UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2026

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-37806

TWILIO INC.
(Exact name of registrant as specified in its charter)

Delaware	**26-2574840**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

101 Spear Street, Fifth Floor
San Francisco, California 94105
(Address of principal executive offices) (Zip Code)

(415) 390-2337
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.001 per share	TWLO	New York Stock Exchange

As of July 24, 2026, 153,575,220 shares of the registrant's Class A common stock were outstanding.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

TWILIO INC.
Quarterly Report on Form 10-Q
For the Three Months Ended June 30, 2026
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PART I - FINANCIAL INFORMATION

Item 1. *Financial Statements*

TWILIO INC.
Condensed Consolidated Balance Sheets
(Unaudited)

	As of June 30, 2026	As of December 31, 2025
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 823,261	$ 682,335
Short-term marketable securities	1,833,069	1,788,007
Accounts receivable, net	760,074	636,736
Prepaid expenses and other current assets	330,011	469,650
Total current assets	3,746,415	3,576,728
Property and equipment, net	186,628	176,963
Operating right-of-use assets	30,462	39,031
Equity method investment	250,525	301,642
Intangible assets, net	114,064	142,065
Goodwill	5,292,457	5,291,787
Other long-term assets	188,674	222,648
Deferred tax asset	1,029,402	20,026
Total assets	$ 10,838,627	$ 9,770,890
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 70,551	$ 85,089
Accrued expenses and other current liabilities	557,698	608,119
Deferred revenue and customer deposits	153,004	158,677
Operating lease liability, current	29,433	35,123
Total current liabilities	810,686	887,008
Operating lease liability, noncurrent	42,924	54,162
Long-term debt, net	993,162	992,287
Other long-term liabilities	14,047	15,887
Total liabilities	1,860,819	1,949,344
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock	—	—
Class A common stock	154	152
Additional paid-in capital	16,488,013	16,148,190
Accumulated other comprehensive (loss) income	(5,270)	15,668
Accumulated deficit	(7,505,089)	(8,342,464)
Total stockholders' equity	8,977,808	7,821,546
Total liabilities and stockholders' equity	$ 10,838,627	$ 9,770,890

See accompanying notes to condensed consolidated financial statements.

TWILIO INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands, except share and per share amounts)			
Revenue	$ 1,499,089	$ 1,228,425	$ 2,905,996	$ 2,400,888
Cost of revenue	773,223	625,685	1,495,886	1,216,581
Gross profit	725,866	602,740	1,410,110	1,184,307
Operating expenses:				
Research and development	273,317	243,495	535,483	497,790
Sales and marketing	216,802	220,724	428,668	432,837
General and administrative	118,430	101,532	220,976	193,609
Impairment loss on prepaid assets	32,771	—	32,771	—
Total operating expenses	641,320	565,751	1,217,898	1,124,236
Income from operations	84,546	36,989	192,212	60,071
Other (expenses) income, net:				
Share of losses from equity method investment	(24,346)	(25,222)	(51,569)	(44,693)
Other income, net	15,326	21,825	37,115	44,798
Total other (expenses) income, net	(9,020)	(3,397)	(14,454)	105
Income before benefit from (provision for) income taxes	75,526	33,592	177,758	60,176
Benefit from (provision for) income taxes	991,683	(11,169)	979,590	(17,736)
Net income attributable to common stockholders	$ 1,067,209	$ 22,423	$ 1,157,348	$ 42,440
Net income per share attributable to common stockholders:				
Basic	$ 6.99	$ 0.15	$ 7.59	$ 0.28
Diluted	$ 6.68	$ 0.14	$ 7.29	$ 0.26
Weighted-average shares used to compute net income per share attributable to common stockholders:				
Basic	152,785,292	153,228,766	152,582,316	153,273,594
Diluted	159,708,166	159,691,758	158,711,170	160,729,638

See accompanying notes to condensed consolidated financial statements.

TWILIO INC.
Condensed Consolidated Statements of Comprehensive Income
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands)			
Net income	$ 1,067,209	$ 22,423	$ 1,157,348	$ 42,440
Other comprehensive (loss) income:				
Unrealized (loss) gain on marketable securities, net of tax	(1,122)	(1,116)	(11,191)	3,942
Net change in market value of effective foreign currency forward exchange contracts, net of tax	391	15,821	(10,199)	24,207
Share of other comprehensive (loss) income from equity method investment, net of tax	(222)	(347)	452	(2,132)
Total other comprehensive (loss) income	(953)	14,358	(20,938)	26,017
Comprehensive income attributable to common stockholders	$ 1,066,256	$ 36,781	$ 1,136,410	$ 68,457

See accompanying notes to condensed consolidated financial statements.

