

Bandwidth Q1 2026 Earnings Prepared Remarks

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Good morning, and welcome to Bandwidth's first quarter 2026 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 2026. 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.

Bandwidth has entered 2026 with historic momentum. In the first quarter, we exceeded our expectations with record revenue of \$209 million—up 20 percent year-over-year and record first-quarter Adjusted EBITDA of \$26 million. Based on this performance, we are raising our full-year outlook.

These results represent far more than a quarterly beat. They are a definitive proof point of our structural advantage in a technology sector undergoing a profound transformation. Our global Communications Cloud and Maestro orchestration layer are essential infrastructure that make voice AI possible. Bandwidth is flourishing as the mission-critical foundation for the AI-driven enterprise.

Thank you to our customers for growing and innovating with us, and to our Bandmates for your amazing work. And I thank God for giving this team the opportunities to serve together.

We are executing against a clear strategy: to power mission-critical communications for the AI-driven enterprise. For voice AI to succeed in production, it requires ultra-low latency, carrier-grade reliability, and deep regulatory control capabilities that only a company that owns the underlying network can provide. This is our moat. It creates durable advantages in economics and performance that are impossible for virtual providers to replicate.

We are no longer just enabling AI; we are orchestrating it. Through our Maestro platform, we participate in every interaction, allowing us to capture more value as customer usage grows. As AI increases the frequency and complexity of interactions, our model allows us to grow revenue per interaction, not just per minute.

We are seeing this play out as customers deploy AI into their live workflows and rely upon our platform to support mission-critical interactions. A key example is our expanded partnership with Salesforce.

SELECTED BY SALESFORCE AS CRITICAL INFRASTRUCTURE PARTNER

We recently announced that Salesforce selected Bandwidth as their critical infrastructure partner to power voice and messaging for their groundbreaking new Agentforce Contact Center platform. Salesforce is fundamentally re-architecting the contact center for the AI era – bringing together their customer data, digital engagement, and agentic AI capabilities into a single, AI-first platform. In Salesforce’s vision, Agentforce Contact Center becomes a native execution layer for CRM. This gives enterprises a single source of truth to achieve faster, more intelligent customer engagement.

Salesforce is a longtime customer, and to realize its bold vision for Agentforce, they turned to Bandwidth once again as their critical infrastructure partner. Only we are able to deliver the unique combination of network ownership, real-time orchestration, and global regulatory expertise required to support Agentforce’s high-volume, AI-driven interactions. This is the result of our years of powering hyperscalers and all the Gartner leaders in CCaaS and UCaaS.

In our partnership, Salesforce has embedded Bandwidth's Communications Cloud directly into their governed workflows – enabling the control, observability, and integration depth required for agentic interactions at scale.

This is significant for two reasons:

First, it adds CRM as a new category of platforms we power. In addition to CCaaS, UCaaS, and conversational AI leaders, we are now partnered with the leading CRM platform as it becomes the system of execution for customer engagement. This expands our total addressable market and positions us to capture meaningful share as CRM platforms take on a larger role in customer interactions.

Second, it reinforces our emerging role as critical infrastructure embedded inside governed workflows, where every interaction represents a unit of usage and value creation. This is a blueprint for how we expand value, by embedding deeper into core enterprise systems and participating in more workflows on our platform. As Agentforce adoption grows, we believe revenue will build over time.

With AI becoming the primary interface for customer engagement, the traditional contact center stack is being re-architected around agentic workflows. We have a long history of working closely with the leading CCaaS providers, and they continue to innovate and invest in exciting, new AI capabilities. The evolution of the category will expand the range of platforms enterprises can choose from – and Bandwidth is positioned to support them all. Our open platform strategy ensures that regardless of which application or AI provider an enterprise selects, Bandwidth remains the underlying communications infrastructure.

EXTENDING DEAL MOMENTUM IN FINANCIAL SERVICES

We're seeing this same need for mission-critical infrastructure play out in highly regulated industries, particularly in financial services – where we've secured large wins over several consecutive quarters, including two new million-dollar-plus deals.

The first is with a leading U.S. consumer financial services company that has over 70 million active accounts. This customer selected Bandwidth to replace its legacy telecom provider and migrate its contact center to the cloud through our Maestro integration with Genesys and our ultra-reliable Call Assure toll-free voice solution. Our solution delivers the reliability, control, and integration they needed, while also enabling their transition to AI-driven customer engagement. We're now positioned for significant expansion as the customer integrates AI into the next phase of their customer experience transformation.

Our second million-dollar-plus deal during the quarter is with one of the largest mutual life insurance companies in the world. This customer selected Bandwidth to replace a long-standing legacy carrier. Like many enterprises in regulated industries, this customer required both performance and trust – areas where our owned network and integrated platform provide a clear advantage.

Their comprehensive customer experience transformation leverages our Maestro integration with Genesys, our Call Assure toll free voice, and our trust services including Call Verification and Number Reputation Management. Cost savings from modernization are being reinvested into new AI services which could further increase usage on our platform –

redirecting spend away from legacy systems and toward more intelligent, scalable customer engagement with Bandwidth.

