# Investor Update

March 5, 2024

# Legal Disclaimer

This presentation contains forward-looking statements within the meaning of the federal securities laws, including statements about our future performance and goals. These statements involve substantial risks and uncertainties, as further described in “Forward-Looking Statements” on slide 18, as well as in our most recent periodic reports filed with the SEC, including our Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, which are available on our website and at sec.gov.

This presentation also contains non-GAAP financial measures. The non-GAAP financial measures, including non-GAAP income (loss) from operations, non-GAAP operating margin, non-GAAP operating expenses as a percentage of revenue, free cash flow, organic revenue and organic revenue growth, are presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP. More information about and definitions of our non-GAAP financial measures used in this presentation can be found in “Non-GAAP Financial Measures” on slide 19, and reconciliations of our non-GAAP financial measures to the most directly comparable GAAP measures are included in the appendix.

# Topics to cover

1. Overview of recent actions
2. Segment operational review
3. Capital allocation & financial targets

# Overview of Recent Actions

# Over the past 18 months, we have taken significant actions to advance priorities

| | |
|---|---|
| **Operational** | • **Established new operating model:** Created two distinct business units to provide better focus, accountability, and transparency<br>• **Streamlined go-to-market:** Repositioned sales organization to better address unique buyer needs<br>• **Rationalized OpEx:** Reduced headcount by ~35% since September 2022; implemented other cost reductions across the business<br>• **Accelerated path to GAAP profitability:** Delivered significant improvements in non-GAAP income and substantially reduced SBC<br>• **Increased free cash flow:** Generated meaningful free cash flow through improved operating leverage and working capital efficiency |
| **Capital Structure / Efficiency** | • **Returned capital:** Launched $1B share repurchase program in February 2023; completed almost $800M to date<br>• **Reduced stock-based compensation:** Reduced SBC expense as a percent of revenue by 5 percentage points in 2023 |
| **Leadership / Governance** | • **Transitioned leadership:** Appointed Khozema Shipchandler, who led the transformation of our Communications business, to succeed our founder, Jeff Lawson, as CEO<br>• **Evolved governance:** Separated the roles of CEO and Board Chair, appointed three new independent directors in the past three years, and sunset our dual-class share structure |

**We will continue to focus on driving improved execution, accelerating growth, and realizing the full potential of the business**

# Our actions have materially improved key financial metrics

| | 2021 | 2023 |
|---|---|---|
| **Growth Strategy** | **Primary Focus on Rapid Growth** | **Durable Profitable Growth** |
| **Non-GAAP OpEx / Revenue** | **53%** | **40%** |
| **Non-GAAP Operating Profit** | **$3M** | **$533M** |
| **Non-GAAP Operating Margin** | **0%** | **13%** |
| **Free Cash Flow** | **($148M)** | **$364M** |
| **Headcount[(1)]** | **7.9K** | **5.9K** |
| **Stock-Based Compensation / Revenue** | **22%** | **16%** |
| **Capital Return** | **$0**<br>*Prior to 2023* | **$1B**<br>*Authorized for 2023-2024* |

(1) Headcount figures as of December 31 of each year.

Note: Non-GAAP operating expenses as a percentage of revenue, non-GAAP operating profit (also referred to as non-GAAP income from operations), non-GAAP operating margin, and free cash flow are non-GAAP financial measures. Refer to "Non-GAAP Financial Measures" in the appendix for their definitions and a reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.

# Communications is by far the core driver of Twilio's performance; Segment remains a market leading, complementary technology, but has underperformed recently

## 2023 Financials:

### Communications

**11%**
Organic Y/Y Revenue Growth

**$842M**
Non-GAAP Op Profit

**22%**
Non-GAAP Op Margin

*A Leader in Omdia Universe: CPaaS Platforms 2023-2024*[1]

