



Q3 2023 Earnings Results

November 8, 2023





Legal Disclaimer

This presentation and the accompanying conference call contain 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 16, 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](https://www.sec.gov).

This presentation and the accompanying conference call also contain non-GAAP financial measures. The non-GAAP financial measures, including non-GAAP gross profit and non-GAAP gross profit growth, non-GAAP gross margin, non-GAAP operating margin, non-GAAP net income (loss) per share attributable to common stockholders, basic and diluted (which we refer to as non-GAAP diluted earnings per share), non-GAAP income (loss) from operations, organic revenue and organic revenue growth, non-GAAP stock-based compensation expense, and non-GAAP stock-based compensation expense as a percentage of revenue, 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 18, and reconciliations of our non-GAAP financial measures to the most directly comparable GAAP measures are included in the appendix.

This presentation and the accompanying conference call also contain operating metrics, including Active Customer Accounts and Dollar-Based Net Expansion Rate. We rely on assumptions to calculate these metrics, they are calculated using internal company data that has not been independently verified, and they are not based on any standardized industry methodology. More information about the operating metrics we use in this presentation can be found in “Operating Metrics” on slide 17.

Financial Overview



Results Highlights - Total Company - Q3 2023



Metrics	Q3 2023
Total Revenue	\$1,034 million
<i>Y/Y Revenue Growth</i>	<i>5%</i>
Organic Revenue	\$1,034 million
<i>Y/Y Organic Revenue Growth</i>	<i>8%</i>
Non-GAAP Income from Operations	\$136 million
<i>Non-GAAP Operating Margin</i>	<i>13%</i>
Dollar-Based Net Expansion Rate	101%
Active Customer Accounts	306,000+

View Twilio's prepared remarks for its Q3'23 earnings [here](#).

Note: Organic revenue, organic revenue growth, non-GAAP income from operations and non-GAAP operating margin 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.

Note: Numbers are rounded to the nearest million (other than percentages and Active Customer Accounts).



Results Highlights - Communications - Q3 2023

Metrics	Q3 2023
Communications Revenue	\$907 million
<i>Y/Y Communications Revenue Growth</i>	<i>5%</i>
Communications Organic Revenue¹	\$907 million
<i>Y/Y Communications Organic Revenue Growth²</i>	<i>8%</i>
Communications Non-GAAP Gross Profit	\$451 million
<i>Communications Non-GAAP Gross Margin</i>	<i>49.8%</i>
Communications Dollar-Based Net Expansion Rate	101%
Communications Active Customer Accounts	291,000+

View Twilio’s prepared remarks for its Q3’23 earnings [here](#).

¹ Q3 Communications organic revenue is equal to reported Communications revenue.

² Communications organic revenue for the three months ended September 30, 2022, when used as the denominator for organic revenue growth for the three months ended September 30, 2023, excludes \$28.5 million of divestiture revenue. Communications revenue for the three months ended September 30, 2022, was \$866.2 million.

Note: Communications organic revenue and organic revenue growth are non-GAAP financial measures. Refer to "Non-GAAP Financial Measures" in the appendix for their definitions.

Note: Numbers are rounded to the nearest million (other than percentages and Active Customer Accounts).

Note: Because an individual Active Customer Account may be counted as both a Communications Active Customer Account and a Data & Applications Active Customer Account, the sum of the segment-level Active Customer Accounts may exceed our total company Active Customer Accounts. Refer to “Operating Metrics” in the appendix for a description of the calculation of Active Customer Accounts at the segment level.



Results Highlights - Data & Applications - Q3 2023

Metrics	Q3 2023
Data & Applications Revenue	\$127 million
<i>Y/Y Data & Applications Revenue Growth</i>	<i>9%</i>
Data & Applications Non-GAAP Gross Profit	\$101 million
<i>Data & Applications Non-GAAP Gross Margin</i>	<i>79.8%</i>
Data & Applications Dollar-Based Net Expansion Rate	96%
Data & Applications Active Customer Accounts¹	33,000+

View Twilio's prepared remarks for its Q3'23 earnings [here](#).

¹ In Q2, we disclosed that we had over 27,000 Data & Applications Active Customer Accounts as of June 30, 2023. Due to an inadvertent exclusion of certain accounts, this number was understated. Including the inadvertently excluded accounts, we had over 33,000 Data & Applications Active Customer Accounts as of June 30, 2023. Our total Active Customer Accounts and our Data & Applications Dollar-Based Net Expansion Rate were not affected by this understatement.

Note: Numbers are rounded to the nearest million (other than percentages and Active Customer Accounts).

Note: Because an individual Active Customer Account may be counted as both a Communications Active Customer Account and a Data & Applications Active Customer Account, the sum of the segment-level Active Customer Accounts may exceed our total company Active Customer Accounts. Refer to "Operating Metrics" in the appendix for a description of the calculation of Active Customer Accounts at the segment level.

Q4'23 & FY23 Guidance



Q4'23 Guidance:

- Total revenue: \$1.030 billion to \$1.040 billion, up 1% to 2% and 4% to 5% year-over-year on a reported and organic basis, respectively
- Non-GAAP income from operations: \$115 million to \$125 million
- Non-GAAP diluted earnings per share¹: \$0.53 - \$0.57