TWILIO INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

Three Months Ended June 30, 2026

	Common Stock Class A		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
	(In thousands, except share amounts)					
Balance as of March 31, 2026	**152,105,999**	**$ 152**	**$ 16,294,528**	**$ (4,317)**	**$ (8,506,279)**	**$ 7,784,084**
Net income	—	—	—	—	1,067,209	1,067,209
Exercises of vested stock options	96,023	—	9,011	—	—	9,011
Vesting of restricted stock units	1,616,234	2	(2)	—	—	—
Value of equity awards withheld for tax liability	(3)	—	(1)	—	—	(1)
Shares issued under ESPP	227,243	—	23,221	—	—	23,221
Shares of Class A common stock issued and donated to charity	22,102	—	4,356	—	—	4,356
Release of income tax valuation allowance related to previously settled capped call	—	—	8,675	—	—	8,675
Unrealized loss on marketable securities	—	—	—	(1,122)	—	(1,122)
Repurchases of shares of Class A common stock including related costs	(495,726)	—	—	—	(66,019)	(66,019)
Net change in market value of effective foreign currency forward exchange contracts	—	—	—	391	—	391
Share of other comprehensive loss from equity method investment	—	—	—	(222)	—	(222)
Stock-based compensation	—	—	148,225	—	—	148,225
Balance as of June 30, 2026	**153,571,872**	**$ 154**	**$ 16,488,013**	**$ (5,270)**	**$ (7,505,089)**	**$ 8,977,808**

See accompanying notes to condensed consolidated financial statements.

TWILIO INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

Six Months Ended June 30, 2026

	Common Stock Class A		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
	(In thousands, except share amounts)					
Balance as of December 31, 2025	**152,411,346**	**$ 152**	**$ 16,148,190**	**$ 15,668**	**$ (8,342,464)**	**$ 7,821,546**
Net income	—	—	—	—	1,157,348	1,157,348
Exercises of vested stock options	133,192	—	9,570	—	—	9,570
Vesting of restricted stock units	3,340,269	4	(4)	—	—	—
Value of equity awards withheld for tax liability	(358)	—	(43)	—	—	(43)
Shares issued under ESPP	227,243	—	23,221	—	—	23,221
Shares of Class A common stock issued and donated to charity	44,204	—	6,801	—	—	6,801
Release of tax valuation allowance related to previously settled capped call	—	—	8,675	—	—	8,675
Unrealized loss on marketable securities	—	—	—	(11,191)	—	(11,191)
Repurchases of shares of Class A common stock including related costs	(2,584,024)	(2)	—	—	(319,973)	(319,975)
Net change in market value of effective foreign currency forward exchange contracts	—	—	—	(10,199)	—	(10,199)
Share of other comprehensive income from equity method investment	—	—	—	452	—	452
Stock-based compensation	—	—	291,603	—	—	291,603
Balance as of June 30, 2026	**153,571,872**	**$ 154**	**$ 16,488,013**	**$ (5,270)**	**$ (7,505,089)**	**$ 8,977,808**

See accompanying notes to condensed consolidated financial statements.

TWILIO INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

Three Months Ended June 30, 2025

	Common Stock Class A		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
	(In thousands, except share amounts)					
Balance as of March 31, 2025	**153,254,342**	**$ 153**	**$ 15,625,545**	**$ 10,358**	**$ (7,631,765)**	**$ 8,004,291**
Net income	—	—	—	—	22,423	22,423
Exercises of vested stock options	225,709	—	2,384	—	—	2,384
Vesting of restricted stock units	1,631,186	2	(2)	—	—	—
Value of equity awards withheld for tax liability	(661)	—	(85)	—	—	(85)
Shares issued under ESPP	253,298	—	20,757	—	—	20,757
Shares of Class A common stock issued and donated to charity	22,102	—	2,237	—	—	2,237
Unrealized loss on marketable securities	—	—	—	(1,116)	—	(1,116)
Repurchases of shares of Class A common stock including related costs	(1,809,818)	(1)	—	—	(176,747)	(176,748)
Net change in market value of effective foreign currency forward exchange contracts	—	—	—	15,821	—	15,821
Share of other comprehensive loss from equity method investment	—	—	—	(347)	—	(347)
Stock-based compensation	—	—	154,305	—	—	154,305
Balance as of June 30, 2025	**153,576,158**	**$ 154**	**$ 15,805,141**	**$ 24,716**	**$ (7,786,089)**	**$ 8,043,922**

See accompanying notes to condensed consolidated financial statements.

TWILIO INC.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

Six Months Ended June 30, 2025

	Common Stock Class A		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
	(In thousands, except share amounts)					
Balance as of December 31, 2024	**152,610,697**	**$ 153**	**$ 15,476,124**	**$ (1,301)**	**$ (7,522,010)**	**$ 7,952,966**
Net income	—	—	—	—	42,440	42,440
Exercises of vested stock options	357,224	—	5,150	—	—	5,150
Vesting of restricted stock units	3,343,830	4	(4)	—	—	—
Value of equity awards withheld for tax liability	(1,084)	—	(138)	—	—	(138)
Shares issued under ESPP	253,298	—	20,757	—	—	20,757
Shares of Class A common stock issued and donated to charity	44,204	—	5,013	—	—	5,013
Unrealized gain on marketable securities	—	—	—	3,942	—	3,942
Repurchases of shares of Class A common stock including related costs	(3,032,011)	(3)	—	—	(306,519)	(306,522)
Net change in market value of effective foreign currency forward exchange contracts	—	—	—	24,207	—	24,207
Share of other comprehensive loss from equity method investment	—	—	—	(2,132)	—	(2,132)
Stock-based compensation	—	—	298,239	—	—	298,239
Balance as of June 30, 2025	**153,576,158**	**$ 154**	**$ 15,805,141**	**$ 24,716**	**$ (7,786,089)**	**$ 8,043,922**

See accompanying notes to condensed consolidated financial statements.

