Bandwidth Q4 and Full Year 2025 Earnings Prepared Remarks

Sarah Walas, VP of IR

Good morning, and welcome to Bandwidth's earnings call. I'm joined today by David Morken, our CEO and Daryl Raiford, our CFO. They will begin with prepared remarks, and then, we will open up the call for Q&A. Our earnings press release was issued earlier today. The press release and an earnings presentation with historical financial highlights and a reconciliation of GAAP to non-GAAP financial results can be found on the Investor Relations page at investors.bandwidth.com

During the call, we will make statements related to our business that may be considered forward-looking, including statements concerning our financial guidance for the full-year. We caution you not to put undue reliance on these forward-looking statements, as they may involve risks and uncertainties that could cause actual results to vary materially from any future results or outcomes expressed or implied by the forward-looking statements.

Any forward-looking statements made on this call and in the presentation slides reflect our analysis as of today, and we have no plans or obligation to update them. For a discussion of material risks and other important factors that could affect our actual results, please refer to those contained in our latest 10-K filing as updated by other SEC filings. With that let me turn the discussion over to David.

David Morken, CEO

Thank you, and welcome everyone.

We're pleased to report a solid fourth quarter, capping off a year defined by sustained business performance and strengthening fundamentals. Throughout 2025, we delivered steady progress across revenue, profitability, and free cash flow. A primary highlight of the year was our success in the large enterprise space. We closed a record number of million-dollar-plus deals, including two significant wins in the fourth quarter alone. We also continued to invest in high-margin innovation. We are seeing tangible results from our AI voice tools, our Trust portfolio, our Global Communications Cloud, and our Maestro orchestration software.

Entering 2026, we are confident in the upward trajectory of our business. When we reported 2022 results, we set ambitious four-year goals extending through 2026: a 15-20 percent revenue compound annual growth rate, a 5 percentage point increase in gross margin to 60 percent, a 20 percent EBITDA margin, a 15 percent free cash flow margin, and $125 million in cumulative free cash flow. While market dynamics, particularly in messaging, will almost certainly keep us short of our multi-year revenue CAGR target, our 2026 outlook is fully on track to achieve our goals for gross margin, EBITDA margin, and free cash flow margin. Furthermore, we will significantly exceed our 2026 cumulative free cash flow objective, having already surpassed $125 million by the end of 2025.

Daryl will walk through our full 2026 guidance in more detail shortly. But at a high level, our 2026 outlook reflects healthy demand across both Voice and Messaging, along with continued solid execution – giving us confidence in the direction of our business and our financial model.

Earlier today we also announced the authorization of our inaugural share repurchase program. This reflects our confidence in the durability of our business model and our ability to generate cash while simultaneously investing in our future.

I want to thank our customers for their continued trust in Bandwidth. I also want to thank our Bandmates for their tireless commitment to excellence. And I thank God for the blessing of another year filled with opportunities for our team to learn and grow.

MOVING FROM AI EXPERIMENTATION TO PRODUCTION

Over two years ago, we identified AI voice as the next frontier. Since then we've helped customers move from AI voice experimentation into real-world production. From an AI voice concierge for a global hospitality brand, to an AI-powered voice ordering system for food venues nationwide, enterprises are trusting Bandwidth to launch new AI-driven customer experience use cases.

Q4 MOMENTUM ACROSS THE PORTFOLIO

Our AI investments are paying off. The Bandwidth Communications Cloud and Maestro are purpose-built to integrate and manage AI voice across diverse environments – with the quality, reliability, ultra-low latency, and scale that global businesses require to support multi-channel AI-driven customer conversations. Our enterprise momentum validates this network-centric approach. Our role as a foundational platform for AI – deeply embedded in the global communications network – becomes even more critical as enterprises manage constant change across shifting AI models and application platforms. Simply put, our

Communications Cloud and Maestro orchestration software are essential to enabling AI in enterprise production environments.

We're seeing AI-driven Voice adoption across both new enterprise wins and expanding deployments within our existing customer base. A good illustration comes from a major household-name U.S. insurance group, which selected Bandwidth to replace their legacy provider in a million-dollar-plus deal. They cited our AI-enabling features, and seamless integration with their complex Cisco environment. Bandwidth will power a new cloud-based customer experience stack for claims and customer quoting functions, utilizing inbound voice calling alongside Google conversational AI. This is a blueprint for how we serve large, global enterprises: achieving rapid value-capture for our customers through low-risk cloud adoption while enabling new AI voice capabilities.

Our other million-dollar-plus deal in Q4 is with a top 10 U.S. bank serving millions of customers nationwide. They selected Bandwidth's resilient, toll-free solution to modernize and protect their contact center infrastructure to enhance customer experience. This win was driven by our differentiated failover architecture and open integration strategy.