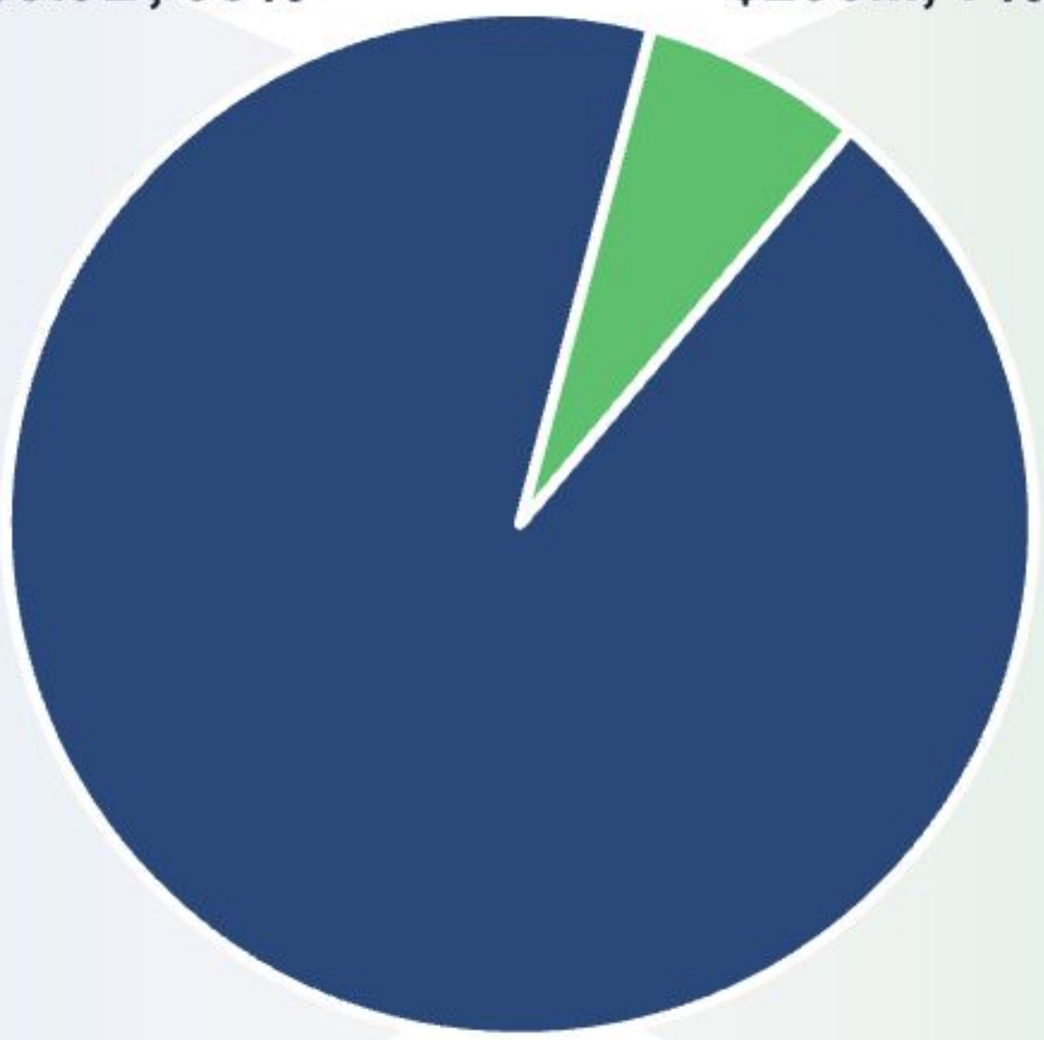
*A Leader in 2023 CPaaS Magic Quadrant 2023*[2]

*A Leader in 2023 CPaaS MarketScape*[3]

### 2023 Revenue / % of Total Revenue

Communications
$3.9B, 93%

TWILIO Segment
$295M, 7%



### twilio segment

**7%**
Y/Y Revenue Growth

**($72M)**
Non-GAAP Op Loss

**(25%)**
Non-GAAP Op Margin

*A Leader in 2023 CDP for Fin. Services MarketScape*[4]

*#1 CDP by WW Market Share 2022*[5]