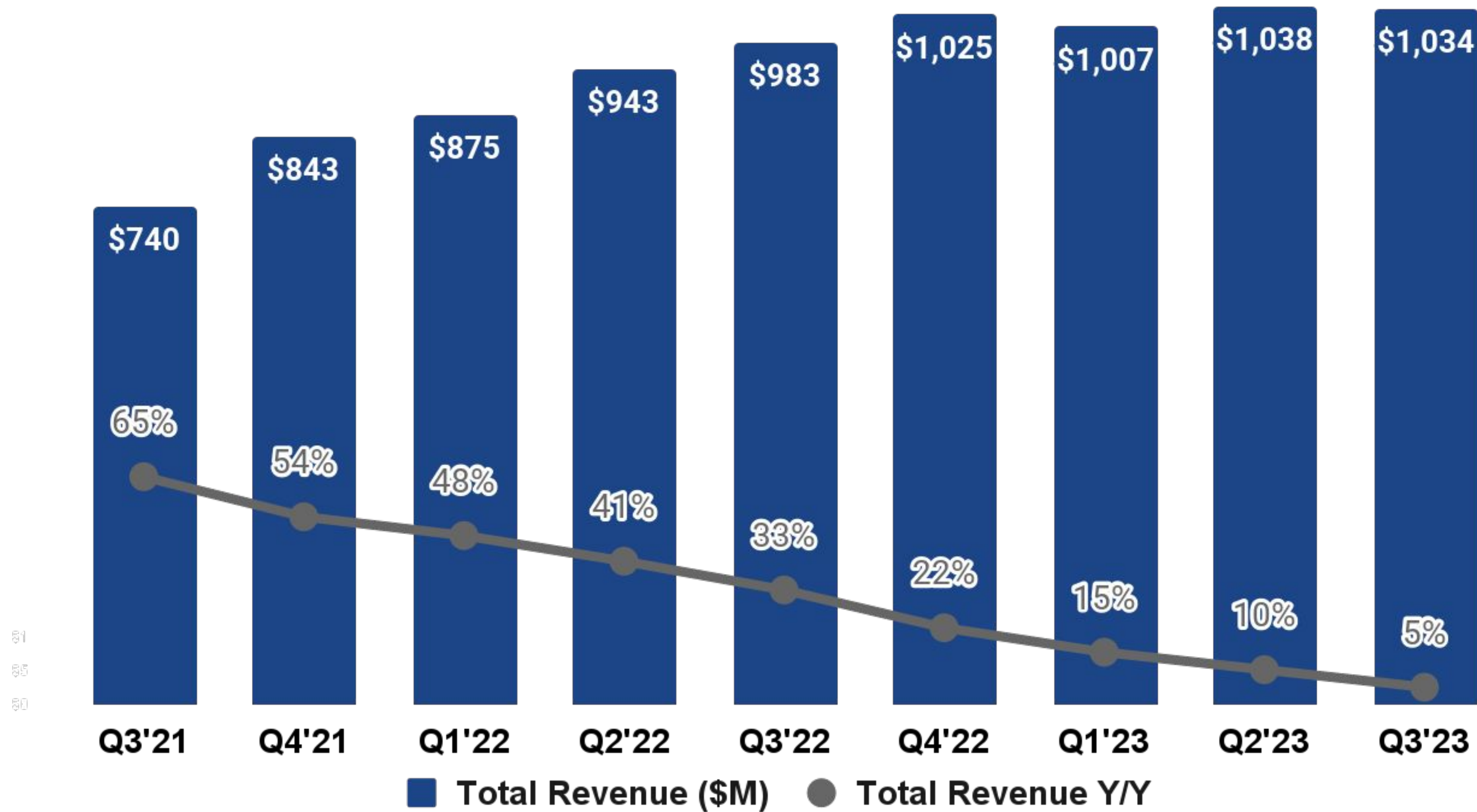
FY'23 Updated Guidance - Revised Upwards²:

- Full year Non-GAAP income from operations: \$475 million to \$485 million

¹ Non-GAAP diluted earnings per share guidance assumes no impact from volatility of foreign exchange rates.

² Raising non-GAAP income from operations range for fiscal year 2023, originally provided on February 15, 2023 and subsequently revised upwards on May 9, 2023 and August 8, 2023.

