

# Bandwidth 2Q 2022 Earnings Results

August 3, 2022

# Legal Disclaimer

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 for the third quarter 2022 and full year 2022, attractiveness of our product offerings and platform and the value proposition of our products, and our assessment of the impact of the distributed denial of service (“DDoS”) attacks are forward-looking statements. The words “anticipate,” “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 the DDoS attacks or other cyber security incidents, risks that the anticipated benefits of the acquisition of Voxbone may not be fully realized or may take longer to realize than expected, 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 and any subsequent reports that we file with the Securities and Exchange Commission. 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.

Powering  
enterprise digital  
transformation  
through software

APIs and  
our global  
network

## Bandwidth Scale and Reach



**60+**

Countries



**3,362**

Active Customers



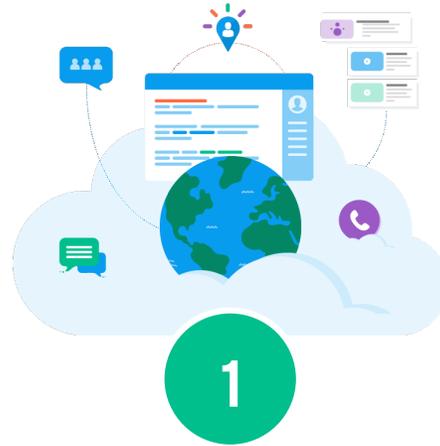
**\$554M**

Revenue<sup>(1)</sup>

(1) Represents midpoint of revenue guidance provided in the Financial Outlook section of August 3, 2022 earnings press release.

# Capitalizing on the global move to the cloud

## Growth Strategy



1

### Grow existing customers

Cross-selling and  
up-selling our  
global footprint  
and powerful APIs



2

### Win direct enterprise customers

Become the platform  
of choice for  
seamless migration for  
cloud communications



3

### Be the best CPaaS platform

to scale global  
digital customer  
engagement

# 2Q 2022 Customer and Operational Highlights

Unlocking  
opportunities  
with global  
enterprises



## A Top U.S. Bank Expands Contact Center Portfolio

One of the largest issuers of Visa and Mastercard credit cards in the U.S. migrated another business unit to Bandwidth to leverage the power of the Bandwidth platform and our expanding enterprise contact center ecosystem.



## Conversational Commerce Company

One of the largest and fastest-growing text messaging commerce companies turned to Bandwidth because of our ability to reliably deliver at scale, our APIs, and our customer experience.



## Enterprise Contact Center Wins

Enterprises spanning retail, healthcare, global manufacturing, contact center outsourcing, and financial tech support chose Bandwidth to power their Genesys and Five9 contact centers in the cloud, an affirmation of our co-creation mentality, enterprise-grade CPaaS platform, and global network.



## Extended ISO 27001 Certification Globally

Bandwidth extended ISO 27001:2013 certification, from its North American network to its global network, becoming the only global cloud communications platform to achieve accreditation. Bandwidth has now completely implemented STIR/SHAKEN throughout our IP network.

