



Q4 2022 Earnings Results

February 15, 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 most recent quarterly report on Form 10-Q and subsequent reports on Form 10-K or Form 10-Q and any amendments to the foregoing, 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, 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 earnings per share), non-GAAP (loss) income from operations (which we refer to as non-GAAP operating profit), 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 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



	Q4 2022	FY 2022
Revenue	\$1,025 million	\$3,826 million
<i>Revenue Y/Y Growth</i>	<i>22%</i>	<i>35%</i>
Data & Applications¹ Revenue	\$118 million	\$441 million
<i>Data & Applications Revenue Y/Y Growth</i>	<i>25%</i>	<i>35%</i>
Organic Revenue	\$1,022 million	\$3,611 million
<i>Organic Revenue Y/Y Growth</i>	<i>21%</i>	<i>30%</i>
Non-GAAP Operating Profit	\$33 million	(\$4) million
<i>Non-GAAP Operating Margin</i>	<i>3%</i>	<i>(0%)</i>
Dollar-based Net Expansion Rate	110%	121%
Active Customer Accounts		290,000+

View Twilio's prepared remarks for its Q4'22 earnings [here](#).

¹ Data & Applications revenue (fka Software) includes revenue from Segment, Engage, Flex & Marketing Campaigns.

Note: Organic revenue, organic revenue growth and non-GAAP operating profit 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.

Guidance & Revised Financial Framework



Q1'23 Guidance:

- Total revenue: \$995 million to \$1,005 million, up 14% to 15% year-over-year
- Organic revenue growth: 13% to 14% year-over-year
- Non-GAAP operating profit: \$45 million to \$55 million
- Non-GAAP earnings per share¹: \$0.18 - \$0.22

FY'23 Guidance:

- Non-GAAP operating profit: \$250 million to \$350 million

Financial Framework Revisions:

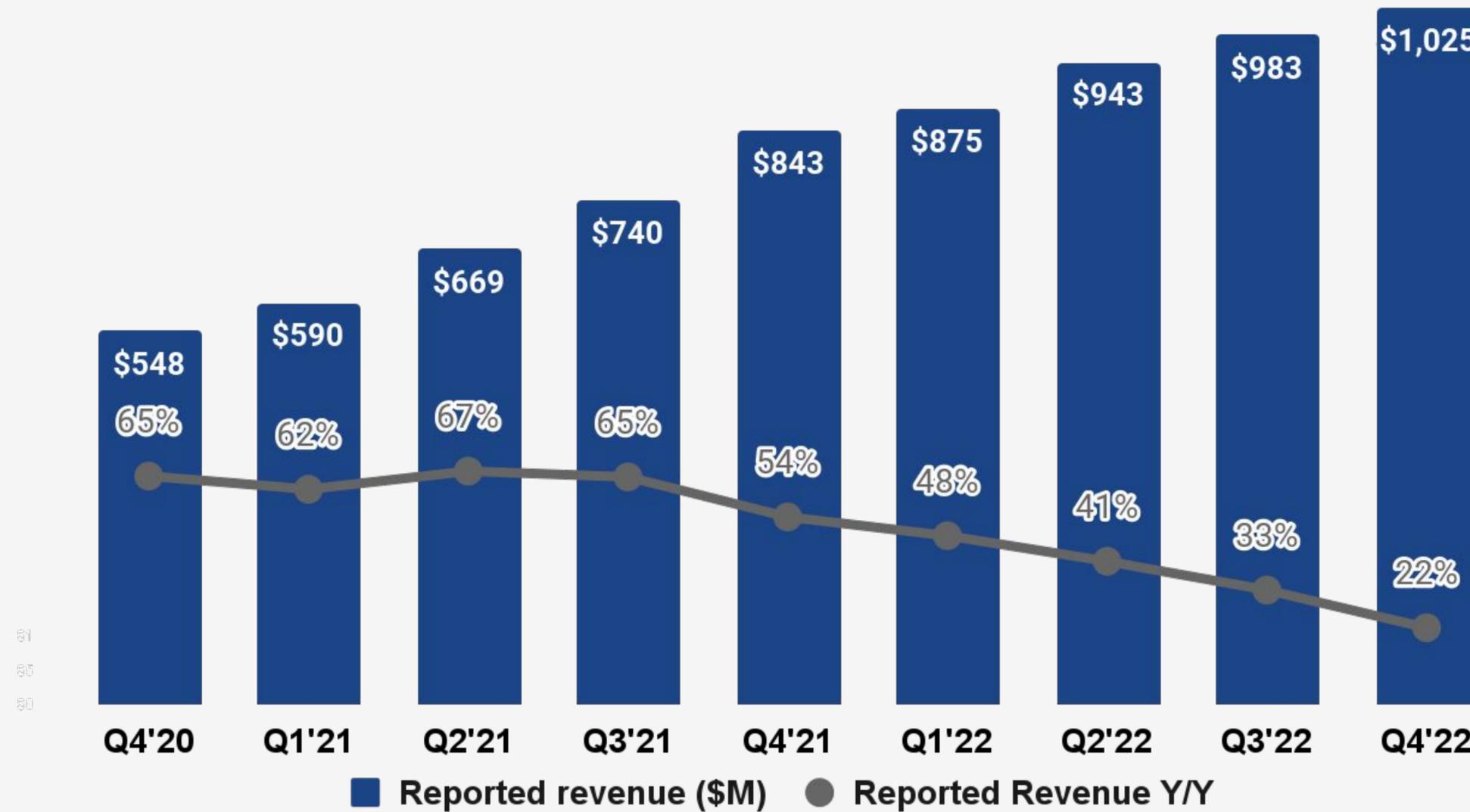
- Medium Term² annual non-GAAP operating margin improvements of 300-400 basis points
- Stock-based compensation as a percent of revenue lower in 2023 than 2022, reducing to 10%-12% for fiscal year 2027
- Targeting GAAP profitability for fiscal year 2027

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

² Medium Term is defined as fiscal years 2025-2027.