Total Revenue



5%

Q3'23 TOTAL REVENUE GROWTH Y/Y

5%

Q3'23 COMMUNICATIONS REVENUE GROWTH Y/Y

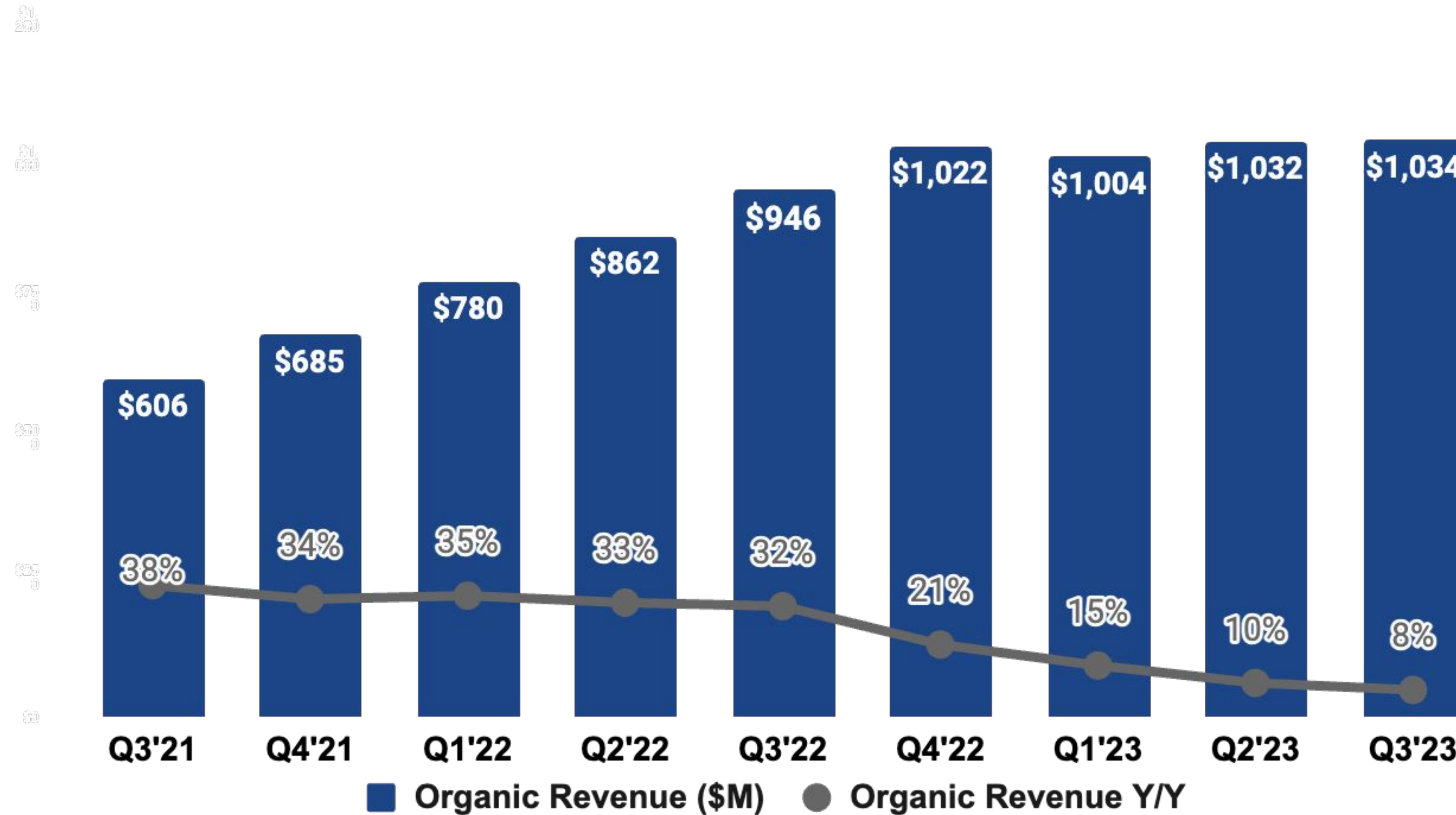
9%

Q3'23 DATA & APPLICATIONS REVENUE GROWTH Y/Y

Note: Numbers are rounded to the nearest million (other than percentages).

Note: Q2'23 reported revenue includes \$25 million of revenue from our divested ValueFirst and IoT businesses.

Organic Revenue Trend



8%
 Q3'23 ORGANIC REVENUE
 GROWTH Y/Y

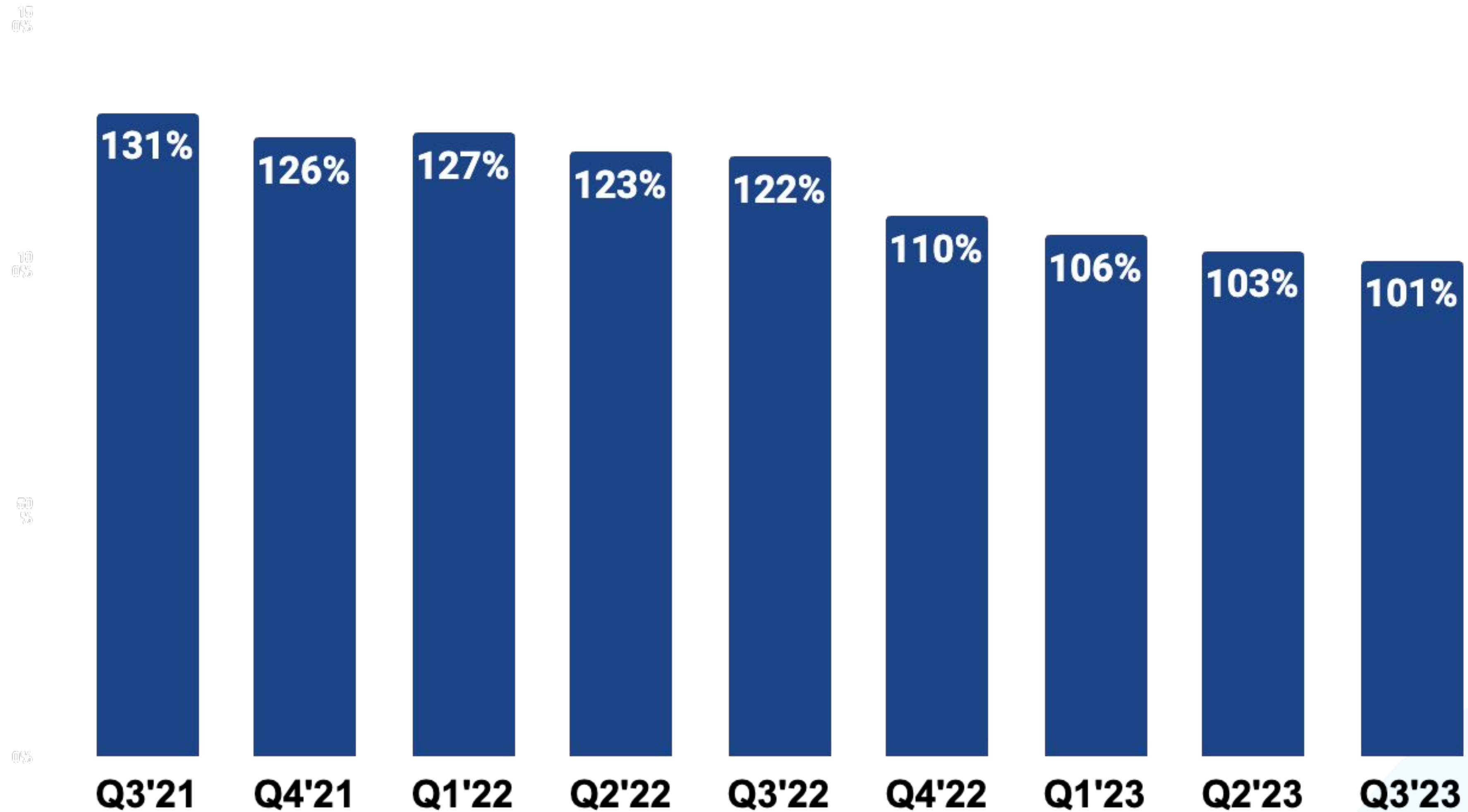
8%
 Q3'23 COMMUNICATIONS
 ORGANIC REVENUE
 GROWTH Y/Y¹

¹Q3 Communications organic revenue is equal to reported Communications revenue. Communications organic revenue for the three months ended September 30, 2022, when used as the denominator for organic revenue growth for the three months ended September 30, 2023, excludes \$28.5 million of divestiture revenue. Communications revenue for the three months ended September 30, 2022, was \$866.2 million.

