

Bandwidth 4Q23 and 2023 Earnings Results



February 28, 2024

Legal Disclaimer

This presentation includes forward-looking statements. All statements contained in this presentation other than statements of historical facts, including, without limitation, future financial and business performance for the quarter ending March 31, 2024 and year ending December 31, 2024, the success of our product offerings and our platform, and the value proposition of our products, are forward-looking statements. The words “anticipate,” “assume,” “believe,” “continue,” “estimate,” “expect,” “intend,” “guide,” “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 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 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.

Bandwidth by the numbers

\$17b

2023 market opportunity¹

\$601m 21% CAGR²

2023 Total Revenue

\$48m up 39% y/y

2023 Adjusted EBITDA³

\$19m up >2x y/y

2023 Free Cash Flow



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

¹ Source: Analyst and company estimates.

² 3 year compound annual growth rate.

³ See appendix for GAAP to non-GAAP reconciliation.

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

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



PROGRAMMABLE SERVICES

Powering digital engagements and notifications with programmable voice and messaging



DIRECT ENTERPRISE

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



4Q23 Customer Highlights



INFRASTRUCTURE- AS-A-SERVICE PROVIDER

Our customer provides communications services for thousands of small businesses across the U.S.

Bandwidth won due to our capacity to handle the volume they needed and for our support experience



HEALTH AND COMMUNITY CARE TECHNOLOGY FIRM

Our customer needs high volume HIPAA-compliant messaging and voice communications

Bandwidth won for our reliability, scalability, and support experience



GLOBAL ACTIVE LIFESTYLE BRAND

Our customer required an integrated Genesys cloud contact center and cloud communications experience

Bandwidth won for our integration, AI-ready tools, support experience, and ease of use

2023 Financial Highlights

Exceeded full year
guidance

Strong
commercial messaging
performance

\$31m

FCF generated
in 2H

- Total revenue of **\$601m**, up 5% y/y
- Cloud communications revenue¹ of **\$479m**, up 5% y/y²
- Messaging **18%** of cloud communications revenue
- Commercial messaging³ up 32% y/y
- Adjusted EBITDA of **\$48m**, up 39% y/y
- Record annual free cash flow of **\$19m**

¹ Cloud communications revenue is total revenue excluding pass-through messaging surcharge revenue of \$122.2m in 2023.

² Excludes campaign messaging usage revenue of \$17.4m in 2022.

³ Excludes surcharges of \$98.6m in 2022 and \$122.2m in 2023 and campaign messaging usage revenue of \$17.4m in 2022.