Note: Figures shown based on fiscal 2023.
Note: Communications organic revenue growth is a non-GAAP financial measure. Refer to "Non-GAAP Financial Measures" in the appendix for its definition and a reconciliation to its most directly comparable GAAP measure.
1. Omdia CPaaS Platform Providers, 2023-2024
2. Gartner® Magic Quadrant™ for Communications Platform as a Service, Lisa Unden-Farboud, Ajit Patankar, Brian Doherty, Daniel O'Connell, September 18, 2023. GARTNER is a registered trademark and service mark of Gartner, Inc. and/or its affiliates in the U.S. and internationally, and MAGIC QUADRANT is a registered trademark of Gartner, Inc. and/or its affiliates and are used herein with permission. All rights reserved.This graphic was published by Gartner, Inc. as part of a larger research document and should be evaluated in the context of the entire document. The Gartner document is available upon request from Twilio. Gartner does not endorse any vendor, product or service depicted in its research publications and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's Research & Advisory organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose.
3. IDC MarketScape: Worldwide Communications Platform as a Service 2023 Vendor Assessment, By: Courtney Munroe, Melissa Fremeijer-Holtz, May 2023, IDC #US50607923
4. IDC MarketScape: Worldwide Customer Data Platforms Focused on the Financial Services Industry 2023 Vendor Assessment, By: David Wallace, September 2023, IDC #US51211923
5. IDC Market Share: Worldwide Customer Data Platform Applications Software Market Shares, 2022: Continued CDP Growth to $2.7 Billion Proves Value of Unified Data for CX and Digital Business (Doc # US50861023).

# Segment Operational Review

# We have identified four specific drivers of Segment's underperformance

| | |
|---|---|
| 1 **Level of Investment** | We invested ahead of growth; we are prioritizing and balancing future investments with our commitment to delivering durable, profitable growth |
| 2 **Time to Value** | Time for customers to get up-and-running on Segment was too long; we are simplifying and automating implementation cycles by using AI as an accelerant |
| 3 **Churn and Contraction** | Churn and contraction are elevated; we are improving time to value and investing in platform interoperability with our data warehouse partners |
| 4 **Team Focus** | Segment team was spread thin across too many priorities; we are recalibrating to focus on the highest impact areas |

# Overview of Segment operational review

## Review Process

- Upon his appointment as CEO in January 2024, Khozema Shipchandler initiated a review of Segment to identify the best path forward for the business in an effort to drive future shareholder value
- Our management team and Board evaluated a number of options for improved execution and profitable growth
- This 8-week evaluation included deep interactions with customers and Twilio leadership spanning sales, marketing, product, and engineering, as well as key leadership from our Communications business unit
- We assessed the root causes of our key operational challenges, our ability to address these issues, as well as the potential value that we believe we can create across our entire business with a tangible set of actions and improved execution
- With input from independent strategic and financial advisors, we also considered various hypothetical non-operational alternatives for Segment, including a sale, to understand the potential value unlock from strategic actions

# Conclusions of the Segment operational review

## Key Conclusions

- **We have a strong plan to deliver a leaner, more effective Segment that better recognizes the economic value of the CDP business, while allowing us to unlock incremental value in our Communications business**
- Customer feedback for Segment continues to be very positive and there remains a significant market opportunity ahead
- We understand the key challenges and have developed tangible and readily actionable plans to address them; we believe that we will create meaningful value through more disciplined investment and focused execution
- We have a product roadmap in place that will more effectively infuse Segment capabilities into our leading Communications products; this will drive further differentiation and durability for Communications, and create richer customer experiences
- We believe that we're uniquely positioned to deliver against our vision of creating the leading customer engagement platform by combining Communications + Data + AI to deliver compelling outcomes for our customers, which will in turn drive significant returns for our shareholders
- We concluded that a sale of Segment – with its current growth and profitability profile – is unlikely to result in a value in excess of the risk-adjusted value of the business to Twilio

# Our commitments & path forward to address Segment's challenges and improve the business's performance

1

**Operational rigor & cost discipline:**

- Targeting **break-even non-GAAP operating income for Segment** by Q2 2025
- Reducing investments to **right-size cost base** and focus on areas we believe will drive the highest impact