Note: Organic revenue and organic revenue growth 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.

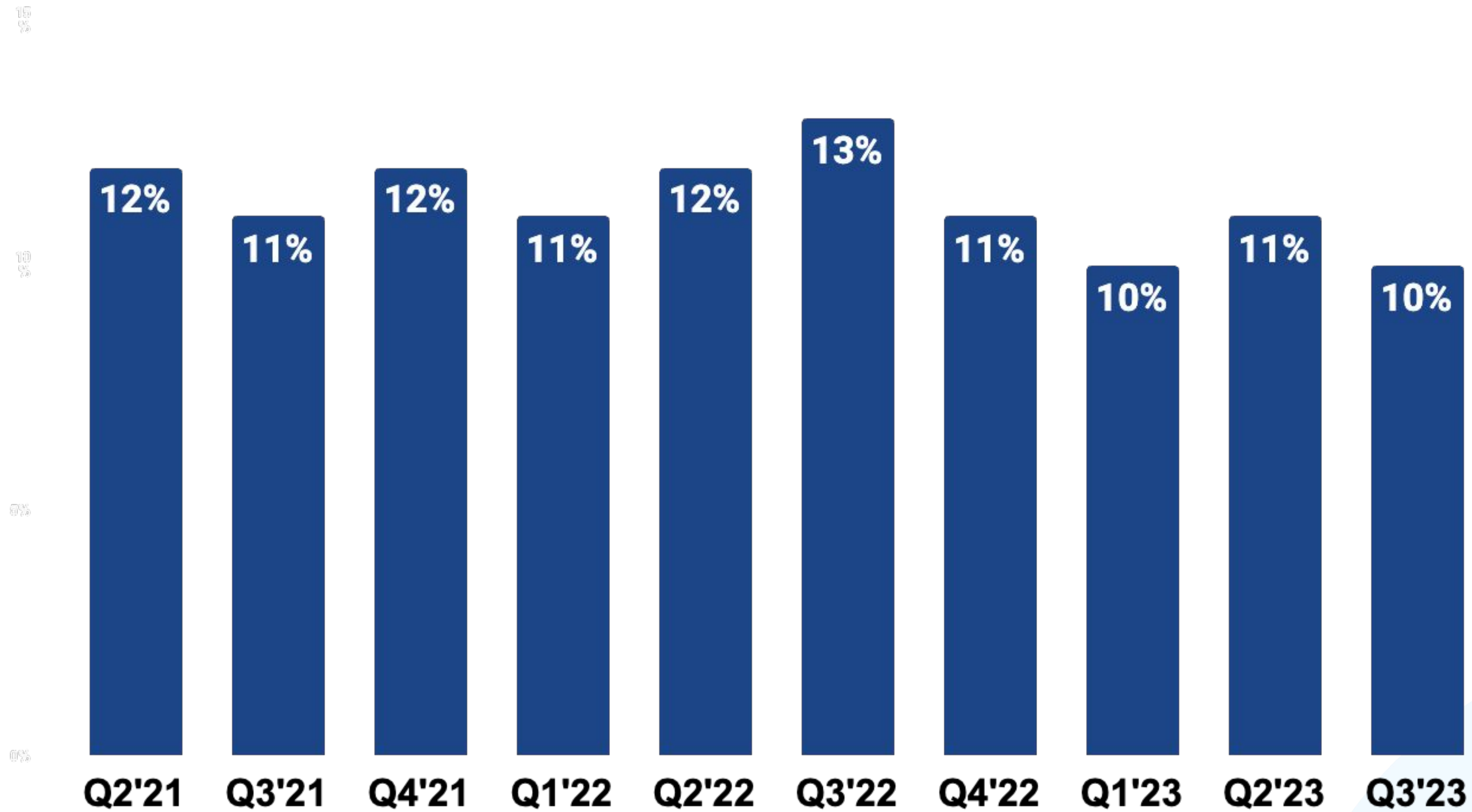
Note: Numbers are rounded to the nearest million (other than percentages).