**Exceeded  
guidance on both  
top and bottom  
lines**

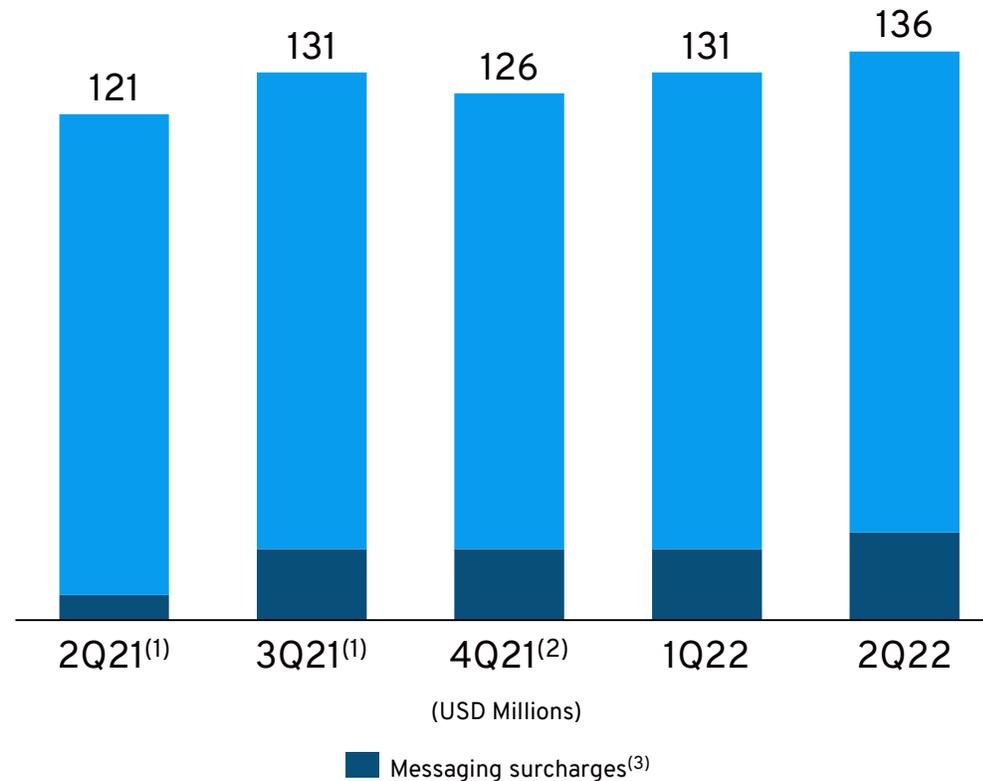
## 2Q 2022 Financial Highlights

- Total revenue of **\$136M**, up 13% y/y
- Dollar-based net retention rate of **112%**
- Messaging **13%** of total revenue, growing **25%** y/y
- Non-GAAP net loss of (\$1M) and EPS of (\$0.04)

Note: Messaging as a percent of total revenue does not include pass through carrier surcharges.

Durable revenue  
driven by  
powering business  
critical  
communications

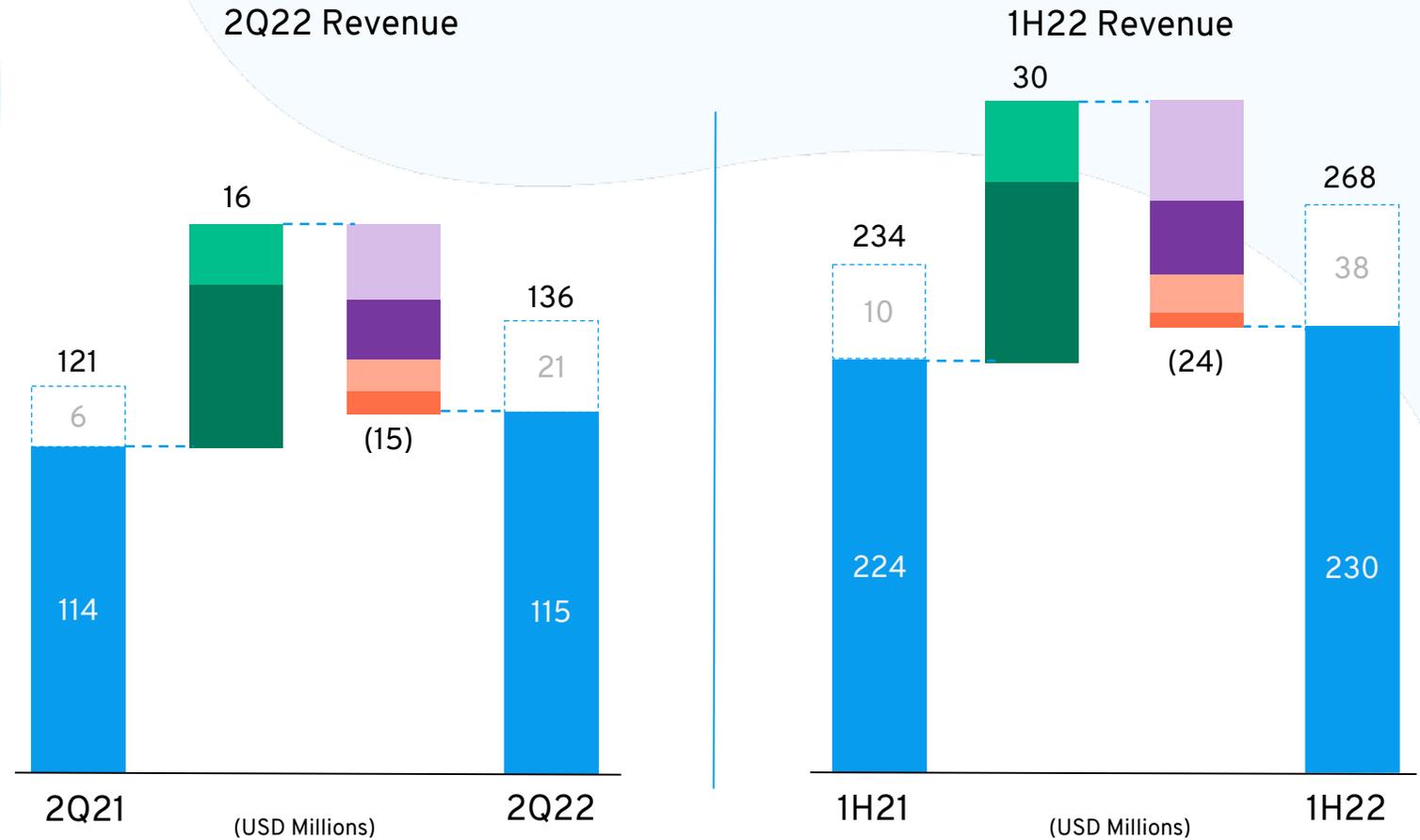
## Quarterly Revenue Performance



(1) Includes revenue from the acquisition of Voxbone, which closed November 2, 2020. 2Q21 and 3Q21 include \$27M, and \$27M, respectively, in each period.  
(2) 4Q21 revenue negatively impacted by approximately \$10M from lost volume during DDoS attack.  
(3) Messaging surcharge is defined as pass-through messaging surcharges levied by carriers on Application to Person (A2P) text messages.