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TWILIO INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
	(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,157,348	$ 42,440
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	63,688	99,403
Non-cash reduction to the right-of-use asset	9,484	10,516
Net amortization of investment premium and discount	(4,093)	(8,182)
Stock-based compensation	278,423	288,524
Amortization of deferred commissions	33,556	38,387
Provision for doubtful accounts	10,763	3,686
Value of shares of Class A common stock issued and donated to charity	6,801	5,013
Share of losses from equity method investment	51,569	44,693
Tax benefit related to release of valuation allowance	(944,097)	—
Impairment loss on prepaid assets	32,771	—
Other adjustments	4,367	3,487
Changes in operating assets and liabilities:		
Accounts receivable	(133,652)	(3,112)
Prepaid expenses and other current assets	101,533	84,662
Deferred tax asset	(49,412)	(1,732)
Other long-term assets	(551)	(49,688)
Accounts payable	(14,462)	(24,323)
Accrued expenses and other current liabilities	(52,851)	(40,086)
Deferred revenue and customer deposits	(5,674)	(7,671)
Operating lease liabilities	(17,768)	(18,693)
Other long-term liabilities	(2,152)	802
Net cash provided by operating activities	525,591	468,126
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired and payments related to prior period acquisitions	(685)	—
Purchases of marketable securities and other investments	(491,492)	(408,836)
Proceeds from sales and maturities of marketable securities and other investments	438,342	818,034
Capitalized software development costs	(33,383)	(24,152)
Purchases of long-lived assets	(7,218)	(2,167)
Net cash (used in) provided by investing activities	(94,436)	382,879
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on finance leases	(128)	(4,228)
Value of equity awards withheld for tax liabilities	(43)	(138)
Repurchases of shares of Class A common stock and related costs	(323,048)	(323,249)
Proceeds from exercises of stock options and shares of Class A common stock issued under ESPP	32,791	25,907
Net cash used in financing activities	(290,428)	(301,708)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	140,727	549,297
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	682,534	431,437
CASH, CASH EQUIVALENTS AND RESTRICTED CASH —End of period	$ 823,261	$ 980,734
Cash paid for income taxes, net	$ 23,519	$ 13,088
Cash paid for interest	$ 18,762	$ 18,813
RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO THE CONDENSED CONSOLIDATED BALANCE SHEETS		
Cash and cash equivalents	$ 823,261	$ 969,229
Restricted cash in other long-term assets	—	11,505
Total cash, cash equivalents and restricted cash	$ 823,261	$ 980,734

See accompanying notes to condensed consolidated financial statements.

TWILIO INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Organization and Description of Business

Twilio Inc. (the "Company") was incorporated in the state of Delaware on March 13, 2008. Twilio provides the infrastructure for customer engagement in the AI era. By combining global communications, memory, and AI orchestration with identity, governance, and observability, the Company enables businesses to deliver continuous, contextual, personal, and secure conversations across every channel and participant — human or AI.

The Company's headquarters are located in San Francisco, California, and the Company has subsidiaries across North America, South America, Europe, Asia and Australia.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K filed with the SEC on February 24, 2026 ("Annual Report"). Certain prior year amounts in the unaudited condensed consolidated financial statements have been reclassified to conform to current year presentation.

The unaudited condensed consolidated balance sheet as of December 31, 2025, included herein, was derived from the audited financial statements as of that date, but may not include all disclosures including certain notes required by U.S. GAAP on an annual reporting basis.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive income, stockholders' equity and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year 2026 or any future period.

(b) Principles of Consolidation

The unaudited condensed consolidated financial statements include the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are used for, but not limited to, revenue allowances and sales credit reserves; recoverability of long-lived and intangible assets; capitalization and useful life of the Company's capitalized internal-use software development costs; fair values of acquired intangible assets, goodwill and equity method investments; valuation allowances against deferred tax assets; accruals and contingencies. Estimates are based on historical experience and on various assumptions that the Company believes are reasonable under current circumstances. However, future events are subject to change and best estimates and judgments may require further adjustments, therefore, actual results could differ materially from those estimates. Management periodically evaluates such estimates and they are adjusted prospectively based upon such periodic evaluation.

(d) Remaining Performance Obligations

Revenue allocated to remaining performance obligations for contracts with durations of more than one year was $138.2 million as of June 30, 2026, of which 70% is expected to be recognized over the next 12 months and 96% is expected to be recognized over the next 24 months.

(e) Deferred Revenue and Customer Deposits

As of June 30, 2026, and December 31, 2025, the Company recorded $153.0 million and $158.7 million as its deferred revenue and customer deposits, respectively, that are included in deferred revenue and customer deposits in the accompanying unaudited condensed consolidated balance sheets. During the three months ended June 30, 2026 and 2025, the Company recognized $36.2 million and $35.0 million of revenue, respectively, that was included in the deferred revenue and customer deposits balances as of the end of the previous year. During the six months ended June 30, 2026 and 2025, the Company recognized $113.0 million and $105.1 million of revenue, respectively, that was included in the deferred revenue and customer deposits balances as of the end of the previous year.