Dollar-Based Net Expansion Rate



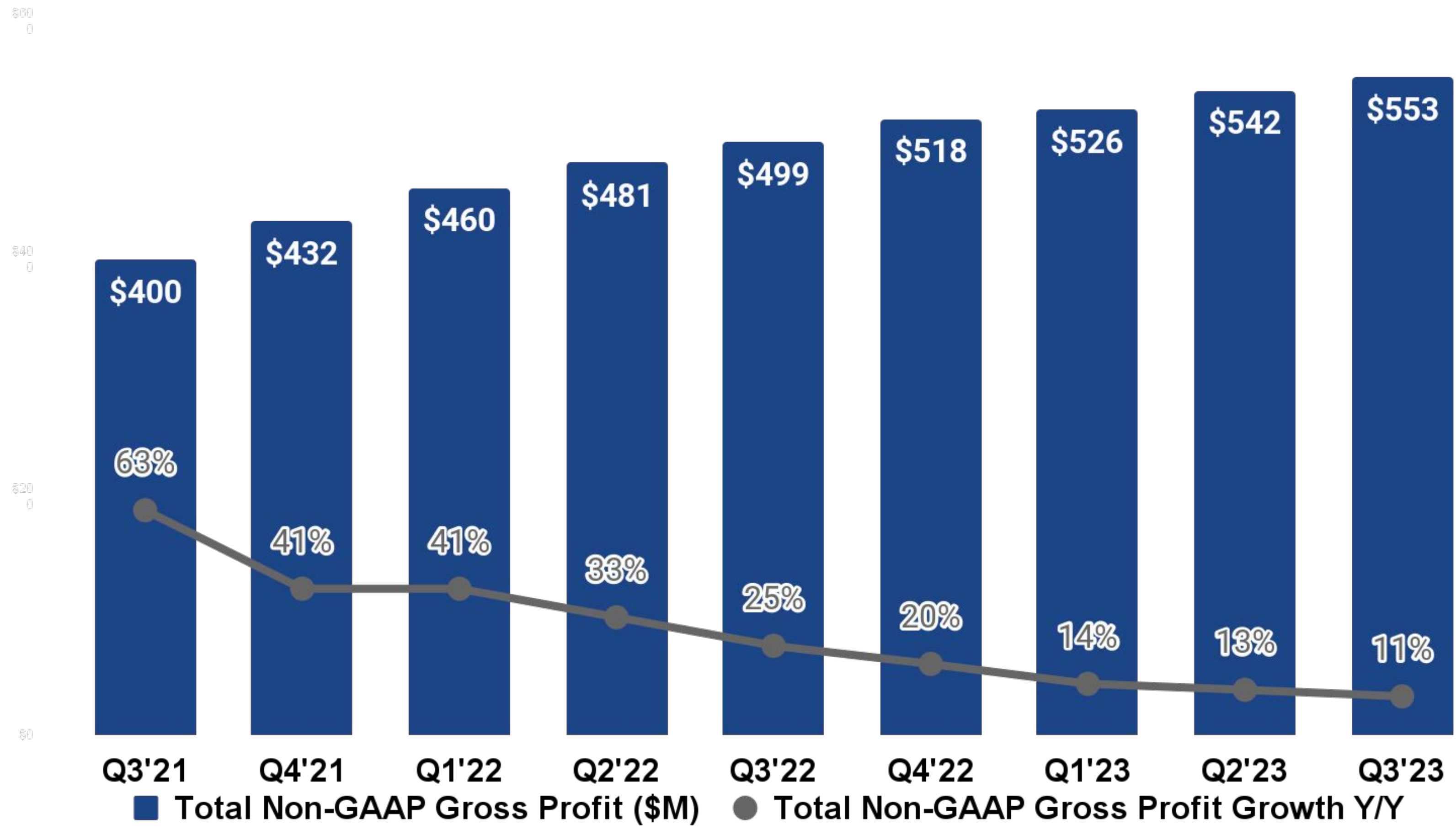
Note: Zipwhip, which closed on July 14, 2021, is excluded from the calculation until Q4 2022. Segment, which closed on November 2, 2020, is excluded from the calculation until Q1 2022. IoT, which was divested on June 1, 2023, is excluded from the calculation beginning in Q2 2023, and ValueFirst, which was divested on July 3, 2023, is excluded from the calculation beginning in Q3 2023.

Top 10 Customer Accounts by Revenue



Note: Represents top 10 Active Customer Accounts as a percentage of total revenue in the respective quarter.

Non-GAAP Gross Profit

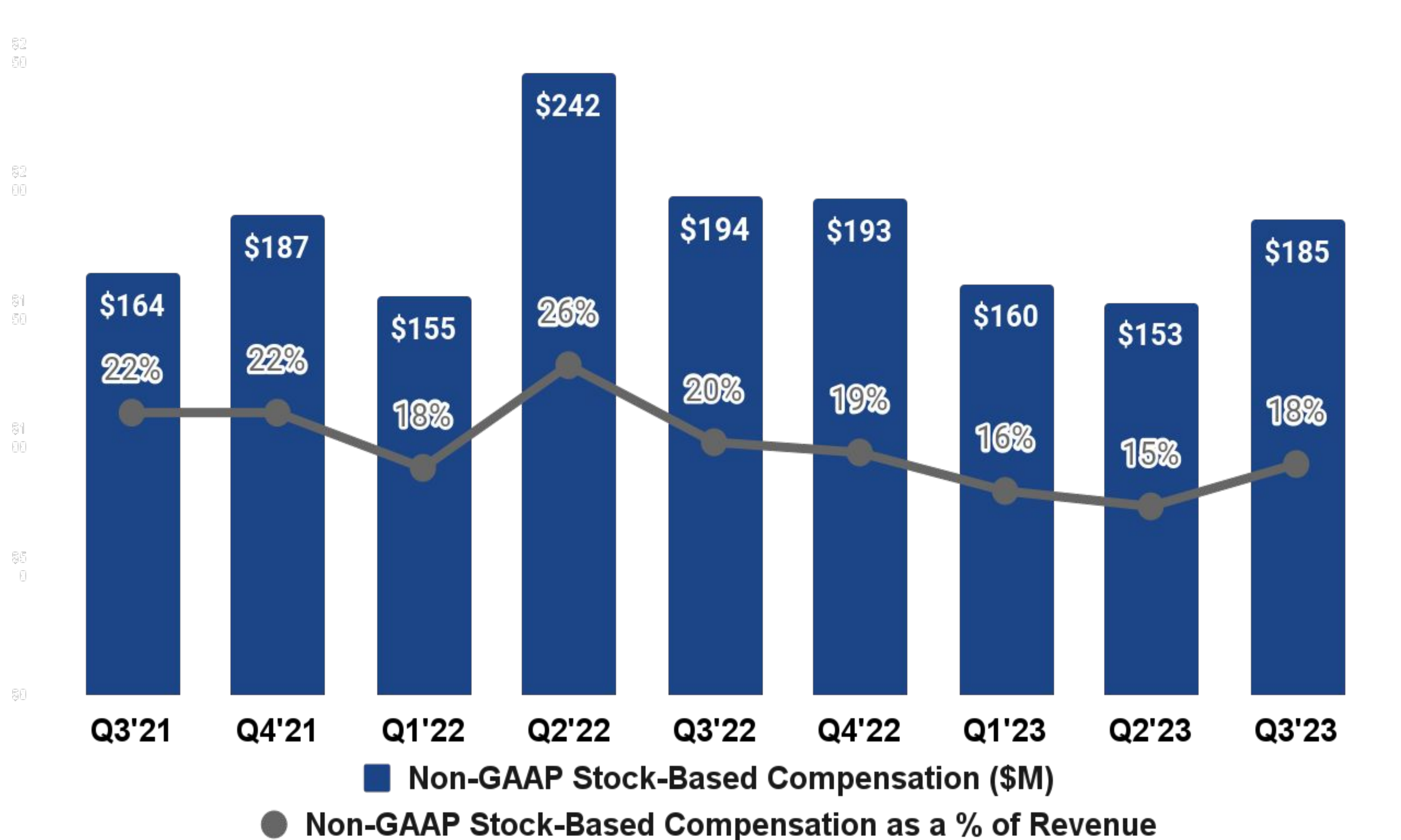


11%
Q3'23 NON-GAAP GROSS
PROFIT GROWTH Y/Y

Note: Non-GAAP gross profit and non-GAAP gross profit growth 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.