# 2Q22 and 1H22 Revenue Progression

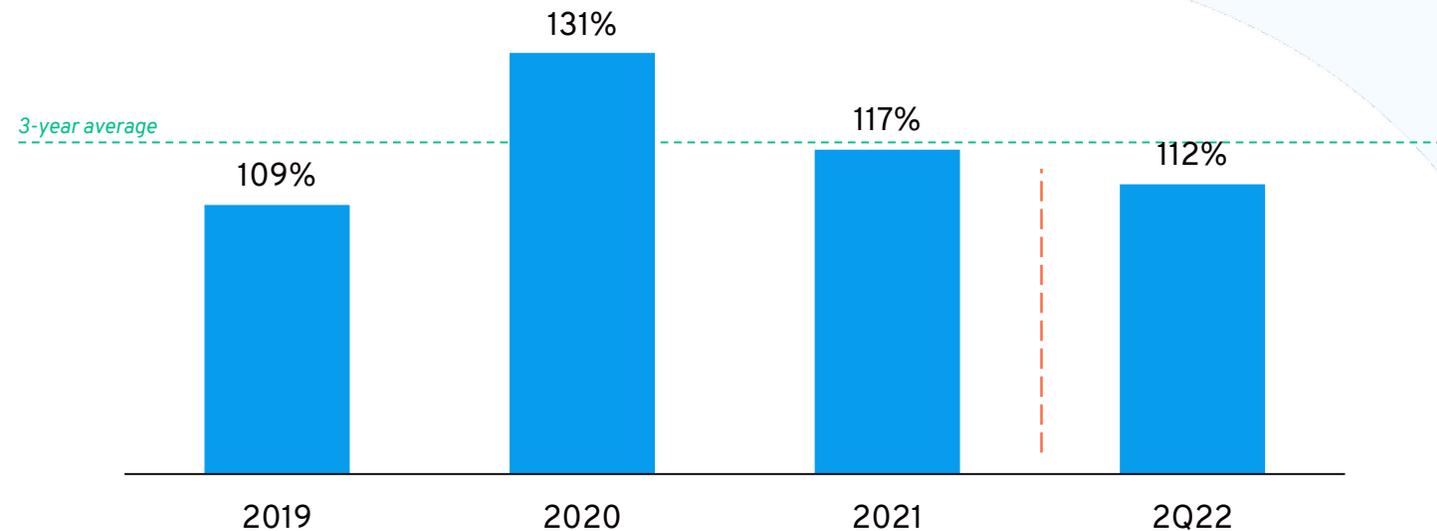
Broad-based growth offset by isolated headwinds



- Messaging
- Voice + Monthly recurring charges
- Messaging surcharges
- DDoS (40 impacted customers)
- Two large customers
- Divestments
- FX

Growing usage  
and upsell  
within existing  
customers  
drives revenue  
growth

## Dollar Based Net Retention Rate Performance



Note: As a result of the change in revenue segment reporting, our dollar-based net retention rates disclosed in previous SEC filings, press releases and presentations prior to reporting periods ended March 31, 2022, will not be directly comparable to our dollar-based net retention rates reported going forward. To facilitate comparison between the periods presented in the chart above, dollar-based net retention rates have been conformed to the current period methodology. Prior periods have been conformed to the current period presentation. Additional information regarding dollar-based net retention rate and how it is calculated is included in the Appendix.