Note: Organic revenue growth, non-GAAP operating profit and non-GAAP earnings per share 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.

Quarterly Revenue



22%

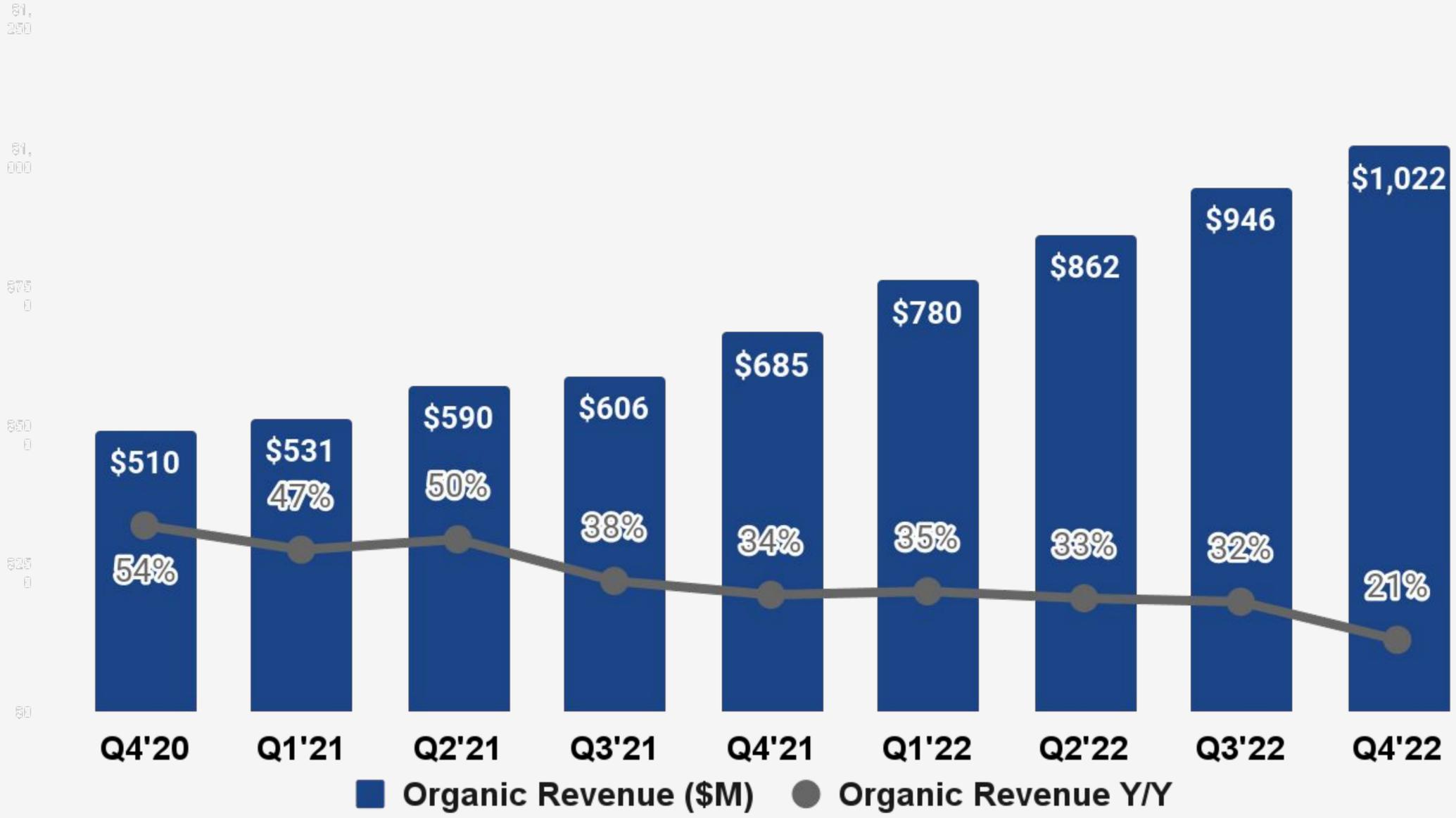
Q4'22 REPORTED REVENUE
GROWTH Y/Y

25%

Q4'22 DATA &
APPLICATIONS¹ REVENUE
GROWTH Y/Y

¹ Data & Applications revenue includes revenue from Segment, Engage, Flex & Marketing Campaigns.