Non-GAAP Stock-Based Compensation Expense



18%
Q3'23 NON-GAAP
STOCK-BASED
COMPENSATION AS A
PERCENT OF REVENUE

Note: Non-GAAP stock-based compensation expense and non-GAAP stock-based compensation expense as a percentage of revenue 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 on slide 20.



Thank you!

Thanks Thanks
Thanks Thank
Thanks Thank

Appendix



Forward-Looking Statements

This presentation and the accompanying conference call contain 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 and the accompanying conference call include, but are not limited to, statements about: our future financial performance, including our expected financial results and our guidance; our expectations regarding profitability, including when we will become profitable on GAAP and non-GAAP bases; our anticipated strategies and business plans, including future strategic partnerships; the ongoing effects of our recent workforce reductions and other cost-saving measures; the reorganization of our business and the shift in our segment reporting structure; our expectations regarding the impact of our divestitures of our IoT and ValueFirst businesses on our business as a whole; our expectations regarding our Data & Applications business, including our sales pipeline and bookings, new product releases, increased investment and go-to-market focus to capture market share, increased revenue growth, and when revenue growth will accelerate; our expectations regarding our Communications business, including profit potential, anticipated cash flows, our strategy for streamlining the customer experience, including increased focus on self-service capabilities, and the effects of registering certain messaging traffic on our results of operations; our ability to develop products related to generative artificial intelligence and machine learning, including CustomerAI; our ability to deliver on our product roadmap; our expectations regarding share repurchases, including the timing and amount of repurchases and impact on our balance sheet; and our expectations regarding the impact of macroeconomic and industry conditions, the impact of such conditions on our customers, and our ability to operate in such conditions. 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 and the accompanying conference call 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 and the accompanying conference call. 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 or the accompanying conference call to reflect events or circumstances after the date of this presentation or the accompanying conference call or to reflect new information or the occurrence of unanticipated events, except as required by law.



Operating Metrics



We review the following operating metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. Our metrics are not based on any standardized industry methodology and are not necessarily calculated in the same manner or comparable to similarly titled measures presented by other companies. Similarly, our metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. The numbers that we use to calculate Active Customer Accounts and Dollar-Based Net Expansion Rate are based on internal data. While these numbers are based on what we believe to be reasonable judgments and estimates for the applicable period of measurement, there are inherent challenges in measuring usage. We regularly review and may adjust our processes for calculating our internal metrics to improve their accuracy. If investors or analysts do not perceive our metrics to be accurate representations of our business, or if we discover material inaccuracies in our metrics, our reputation, business, results of operations, and financial condition would be harmed.

Active Customer Accounts. We define an Active Customer Account at the end of any period as an individual account, as identified by a unique account identifier, for which we have recognized at least \$5 of revenue in the last month of the period. A single organization may constitute multiple unique Active Customer Accounts if it has multiple account identifiers, each of which is treated as a separate Active Customer Account. Active Customer Accounts excludes customer accounts from Zipwhip, Inc. Communications Active Customer Accounts and Data & Applications Active Customer Accounts are calculated using the same methodology, but using only revenue recognized from accounts in the respective segment. Because an individual Active Customer Account may be counted as both a Communications Active Customer Account and a Data & Applications Active Customer Account, the sum of the segment-level Active Customer Accounts may exceed our total company Active Customer Accounts.

We believe that the number of Active Customer Accounts, on an aggregate basis and at the segment level, is an important indicator of the growth of our business, the market acceptance of our platform and future revenue trends. We believe that use of our platform by customers at or above the \$5 per month threshold is a stronger indicator of potential future engagement than trial usage of our platform or usage at levels below \$5 per month.

Dollar-Based Net Expansion Rate. Twilio's Dollar-Based Net Expansion Rate compares the total revenue from all Active Customer Accounts and customer accounts from Zipwhip, Inc. in a quarter to the same quarter in the prior year. To calculate the Dollar-Based Net Expansion Rate, Twilio first identifies the cohort of Active Customer Accounts and customer accounts from Zipwhip, Inc. that were Active Customer Accounts or customer accounts from Zipwhip, Inc. in the same quarter of the prior year. The Dollar-Based Net Expansion Rate is the quotient 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. When Twilio calculates Dollar-Based Net Expansion Rate for periods longer than one quarter, it uses the average of the applicable quarterly Dollar-Based Net Expansion Rates for each of the quarters in such period. Revenue from acquisitions does not impact the Dollar-Based Net Expansion Rate calculation until the quarter following the one-year anniversary of the applicable acquisition, unless the acquisition closing date is the first day of a quarter. As a result, for the quarter ended September 30, 2023, our Dollar-Based Net Expansion Rate excludes the contributions from acquisitions made after July 1, 2022. Revenue from divestitures does not impact the Dollar-Based Net Expansion Rate calculation beginning in the quarter the divestiture closed, unless the divestiture closing date is the last day of a quarter. As a result, for the quarter ended September 30, 2023, our Dollar-Based Net Expansion Rate excludes the contributions from divestitures made after September 30, 2022. Communications Dollar-Based Net Expansion Rate and Data & Applications Dollar-Based Net Expansion Rate are calculated using the same methodology, but using only revenue attributable to the respective segment and Active Customer Accounts and customer accounts from Zipwhip, Inc. for that respective segment. Revenue from customer accounts from Zipwhip, Inc., which we acquired on July 14, 2021, has been included in our Dollar-Based Net Expansion Rate beginning in the quarter ended December 31, 2022.