Annual Revenue Performance

5%

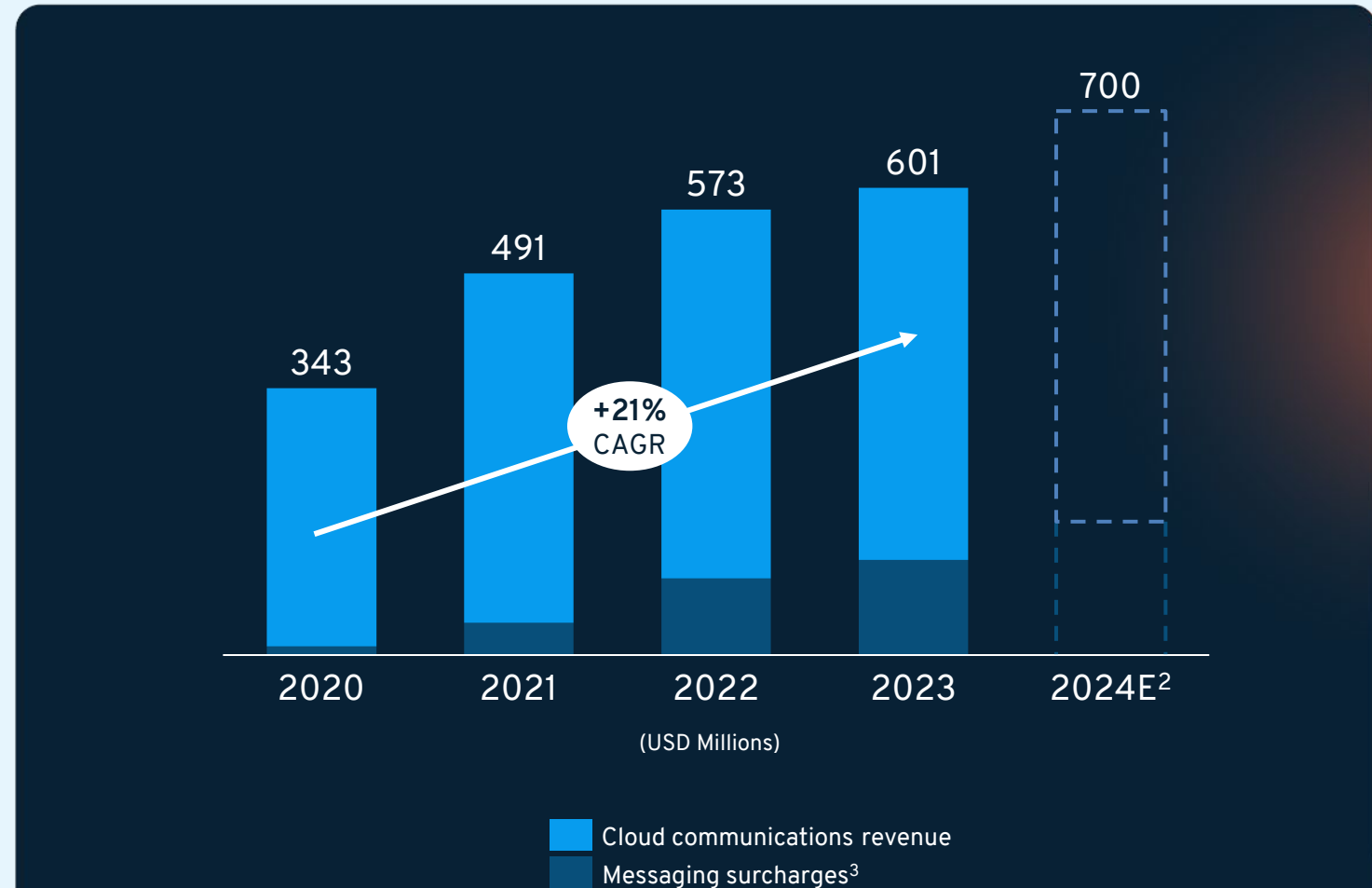
2023 Total revenue growth y/y

5%¹

2023 Cloud comms revenue growth y/y

16%²

2024 Total revenue guidance growth y/y



¹ Excludes campaign messaging usage revenue of \$17.4m in 2022.

² Represents midpoint of guidance provided in the Financial Outlook section of February 28, 2024 earnings press release.

³ Messaging surcharges is defined as pass-through messaging surcharges levied by carriers on Application to Person (A2P) text messages.