(f) Concentration of Credit Risk

Financial instruments that potentially expose the Company to a concentration of credit risk consist primarily of cash, cash equivalents, restricted cash, marketable securities and accounts receivable. The Company maintains cash, restricted cash, cash equivalents and marketable securities with financial institutions. Certain balances held by such financial institutions exceed insured limits.

The Company sells its services to a wide variety of customers. If the financial condition or results of operations of any significant customer deteriorates substantially, operating results could be adversely affected. To reduce credit risk, management performs credit evaluations of the financial condition of significant customers and periodic re-evaluations, as needed, of existing customers. The Company does not require collateral from its credit customers and maintains reserves for estimated credit losses on customer accounts when considered necessary. Actual credit losses may differ from the Company’s estimates. As of June 30, 2026, and December 31, 2025, the allowance for doubtful accounts was $27.1 million and $21.5 million, respectively, and is recorded in accounts receivable, net, in the accompanying unaudited condensed consolidated balance sheets.

In the three and six months ended June 30, 2026 and 2025, no customer organization accounted for more than 10% of the Company’s total revenue.

As of June 30, 2026, and December 31, 2025, no customer organization represented more than 10% of the Company’s gross accounts receivable.

(g) Segment Reporting

The Company operates in and reports its results in a single operating and reportable segment. Operating and reportable segments are determined in accordance with ASC 280 *Segment Reporting*, which requires financial information to be reported based on how the chief operating decision maker (“CODM”), who is the Company's Chief Executive Officer, reviews and manages the business, and establishes criteria for aggregating operating segments into reportable segments. The financial information of the Company regularly provided to the CODM is on a consolidated level and consolidated net income is its measure of profitability. This measure of profitability is used by the CODM to allocate resources and assess performance of the Company by comparing its actual results to the comparable results in prior periods and to any internally or externally set expectations. The consolidated financial information provided to the CODM, including significant expenses, is presented in a manner consistent with the information already disclosed in the accompanying unaudited condensed consolidated financial statements and the notes thereof.

(h) Recently Issued Accounting Guidance, Not yet Adopted

In September 2025, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2025-06, *“Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software,”* which modernizes the accounting for internal-use software by replacing the previous stage-based model and aligning the capitalization process with current development practices, especially agile and iterative methods. ASU 2025-06 is effective for annual reporting periods beginning after December 15, 2027, and may be applied prospectively, retrospectively, or using a modified transition approach. Early adoption is permitted. The Company is in process of evaluating the impact of the adoption of this ASU on its consolidated financial statements.

In November 2024, the FASB issued ASU 2024-03, “*Income Statement-Reporting Comprehensive Income-Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses,”* which requires disaggregation of certain expenses in the notes to the financial statements to provide enhanced transparency into the expense captions presented on the face of the statements of operations. ASU 2024-03 is effective for annual reporting periods beginning after

December 15, 2026, and interim periods beginning after December 15, 2027, and may be applied prospectively or retrospectively. Early adoption is permitted.

3. Fair Value Measurements

Financial Assets

The following tables provide the financial assets measured at fair value on a recurring basis:

	Amortized Cost or Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses Less Than 12 Months	Fair Value Hierarchy as of June 30, 2026			Aggregate Fair Value
				Level 1	Level 2	Level 3	
Financial Assets:				(In thousands)			
Cash and cash equivalents:							
Money market funds	$ 571,680	$ —	$ —	$ 571,680	$ —	$ —	$ 571,680
Commercial paper	21,579	—	—	—	21,579	—	21,579
U.S. Treasury bills	3,000	—	—	3,000	—	—	3,000
Total included in cash and cash equivalents	596,259	—	—	574,680	21,579	—	596,259
Marketable securities:							
Debt securities:							
U.S. Treasury securities	190,136	135	(710)	189,561	—	—	189,561
Corporate debt securities and commercial paper	1,638,200	1,683	(5,605)	—	1,634,278	—	1,634,278
Total debt securities	1,828,336	1,818	(6,315)	189,561	1,634,278	—	1,823,839
Equity securities	9,230	—	—	9,230	—	—	9,230
Total marketable securities	1,837,566	1,818	(6,315)	198,791	1,634,278	—	1,833,069
Total financial assets	$ 2,433,825	$ 1,818	$ (6,315)	$ 773,471	$ 1,655,857	$ —	$ 2,429,328

	Amortized Cost or Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses Less Than 12 Months	Gross Unrealized Losses More Than 12 Months	Fair Value Hierarchy as of December 31, 2025			Aggregate Fair Value
					Level 1	Level 2	Level 3	
Financial Assets:					(In thousands)			
Cash and cash equivalents:								
Money market funds	$ 454,505	$ —	$ —	$ —	$ 454,505	$ —	$ —	$ 454,505
Commercial paper	37,517	—	—	—		37,517		37,517
Total included in cash and cash equivalents	492,022	—	—	—	454,505	37,517	—	492,022
Marketable securities:								
Debt securities:								
U.S. Treasury securities	249,396	1,190	(9)	—	250,577	—	—	250,577
Corporate debt securities and commercial paper	1,523,935	9,360	(84)	(1)	—	1,533,210	—	1,533,210
Total debt securities	1,773,331	10,550	(93)	(1)	250,577	1,533,210	—	1,783,787
Equity securities	4,220	—	—	—	4,220	—	—	4,220
Total marketable securities	1,777,551	10,550	(93)	(1)	254,797	1,533,210	—	1,788,007
Total financial assets	$ 2,269,573	$ 10,550	$ (93)	$ (1)	$ 709,302	$ 1,570,727	$ —	$ 2,280,029

Debt Securities

The Company’s primary objective when investing excess cash is preservation of capital, hence the Company’s debt securities primarily consist of U.S. Treasury securities, high credit quality corporate debt securities and commercial paper. Because the Company views its debt securities as available to support current operations, it has classified all available for sale securities as short-term.