We believe that measuring Dollar-Based Net Expansion Rate, on an aggregate basis and at the segment level, provides a more meaningful indication of the performance of our efforts to increase revenue from existing customers. Our ability to drive growth and generate incremental revenue depends, in part, on our ability to maintain and grow our relationships with existing Active Customer Accounts and to increase their use of the platform. An important way in which we have historically tracked performance in this area is by measuring the Dollar-Based Net Expansion Rate for Active Customer Accounts. Our Dollar-Based Net Expansion Rate increases when such Active Customer Accounts increase their usage of a product, extend their usage of a product to new applications or adopt a new product. Our Dollar-Based Net Expansion Rate decreases when such Active Customer Accounts cease or reduce their usage of a product or when we lower usage prices on a product. As our customers grow their businesses and extend the use of our platform, they sometimes create multiple customer accounts with us for operational or other reasons. As such, when we identify a significant customer organization (defined as a single customer organization generating more than 1% of revenue in a quarterly reporting period) that has created a new Active Customer Account, this new Active Customer Account is tied to, and revenue from this new Active Customer Account is included with, the original Active Customer Account for the purposes of calculating this metric.



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 gross profit and non-GAAP gross profit growth, non-GAAP gross margin, non-GAAP operating margin, non-GAAP net income (loss) per share attributable to common stockholders, basic and diluted (which we refer to as “non-GAAP diluted earnings per share”), non-GAAP income (loss) from operations, organic revenue and organic revenue growth, non-GAAP stock-based compensation expense, and non-GAAP stock-based compensation expense as a percentage of revenue. 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, organic revenue growth, Communications organic revenue and Communications 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 Gross Profit and Non-GAAP Gross Margin. For the periods presented, we define non-GAAP gross profit and non-GAAP gross margin as GAAP gross profit and GAAP gross margin, respectively, adjusted to exclude stock-based compensation, amortization of acquired intangibles and payroll taxes related to stock-based compensation.

Non-GAAP Gross Profit Growth. For the periods presented, we calculate non-GAAP gross profit growth by dividing (i) non-GAAP gross profit for the period presented less non-GAAP gross profit in the comparative period by (ii) non-GAAP gross profit in the comparative period.

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 held for sale, acquisition and divestiture related expenses, payroll taxes related to stock-based compensation, charitable contributions, restructuring costs, and impairment of long-lived assets.

Non-GAAP Net Income (Loss) Attributable to Common Stockholders and Non-GAAP Net Income (Loss) Per Share Attributable to Common Stockholders. For the periods presented, we define non-GAAP net income (loss) attributable to common stockholders and non-GAAP net income (loss) per share attributable to common stockholders, diluted (which we refer to as “non-GAAP diluted earnings per share”) as GAAP net loss attributable to common stockholders and GAAP net loss per share attributable to common stockholders, basic and diluted, respectively, adjusted to exclude share-based compensation, amortization of acquired intangibles, loss on net assets held for sale, acquisition and divestiture related expenses, payroll taxes related to stock-based compensation, amortization of debt discount and issuance costs, income tax benefit related to acquisition, charitable contribution, share of losses from equity method investee, restructuring costs, impairment of long-lived assets and impairment of strategic investments.

Non-GAAP Stock-Based Compensation Expense and Non-GAAP Stock-Based Compensation Expense as a Percentage of Revenue. For the periods presented, we define non-GAAP stock-based compensation expense as GAAP stock-based compensation expense, adjusted to exclude stock-based compensation reflected in restructuring costs.



Non-GAAP Financial Measures

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)



	Three Months Ended						
	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022
Non-GAAP gross margin reconciliation							
Revenue	\$ 447,969	\$ 548,090	\$ 589,988	\$ 668,931	\$ 740,176	\$ 842,744	\$ 875,363
GAAP gross profit	\$ 230,874	\$ 282,121	\$ 298,304	\$ 331,247	\$ 364,615	\$ 396,547	\$ 425,071
GAAP gross profit growth (Y/Y)					58 %	41 %	42 %
GAAP gross margin	52 %	51 %	51 %	50 %	49 %	47 %	49 %
Non-GAAP adjustments:							
Stock-based compensation	2,237	2,640	2,717	3,024	3,720	4,613	4,521
Amortization of acquired intangibles	12,540	21,885	26,342	26,204	31,558	30,792	30,636
Payroll taxes related to stock-based compensation	—	—	—	—	—	—	—
Non-GAAP gross profit	\$ 245,651	\$ 306,646	\$ 327,363	\$ 360,475	\$ 399,893	\$ 431,952	\$ 460,228
Non-GAAP gross profit growth (Y/Y)					63 %	41 %	41 %
Non-GAAP gross margin	55 %	56 %	55 %	54 %	54 %	51 %	53 %

	Three Months Ended					
	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023
Non-GAAP gross margin reconciliation						
Revenue	\$ 943,354	\$ 983,030	\$ 1,024,574	\$ 1,006,564	\$ 1,037,761	\$ 1,033,670
GAAP gross profit	\$ 445,289	\$ 462,075	\$ 481,142	\$ 490,690	\$ 505,755	\$ 516,319
GAAP gross profit growth (Y/Y)	34 %	27 %	21 %	15 %	14 %	12 %
GAAP gross margin	47 %	47 %	47 %	49 %	49 %	50 %
Non-GAAP adjustments:						
Stock-based compensation	3,996	6,114	6,505	5,290	6,334	7,053
Amortization of acquired intangibles	31,236	30,729	30,052	29,961	29,669	29,045
Payroll taxes related to stock-based compensation	242	215	82	195	123	181
Non-GAAP gross profit	\$ 480,763	\$ 499,133	\$ 517,781	\$ 526,136	\$ 541,881	\$ 552,598
Non-GAAP gross profit growth (Y/Y)	33 %	25 %	20 %	14 %	13 %	11 %
Non-GAAP gross margin	51 %	51 %	51 %	52 %	52 %	53 %

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)