These examples demonstrate our continued strong momentum in financial services, where scalability, compliance, and resiliency are non-negotiable. Standardizing on Bandwidth enables best-in-class integrations, intelligent call routing, built-in failover, and a clear path to deploying new AI services. This is a land-and-expand model, where initial platform wins immediately demonstrate Bandwidth's value proposition, leading to higher usage, increased software attachment, and long-term, durable revenue growth.

SCALING AI-DRIVEN HIGH-VOLUME MESSAGING

We're seeing a similar dynamic play out in our messaging business, where enterprises need a robust, reliable platform partner to scale real-time customer engagement across digital channels.

During the first quarter, we won an additional high-volume messaging customer with major consumer brands across the retail and restaurant verticals. This customer reached a level of throughput where their previous large provider could no longer meet their requirements and switched to Bandwidth for our proven delivery performance and ability to scale – particularly as they manage tens of millions of messages per month across short code, 10DLC, and toll-free channels. As they add new AI workflows to automate campaign management and customer interactions, Bandwidth's messaging platform and campaign registration tools ensure reliable execution.

This example shows how we're extending the same land-and-expand model into messaging. As customers grow and scale their engagement, activity flows directly through our platform, driving revenue and margin performance over time.

GROWING OUR ECOSYSTEM OF AI APP DEVELOPERS

In addition to our customer acquisition success in voice and messaging, we are increasingly supporting a growing ecosystem of AI developers building vertical applications on top of our platform. We're seeing continued momentum in this space, with developers building agentic solutions across a wide variety of use cases, from restaurants and hospitality, to healthcare, home services, and customer support – where real-time voice and messaging are central to the customer experience.

These AI app developers are choosing Bandwidth for the same reasons as our enterprise customers: the ultra-low latency, reliability, and scalability required to run AI applications in production, along with the orchestration capabilities of Maestro. As enterprises increasingly adopt verticalized applications built by third-party developers, Bandwidth becomes the essential communications layer powering additional usage on our platform.

THE MISSION-CRITICAL COMMUNICATIONS PLATFORM FOR AI-DRIVEN ENTERPRISES

We are the mission-critical communications platform for AI-driven enterprises.

First, we are executing against a clear and consistent strategy to power mission-critical communications for the AI-driven enterprise, and we are seeing this focus translate into large-enterprise adoption across our platform.

Second, we are expanding our role inside governed customer workflows as AI moves into production.

And third, we are scaling a business model that drives increasing usage, expands revenue per customer, and delivers exceptional incremental gross profit growth.

Taken together, we are positioned as the mission-critical communications platform for AI-driven enterprises.

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.

Bandwidth's 2026 is off to a historic start. Our first quarter performance was exceptionally strong, with demand for both Voice and Messaging exceeding our projections and driving results above the top end of our guidance ranges. This robust momentum across all key financial metrics—including revenue, gross profit, Adjusted EBITDA, non-GAAP earnings per share, and Free Cash Flow—has given us the confidence to raise our financial guidance for the full year.

Our market performance and execution underscore the depth of our competitive moat and the resilience of our business model as we continue to scale our cloud communications platform and drive long-term value for our shareholders.

FIRST QUARTER 2026 RESULTS

Now diving into our first quarter 2026 Results:

- Total revenue was \$209 million, an increase of 20 percent year-over-year.
- Cloud communications revenue, which is total revenue less messaging surcharge revenue of \$59 million, reached \$150 million, a 13 percent year-over-year increase, driven by growth across our core communications platform.
- Non-GAAP Gross profit of \$89 million increased 14 percent year-over-year, and marked another quarter of improving gross profit yield on incremental cloud communications revenue.
- Non-GAAP gross margin improved 50 basis points to 59.5%, illustrating the structural margin advantage of our unique, global owned and operated communications platform.
- Adjusted EBITDA grew by 17 percent to \$26 million driven by gross profit growth and the scale of higher revenue across our operating expense base.
- Non-GAAP Earnings per Share rose to \$0.38, representing 6 percent growth, and
- Operating cash flow grew significantly to yield essentially breakeven free cash flow, representing a marked year-over-year improvement despite the typical first-quarter working capital cycle.

FOCUSING ON OUR FIRST QUARTER CLOUD COMMUNICATIONS REVENUE GROWTH

Both Voice and Programmable Messaging solutions exceeded our expectations.

For our Voice solutions, we reported revenue of \$121 million, growing 12 percent. Both of our Voice market categories contributed towards the total voice growth:

- Within our Global Voice Plans category, we saw broadbased demand producing revenue growth of 12 percent year-over-year, underscoring both the strength and durability of our installed customer base and the tailwind of AI-influenced voice usage, and
- For our Enterprise Voice category, revenue grew 14 percent year-over-year to \$13 million. Growth was driven by both recent customer additions and increasing momentum as enterprises scale on our Maestro platform.