Interest earned on debt securities was $17.8 million and $35.3 million in the three and six months ended June 30, 2026, respectively, and $17.9 million and $36.8 million in the three and six months ended June 30, 2025, respectively. The interest is recorded as other income, net, in the accompanying unaudited condensed consolidated statements of operations.

The following table summarizes the contractual maturities of debt securities:

	As of June 30, 2026		As of December 31, 2025	
	Amortized Cost	Aggregate Fair Value	Amortized Cost	Aggregate Fair Value
Financial Assets:	(In thousands)			
Less than one year	$ 737,062	$ 738,146	$ 588,022	$ 590,997
One to three years	1,091,274	1,085,693	1,185,309	1,192,790
Total	$ 1,828,336	$ 1,823,839	$ 1,773,331	$ 1,783,787

Strategic Investments

As of June 30, 2026, and December 31, 2025, the Company held strategic investments with a carrying value of $24.2 million and $24.5 million, respectively, recorded as other long-term assets in the accompanying unaudited condensed consolidated balance sheets. There were no significant impairments or adjustments recorded in the three and six months ended June 30, 2026 and 2025 related to these securities.

Financial Liabilities

The Company's financial liabilities that are measured at fair value on a recurring basis consist of foreign currency derivative liabilities and are classified as Level 2 financial instruments in the fair value hierarchy. As of June 30, 2026, and December 31, 2025, the aggregate fair value of these liabilities and the associated unrealized losses were not significant.

The Company's financial liabilities that are not measured at fair value on a recurring basis are its Senior Notes due 2029 ("2029 Notes") and its Senior Notes due 2031 ("2031 Notes"). As of June 30, 2026, the fair values of the 2029 Notes and 2031 Notes were $487.6 million and $477.1 million, respectively. As of December 31, 2025, the fair values of the 2029 Notes and 2031 Notes were $489.7 million and $483.9 million, respectively.

4. Property and Equipment

Property and equipment consist of the following:

	As of June 30, 2026	As of December 31, 2025
	(In thousands)	
Capitalized internal-use software developments costs	$ 464,892	$ 421,795
Data center equipment	19,639	27,843
Leasehold improvements	62,186	62,143
Office equipment	47,902	46,709
Furniture and fixtures	9,965	10,399
Software	15,431	14,927
Total property and equipment	620,015	583,816
Less: accumulated depreciation and amortization	(433,387)	(406,853)
Total property and equipment, net	$ 186,628	$ 176,963

Depreciation and amortization expense was $17.7 million and $22.3 million in the three months ended June 30, 2026 and 2025, respectively, and $34.6 million and $44.1 million in the six months ended June 30, 2026 and 2025, respectively.

The Company capitalized $22.8 million and $17.6 million in internal-use software development costs in the three months ended June 30, 2026 and 2025, respectively, and $46.1 million and $33.9 million in the six months ended June 30, 2026 and 2025, respectively.

5. Derivatives and Hedging

As of June 30, 2026, the Company's outstanding foreign currency forward contracts designated as cash flow hedges had a total sell notional value of $330.6 million. The notional value represents the amount that will be sold upon maturity of the forward contract. As of June 30, 2026, these contracts had maturities of up to seventeen months. Gains and losses associated with these foreign currency forward contracts were not significant.

The Company is subject to master netting agreements with certain counterparties of the foreign exchange contracts, under which it is permitted to net settle transactions of the same currency with a single net amount payable by one party to the other. It is the Company's policy to present the derivatives at gross in its unaudited condensed consolidated balance sheets. The Company's foreign currency forward contracts are not subject to any credit contingent features or collateral requirements. The Company manages its exposure to counterparty risk by entering into contracts with a diversified group of major financial institutions and by actively monitoring its outstanding positions. As of June 30, 2026, the Company did not have any offsetting arrangements.

6. Goodwill and Intangible Assets

Goodwill

The goodwill balance as of June 30, 2026 and December 31, 2025, and the changes during the period, were as follows:

	Total
	(In thousands)
Balance as of December 31, 2025	$ 5,291,787
Measurement period adjustment and other	670
Balance as of June 30, 2026	$ 5,292,457

Intangible assets

Intangible assets consist of the following:

	As of June 30, 2026		
	Cost	Accumulated Amortization	Net
Amortizable intangible assets:	(In thousands)		
Developed technology	$ 398,205	$ (370,302)	$ 27,903
Customer relationships	350,283	(272,686)	77,597
Supplier relationships	49,756	(48,983)	773
Trade names	25,968	(25,968)	—
Patent	3,968	(1,392)	2,576
Total amortizable intangible assets	828,180	(719,331)	108,849
Non-amortizable intangible assets:			
Telecommunication licenses	4,920	—	4,920
Trademarks and other	295	—	295
Total	$ 833,395	$ (719,331)	$ 114,064