	Three Months Ended								
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023
Stock-based compensation, net of amounts recognized in restructuring costs									
Revenue	\$ 740,176	\$ 842,744	\$ 875,363	\$ 943,354	\$ 983,030	\$ 1,024,574	\$ 1,006,564	\$ 1,037,761	\$ 1,033,670
Stock-based compensation	164,043	186,919	155,275	242,090	208,895	192,300	170,799	153,094	185,474
Stock-based compensation as a percent of revenue	22%	22%	18%	26%	21%	19%	17%	15%	18%
Adjustments:									
Stock-based compensation reflected in restructuring costs	—	—	—	—	(15,274)	999	(10,333)	(296)	(467)
Stock-based compensation, net of amounts recognized in restructuring costs	\$ 164,043	\$ 186,919	\$ 155,275	\$ 242,090	\$ 193,621	\$ 193,299	\$ 160,466	\$ 152,798	\$ 185,007
Stock-based compensation, net of amounts recognized in restructuring costs as a percent of revenue	22 %	22 %	18 %	26 %	20 %	19 %	16 %	15 %	18 %

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)



	Three Months Ended September 30, 2023
Non-GAAP operating margin	
Revenue	\$ 1,033,670
GAAP gross profit	\$ 516,319
Non-GAAP adjustments:	
Stock-based compensation	7,053
Amortization of acquired intangibles	29,045
Payroll taxes related to stock-based compensation	181
Non-GAAP gross profit	\$ 552,598
Non-GAAP gross margin	53.5%
GAAP operating expenses	\$625,222
Non-GAAP adjustments:	
Stock-based compensation	(177,954)
Amortization of acquired intangibles	(19,827)
Acquisition and divestiture related expenses	(183)
Payroll taxes related to stock-based compensation	(3,156)
Charitable contributions	(1,339)
Restructuring costs	(3,437)
Impairment of long-lived assets	(3,162)
Non-GAAP operating expenses	\$ 416,164
GAAP loss from operations	\$ (108,903)
GAAP operating margin	(10.5)%
Non-GAAP adjustments:	
Stock-based compensation	185,007
Amortization of acquired intangibles	48,872
Acquisition and divestiture related expenses	183
Payroll taxes related to stock-based compensation	3,337
Charitable contributions	1,339
Restructuring costs	3,437
Impairment of long-lived assets	3,162
Non-GAAP income from operations	\$ 136,434
Non-GAAP operating margin	13.2%

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)



	Three Months Ended								
	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023
Organic revenue									
Total Revenue	\$ 740,176	\$ 842,744	\$ 875,363	\$ 943,354	\$ 983,030	\$ 1,024,574	\$ 1,006,564	\$ 1,037,761	\$ 1,033,670
Acquisition revenue	(95,441)	(117,297)	(52,983)	(36,571)	(36,913)	(2,152)	(2,088)	—	—
Divestiture revenue	—	—	—	—	—	—	—	(6,142)	—
10DLC A2P revenue	(38,901)	(40,522)	(41,890)	(44,448)	—	—	—	—	—
Organic revenue	\$ 605,834	\$ 684,925	\$ 780,490	\$ 862,335	\$ 946,117	\$ 1,022,422	\$ 1,004,476	\$ 1,031,619	\$ 1,033,670
Revenue growth	65 %	54 %	48 %	41 %	33 %	22 %	15 %	10 %	5 %
Organic revenue growth	38% ¹	34% ²	35% ³	33% ⁴	32% ⁵	21% ⁶	15% ⁷	10% ⁸	8% ⁹

¹ Q3'20 organic revenue, when used as the denominator for Q3'21 Organic Revenue Growth, excludes \$10 million of A2P 10DLC fee revenue. Q3'20 revenue was \$448 million.

² Q4'20 organic revenue, when used as the denominator for Q4'21 Organic Revenue Growth, excludes \$24 million of acquisition revenue and \$14 million of A2P 10DLC fee revenue. Q4'20 revenue was \$548 million.

³ Q1'21 organic revenue, when used as the denominator for Q1'22 Organic Revenue Growth, excludes \$2 million of acquisition revenue and \$11 million of A2P 10DLC fee revenue. Q1'21 revenue was \$590 million.

⁴ Q2'21 organic revenue, when used as the denominator for Q2'22 Organic Revenue Growth, excludes \$20 million of A2P 10DLC fee revenue. Q2'21 revenue was \$669 million.

⁵ Q3'21 organic revenue, when used as the denominator for Q3'22 Organic Revenue Growth, excludes \$24 million of acquisition revenue.

⁶ Q4'21 organic revenue, when used as the denominator for Q4'22 Organic Revenue Growth, is equal to reported revenue.

⁷ Q1'22 organic revenue, when used as the denominator for Q1'23 Organic Revenue Growth, excludes \$1 million of acquisition revenue.

⁸ Q2'22 organic revenue, when used as the denominator for Q2'23 Organic Revenue Growth, excludes \$7 million of divestiture revenue.

⁹ Q3'22 organic revenue, when used as the denominator for Q3'23 Organic Revenue Growth, excludes \$28 million of divestiture revenue.

Segment Operating Results

(in thousands, unaudited)



	Three Months Ended	
	September 30, 2022	September 30, 2023
Revenue:		
Communications	\$ 866,193	\$ 906,714
Data & Applications	116,837	126,956
Total	<u>\$ 983,030</u>	<u>\$ 1,033,670</u>
Non-GAAP gross profit:		
Communications	401,236	451,330
Data & Applications	97,897	101,268
Total	<u>\$ 499,133</u>	<u>\$ 552,598</u>
Non-GAAP gross margin:		
Communications	46.3%	49.8%
Data & Applications	83.8%	79.8%
Reconciliation of non-GAAP gross profit to gross profit:		
Total non-GAAP gross profit	\$ 499,133	\$ 552,598
Stock-based compensation	(6,114)	(7,053)
Amortization of acquired intangibles	(30,729)	(29,045)
Payroll taxes related to stock-based compensation	(215)	(181)
Gross profit	<u>462,075</u>	<u>516,319</u>
Operating expenses	(919,072)	(625,222)
Other expenses, net	(21,750)	(31,057)
Loss before provision for income taxes	<u>\$ (478,747)</u>	<u>\$ (139,960)</u>