Organic Revenue Trend



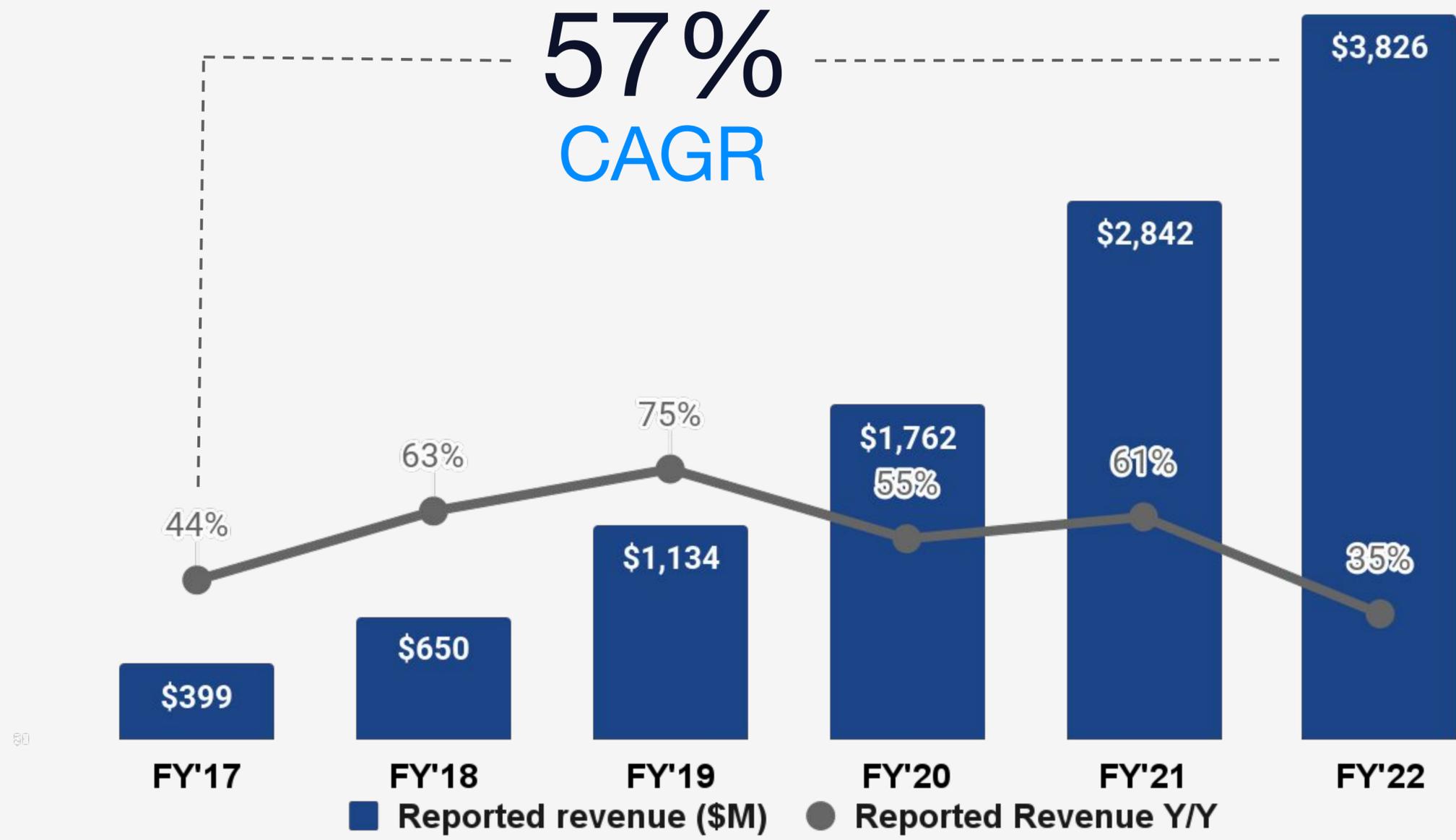
21%

Q4'22 ORGANIC REVENUE
GROWTH Y/Y

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.