	As of December 31, 2025		
	Cost	Accumulated Amortization	Net
Amortizable intangible assets:		(In thousands)	
Developed technology	$ 398,205	$ (359,450)	$ 38,755
Customer relationships	350,283	(260,216)	90,067
Supplier relationships	49,756	(44,443)	5,313
Trade names	25,968	(25,928)	40
Patent	3,968	(1,293)	2,675
Total amortizable intangible assets	828,180	(691,330)	136,850
Non-amortizable intangible assets:			
Telecommunication licenses	4,920	—	4,920
Trademarks and other	295	—	295
Total	$ 833,395	$ (691,330)	$ 142,065

Amortization expense was $11.3 million and $27.1 million for the three months ended June 30, 2026 and 2025, respectively, and $28.0 million and $54.2 million for the six months ended June 30, 2026 and 2025, respectively.

Total estimated future amortization expense is as follows:

	As of June 30, 2026
Year Ended December 31,	(In thousands)
2026 (remaining six months)	$ 16,614
2027	27,796
2028	21,520
2029	17,353
2030	16,614
Thereafter	8,952
Total	$ 108,849

7. Balance Sheet Components

Prepaid expenses and other current assets consist of the following:

	As of June 30, 2026	As of December 31, 2025
	(In thousands)	
Prepaid expenses[1]	$ 223,615	$ 307,263
Other current assets	106,396	162,387
Total prepaid expenses and other current assets	$ 330,011	$ 469,650

[1] In the three months ended June 30, 2026, the Company recorded a $32.8 million impairment loss on prepaid assets, which contributed to a decrease in prepaid expenses from December 31, 2025. The impairment loss was due to the Company's determination that it would be unable to consume certain network services that were prepaid in previous periods due to operational and financial challenges experienced by two network service providers.

Accrued expenses and other current liabilities consist of the following:

	As of June 30, 2026	As of December 31, 2025
	(In thousands)	
Accrued payroll and related liabilities	$ 87,912	$ 95,795
Company-wide bonus program liability	76,184	136,221
Accrued sales bonus and commissions	14,742	21,922
Accrued cost of revenue	254,004	226,878
Sales and other taxes payable	57,053	58,259
ESPP contributions	5,376	6,925
Accrued other expense	62,427	62,119
Total accrued expenses and other current liabilities	$ 557,698	$ 608,119

8. Long-Term Debt

Long-term debt, net, consists of the following:

	As of June 30, 2026	As of December 31, 2025
	(In thousands)	
2029 Senior Notes		
Principal	$ 500,000	$ 500,000
Unamortized discount	(2,329)	(2,733)
Unamortized issuance costs	(524)	(615)
Net carrying amount	497,147	496,652
2031 Senior Notes		
Principal	500,000	500,000
Unamortized discount	(3,253)	(3,563)
Unamortized issuance costs	(732)	(802)
Net carrying amount	496,015	495,635
Total long-term debt, net	$ 993,162	$ 992,287

As of June 30, 2026, the Company was in compliance with all of its covenants under the related indentures.

9. Revenue by Geographic Area

Revenue by geographic area is based on the IP address or the mailing address of the customer at the time of registration. The following table sets forth revenue by geographic area:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenue by geographic area:	(In thousands)			
United States	$ 961,352	$ 786,974	$ 1,860,246	$ 1,536,414
International	537,737	441,451	1,045,750	864,474
Total	$ 1,499,089	$ 1,228,425	$ 2,905,996	$ 2,400,888
Percentage of revenue by geographic area:				
United States	64 %	64 %	64 %	64 %
International	36 %	36 %	36 %	36 %

10. Commitments and Contingencies

(a) Lease and Other Commitments

The Company leases its facilities under various non-cancelable operating lease agreements. In the three and six months ended June 30, 2026, the Company did not enter into any significant new lease agreements.

The Company has non-cancelable contractual commitments with its cloud infrastructure provider, network service providers and other vendors. The Company had $1.5 billion of non-cancelable purchase commitments as of June 30, 2026 with remaining terms up to five years.

(b) Legal Matters

From time to time, the Company may be subject to legal actions, claims, and government investigations or inquiries arising in the ordinary course of business. These matters may include, but are not limited to, matters involving privacy, data protection, data security, intellectual property, competition, telecommunications, consumer protection, taxation, securities, employment and contractual rights. While the Company currently believes that the final outcomes of these matters will not have a material adverse effect on its business, the results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs, diversion of management resources and other factors.

The Company accrues for contingencies associated with legal matters when it believes that a loss is probable and that it can be reasonably estimated. To the extent there is a reasonable possibility that a loss may be incurred that is in excess of amounts already recognized and such additional loss amount may be material, the Company either discloses the estimated additional loss amount or states that such an estimate cannot be made. Significant judgment is required to determine the probability of a loss and to estimate the amount of any probable loss.

Legal fees and other costs related to litigation and other legal proceedings are expensed as incurred and are included in general and administrative expenses in the accompanying unaudited condensed consolidated statements of operations.