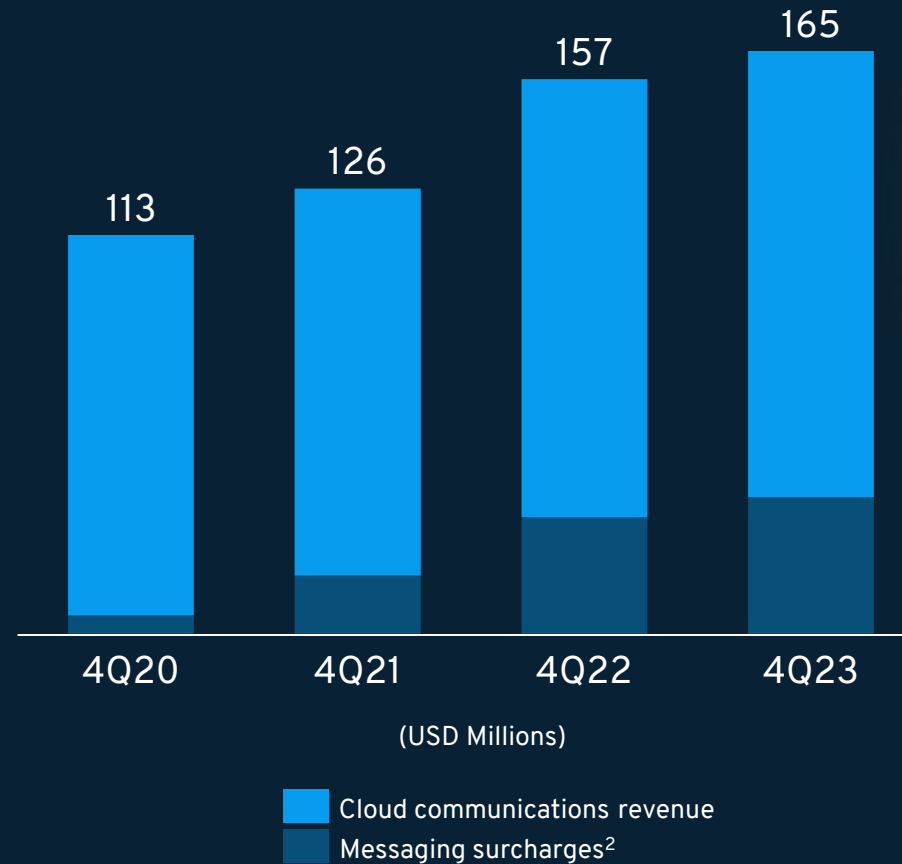
Quarterly Revenue Performance

5%

4Q23 Total revenue
growth y/y

12%¹

4Q23 Cloud comms revenue
growth y/y



¹ Excludes campaign messaging usage revenue of \$10.9m in 4Q22.

² Messaging surcharges is defined as pass-through messaging surcharges levied by carriers on Application to Person (A2P) text messages.

Customer Metrics Performance

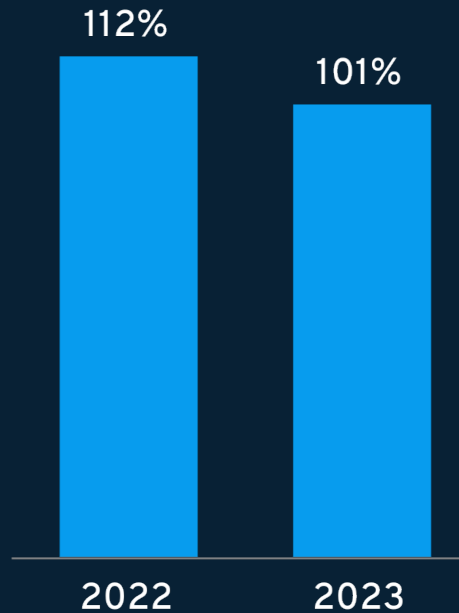
109%

NRR excluding
campaign revenue

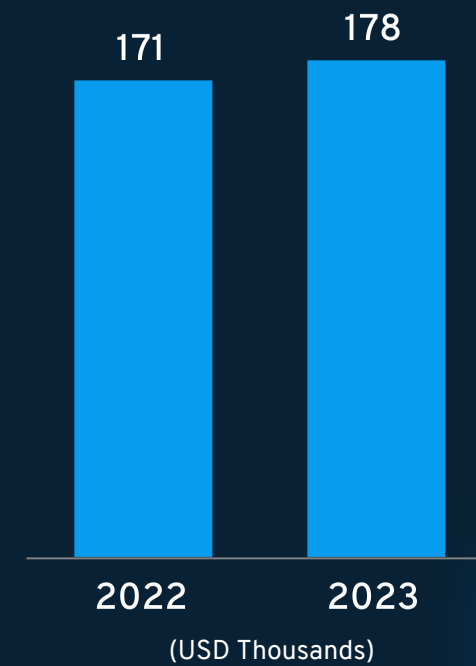
\$178k↑

Average annual
customer revenue

Net Retention
("NRR")



Average Annual
Customer Revenue

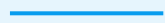


Note: Information regarding average annual customer revenue and NRR including definitions and calculations is included in the Appendix.