# Active Customers

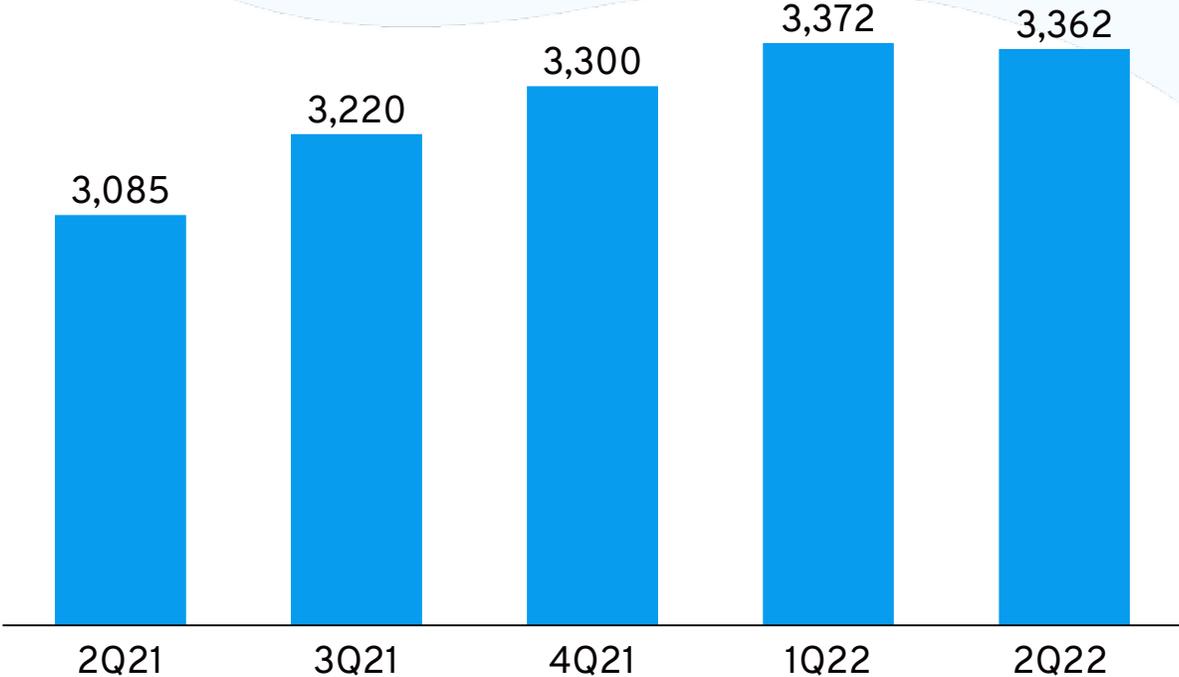
**\$161K**

Average Annual  
Customer Revenue



**Diverse**

No 10% of revenue  
customers



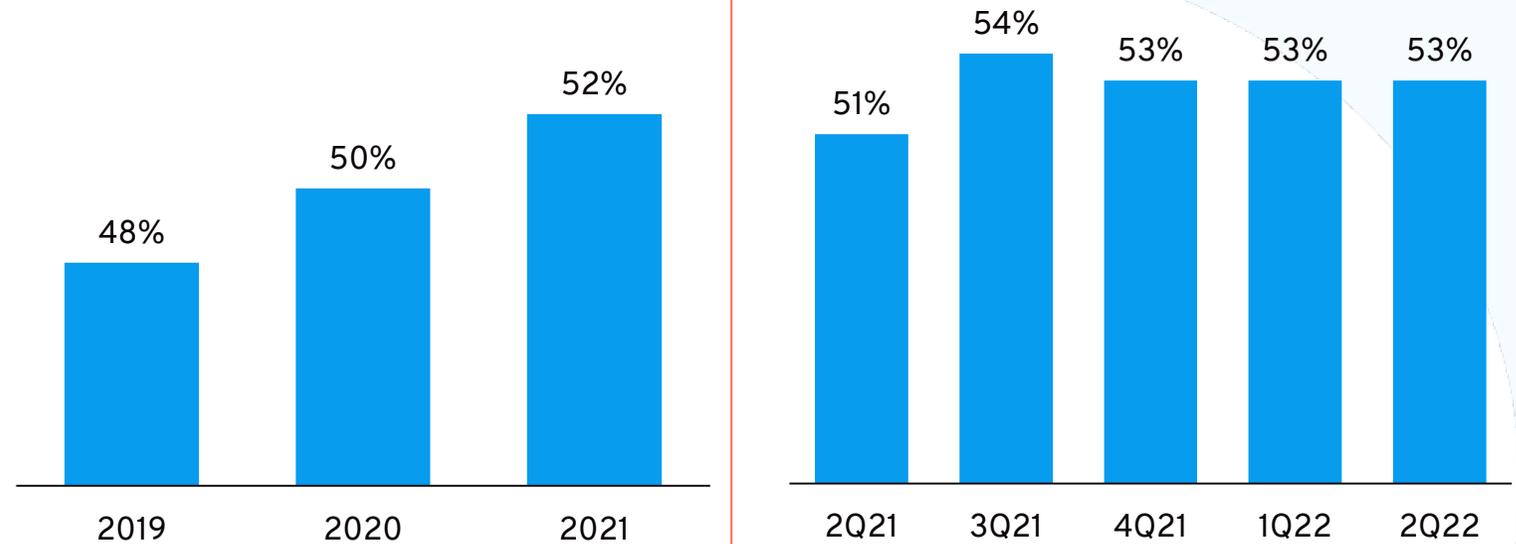
Note: As a result of the change in revenue segment reporting, our active customers disclosed in previous SEC filings, press releases and presentations prior to reporting periods ended March 31, 2022, will not be directly comparable to our active customers reported going forward. To facilitate comparison between the periods presented in the chart above, active customers have been conformed to the current period methodology. Prior periods have been conformed to the current period presentation. Additional information regarding active customers and how it is calculated is included in the Appendix.