2

**Laser focus:**

- After an extensive search, we are **introducing Thomas Wyatt as our new leader for Segment**
- Leveraging AI / automation to **improve onboarding and accelerate time to value** for our customers
- Delivering additional features to further enhance **data warehouse interoperability**

3

**Innovation velocity:**

- Introducing three products in 2024 that **natively embed Segment into Communications**
- Delivering on our product roadmap to **further capitalize on our momentum with CustomerAI**

# Capital Allocation & Financial Targets

# Authorized an additional $2B of share repurchases

| | |
|---|---|
| **Initial Program** | • **Amount:** In February 2023, we announced the authorization of a $1B share repurchase program expiring on December 31, 2024<br>• **Commitment:** At the time, we stated our intent to execute up to $500M during the first six months of the program, which we achieved within the first five months<br>• **Progress to date:** We're continuing to execute on the program, and as of today, we've repurchased almost $800M of shares<br>• **Going forward:** We intend to complete the balance of the initial $1B authorization over the coming weeks |
| **New Authorization** | • **Amount:** In March 2024, our Board authorized an additional $2B share repurchase program expiring on December 31, 2024<br>• **Commitment:** We are targeting to complete the full $2B buyback, in addition to the ~$200M remaining balance of our initial authorization ($2.2B in additional repurchases), between now and the end of 2024[(1)] |
| **Future Capital Allocation** | • **Strategy:** Our improving free cash flow profile provides further capital allocation flexibility; going forward we will continue to actively assess opportunities that we believe will drive further shareholder value |

(1) Subject to legal requirements, price, and economic market conditions.

# Financial targets

| | 2024 |
|---|---|
| Organic Y/Y Revenue Growth | 5% - 10%[1] |
| Non-GAAP Income from Operations | $550M - $600M[2] |

| | 2025 |
|---|---|
| GAAP Operating Profitability | Achieve by Q4 2025 |
| Segment BU Non-GAAP Income from Operations | Achieve break-even by Q2 2025 |

**These targets are representative of the changes we've implemented over the last year and the plans we've laid out today. As a result, these targets replace our previous medium-term financial framework that was most recently provided on May 9, 2023.**

(1) Includes an estimated 150 basis points of headwinds associated with the end of life of our video product and the software portion of our Zipwhip business.
(2) Includes an estimated $90M of incremental expense associated with a new employee cash bonus program aimed at reducing stock-based compensation expense over time.

# Appendix

# Forward-looking statements

This presentation contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “can,” “will,” “would,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “forecasts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this presentation include, but are not limited to, statements about: our future financial performance, including our expected financial results and guidance; our expectations regarding our Segment business, including our ability to reach our financial and operational targets; our expectations regarding our Communications business; our expectations regarding profitability, including when we will become profitable on GAAP and non-GAAP bases; our anticipated strategies and business plans; the effects of our organizational and operational changes; the effects of our cost-saving measures; our expectations regarding our compensation programs; our ability to develop products related to artificial intelligence and machine learning, including CustomerAI and its use cases; our ability to deliver on our product roadmap; and our expectations regarding share repurchases. You should not rely upon forward-looking statements as predictions of future events.

The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to differ materially from those described in the forward-looking statements, including, among other things: our ability to successfully implement our cost-saving initiatives and to capture expected efficiencies; our ability to realize the anticipated benefits of changes to our operating model and organizational structure; the impact of macroeconomic uncertainties and market volatility; our financial performance, including expectations regarding our results of operations and the assumptions underlying such expectations, and ability to achieve and sustain profitability; our ability to attract and retain customers; our ability to compete effectively in an intensely competitive market; our ability to comply with modified or new industry standards, laws and regulations applying to our business, and increased costs associated with regulatory compliance; our ability to manage changes in network service provider fees and optimize our network service provider coverage and connectivity; our ability to form and expand partnerships; and our ability to successfully enter into new markets and manage our international expansion.