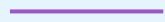
Annual Non-GAAP Gross Margin Performance

Fueling gross margin expansion

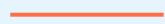
Scale and platform ownership



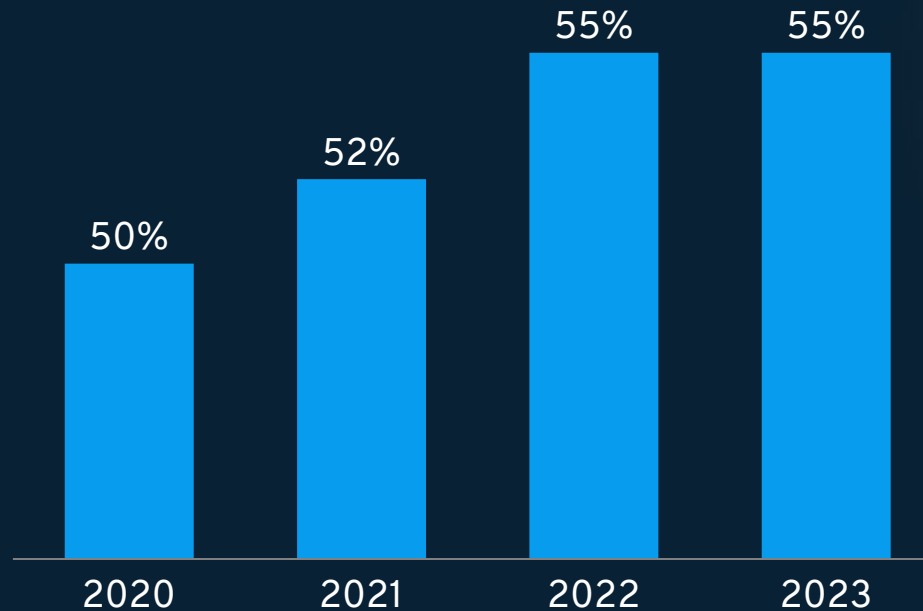
Product mix



Global coverage



Operational efficiencies



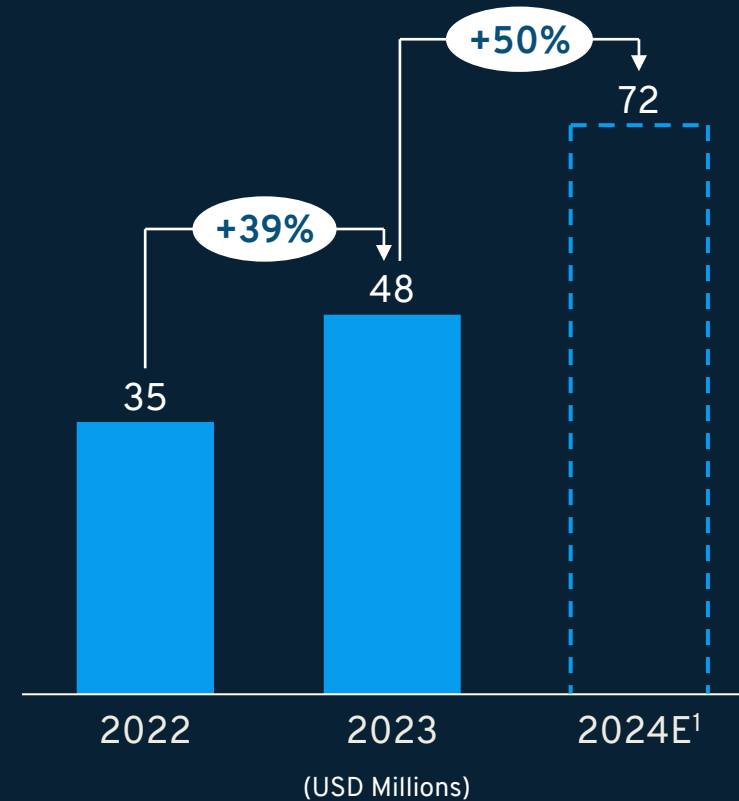
Note: We calculate Non-GAAP gross margin by dividing non-GAAP gross profit by Cloud communications revenue, which is revenue less pass through messaging surcharges. See Appendix for GAAP to Non-GAAP reconciliation.