Annual Revenue

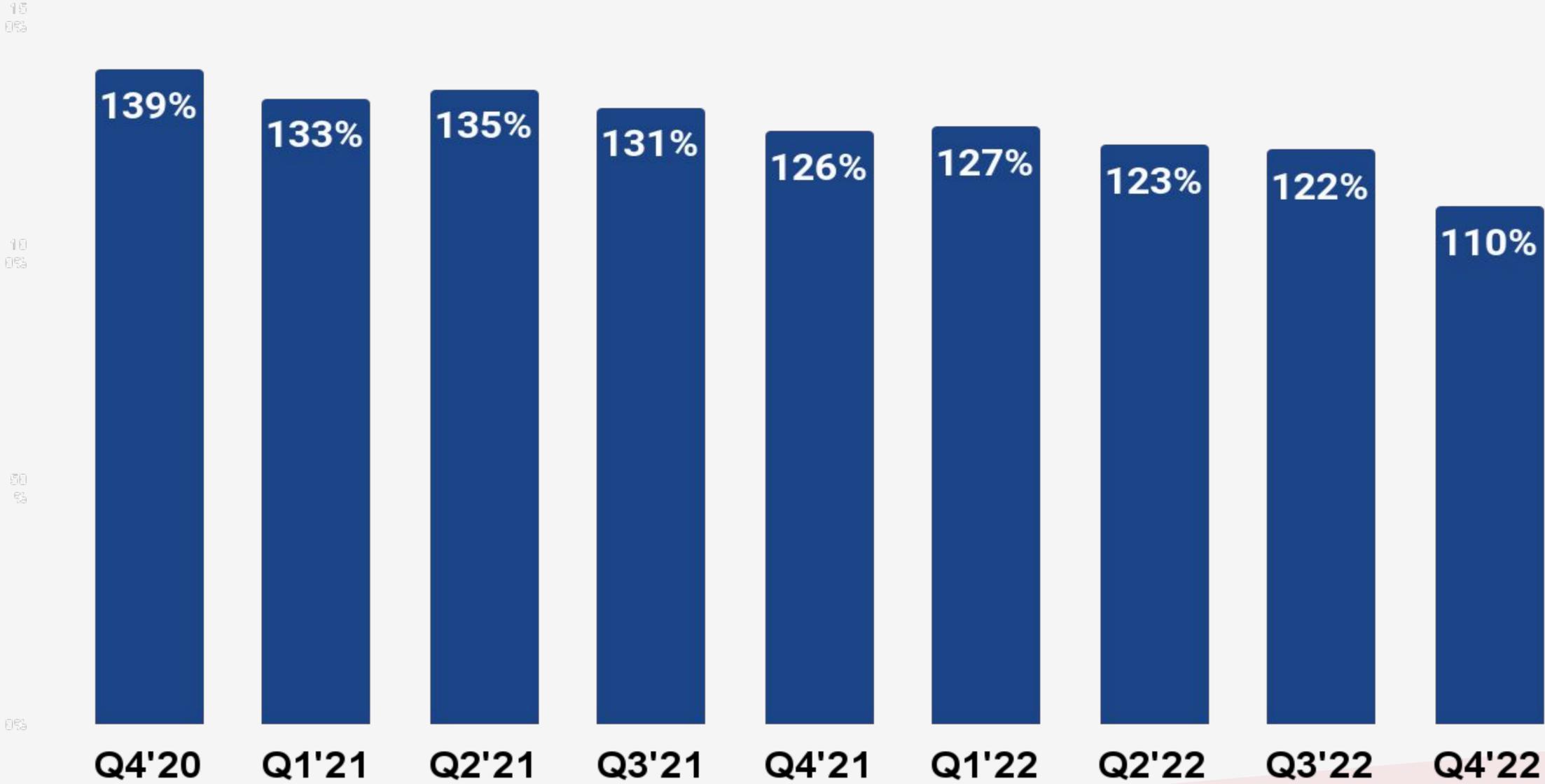


35%
FY'22 REPORTED REVENUE
GROWTH Y/Y

35%
FY'22 DATA &
APPLICATIONS¹ REVENUE
GROWTH Y/Y

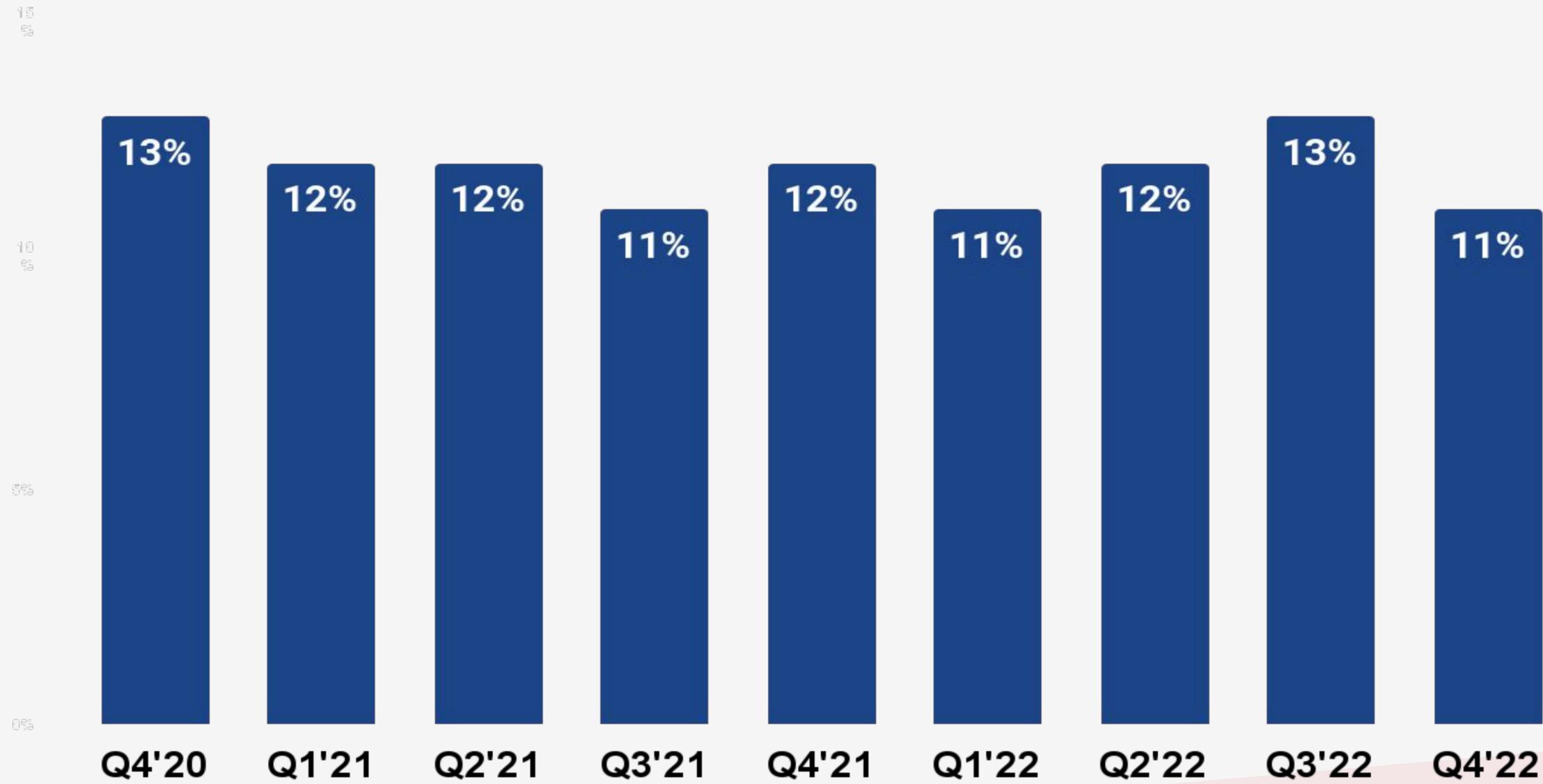
¹ Data & Applications revenue includes revenue from Segment, Engage, Flex & Marketing Campaigns.