In Programmable Messaging, revenue rose 15 percent year-over-year to approximately \$30 million. This performance exceeded our projections, particularly given the typical first-quarter seasonal headwinds we often encounter.

OPERATING METRICS

Turning to our operating metrics:

- Our reported Net retention rate for the first quarter was 102 percent. Adjusted to normalize the cyclical political campaign revenue impact, our commercial net retention rate was a healthy 110 percent. We believe this adjusted view more

accurately reflects underlying organic commercial demand and customer expansion.

- Customer name retention remained well above 99 percent indicating near zero customer churn, a remarkable and unique track record that we expect to continue.
- Average Annual Revenue per customer reached a new high of \$244 thousand, reflecting the mission critical nature of our platform and deep integration with our customers.

Taken together, these metrics demonstrate continued expansion within our existing customer base, as customers increase their usage, adopt more of our services, and deepen their reliance on our platform.

CAPITAL ALLOCATION STRATEGY

In the first quarter, we progressed our balanced capital allocation strategy. We deployed approximately \$11 million in cash to mitigate share dilution by 700,000 shares, while repurchasing \$100 million in aggregate principal of our 2028 Convertible Notes at a discount to par. This resulted in a long-term debt leverage ratio of less than 1.25x. Shares acquired under our \$80 million repurchase authorization were purchased at an average price of \$15.93.

Looking ahead, we intend to maintain this opportunistic approach, prioritizing debt reduction and dilution management while remaining steadfast in our commitment to prudent cash flow management and a strong, flexible balance sheet.

SECOND QUARTER 2026 OUTLOOK

Turning to our second quarter 2026 outlook, we expect:

- Revenue to be in the range of \$214 million and \$220 million, representing 20 percent growth year-over-year
- Adjusted EBITDA to be in the range of \$24 million and \$27 million, representing 20 percent growth year-over-year
- Non-GAAP EPS to be in the range of \$0.35 and \$0.37

FULL YEAR 2026 OUTLOOK

Turning to our improving full year outlook, we are raising our full-year 2026 guidance to reflect the first quarter beat and continued demand strength.

Our positive outlook for the remainder of the year is underpinned by three significant growth catalysts:

- First, the transition of AI-driven traffic into high-volume production. We are seeing a marked acceleration in our Global Voice category as AI voice agents move beyond the pilot phase into full-scale deployment. This organic growth is generating volume that leverages the carrier-grade reliability and ultra-low latency of our owned network, further expanding our competitive moat.
- Second, a robust enterprise pipeline poised for a second-half inflection. We expect growth to accelerate as our record pipeline of large-scale deals completes onboarding. Our role as a mission-critical partner is validated by Salesforce

selecting Bandwidth to power Agentforce, alongside our significant million-dollar plus wins in financial services this quarter. These partnerships cement our position as the foundational infrastructure for next-generation engagement.

- Third, the continued expansion of high-margin software services. As enterprises integrate more deeply with our platform, they are increasingly adopting unique services within the Bandwidth Communications Cloud. During the quarter, software services revenue nearly doubled year-over-year, with its sequential ARR exit rate growing 67 percent to \$25 million. This provides a powerful tailwind for both long-term business durability and incremental profitability as we scale.

We now expect for the full year 2026:

- Total revenue to be in the range of \$880 million and \$900 million, representing 18 percent growth year-over-year at the midpoint, compared to our prior range of \$864 million and \$884 million.
- Within Total Revenue, we expect Cloud Communications to be in the range of \$616 million and \$624 million, representing 10 percent growth year-over-year at the midpoint,
- Adjusted EBITDA outlook to be in the range of \$119 million and \$125 million, representing 31 percent growth year-over-year at the midpoint, compared to our prior range of \$117 million and \$123 million.
- Non-GAAP EPS to be in the range of \$1.77 and \$1.83, representing growth of 26 percent year-over-year at the midpoint, compared to our prior range of \$1.66 and \$1.74.

Additional modeling details underlying our full-year 2026 outlook are as follows:

- We expect net interest expense to be in the range of \$1 million and \$3 million.
- Depreciation expense to be in the range of \$38 million and \$42 million.
- Adjusted effective tax rate to be in the range of 20 and 21 percent.
- Weighted average diluted shares outstanding of approximately 35 million.
- And for Capital Expenditures, we expect these to be in the range of \$24 million and \$26 million.

I'll now turn the call over to the operator for Q&A.

CLOSING REMARKS

Thank you operator. In closing, our first quarter performance underscores Bandwidth's expanding role as the mission-critical foundation for the AI-driven enterprise. By combining our unique, global owned and operated network with the increasing velocity of the Maestro platform, we are capturing more value as customers deploy agentic AI into live production workflows. Compared to prior cycles, our growth today is increasingly complemented by embedded AI workflows and software attachment, rather than episodic traffic alone. Our raised full-year guidance reflects this momentum and the scale of our record deal pipeline. We remain committed to a disciplined capital allocation strategy that balances strategic investment in our AI moat with opportunistic shareholder returns, ensuring long-term value creation.

Thank you very much.