Annual Adjusted EBITDA Performance

Longstanding
commitment to
profitability

50%

Adjusted EBITDA
growth y/y
2024 guidance



¹ 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 definition and calculation is included in the Appendix.

First Quarter and Full Year 2024 Outlook

16%

Total revenue growth y/y
2024 guidance




50%

Adjusted EBITDA
growth y/y
2024 guidance

	1Q 2024 (midpoint)	FY 2024 (midpoint)
Revenue	\$165m	\$700m
Adjusted EBITDA ¹	\$12m	\$72m

¹ Bandwidth has not reconciled its first quarter and 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.

Three core operating principles expected to guide profitable growth through 2026

-  Profitable growth
-  Operating leverage
-  Cash flow generation

15-20%

REVENUE CAGR¹

>60%

NON-GAAP GROSS MARGIN

>20%

ADJUSTED EBITDA MARGIN

>15%

FCF MARGIN



¹2023-2026 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.

Thank you!

Appendix

Historical Metrics

USD millions

	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23
Total Revenue	343.1	113.5	120.7	130.6	126.1	490.9	131.4	136.5	148.3	157.0	573.2	137.8	145.9	152.0	165.4	601.1
Cloud communications	331.9	109.5	114.4	116.4	109.4	449.7	113.9	115.5	121.5	123.7	474.6	114.4	118.4	120.2	125.8	478.9
Messaging surcharges	11.2	4.0	6.3	14.3	16.8	41.3	17.4	21.0	26.9	33.3	98.6	23.4	27.5	31.8	39.6	122.2
Total Gross Profit	153.9	51.2	53.5	57.1	52.1	213.8	55.4	55.4	63.5	64.1	238.4	55.7	59.0	59.5	62.1	236.2
Non-GAAP Gross Profit	165.7	56.6	58.8	62.4	57.5	235.3	60.9	60.8	68.8	69.5	260.0	61.3	65.3	65.7	69.0	261.4
Non-GAAP Gross Margin ¹	50%	52%	51%	54%	53%	52%	53%	53%	57%	56%	55%	54%	55%	55%	55%	55%
Net (loss) Income	(44.0)	(5.3)	(6.9)	(6.9)	(8.2)	(27.4)	(6.8)	(6.2)	(0.8)	33.4	19.6	3.6	(3.9)	(5.1)	(10.9)	(16.3)
Non-GAAP Net Income (loss)	14.2	8.3	8.6	6.5	2.3	25.7	2.5	(0.9)	8.0	5.3	15.0	1.2	4.4	6.3	10.8	22.8
Adjusted EBITDA	26.2	13.4	13.8	14.2	8.3	49.6	8.4	5.1	12.8	8.3	34.6	5.1	10.6	13.8	18.8	48.2
Adjusted EBITDA Margin ²	8%	12%	12%	12%	8%	11%	7%	4%	11%	7%	7%	4%	9%	11%	15%	10%
Cash and Investments ³	112.2	329.7	309.6	321.8	331.5	331.5	316	302.9	311.6	184.9	184.9	123.5	122.6	139.1	153.5	153.5
Operating Cash Flows	4.5	10.0	(1.2)	14.8	17.1	40.8	(6.7)	7.0	24.0	10.6	34.9	(6.4)	3.1	23.0	19.3	39.0
Net cash used in investing capital assets ⁴	(14.6)	(7.9)	(17.8)	(2.7)	(8.8)	(37.2)	(5.9)	(4.3)	(10.5)	(24.6)	(45.4)	(4.5)	(4.3)	(4.8)	(6.2)	(19.9)
Free Cash Flow	(10.1)	2.1	(18.9)	12.2	8.3	3.6	(12.6)	2.7	13.5	(14.1)	(10.5)	(10.9)	(1.2)	18.2	13.0	19.1
Active Customers	2,879	2,999	3,085	3,220	3,300	3,300	3,372	3,362	3,380	3,405	3,405	3,361	3,340	3,335	3,331	3,331
DBNRR	131%	131%	128%	125%	117%	117%	114%	112%	109%	112%	112%	109%	106%	104%	101%	101%

¹ Calculated by dividing non-GAAP gross profit by Cloud communications revenue.