A similar dynamic resulted in another win in financial services: the U.S. consumer financing arm for a top five global carmaker. In this case, Bandwidth was selected to launch AI-enabled communications for their Genesys contact center. This win came through our channel and reflects our ability to align with partner ecosystems while serving the customer directly. By moving to Bandwidth, the customer gained greater flexibility and freed up cost savings, which supported their investments in new AI services. The transition has been seamless, thanks to the long-standing partnership and technical alignment between Bandwidth and Genesys. It's a strong example of our Maestro orchestration platform enabling enterprise customers to modernize on their terms.

We also saw momentum in our messaging business, winning an e-commerce platform that supports high-volume, time-sensitive communications for top brands. This customer chose Bandwidth over our largest CPaaS competitor citing our superior deliverability, scalable capacity, and operational support during high-demand retail seasons like Black Friday.

A particularly strong example of our progress in RCS messaging is highlighted by a long-time customer that supports hundreds of enterprise brands on their platform. Our customer trusted us to power their first production RCS campaigns for several of their well-known consumer brands across retail, home furnishings, and hospitality. The decision followed a broader evaluation of messaging providers and was driven by Bandwidth's ability to ensure consistent deliverability, scalable throughput, and operational reliability as RCS grows from early trials toward broader enterprise use.

Taken together, these wins share a common theme. Customers need an open, scalable, reliable global platform to support their most mission-critical communications – both for today's customer experience, and the AI-driven conversations now being deployed. The majority of these wins also follow our broader pattern of large enterprise wins in 2025: multilocation rollouts, deep integration into existing infrastructure, and clear line-of-business value realization within the first 90-180 days of launch.

VALIDATION FROM A GROWING ECOSYSTEM OF AI APP DEVELOPERS

Perhaps most exciting is the validation we are seeing from the AI developer community. The number of third-party conversational AI developers building on our platform has more than quadrupled over the past six months.

While this cohort does not yet contribute materially to revenue, the momentum is a powerful leading indicator. Developers are choosing Bandwidth for our ultra-low latency, quality, and predictable economics.

Bandwidth enters 2026 at the exciting confluence of enterprise communications and AI with the global infrastructure, software platform, and the vibrant ecosystem to lead this next wave of innovation.

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

Daryl Raiford, CFO

Thank you, David, and good morning, everyone.

I'll begin with a brief update on the fourth quarter, then touch on the full year 2025, before spending the majority of my time on our outlook for 2026 and the fundamentals of Bandwidth's business model.

Q4 2025

In the fourth quarter of 2025, strong execution drove solid revenue and record levels of profitability and free cash flow. Total revenue saw a 12 percent year-over-year increase on an organic basis. This organic growth metric excludes the cyclical revenue generated from political campaign messaging in 2024, providing a clearer view of our core business strength. Both our Voice and Messaging segments were key contributors, each achieving healthy double-digit growth.

In Voice, our 11 percent year-over-year growth was fueled by increased Voice usage, rising adoption of voice-based AI applications, and growing contributions from software services revenue. Messaging organic growth of 12 percent year-over-year was driven by robust holiday messaging demand. EBITDA margin reached 17 percent, reflecting improved pricing and mix, and continued progress on profitability, providing a strong close to the year.

FULL YEAR 2025

Looking at the full year 2025, we delivered another year of disciplined performance where we generated total revenue of $754 million, up 10 percent organically year over year, non-GAAP gross margin of 58 percent, Adjusted EBITDA of $93 million, and free cash flow of $57 million.

Durable customer relationships drove accelerated growth in our largest Voice customer category, Global Voice Plans, where 8 percent revenue growth more than doubled compared to 2024.

Our Enterprise Voice customer category also delivered strong full year results, growing 21 percent, supported by a record number of million-dollar-plus deals. While large enterprise customers typically have extended onboarding cycles, these customers are experiencing a faster time-to-value realization after launching on Bandwidth's Communications Cloud. In fact, the Enterprise cohort of customers added in 2025 already represents 15 percent of total Enterprise revenue, making it the second-highest contributing annual cohort in our history. Notably, more than 40 percent of 2025 Enterprise Voice growth came from accounts added in the past three years - one of the strongest proof points that our Enterprise cohort expansion continues to compound over time.

Programmable Messaging achieved 7 percent organic year-over-year growth, in line with our expectations.

Beyond the numbers, 2025 reinforced critical themes: the durability of our customer relationships, growing deal sizes, and improving profitability driven by operating leverage and an expanding mix of higher-value software services.

2026 AND BEYOND…

As we look ahead, we expect 2026 to be a year of continued growth and margin expansion.

First, we expect continued accelerating revenue growth in Voice, supported by higher usage demand, including usage influenced by AI-driven call flows, large deal activity, increasing software services contribution and geographic expansion.

Second, we remain focused on operating leverage and platform investments, which we expect will continue to support margin expansion and profit growth.

Based on these factors, our 2026 full year guidance shows:

- Total revenue growth of approximately 16 percent year-over-year, including cloud communications growth of approximately 10 percent,
- Adjusted EBITDA improvement of nearly 30 percent year-over-year, in-line with our aim to achieve a 20 percent full year Adjusted EBITDA margin, and
- Non-GAAP Earnings per share of approximately $1.66 to 1.74, representing growth of approximately 19 percent.

