revenue, messaging surcharges, usage-based reoccurring revenue, and monthly recurring charges revenue are included in the Appendix.  
Please refer to the forward-looking statements disclaimer on Slide 1 of this presentation.

**+21% CAGR**

**2020-2023  
Revenue**



- Usage-based reoccurring revenue
- Monthly recurring charges revenue

# Non-GAAP Gross Margin expansion fueled by four value drivers



1

**Scale and platform ownership**

2

**Product mix**

3

**Global coverage**

4

**Operational efficiencies**

**48%**

**2019**

**55%**

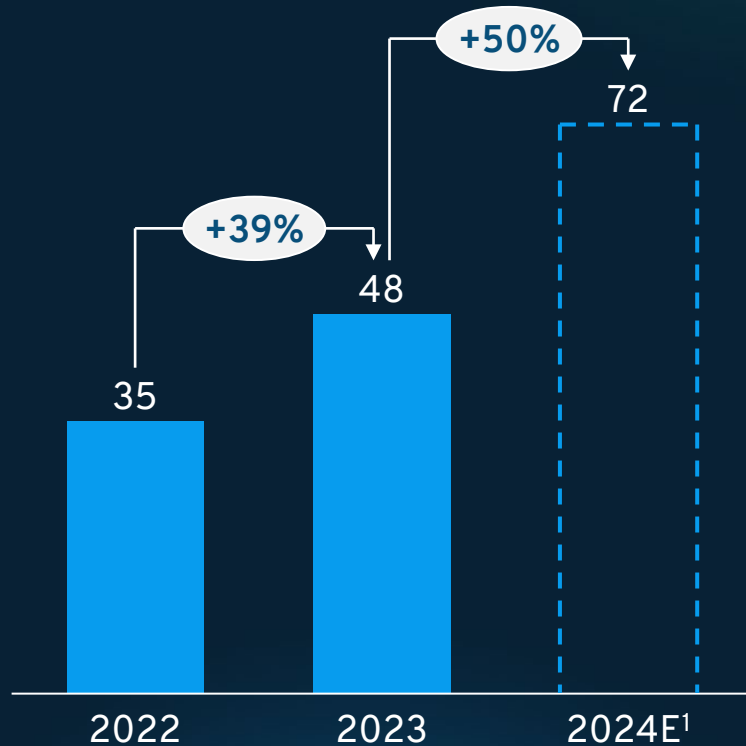
**2023**

**>60%**

**Medium-term  
target**

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

# Exceptional Adj. EBITDA performance



(USD Millions)

**39%**

2023 Adjusted EBITDA  
growth y/y

**10%**

2023 Adjusted EBITDA  
margin

<sup>1</sup> Represents midpoint of guidance provided in the Financial Outlook section of February 28, 2024 earnings press release. Bandwidth has not reconciled full year 2024 guidance related to adjusted EBITDA to GAAP net income or loss, because stock-based compensation cannot be reasonably calculated or predicted at this time. Accordingly, a reconciliation is not available without unreasonable effort.

Note: Information regarding adjusted EBITDA including the definition, GAAP to non-GAAP reconciliation, and how it is calculated is included in the Appendix. Please refer to the forward-looking statements disclaimer on Slide 1 of this presentation.

# Progress towards medium-term financial targets

	2022	2023	Medium-term target <sup>2</sup>
<b>3-Year Revenue CAGR<sup>1</sup></b>	35%	21%	15-20%
<b>Non-GAAP gross margin</b>	55%	55%	>60%
<b>Adjusted EBITDA margin</b>	7%	10%	>20%
<b>Free cash flow margin</b>	(2%)	4%	>15%

<sup>1</sup> 2022 revenue CAGR represents 2019-2022, 2023 revenue CAGR represents 2020-2023, and medium-term target revenue CAGR represents 2023-2026.

<sup>2</sup> Medium-term targets exclude revenue from pass-through messaging surcharges.

Note: Information regarding non-GAAP gross margin, adjusted EBITDA margin, and free cash flow margin including the definitions, GAAP to non-GAAP reconciliations, and calculations are included in the Appendix. The Company has not reconciled its medium-term targets for non-GAAP gross margin, adjusted EBITDA and free cash flow margin to their most closely comparable GAAP metrics as it cannot reasonably calculate those GAAP metrics at this time.