² Calculated by dividing adjusted EBITDA by Cloud communications revenue.

³ Cash and Investments excludes restricted cash begetting in 1Q23. Prior periods have been conformed to current definition.

⁴ Represents the acquisition cost of property, plant and equipment and capitalized development costs for software for internal use.

Note: Totals may not sum due to rounding.

GAAP to Non-GAAP Reconciliation - Net Income

USD millions, except per share amounts

	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23
Net (loss) income	(44.0)	(5.3)	(6.9)	(6.9)	(8.2)	(27.4)	(6.8)	(6.2)	(0.8)	33.4	19.6	3.6	(3.9)	(5.1)	(10.9)	(16.3)
Stock-based compensation	9.9	4.4	3.4	3.8	2.9	14.5	5.3	4.8	4.9	5.6	20.7	7.4	8.0	6.9	14.7	37.0
Amortization of acquired intangibles	3.7	4.9	4.9	4.8	4.6	19.1	4.6	4.3	4.1	4.2	17.2	4.3	4.3	4.3	4.3	17.3
Amortization of debt discount and issuance costs for convertible debt	15.6	5.2	7.1	7.2	7.3	26.7	0.8	0.8	0.8	0.7	3.0	0.6	0.5	0.5	0.5	2.0
Acquisition-related expenses	14.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gain on sale of business	-	-	-	-	-	-	(0.9)	(2.9)	-	-	(3.8)	-	-	-	-	-
Net cost associated with early lease terminations and leases without economic benefit	-	-	-	-	-	-	-	-	-	-	-	-	-	1.2	2.8	4.0
Net gain on extinguishment of debt	-	-	-	-	-	-	-	-	-	(40.2)	(40.2)	(12.8)	-	-	-	(12.8)
Gain on business interruption insurance recoveries	-	-	-	-	-	-	-	-	-	-	-	-	(4.0)	-	-	(4.0)
Non-recurring items not indicative of ongoing operations and other ¹	0.3	0.2	0.1	0.0	0.5	0.8	0.2	0.0	0.1	1.7	2.0	0.6	0.2	0.1	0.4	1.2
Estimated tax effects of adjustments	14.3	(1.0)	0.1	(2.3)	(4.8)	(8.1)	(0.6)	(1.7)	(1.1)	0.0	(3.4)	(2.4)	(0.7)	(1.5)	(0.9)	(5.5)
Non-GAAP net income (loss)	14.2	8.3	8.6	6.5	2.3	25.7	2.5	(0.9)	8.0	5.3	15.0	1.2	4.4	6.3	10.8	22.8
Interest expense on convertible notes ²	-	-	-	-	-	-	0.4	0.7	0.6	0.4	1.7	0.3	0.3	0.3	0.3	1.3
Numerator used to compute Non-GAAP diluted net income (loss) per share³	14.2	8.3	8.6	6.5	2.3	25.7	2.9	(0.9)	8.6	5.8	16.7	1.5	4.7	6.7	11.1	24.0

¹ 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, \$0.5 million, \$0.8 million, and \$0.3 million of losses on disposals of property, plant and equipment during the years ended December 31, 2023, 2022, 2021, and 2020, respectively. For the year ended December 31, 2023, non-recurring items not indicative of ongoing operations and other include \$0.4 million of expense resulting from early termination of undrawn SVB credit facility.

² Upon the adoption of ASU 2020-06, net income is increased for interest expense as part of the calculation for diluted Non-GAAP earnings per share.