We're excited that our execution and investments position us now to achieve our three-year-goals around gross margin, Adjusted EBITDA margin and cash flow goals. And beyond 2026, we anticipate delivering sustained double double-digit growth in cloud communications, independent of the political campaign cycle, while driving further growth in gross margin, EBITDA and free cash flow.

BANDWIDTH'S BUSINESS MODEL IS DURABLE AND DIFFERNTIATED

Now I want to spend time on what we believe is the most important point: the quality of Bandwidth's business model.

Our view is simple:

Bandwidth is a durable cloud communications platform with software-like expansion economics.

There are five principal reasons we believe this is true.

DURABLE, LONG-TERM CUSTOMER RELATIONSHIPS

First, our customer relationships are highly durable. We set the industry standard for customer satisfaction rates.

We see the direct outcome of that with ultra-low customer churn and strong retention across customer categories. Our customer name retention rate remains above 99%, and our organic net retention of 107 percent reflects ongoing expansion, as customers grow their usage with us over time. Our top 20 accounts have a median tenure of 12 years. Within Enterprise Voice, we again in 2025 realized a 100 percent customer name retention — which means zero churn. In fact, we recognized a 98 percent customer retention rate from our Enterprise Voice customer cohort of three years ago — a remarkable demonstration of outstanding customer durability.

In addition, our average annual revenue per customer continues to increase, driven by larger deployments, deeper integrations, and expanding use cases. We ended 2025 with average annual customer revenue of $232 thousand, a record, and up from $171 thousand three years ago.

All these metrics underscore the long-term value of our customer base and the mission-critical role our platform plays.

SCALE AND INFRASTRUCTURE ADVANTAGES

Second, Bandwidth owns and operates a scaled, infrastructure-based global cloud communications platform. In contrast to others, we do not market a thin application layer underpinned by reselling commodity third-party carrier access.

Bandwidth's ownership model supports structurally higher margins that expand with usage and create durable operating leverage over time. Our margin performance is fueled by scale, voice AI adoption, growing software services contribution, global coverage, and operational efficiencies. Our incremental gross profit yield of 82 percent in 2025 demonstrates that each incremental Cloud Communications revenue dollar converts at highly attractive economics.

This is the foundation of our operating leverage, driving long-term profitability and creating a meaningful competitive advantage for large enterprises that require consistent quality at scale.

STRENGTH IN LARGE DEALS

Third, we continue to see strong traction in large deals.

In 2025, we closed a record number of $1 million-plus deals.

These larger deals not only contribute to near-term growth, but also create long-term expansion opportunities as customers increase usage and adopt additional services.

UPSELL AND CROSS-SELL THROUGH SOFTWARE SERVICES

Fourth, we see a growing opportunity to expand relationships through upsell and cross-sell.

Software services are becoming a more meaningful part of our value proposition and our financial model. These solutions complement our Communications Cloud, deepen customer engagement, increase platform stickiness, and support continued progress toward margin expansion over time.

We exited 4Q 2025 with software services revenue at an approximate $15 million annualized run rate, driven by solutions that are increasingly attached to core Voice usage such as Maestro, Call Assure, and our trust services offerings. Our year end annualized run rate was meaningfully ahead of the $10 million expectation that we expressed a few months ago. Notably, software is now attached to all million-dollar-plus deals. These solutions are embedded into customers' communications stacks, producing recurring, high-margin revenue streams that scale with usage.

BUILT FOR PROFITABLE GROWTH

Finally, our model is designed to grow profitably.

We are focused on scaling the business in a disciplined way — balancing growth with operating leverage, margin expansion, and cash generation.

As we continue to execute, we believe Bandwidth is positioned to deliver sustainable revenue growth, expanding margins, and increasing long-term value creation.

BALANCED CAPITAL ALLOCATION STRATEGY

Regarding capital allocation, our business is strong and set to generate continued meaningful free cash flow. After focusing since 2023 on reaching the 2026 margin metrics we previously outlined, we are pleased to announce, as David mentioned, that our board of directors has authorized an inaugural share repurchase program of up to $80 million in common stock. Our balanced capital strategy involves both this new share repurchase program and our largest investment in research and development in company history this year, to accelerate innovation across our AI portfolio. This dual approach gives Bandwidth the flexibility to capitalize on market opportunities when they arise while actively managing dilution to enhance shareholder value.

CLOSING REMARKS

In closing, we believe our performance in 2025 and our outlook for 2026 demonstrate the strength and durability of Bandwidth's business.

We are encouraged by continued Voice growth, the incremental usage driven by AI-enabled applications, and the expanding contribution from software and services — all supported by the strength of our business model and sustained operational performance.

We're also proud of how we're embracing AI across our business.

Recently, Bandwidth was honored to be recognized by Gartner as a first mover in the deployment of AI for investor relations.

We believe this mindset — combining innovation with operational excellence — positions Bandwidth well for the future.