(c) Indemnification Agreements

In the ordinary course of business and in connection with its financing and business combination transactions, the Company enters into contractual arrangements under which it agrees to provide indemnification of varying scope and terms to business partners, customers and other parties with respect to certain matters, including, but not limited to, losses arising out of the breach of such agreements, intellectual property infringement claims made by third parties and other liabilities relating to or arising from the Company’s products or its acts or omissions.

The Company has also signed indemnification agreements with all of its board members and executive officers and certain employees that may require the Company to indemnify them for certain events in connection with their services to the Company or its direct or indirect subsidiaries.

As of June 30, 2026, and December 31, 2025, no amounts were accrued related to any outstanding indemnification agreements.

(d) Other Taxes

The Company conducts operations in many tax jurisdictions within and outside the United States. In many of these jurisdictions, non-income-based taxes, such as sales, use, telecommunications and other local taxes are assessed on the Company’s operations. The Company carries reserves for certain of its non-income-based tax exposures in certain jurisdictions when it is both probable that a liability was incurred and the amount of the exposure can be reasonably estimated. These reserves are based on estimates which include several key assumptions including, but not limited to, the taxability of the Company’s services, the jurisdictions in which management believes it had nexus and the sourcing of revenues to those jurisdictions.

The Company continues to remain in discussions with certain jurisdictions regarding its prior sales and other taxes that it may owe. In the event any of these jurisdictions disagree with management’s assumptions and analysis, the assessment of the Company’s tax exposure could differ materially from management’s current estimates.

As of June 30, 2026, the liabilities accrued for non-income-based taxes were $23.1 million for domestic jurisdictions and $22.1 million for jurisdictions outside of the United States. As of December 31, 2025, these liabilities were $21.1 million and $21.8 million, respectively.

11. Stockholders' Equity

Preferred Stock

As of June 30, 2026 and December 31, 2025, the Company had authorized 100,000,000 shares of preferred stock, par value $0.001 per share, of which no shares were issued and outstanding.

Common Stock

As of June 30, 2026 and December 31, 2025, the Company had authorized 1,000,000,000 shares of Class A common stock, par value $0.001 per share. As of June 30, 2026 and December 31, 2025, 153,571,872 and 152,411,346 shares of Class A common stock, respectively, were issued and outstanding.

The Company had reserved shares of common stock for issuance as follows:

	As of June 30, 2026	As of December 31, 2025
Stock options issued and outstanding	767,453	902,120
Unvested restricted stock units issued and outstanding	12,168,065	13,663,977
Shares of Class A common stock reserved for Twilio.org	221,021	265,225
Stock-based awards available for grant under 2016 equity plan	10,529,415	28,543,969
Shares of Class A common stock reserved for issuance pursuant to ESPP[(1)]	12,133,808	10,836,938
Total	35,819,762	54,212,229

[(1)] The amount as of June 30, 2026 reflects the number of shares of Class A common stock reserved for issuance pursuant to the ESPP governing the current offering period as of that date. See Note 12 for further details.

Share Repurchase Program

In January 2025, the board of directors of the Company authorized a share repurchase program to repurchase up to $2.0 billion in aggregate value of the Company's outstanding Class A common stock. Repurchases under this program can be made through open market, private transactions or other means, in compliance with applicable federal securities laws, and can include repurchases pursuant to Rule 10b5-1 trading plans. The Company has discretion in determining the conditions under which shares may be repurchased from time to time. The program expires on December 31, 2027.

In the three months ended June 30, 2026 and 2025, the Company repurchased 0.5 million and 1.8 million shares of its Class A common stock, respectively, for an aggregate purchase price of $66.0 million and $176.7 million, respectively. In the six months ended June 30, 2026 and 2025, the Company repurchased 2.6 million and 3.0 million shares of its Class A common stock, respectively, for an aggregate purchase price of $319.4 million and $306.9 million, respectively. As of June 30, 2026, approximately $826.0 million of the amount authorized in January 2025 for share repurchases remained available for future repurchases.

12. Stock-Based Compensation

Stock Option and Incentive Plan

The Company's 2016 Stock Option and Incentive Plan (the "Prior Equity Plan") that originally became effective on June 21, 2016, and was scheduled to expire in June 2026, was amended on June 16, 2026 (the "Amendment Date"), pursuant to the Company's stockholders' approval. The amended 2016 Stock Option and Incentive Plan (the "Amended Equity Plan") superseded the Prior Equity Plan and will expire on June 16, 2036. As of its effective date, the Amended Equity Plan reduced the number of shares reserved for issuance under the plan to a maximum of 10,500,000 shares of the Company's Class A common stock, which will be increased by the amount of any shares subject to awards granted under the Amended Equity Plan (or the Prior Equity Plan prior to the Amendment Date) that are forfeited, canceled, reacquired by the Company prior to vesting or otherwise terminated. The Amended Equity Plan does not provide for automatic annual increases of available shares in the plan.

The types of awards permitted for granting under the Amended Equity Plan remain unchanged and include stock options, restricted stock units ("RSUs"), restricted stock awards, stock appreciation rights, unrestricted stock awards, performance share awards, dividend equivalent rights and cash-based awards by the Company to be granted to its employees, directors and consultants.