³ As the Company was at a Non-GAAP net loss for the three months ended June 30, 2022, the interest expense on convertible notes was not used to compute Non-GAAP diluted net loss per share. This figure is presented to show the activity during the quarter resulting in the interest expense on convertible notes used to compute Non-GAAP diluted net income per share.

Note: Totals may not sum due to rounding.

GAAP to Non-GAAP Reconciliation - Earnings per share

USD millions, except per share amounts

	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23
Net (loss) income per share																
Basic	(1.83)	(0.21)	(0.28)	(0.28)	(0.33)	(1.09)	(0.27)	(0.25)	(0.03)	1.32	0.77	0.14	(0.15)	(0.20)	(0.42)	(0.64)
Diluted	(1.83)	(0.21)	(0.28)	(0.28)	(0.33)	(1.09)	(0.27)	(0.25)	(0.03)	(0.16)	(0.48)	(0.28)	(0.15)	(0.20)	(0.42)	(0.64)
Non-GAAP net income (loss) per Non-GAAP share																
Basic	0.59	0.33	0.34	0.26	0.09	1.02	0.10	(0.04)	0.32	0.21	0.59	0.05	0.17	0.25	0.42	0.89
Diluted	0.55	0.30	0.32	0.25	0.09	0.97	0.09	(0.04)	0.27	0.19	0.54	0.05	0.16	0.23	0.38	0.83
Weighted average number of common shares outstanding																
Basic shares	24.1	25.0	25.1	25.1	25.1	25.1	25.2	25.3	25.3	25.3	25.3	25.4	25.6	25.6	25.8	25.6
Diluted shares	24.1	25.0	25.1	25.1	25.1	25.1	25.2	25.3	25.3	30.5	30.9	29.3	25.6	25.6	25.8	25.6
Non-GAAP basic shares	24.1	25.0	25.1	25.1	25.1	25.1	25.2	25.3	25.3	25.3	25.3	25.4	25.6	25.6	25.8	25.6
Convertible debt conversion	1.0	1.8	1.2	0.9	-	1.0	5.8	-	5.8	5.1	5.6	3.8	3.3	3.3	3.3	3.4
Stock options issued and outstanding	0.4	0.2	0.2	0.2	0.2	0.2	0.1	-	0.1	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Nonvested RSUs outstanding	0.4	0.3	0.2	0.2	0.1	0.2	-	-	-	-	-	-	-	-	-	-
Non-GAAP diluted shares	25.9	27.3	26.7	26.4	25.4	26.5	31.1	25.3	31.2	30.5	31.0	29.4	28.9	29.0	29.2	29.1

Note: Totals may not sum due to rounding.