Dollar-Based Net Expansion



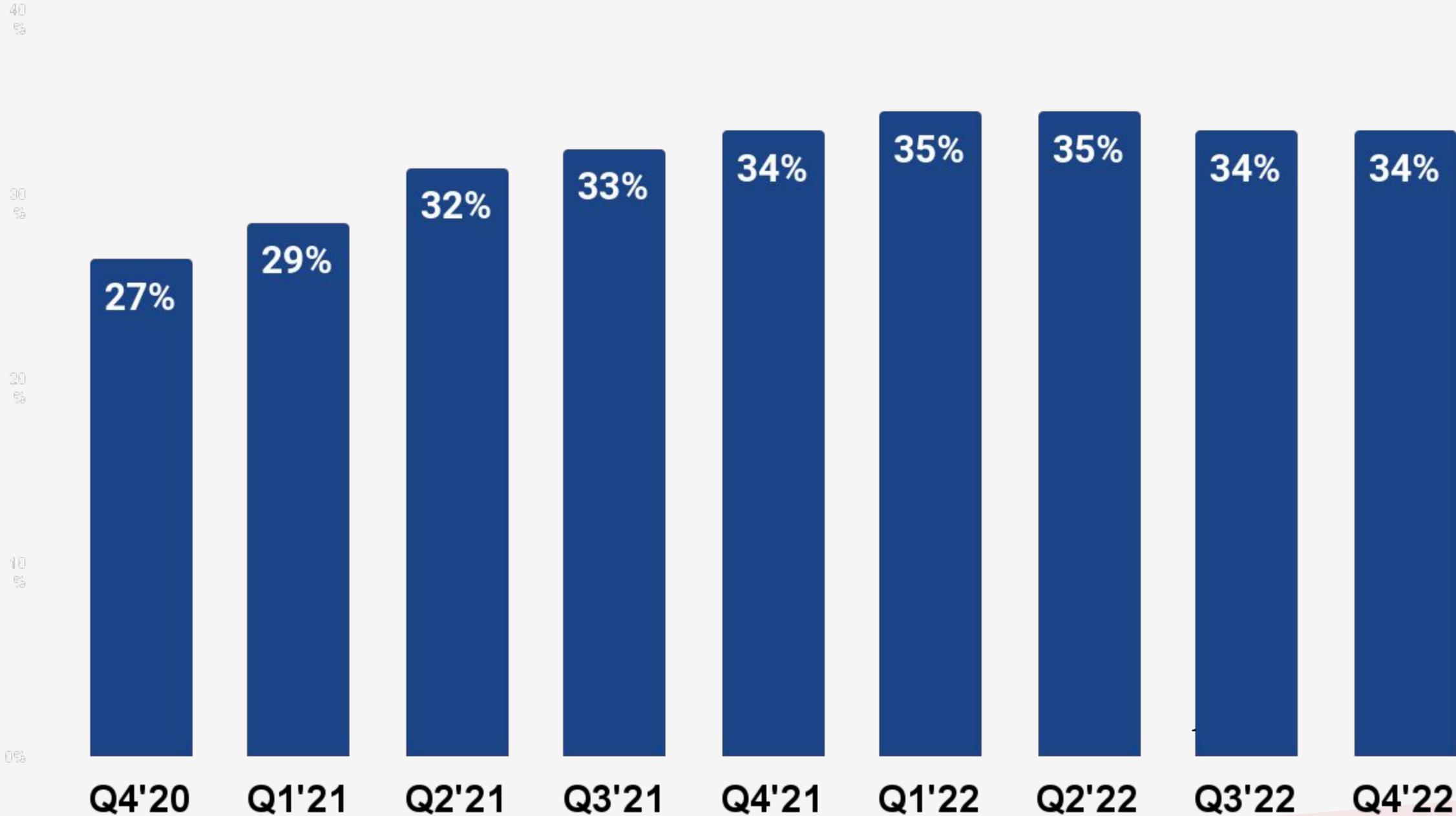
Note: Zipwhip, which closed on July 14, 2021, is excluded from the calculation until Q4 2022. Segment, which closed on November 2, 2020, is excluded from the calculation until Q1 2022.