The forward-looking statements contained in this presentation are also subject to additional risks, uncertainties, and factors, including those more fully described in our most recent filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q. Should any of these risks materialize, or should our assumptions prove to be incorrect, actual financial results could differ materially from our projections or those implied by these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment, and new risks and uncertainties may emerge that could have an impact on the forward-looking statements contained in this presentation. Forward-looking statements represent our management’s beliefs and assumptions only as of the date such statements are made. We undertake no obligation to update any forward-looking statements made in this presentation to reflect events or circumstances after the date of this presentation or to reflect new information or the occurrence of unanticipated events, except as required by law.

# Non-GAAP financial measures

In addition to financial information presented in accordance with U.S. generally accepted accounting principles ("GAAP"), this presentation and the accompanying conference call include certain non-GAAP financial measures, including non-GAAP income (loss) from operations (also referred to as non-GAAP operating profit or loss), non-GAAP operating margin, non-GAAP operating expenses as a percentage of revenue, free cash flow, organic revenue and organic revenue growth. We use these non-GAAP financial measures to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that these non-GAAP financial measures may be helpful to investors because they provide consistency and comparability with past financial performance, facilitate period-to-period comparisons of results of operations and assist in comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results. We believe organic revenue and organic revenue growth are useful in understanding the ongoing results of our operations on a consolidated basis and at the segment level. These non-GAAP financial measures are presented for supplemental informational purposes only, should not be considered substitutes for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies. A reconciliation of these measures to the most directly comparable GAAP measures is included in the appendix. We have not provided the forward-looking GAAP equivalents for certain forward-looking non-GAAP measures presented in this presentation, or a GAAP reconciliation, as a result of the uncertainty regarding, and the potential variability of, reconciling items such as stock-based compensation expense. Accordingly, a reconciliation of these non-GAAP guidance metrics to their corresponding forward-looking GAAP equivalents is not available without unreasonable effort. However, it is important to note that material changes to reconciling items could have a significant effect on future GAAP results.

*Non-GAAP Income (Loss) from Operations and Non-GAAP Operating Margin*. For the periods presented, we define non-GAAP income (loss) from operations and non-GAAP operating margin as GAAP loss from operations and GAAP operating margin, respectively, adjusted to exclude, as applicable, stock-based compensation, amortization of acquired intangibles, loss on net assets divested, acquisition and divestiture related expenses, payroll taxes related to stock-based compensation, charitable contributions, restructuring costs, and impairment of long-lived assets. Segment-level non-GAAP income (loss) from operations and non-GAAP operating margin are calculated using the same methodology, but using (and excluding, as applicable) only revenue and expenses attributable to the applicable segment.

*Non-GAAP Operating Expenses as a Percentage of Revenue*. For the periods presented, we define non-GAAP operating expenses as a percentage of revenue as GAAP operating expenses, adjusted to exclude stock-based compensation, amortization of acquired intangibles, loss on divestiture, acquisition and divestiture related expenses, payroll taxes related to stock-based compensation, charitable contributions, restructuring costs, and impairment of long-lived assets.

*Free Cash Flow*. For the periods presented, we calculate free cash flow as net cash provided by operating activities, excluding capitalized software development costs and purchases of long-lived and intangible assets.

*Organic Revenue*. For the periods presented, we define organic revenue as GAAP revenue, excluding (i) revenue from each acquired business and revenue from application-to-person ("A2P") 10DLC fees imposed by major U.S. carriers on our core messaging business, in each case until the beginning of the first full quarter following the one-year anniversary of the closing date of such acquisition or the initial date such fees were charged and (ii) revenue from each divested business beginning in the quarter of the closing date of such divestiture; provided that (a) if an acquisition closes or such fees are initially charged on the first day of a quarter, such revenue will be included in organic revenue beginning on the one-year anniversary of the closing date of such acquisition or the initial date such fees were charged and (b) if a divestiture closes on the last day of a quarter, such revenue will be included in organic revenue for that quarter. A2P 10DLC fees are fees imposed by U.S. mobile carriers for A2P SMS messages delivered to its subscribers, and we pass these fees to our messaging customers at cost. Communications organic revenue is calculated using the same methodology, but using (and excluding, as applicable) only revenue attributable to the Communications segment.