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# Bandwidth

## Key Takeaways

A global communications leader in large and growing market of \$17b

Unique combination of software and global owned and operated network creates strong competitive moat

Platform positioned at the center of AI momentum across CPaaS, CCaaS, and UCaaS

Large-scale blue-chip customer base delivering sustainable profitable growth

Strong balance sheet and cash generation provide capital structure flexibility

Founder-led leadership team and strong culture

# Appendix

# GAAP to Non-GAAP Reconciliation - Gross Profit

USD millions

	FY19	FY22	FY23
<b>Gross profit</b>	<b>104.2</b>	<b>238.4</b>	<b>236.2</b>
<b>Gross margin %</b>	<b>45%</b>	<b>42%</b>	<b>39%</b>
Depreciation	6.6	13.6	16.3
Amortization of acquired intangible assets	0.2	7.7	7.8
Stock-based compensation	-	0.4	1.1
<b>Non-GAAP gross profit</b>	<b>111.3</b>	<b>260.0</b>	<b>261.4</b>
<b>Non-GAAP gross margin %<sup>1</sup></b>	<b>48%</b>	<b>55%</b>	<b>55%</b>

<sup>1</sup> Calculated by dividing Non-GAAP gross profit by cloud communications revenue, which is total revenue less pass-through surcharges of \$1.3m in FY19, \$98.6m in FY22, and \$122.2m in FY23.



# GAAP to Non-GAAP Reconciliation – Adjusted EBITDA, Free Cash Flow

USD millions

	FY22	FY23
<b>Net Income (loss)</b>	<b>19.6</b>	<b>(16.3)</b>
Income tax (benefit)	(2.3)	(3.0)
Interest expense, net	3.0	0.8
Depreciation	18.4	24.4
Amortization	17.2	17.3
Stock-based compensation	20.7	37.0
Gain on sale of business	(3.8)	-
Net cost associated with early lease terminations and leases without economic benefit	-	4.0
Net gain on extinguishment of debt	(40.2)	(12.8)
Gain on business interruption insurance recoveries	-	(4.0)
Non-recurring items not indicative of ongoing operations and other <sup>1</sup>	2.0	0.8
<b>Adjusted EBITDA</b>	<b>34.6</b>	<b>48.2</b>
<b>Net cash provided by operating activities</b>	<b>34.9</b>	<b>39.0</b>
<b>Net cash used in investing in capital assets<sup>2</sup></b>	<b>(45.4)</b>	<b>(19.9)</b>
<b>Free cash flow</b>	<b>(10.5)</b>	<b>19.1</b>

<sup>1</sup>Non-recurring items not indicative of ongoing operations and other include \$0.9 million of foreign currency losses on the settlement of intercompany borrowings, which were repatriated in conjunction with the repurchase of the 2026 Convertible Notes and \$0.6 million of nonrecurring litigation expense for the year ended December 31, 2022, and \$0.8 million and \$0.5 million of losses on disposals of property, plant and equipment during the years ended December 31, 2023 and 2022, respectively.

<sup>2</sup> Represents the acquisition cost of property, plant and equipment and capitalized development costs for software for internal use.

# Definitions

**Adjusted EBITDA:** Net income or losses from continuing operations, adjusted to reflect the addition or elimination of certain statement of operations 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, (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.

**Adjusted EBITDA margin:** Adjusted EBITDA margin is calculated by dividing Adjusted EBITDA by cloud communications revenue, which excludes pass-through messaging surcharge revenue.

**Average annual customer revenue:** Average annual customer revenue is the trailing twelve month revenue divided by the average number of active customers from the current quarter and number of active customers from the same quarter of the prior year.

**Cloud communications revenue:** Total revenue excluding pass-through messaging surcharge revenue.

**Customer name retention rate:** Customer name retention rate (CNRR) is defined as the percentage of customers with \$100k or greater revenue in the prior twelve month period that remain customers in the current twelve month period.

**Messaging surcharge revenue:** Revenue derived from fees imposed by certain carriers within the messaging ecosystem, which are subsequently invoiced and passed through to customers.

**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.

**Free cash flow margin:** Free cash flow margin is calculated by dividing free cash flow by cloud communications revenue, which excludes pass-through messaging surcharge revenue.

**Monthly recurring charges revenue:** Revenue from monthly recurring charges arising from phone number services, 911-enabled phone number services, messaging services and other services.

**Non-GAAP Gross Profit:** Gross profit after adding back the following items: depreciation and amortization, amortization of acquired intangible assets related to acquisitions, and stock-based compensation.

**Non-GAAP Gross Margin:** Non-GAAP gross margin is calculated by dividing non-GAAP gross profit by cloud communications revenue, which excludes pass-through messaging surcharge revenue.

**Usage-based reoccurring revenue:** Revenue from sources such as per minute voice usage and voice calling, per text message usage and other usage services and fees.