Top 10 Customer Accounts



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

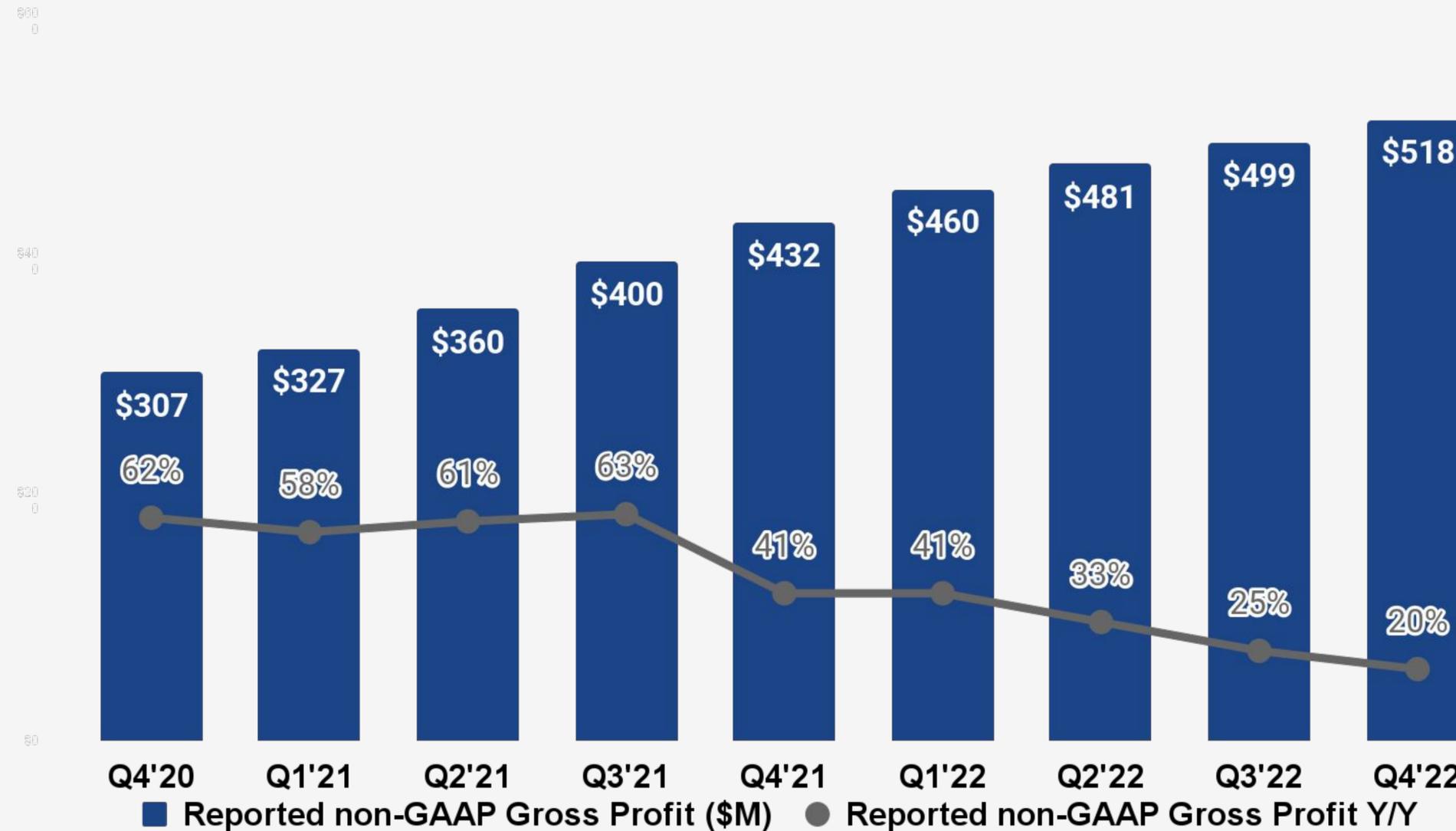
International Revenue Mix



Note: We define international revenue as revenue from customers with IP addresses or mailing addresses at the time of registration outside of the United States.



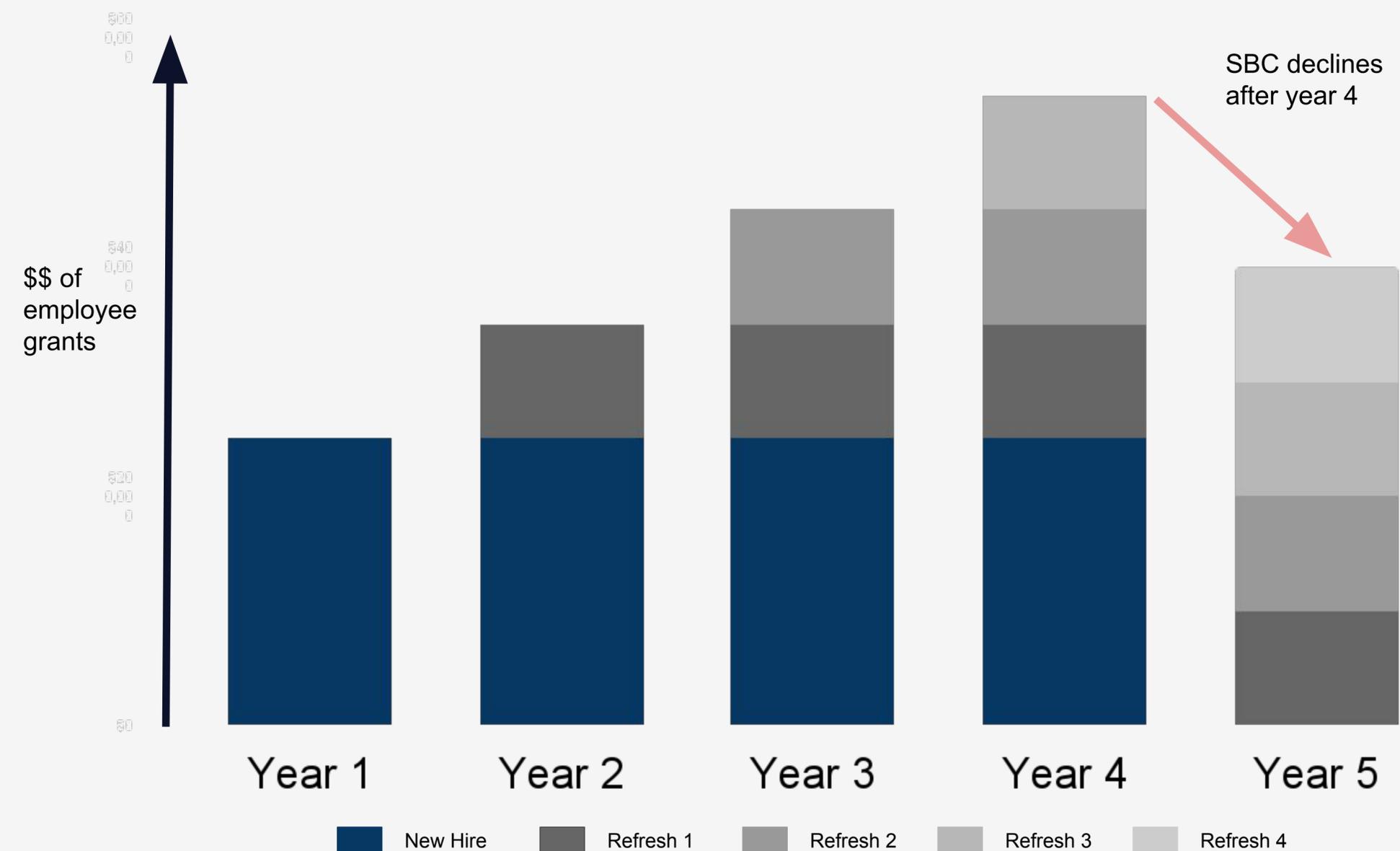
Quarterly Non-GAAP Gross Profit



20%
Q4'22 NON-GAAP GROSS
PROFIT GROWTH Y/Y

Note: Non-GAAP gross profit is a non-GAAP financial measure. Refer to “Non-GAAP Financial Measures” in the appendix for its definition and a reconciliation of non-GAAP gross profit to its most directly comparable GAAP measure.