# Non-GAAP Gross Margin Performance

**+200 bps**

2Q22 Non-GAAP Gross Margin<sup>(1)</sup> increase y/y

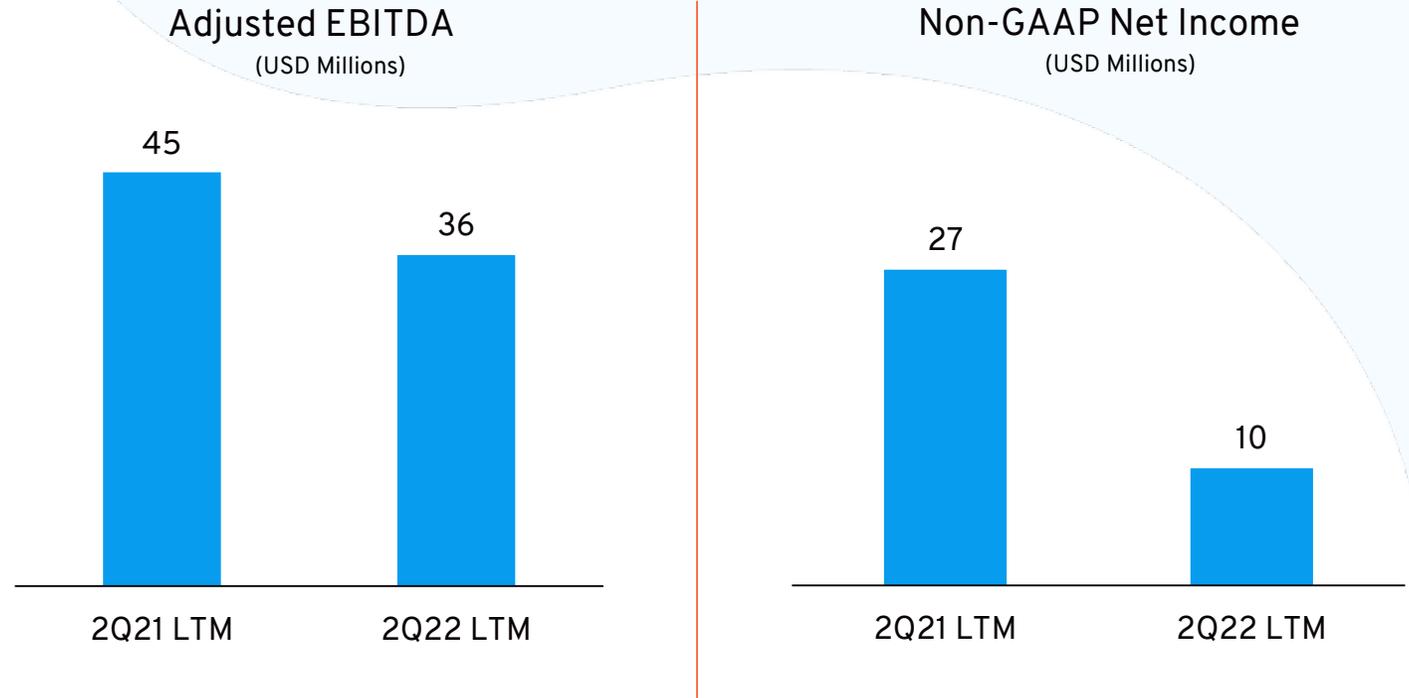
Consistent annual margin expansion



(1) We calculate Non-GAAP gross margin by dividing non-GAAP gross profit by revenue less pass through messaging surcharges. See Appendix for GAAP to Non-GAAP reconciliation.

Longstanding  
commitment  
to invest in  
our future  
with profitable  
discipline

# Profitability Performance



Note: See Appendix for definitions and GAAP to Non-GAAP reconciliation. LTM is defined as the results of the respective financial metric occurring over the preceding twelve month period.

# 3Q and Full Year 2022 Outlook

	3Q 2022	FY 2022
Total Revenue <sup>(1)</sup>	\$140M – \$142M	\$551M – \$557M
Non-GAAP EPS <sup>(2)</sup>	\$0.02 – \$0.04	\$0.10 – \$0.14

(1) 3Q22 and full year 2022 revenue estimates are inclusive of the respective impact of previously disclosed \$16M-\$24M estimated annual impact of DDoS attack.

(2) Assumes weighted average share count of approximately 31.2 million in 3Q 2022 and weighted average diluted share count of 31.2 million in FY 2022.