*Organic Revenue Growth*. For the periods presented, we calculate organic revenue growth by dividing (i) organic revenue for the period presented less organic revenue in the comparative period by (ii) organic revenue in the comparative period. If revenue from certain acquisitions, divestitures or A2P 10DLC fees is included or excluded in organic revenue in the period presented, then revenue from the same acquisitions, divestitures and A2P 10DLC fees is included or excluded in organic revenue in the comparative period for purposes of the denominator in the organic revenue growth calculation. As a result, the denominator used in this calculation will not always equal the organic revenue reported for the comparative period. Communications organic revenue growth is calculated using the same methodology, but using (and excluding, as applicable) only revenue attributable to the Communications segment.

# Non-GAAP Financial Measures Reconciliation

*(in thousands, unaudited)*

| | Year Ended December 31, 2021 | Year Ended December 31, 2023 |
|---|---|---|
| **Non-GAAP operating margin** | | |
| Revenue | $ 2,841,839 | $ 4,153,945 |
| GAAP gross profit | $ 1,390,713 | $ 2,043,930 |
| Non-GAAP adjustments: | | |
| Stock-based compensation | 14,074 | 26,343 |
| Amortization of acquired intangibles | 114,896 | 113,266 |
| Payroll taxes related to stock-based compensation | — | 699 |
| Non-GAAP gross profit | $ 1,519,683 | $ 2,184,238 |
| | | |
| GAAP operating expenses | $ 2,306,297 | $ 2,920,471 |
| Non-GAAP adjustments: | | |
| Stock-based compensation | (618,211) | (636,499) |
| Amortization of acquired intangibles | (83,888) | (79,041) |
| Acquisition and divestiture related expenses | (7,449) | (5,555) |
| Loss on divestiture | — | (32,277) |
| Payroll taxes related to stock-based compensation | (48,417) | (12,286) |
| Charitable contributions | (31,169) | (17,346) |
| Restructuring costs | — | (165,733) |
| Impairment of long-lived assets | — | (320,504) |
| Non-GAAP operating expenses | $ 1,517,163 | $ 1,651,230 |
| **Non-GAAP operating expenses as a percentage of revenue** | 53% | 40% |
| | | |
| GAAP loss from operations | $ (915,584) | $ (876,541) |
| GAAP operating margin | (32)% | (21)% |
| Non-GAAP adjustments: | | |
| Stock-based compensation | 632,285 | 662,842 |
| Amortization of acquired intangibles | 198,784 | 192,307 |
| Acquisition and divestiture related expenses | 7,449 | 5,555 |
| Loss on divestiture | — | 32,277 |
| Payroll taxes related to stock-based compensation | 48,417 | 12,985 |
| Charitable contributions | 31,169 | 17,346 |
| Restructuring costs | — | 165,733 |
| Impairment of long-lived assets | — | 320,504 |
| **Non-GAAP income from operations** | $ 2,520 | $ 533,008 |
| **Non-GAAP operating margin** | —% | 13% |

# Non-GAAP Financial Measures Reconciliation

*(in thousands, unaudited)*

| | Year Ended December 31, 2021 | Year Ended December 31, 2023 |
|---|---|---|
| **Free cash flow** | | |
| Net cash (used in) provided by operating activities | $ (58,192) | $ 414,752 |
| Capitalized software development costs | (43,973) | (39,925) |
| Purchase of long-lived and intangible assets | (46,048) | (11,310) |
| **Free cash flow** | $ (148,213) | $ 363,517 |

# Non-GAAP Financial Measures Reconciliation

*(in thousands, unaudited)*

| | Year Ended December 31, 2023 |
|---|---|
| **Communications organic revenue** | |
| Communications revenue | $ 3,858,693 |
| Acquisition revenue | (2,088) |
| Divestiture revenue | (6,142) |
| **Communications organic revenue** | $ 3,850,463 |
| **Communications revenue growth** | 9 % |
| **Communications organic revenue growth** | 11%[1] |

[1] FY'22 Communications organic revenue, when used as the denominator for FY'23 Communications Organic Revenue Growth, excludes $1 million of acquisition revenue and $66 million of divestiture revenue. FY'22 Communications revenue was $3,550 million.