Stock-Based Compensation (SBC) Example



Summary Commentary on SBC:

- We're making active changes to reduce SBC and we expect it will come down annually as a percent of revenue, but in the short term SBC is impacted by aggressive headcount ramp since 2020
- Employees have typically received a grant upon hire & smaller annual refresh grants, both of which vest over four years
- For their first four years, an employee is building their SBC expense profile, after which annual SBC tends to come down
- Recent hiring provides headwinds for the next couple of years, but headcount and compensation actions will enable us to make significant progress in reducing SBC as a percent of revenue over time; currently targeting 10-12% in 2027

Note: Representative grant schedule and stock-based compensation build for a standard employee hired over the past few years.



THANK YOU



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, our guidance, and our Financial Framework and related commentary; our expectations regarding when we will become profitable on GAAP and non-GAAP bases; our anticipated strategies and business plans, including the expected costs and benefits of changes to our operating model and organizational structure, our recently announced workforce reduction and our plans to achieve profitability, increase operating leverage and decrease discretionary expenses, including reducing our global office footprint; our expectations regarding our Data & Applications business, including increased investment and go-to-market focus to capture market share and increase revenue growth; our expectations regarding our Communications business, including anticipated cash flows and strategy for streamlining the customer experience, including increased focus on self-serve capabilities; 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. 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 most recent report on Form 10-Q, subsequent reports on Form 10-K and Form 10-Q, and any amendments to any of the foregoing. 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.

We believe that the number of Active Customer Accounts 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. Our Dollar-Based Net Expansion Rate compares the revenue from all Active Customer Accounts in a quarter to the same quarter in the prior year. To calculate the Dollar-Based Net Expansion Rate, we first identify the cohort of Active Customer Accounts that were Active Customer Accounts 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 we calculate Dollar-Based Net Expansion Rate for periods longer than one quarter, we use 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.

We believe that measuring Dollar-Based Net Expansion Rate provides an 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 includes certain non-GAAP financial measures, including non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating margin, non-GAAP net income (loss) per share attributable to common stockholders, diluted (which we refer to as non-GAAP earnings per share), non-GAAP (loss) income from operations (which we refer to as non-GAAP operating profit), 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 have included organic revenue and organic revenue growth because we believe they are useful in understanding the ongoing results of our operations. 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 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 (Loss) Income from Operations and Non-GAAP Operating Margin. For the periods presented, we define non-GAAP (loss) income from operations (which is often referred to as “non-GAAP operating profit” or “non-GAAP profit from operations”) and non-GAAP operating margin as GAAP loss from operations and GAAP operating margin, respectively, adjusted to exclude stock-based compensation, amortization of acquired intangibles, acquisition related expenses, payroll taxes related to stock-based compensation, charitable contributions, restructuring costs, and impairment of long-lived assets.

Non-GAAP Net Income (Loss) Per Share Attributable to Common Stockholders. For the periods presented, we define non-GAAP net income (loss) per share attributable to common stockholders, diluted (which is often referred to as “non-GAAP earnings per share” or “non-GAAP loss per share”) as GAAP net loss per share attributable to common stockholders, basic and diluted adjusted to exclude share-based compensation, amortization of acquired intangibles, acquisition 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 investment, restructuring costs, and gains on strategic investments.

Organic Revenue. For the periods presented, we define organic revenue as GAAP revenue, excluding (i) revenue from each acquired business and (ii) 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; provided that 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. 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.

Organic Revenue Y/Y Growth. For the periods presented, we calculate organic revenue Y/Y growth by dividing (i) organic revenue for the period presented less organic revenue in the corresponding period in the prior year by (ii) organic revenue in the corresponding period in the prior year. If revenue from certain acquisitions or A2P 10DLC fees is included in organic revenue in the period presented, then revenue from the same acquisitions and A2P 10DLC fees is included in organic revenue in the corresponding period in the prior year for purposes of the denominator in the organic revenue Y/Y growth calculation. As a result, the denominator used in this calculation will not always equal the organic revenue reported for the prior period.



Non-GAAP Reconciliation

TWILIO INC.									
Reconciliation to Non-GAAP Financial Measures									
(In thousands)									
	Three Months Ended								
	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
Revenue	\$ 548,090	\$ 589,988	\$ 668,931	\$ 740,176	\$ 842,744	\$ 875,363	\$ 943,354	\$ 983,030	\$ 1,024,574
GAAP gross profit	\$ 282,121	\$ 298,304	\$ 331,247	\$ 364,615	\$ 396,547	\$ 425,071	\$ 445,289	\$ 462,075	\$ 481,142
GAAP gross margin	51%	51%	50%	49%	47%	49%	47%	47%	47%
Non-GAAP adjustments:									
Stock-based compensation	2,640	2,717	3,024	3,720	4,613	4,521	3,996	6,114	6,505
Amortization of acquired intangibles	21,885	26,342	26,204	31,558	30,792	30,636	31,236	30,729	30,052
Payroll taxes related to stock-based compensation	-	-	-	-	-	-	242	215	82
Non-GAAP gross profit	\$ 306,646	\$ 327,363	\$ 360,475	\$ 399,893	\$ 431,952	\$ 460,228	\$ 480,763	\$ 499,133	\$ 517,781
Non-GAAP gross margin	56%	55%	54%	54%	51%	53%	51%	51%	51%