**Thank you!**

# Appendix

# Historical Metrics

USD millions

	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22
<b>Total Revenue</b>	232.6	68.5	76.8	84.8	113.0	343.1	113.5	120.7	130.6	126.1	490.9	131.4	136.5
<b>Total Gross Profit</b>	104.2	31.2	33.8	38.3	50.6	153.9	51.2	53.5	57.1	52.1	213.8	55.4	55.4
<b>Non-GAAP Gross Profit</b>	111.3	33.8	36.2	40.7	54.8	165.7	56.6	58.8	62.4	57.5	235.3	60.9	60.8
<b>Non-GAAP Gross Margin<sup>(1)</sup></b>	48 %	50 %	48 %	50 %	51 %	50 %	52 %	51 %	54 %	53 %	52 %	53 %	53 %
<b>Net Income (Loss)</b>	2.5	(1.1)	(20.6)	(2.4)	(19.9)	(44.0)	(5.3)	(6.9)	(6.9)	(8.2)	(27.4)	(6.8)	(6.2)
<b>Non-GAAP Net Income (Loss)</b>	(5.3)	1.1	3.1	6.5	3.5	14.2	8.3	8.6	6.5	2.3	25.7	2.5	(0.9)
<b>Adjusted EBITDA</b>	(1.1)	3.1	5.5	9.3	8.3	26.2	13.4	13.8	14.2	8.3	49.6	8.4	5.1
<b>Adjusted EBITDA Margin</b>	0 %	5 %	7 %	11 %	7 %	8 %	12 %	11 %	11 %	7 %	10 %	6 %	4 %
<b>Cash and Investments</b>	185.0	517.9	522.7	532.1	121.4	121.4	339.3	319.0	331.1	332.3	332.3	317.0	303.8
<b>Operating Cash Flows</b>	(1.3)	(7.6)	7.3	11.6	(6.8)	4.5	10.0	(1.2)	14.8	17.1	40.8	(6.7)	7.0
<b>Net cash used in investing in capital assets<sup>(2)</sup></b>	(25.8)	(4.4)	(4.6)	(2.3)	(3.2)	(14.6)	(7.9)	(17.8)	(2.7)	(8.8)	(37.2)	(5.9)	(4.3)
<b>Free Cash Flow</b>	(27.0)	(12.0)	2.7	9.3	(10.0)	(10.1)	2.1	(18.9)	12.2	8.3	3.6	(12.6)	2.7
<b>Active Customers</b>	1,736	1,832	1,918	2,050	2,879	2,879	2,999	3,085	3,220	3,300	3,300	3,372	3,362
<b>DBNRR</b>	109 %	117 %	122 %	126 %	131 %	131 %	131 %	128 %	125 %	117 %	117 %	114 %	112 %

(1) Calculated by dividing Non-GAAP gross profit by revenue less pass-through surcharges of \$1.3M in FY19, \$1.3M in 1Q20, \$1.6M in 2Q20, \$2.6M in 3Q20, \$5.6M in 4Q20, \$4.0M in 1Q21, \$6.3M in 2Q21, \$14.3M in 3Q21, \$16.8M in 4Q21, \$17.4M in 1Q22, and \$21.0 in 2Q22.

(2) Represents the acquisition cost of property, 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

	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22
<b>Net income (Loss)</b>	<b>2.5</b>	<b>(1.1)</b>	<b>(20.6)</b>	<b>(2.4)</b>	<b>(19.9)</b>	<b>(44.0)</b>	<b>(5.3)</b>	<b>(6.9)</b>	<b>(6.9)</b>	<b>(8.2)</b>	<b>(27.4)</b>	<b>(6.8)</b>	<b>(6.2)</b>
Stock-based compensation	6.6	2.5	2.4	2.4	2.6	9.9	4.4	3.4	3.8	2.9	14.5	5.3	4.8
Amortization of acquired intangibles	0.5	0.1	0.1	0.1	3.3	3.7	4.9	4.9	4.8	4.6	19.1	4.6	4.3
Amortization of debt discount and issuance costs for convertible debt	-	1.7	4.5	4.6	4.7	15.6	5.2	7.1	7.2	7.3	26.7	0.8	0.8
Acquisition-related expenses	-	-	-	1.7	12.7	14.5	-	-	-	-	-	-	-
Loss on disposal of property and equipment	0.5	0.2	0.0	0.0	0.1	0.3	0.2	0.1	0.0	0.5	0.8	0.2	0.0
Gain on sale of business	-	-	-	-	-	-	-	-	-	-	-	(0.9)	(2.9)
Estimated tax effects of adjustments <sup>(1)</sup>	(15.4)	(2.5)	16.6	0.0	0.1	14.3	(1.0)	0.1	(2.3)	(4.8)	(8.1)	(0.6)	(1.7)
<b>Non-GAAP net income (Loss)</b>	<b>(5.3)</b>	<b>1.1</b>	<b>3.1</b>	<b>6.5</b>	<b>3.5</b>	<b>14.2</b>	<b>8.3</b>	<b>8.6</b>	<b>6.5</b>	<b>2.3</b>	<b>25.7</b>	<b>2.5</b>	<b>(0.9)</b>
Cash interest expense on convertible notes <sup>(2)(3)</sup>	-	-	-	-	-	-	-	-	-	-	-	0.4	0.7
<b>Numerator used to compute Non-GAAP diluted net income per share<sup>(3)</sup></b>	<b>(5.3)</b>	<b>1.1</b>	<b>3.1</b>	<b>6.5</b>	<b>3.5</b>	<b>14.2</b>	<b>8.3</b>	<b>8.6</b>	<b>6.5</b>	<b>2.3</b>	<b>25.7</b>	<b>2.9</b>	<b>(0.9)</b>

(1) The Non-GAAP tax-effect adjustments are calculated based on statutory tax rates, net of corresponding valuation allowance adjustments, in the jurisdictions where Bandwidth has tax filings.