GAAP to Non-GAAP Reconciliation - Gross Profit, Adjusted EBITDA, Free Cash Flow

USD millions, except per share amounts

	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22	3Q22	4Q22	FY22	1Q23	2Q23	3Q23	4Q23	FY23
Gross Profit	153.9	51.2	53.5	57.1	52.1	213.8	55.4	55.4	63.5	64.1	238.4	55.7	59.0	59.5	62.1	236.2
Gross Margin %	45 %	45 %	44 %	44 %	41 %	44 %	42 %	41 %	43%	41%	42%	40%	40%	39%	38%	39%
Depreciation	10.0	3.1	3.1	3.1	3.3	12.6	3.4	3.4	3.4	3.5	13.6	3.5	4.2	4.1	4.5	16.3
Amortization of acquired intangible assets	1.4	2.2	2.2	2.1	2.1	8.5	2.0	1.9	1.8	1.9	7.7	1.9	2.0	2.0	1.9	7.8
Stock-based compensation	0.3	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.1	0.4	0.2	0.2	0.2	0.6	1.1
Non-GAAP Gross Profit	165.7	56.6	58.8	62.4	57.5	235.3	60.9	60.8	68.8	69.5	260.0	61.3	65.3	65.7	69.0	261.4
Non-GAAP Gross Margin % ¹	50%	52%	51%	54%	53%	52%	53%	53%	57%	56%	55%	54%	55%	55%	55%	55%
Net (loss) Income	(44.0)	(5.3)	(6.9)	(6.9)	(8.2)	(27.4)	(6.8)	(6.2)	(0.8)	33.4	19.6	3.6	(3.9)	(5.1)	(10.9)	(16.3)
Income tax provision (benefit)	15.0	(0.3)	0.3	0.3	(4.1)	(3.8)	0.2	(0.4)	(0.9)	(1.1)	(2.3)	(3.1)	0.2	(0.2)	0.2	(3.0)
Interest expense (income), net	13.7	5.4	7.7	7.7	8.0	28.8	1.3	0.9	0.7	0.2	3.0	0.9	0.3	(0.1)	(0.4)	0.8
Depreciation	13.1	4.2	4.3	4.5	4.5	17.5	4.6	4.6	4.7	4.6	18.4	4.6	5.5	6.6	7.7	24.4
Amortization	3.7	4.9	4.9	4.8	4.6	19.1	4.6	4.3	4.1	4.2	17.2	4.3	4.3	4.3	4.3	17.3
Acquisition-related expenses	14.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Stock-based compensation	9.9	4.4	3.4	3.8	2.9	14.5	5.3	4.8	4.9	5.6	20.7	7.4	8.0	6.9	14.7	37.0
Gain on sale of business	-	-	-	-	-	-	(0.9)	(2.9)	-	-	(3.8)	-	-	-	-	-
Net cost associated with early lease terminations and leases without economic benefit	-	-	-	-	-	-	-	-	-	-	-	-	-	1.2	2.8	4.0
Net gain on extinguishment of debt	-	-	-	-	-	-	-	-	-	(40.2)	(40.2)	(12.8)	-	-	-	(12.8)
Gain on business interruption insurance recoveries	-	-	-	-	-	-	-	-	-	-	-	-	(4.0)	-	-	(4.0)
Non-recurring items not indicative of ongoing operations and other ²	0.3	0.2	0.1	0.0	0.5	0.8	0.2	0.0	0.1	1.7	2.0	0.2	0.2	0.1	0.4	0.8
Adjusted EBITDA	26.2	13.4	13.8	14.2	8.3	49.6	8.4	5.1	12.8	8.3	34.6	5.1	10.6	13.8	18.8	48.2
Net cash provided by (used in) operating activities	4.5	10.0	(1.2)	14.8	17.1	40.8	(6.7)	7.0	24.0	10.6	34.9	(6.4)	3.1	23.0	19.3	39.0
Net cash used in investing in capital assets ³	(14.6)	(7.9)	(17.8)	(2.7)	(8.8)	(37.2)	(5.9)	(4.3)	(10.5)	(24.6)	(45.4)	(4.5)	(4.3)	(4.8)	(6.2)	(19.9)
Free cash flow	(10.1)	2.1	(18.9)	12.2	8.3	3.6	(12.6)	2.7	13.5	(14.1)	(10.5)	(10.9)	(1.2)	18.2	13.0	19.1

¹ Calculated by dividing non-GAAP gross profit by revenue less pass-through surcharges of \$11.2M in FY20, \$4.0M in 1Q21, \$6.3M in 2Q21, \$14.3M in 3Q21, \$16.8M in 4Q21, \$17.4M in 1Q22, \$21.0M in 2Q22, \$26.9M in 3Q22, \$33.3M in 4Q22, \$23.4M in 1Q23, \$27.5M in 2Q23, \$31.8M in 3Q23, and \$39.6M in 4Q23.

² 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, \$0.5 million, \$0.8 million, and \$0.3 million of losses on disposals of property, plant and equipment during the years ended December 31, 2023, 2022, 2021, and 2020, respectively.

³ Represents the acquisition cost of property, plant and equipment and capitalized development costs for software for internal use.

Note: Totals may not sum due to rounding.

Definitions

Active customers: An active customer account at the end of any period as an individual account for which we have recognized at least \$100 of revenue in the last month of the period.

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.

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.

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.

Net Retention Rate ("NRR"): 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.

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.

Non-GAAP Net Income: 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.