Non-GAAP Reconciliation



TWILIO INC		
<i>Reconciliation to Non-GAAP Financial Measures</i>		
(In thousands)	Three Months Ended December 31, 2022	Year Ended December 31, 2022
Revenue	\$ 1,024,574	\$ 3,826,321
GAAP gross profit	\$ 481,142	\$ 1,813,577
Non-GAAP adjustments:		
Stock-based compensation	6,505	21,136
Amortization of acquired intangibles	30,052	122,653
Payroll taxes related to stock-based compensation	82	539
Non-GAAP gross profit	\$ 517,781	\$ 1,957,905
GAAP operating expenses	\$ 699,709	\$ 3,018,885
Non-GAAP adjustments:		
Stock-based compensation	(186,794)	(763,149)
Amortization of acquired intangibles	(20,849)	(83,528)
Acquisition related expenses	-	(2,621)
Payroll taxes related to stock-based compensation	(1,941)	(23,293)
Charitable contributions	(1,025)	(9,541)
Restructuring costs	(4,185)	(76,636)
Impairment of long-lived assets	-	(97,722)
Non-GAAP operating expenses	\$ 484,915	\$ 1,962,395
GAAP loss from operations	\$ (218,567)	\$ (1,205,308)
GAAP operating margin	-21%	-32%
Non-GAAP adjustments:		
Stock-based compensation	193,299	784,285
Amortization of acquired intangibles	50,901	206,181
Acquisition related expenses	-	2,621
Payroll taxes related to stock-based compensation	2,023	23,832
Charitable contributions	1,025	9,541
Restructuring costs	4,185	76,636
Impairment of long-lived assets	-	97,722
Non-GAAP income/(loss) from operations	\$ 32,866	\$ (4,490)
Non-GAAP operating margin	3%	(0%)

Non-GAAP Reconciliation



TWILIO INC											
Reconciliation to non-GAAP Financial Metrics											
(in thousands)											
	Three Months Ended										
	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022		
Revenue	\$ 548,090	\$ 589,988	\$ 668,931	\$ 740,176	\$ 842,744	\$ 875,363	\$ 943,354	\$ 983,030	\$ 1,024,574		
Less: Acquisition revenue	\$ 24,429	\$ 47,901	\$ 59,488	\$ 95,441	\$ 117,297	\$ 52,983	\$ 36,571	\$ 36,913	\$ 2,152		
Less: A2P 10DLC revenue	\$ 13,988	\$ 11,089	\$ 19,729	\$ 38,901	\$ 40,522	\$ 41,890	\$ 44,448	\$ -	\$ -		
Organic revenue	\$ 509,673	\$ 530,998	\$ 589,714	\$ 605,834	\$ 684,925	\$ 780,490	\$ 862,335	\$ 946,117	\$ 1,022,422		
Revenue Y/Y Growth	65%	62%	67%	65%	54%	48%	41%	33%	22%		
Organic Revenue Y/Y Growth	54% ¹	47% ²	50% ³	38% ⁴	34% ⁵	35% ⁶	33% ⁷	32% ⁸	21% ⁹		

We calculate Organic Revenue Y/Y Growth by dividing (i) organic revenue for the period presented less organic revenue in the corresponding period in the prior year by (ii) organic revenue in the corresponding period in the prior year. If revenue from certain acquisitions or A2P 10DLC fees is included in organic revenue in the period presented, then revenue from the same acquisitions and A2P 10DLC fees is included in organic revenue in the corresponding period in the prior year for purposes of the denominator in the Organic Revenue Y/Y Growth calculation. As a result, the denominator used in this calculation will not always equal the organic revenue reported for the prior period. As noted in the definition of organic revenue, revenue from certain transactions and A2P 10DLC fees will eventually become organic revenue after the passage of time. Once revenue is included in organic revenue in the period presented, revenue from those acquisitions and A2P 10DLC fees is also included in organic revenue for purposes of the denominator in the growth calculation to enable period to period comparisons.

¹ Q4'19 organic revenue, when used as the denominator for Q4'20 Y/Y growth, is equal to reported revenue. Q4'19 revenue was \$331 million.

² Q1'20 organic revenue, when used as the denominator for Q1'21 Y/Y growth, excludes \$4 million of A2P 10DLC fee revenue. Q1'20 revenue was \$365 million.

³ Q2'20 organic revenue, when used as the denominator for Q2'21 Y/Y growth, excludes \$7 million of A2P 10DLC fee revenue. Q2'20 revenue was \$401 million.

⁴ Q3'20 organic revenue, when used as the denominator for Q3'21 Y/Y growth, excludes \$10 million of A2P 10DLC fee revenue. Q3'20 revenue was \$448 million.

⁵ Q4'20 organic revenue, when used as the denominator for Q4'21 Y/Y growth, excludes \$24 million of acquisition revenue and \$14 million of A2P 10DLC fee revenue.

⁶ Q1'21 organic revenue, when used as the denominator for Q1'22 Y/Y growth, excludes \$2 million of acquisition revenue and \$11 million of A2P 10DLC fee revenue.

⁷ Q2'21 organic revenue, when used as the denominator for Q2'22 Y/Y growth, excludes \$20 million of A2P 10DLC fee revenue.

⁸ Q3'21 organic revenue, when used as the denominator for Q3'22 Y/Y growth, excludes \$24 million of acquisition revenue.

⁹ 4Q'21 organic revenue, when used as the denominator for Q4'22 Y/Y growth, is equal to reported revenue.