(2) Upon the adoption of ASU 2020-06, net income is increased for cash interest expense as part of the calculation for diluted Non-GAAP earnings per share. See Note 2, “Summary of Significant Accounting Policies” to the condensed consolidated financial statements, for additional details on the adoption of ASU 2020-06.

(3) As the Company was at a Non-GAAP net loss for the three months ended June 30, 2022, the cash 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 cash 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 – Net Income (cont.)

USD millions, except per share amounts

	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22
<b>Net income (loss) per share</b>													
Basic	0.11	(0.04)	(0.86)	(0.10)	(0.81)	(1.83)	(0.21)	(0.28)	(0.28)	(0.33)	(1.09)	(0.27)	(0.25)
Diluted	0.10	(0.04)	(0.86)	(0.10)	(0.81)	(1.83)	(0.21)	(0.28)	(0.28)	(0.33)	(1.09)	(0.27)	(0.25)
<b>Non-GAAP net income (loss) per Non-GAAP share</b>													
Basic	(0.23)	0.05	0.13	0.27	0.14	0.59	0.33	0.34	0.26	0.09	1.02	0.10	(0.04)
Diluted	(0.23)	0.04	0.13	0.24	0.13	0.55	0.30	0.32	0.25	0.09	0.97	0.09	(0.04)
<b>Weighted average number of shares outstanding</b>													
Basic	22.6	23.6	24.0	24.2	24.7	24.1	25.0	25.1	25.1	25.1	25.1	25.2	25.3
Diluted	23.9	23.6	24.0	24.2	24.7	24.1	25.0	25.1	25.1	25.1	25.1	25.2	25.3
<b>Non-GAAP basic shares</b>	<b>22.6</b>	<b>23.6</b>	<b>24.0</b>	<b>24.2</b>	<b>24.7</b>	<b>24.1</b>	<b>25.0</b>	<b>25.1</b>	<b>25.1</b>	<b>25.1</b>	<b>25.1</b>	<b>25.2</b>	<b>25.3</b>
Convertible debt conversion	-	-	-	1.7	2.0	1.0	1.8	1.2	0.9	-	1.0	5.8	-
Stock options issued and outstanding	-	0.7	0.4	0.3	0.2	0.4	0.2	0.2	0.2	0.2	0.2	0.1	-
Nonvested RSUs outstanding	-	0.2	0.3	0.4	0.4	0.4	0.3	0.2	0.2	0.1	0.2	-	-
<b>Non-GAAP diluted shares</b>	<b>22.6</b>	<b>24.5</b>	<b>24.7</b>	<b>26.5</b>	<b>27.2</b>	<b>25.9</b>	<b>27.3</b>	<b>26.7</b>	<b>26.4</b>	<b>25.4</b>	<b>26.5</b>	<b>31.1</b>	<b>25.3</b>

Note: Totals may not sum due to rounding.

# GAAP to Non-GAAP Reconciliations – Gross Profit, Adjusted EBITDA, Free Cash Flow

USD millions

	FY19	1Q20	2Q20	3Q20	4Q20	FY20	1Q21	2Q21	3Q21	4Q21	FY21	1Q22	2Q22
<b>Gross Profit</b>	<b>104.2</b>	<b>31.2</b>	<b>33.8</b>	<b>38.3</b>	<b>50.6</b>	<b>153.9</b>	<b>51.2</b>	<b>53.5</b>	<b>57.1</b>	<b>52.1</b>	<b>213.8</b>	<b>55.4</b>	<b>55.4</b>
<b>Gross Margin %</b>	<b>45 %</b>	<b>46 %</b>	<b>44 %</b>	<b>45 %</b>	<b>45 %</b>	<b>45 %</b>	<b>45 %</b>	<b>44 %</b>	<b>44 %</b>	<b>41 %</b>	<b>44 %</b>	<b>42 %</b>	<b>41 %</b>
Depreciation	6.6	2.4	2.5	2.4	2.7	10.0	3.1	3.1	3.1	3.3	12.6	3.4	3.4
Stock-based compensation	0.2	0.2	0.0	0.1	0.1	0.3	0.1	0.1	0.1	0.1	0.4	0.1	0.1
Amortization of acquired intangible	-	-	-	-	1.4	1.4	2.2	2.2	2.1	2.1	8.5	2.0	1.9
<b>Non-GAAP Gross Profit</b>	<b>111.3</b>	<b>33.8</b>	<b>36.2</b>	<b>40.7</b>	<b>54.8</b>	<b>165.7</b>	<b>56.6</b>	<b>58.8</b>	<b>62.4</b>	<b>57.5</b>	<b>235.3</b>	<b>60.9</b>	<b>60.8</b>
<b>Non-GAAP Gross Margin %<sup>(1)</sup></b>	<b>48 %</b>	<b>50 %</b>	<b>48 %</b>	<b>50 %</b>	<b>51 %</b>	<b>50 %</b>	<b>52 %</b>	<b>51 %</b>	<b>54 %</b>	<b>53 %</b>	<b>52 %</b>	<b>53 %</b>	<b>53 %</b>
<b>Net Income (Loss)</b>	<b>2.5</b>	<b>(1.1)</b>	<b>(20.6)</b>	<b>(2.4)</b>	<b>(19.9)</b>	<b>(44.0)</b>	<b>(5.3)</b>	<b>(6.9)</b>	<b>(6.9)</b>	<b>(8.2)</b>	<b>(27.4)</b>	<b>(6.8)</b>	<b>(6.2)</b>
Income tax (provision) benefit	(17.7)	(2.7)	16.5	0.0	1.2	15.0	(0.3)	0.3	0.3	(4.1)	(3.8)	0.2	(0.4)
Interest expense, net	(2.4)	0.9	3.9	4.2	4.7	13.7	5.4	7.7	7.7	8.0	28.8	1.3	0.9
Depreciation	9.0	3.2	3.2	3.2	3.6	13.1	4.2	4.3	4.5	4.5	17.5	4.6	4.6
Amortization	0.5	0.1	0.1	0.1	3.3	3.7	4.9	4.9	4.8	4.6	19.1	4.6	4.3
Acquisition-related expenses	-	-	-	1.7	12.7	14.5	-	-	-	-	-	-	-
Stock-based compensation	6.6	2.5	2.4	2.4	2.6	9.9	4.4	3.4	3.8	2.9	14.5	5.3	4.8
Loss on disposal of property and equipment	0.5	0.2	0.0	0.0	0.1	0.3	0.2	0.1	0.0	0.5	0.8	0.2	0.0
Gain on sale of business	-	-	-	-	-	-	-	-	-	-	-	(0.9)	(2.9)
<b>Adjusted EBITDA</b>	<b>(1.1)</b>	<b>3.1</b>	<b>5.5</b>	<b>9.3</b>	<b>8.3</b>	<b>26.2</b>	<b>13.4</b>	<b>13.8</b>	<b>14.2</b>	<b>8.3</b>	<b>49.6</b>	<b>8.4</b>	<b>5.1</b>
Net cash provided by operating activities from continuing operations	(1.3)	(7.6)	7.3	11.6	(6.8)	4.5	10.0	(1.2)	14.8	17.1	40.8	(6.7)	7.0
Net cash used in investing in capital assets <sup>(2)</sup>	(25.8)	(4.4)	(4.6)	(2.3)	(3.2)	(14.6)	(7.9)	(17.8)	(2.7)	(8.8)	(37.2)	(5.9)	(4.3)
<b>Free cash flow</b>	<b>(27.0)</b>	<b>(12.0)</b>	<b>2.7</b>	<b>9.3</b>	<b>(10.0)</b>	<b>(10.1)</b>	<b>2.1</b>	<b>(18.9)</b>	<b>12.2</b>	<b>8.3</b>	<b>3.6</b>	<b>(12.6)</b>	<b>2.7</b>

(1) Calculated by dividing Non-GAAP gross profit by revenue less pass-through surcharges of \$1.3M in FY19, \$1.3M in 1Q20, \$1.6M in 2Q20, \$2.6M in 3Q20, \$5.6M in 4Q20, \$4.0M in 1Q21, \$6.3M in 2Q21, \$14.3M in 3Q21, \$16.8M in 4Q21, 17.4M in 1Q22, and \$21.0M in 2Q22.

(2) Represents the acquisition cost of property, equipment and capitalized development costs for software for internal use.

Note: Totals may not sum due to rounding.

# Definitions

**Non-GAAP Net Income:** net income adjusted for certain items affecting period to period comparability. Non-GAAP net income excludes stock-based compensation, amortization of acquired intangible assets, amortization of debt discount and issuance costs for convertible debt, acquisition related expenses, impairment charges of intangibles assets, loss (gain) on disposal of property and equipment, net cost associated with early lease terminations and leases without economic benefit, estimated tax impact of above adjustments, income tax (benefit) provision resulting from excess tax benefits associated with the exercise of stock options, vesting of restricted stock units and equity compensation, and expense resulting from recording the valuation allowance on our deferred tax assets (“DTA”). See Appendix for non-GAAP reconciliation.

**Adjusted EBITDA:** net (loss) income 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, loss (gain) from disposal of property and equipment and net cost associated with early lease terminations and leases without economic benefit.

**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.

**Dollar-based Net Retention Rate (DBNRR):** to calculate the dollar-based net retention rate, we first identify the cohort of customers that generate revenue and that were customers in the same quarter of the prior year. The dollar-based 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 dollar-based 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.