Certain of the Company's outstanding equity awards were granted under equity incentive plans that are no longer active but continue to govern the outstanding equity awards granted thereunder.

Employee Stock Purchase Plan

The Company's 2016 Employee Stock Purchase Plan (the "Prior ESPP") that originally became effective on June 21, 2016, and was scheduled to expire in June 2026, was amended on June 16, 2026, pursuant to the Company's stockholders' approval. The amended 2016 Employee Stock Purchase Plan (the "Amended ESPP") superseded the Prior ESPP and will remain effective until terminated by the Company's board of directors in its discretion. As of its effective date, the Amended ESPP reduced the number of shares reserved for issuance thereunder to a maximum of 4,000,000 shares of the Company's Class A common stock. The Amended ESPP does not provide for automatic annual increases of available shares in the plan.

Both the Prior ESPP and the Amended ESPP allow eligible employees to purchase shares of the Company's Class A common stock at a discount of 15% through payroll deductions of their eligible compensation, and provide for separate six-month offering periods beginning in May and November of each year. The initial offering under the Amended ESPP will begin on November 16, 2026, following the conclusion of the current six-month offering period that commenced in May 2026 under the Prior ESPP. On each purchase date, eligible employees purchase shares of the Company's Class A common stock at a price per share equal to 85% of the lesser of (i) the fair market value of the Company's Class A common stock on the offering date or (ii) the fair market value of the Company's Class A common stock on the purchase date.

Performance-Based Restricted Stock Units

In the first quarter of 2026, the Company granted to certain of its executive employees performance-based restricted stock units ("PSUs") covering 210,301 shares of Class A common stock that had an aggregate grant date fair value of $24.8 million. The PSUs will vest if certain operational performance conditions, as defined in the grant agreements, are met during the three-year performance achievement period, which expires on December 31, 2028. Additionally, if certain market conditions are met during the performance achievement period, the number of shares that ultimately vest may further increase or decrease. At the end of the vesting period, the number of shares actually issued may range from 0% to 200% of the target based on levels of performance.

The fair value of the PSUs was determined using a Monte-Carlo simulation model. The expense is recognized on a straight-line basis when it is probable that the performance target will be achieved during the performance period. The probability of achievement is assessed each reporting period and cumulative adjustments are recorded in periods in which the probability assessment changes.

As of June 30, 2026, total unrecognized compensation cost related to unvested RSUs, including PSUs, was $1.1 billion, which will be amortized over a weighted-average period of 2.2 years. As of June 30, 2026, total unrecognized compensation cost related to the ESPP was not significant.

Stock-Based Compensation Expense

The Company recorded total stock-based compensation expense as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands)			
Cost of revenue	$ 3,111	$ 4,087	$ 6,485	$ 8,358
Research and development	74,702	80,590	147,713	158,656
Sales and marketing	32,299	34,413	63,448	65,772
General and administrative	31,800	30,161	60,777	55,738
Total	$ 141,912	$ 149,251	$ 278,423	$ 288,524

13. Net Income Per Share Attributable to Common Stockholders

The following table sets forth the calculation of basic and diluted net income per share attributable to common stockholders during the periods presented:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Numerator:				
Net income attributable to common stockholders (in thousands)	$ 1,067,209	$ 22,423	$ 1,157,348	$ 42,440
Denominator:				
Weighted-average shares outstanding, basic	152,785,292	153,228,766	152,582,316	153,273,594
Dilutive effect of outstanding common stock equivalents	6,922,874	6,462,992	6,128,854	7,456,044
Weighted-average shares outstanding, diluted	159,708,166	159,691,758	158,711,170	160,729,638
Net income per share attributable to common stockholders:				
Basic	$ 6.99	$ 0.15	$ 7.59	$ 0.28
Diluted	$ 6.68	$ 0.14	$ 7.29	$ 0.26

The following outstanding shares of common stock equivalents were excluded from the calculation of the diluted net income per share attributable to common stockholders because their effect would have been anti-dilutive:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Stock options issued and outstanding	132,180	414,972	132,180	145,350
Unvested restricted stock units issued and outstanding[(1)]	2,286,140	4,458,044	2,286,140	4,261,767
Shares of Class A common stock committed under ESPP	90,584	148,220	90,584	148,220
Total	2,508,904	5,021,236	2,508,904	4,555,337

[(1)] A portion of these unvested restricted stock units are PSUs. The number of PSUs that ultimately vest may increase or decrease the number of shares that will be issued at the end of the performance period.

14. Income Taxes

The Company computes its benefit from (provision for) income taxes for interim periods using an estimated annual effective tax rate based on anticipated annual pretax income or loss. The estimated annual effective tax rate is applied to the Company’s year-to-date income or loss, and is adjusted for discrete items recorded in the period.

In 2026, the primary difference between the Company’s effective tax rate and federal statutory rate relates to the tax benefit recognized from the U.S. valuation allowance released during the second quarter of 2026. In prior periods, the primary difference between the Company’s effective tax rate and the federal statutory rate related to the valuation allowance the Company established on the federal, state and certain foreign net operating losses and credits.

The benefit for income taxes recorded in the three and six months ended June 30, 2026 consists primarily of the release of the valuation allowance on U.S. deferred tax assets. The benefit for income taxes recorded in the three and six months ended June 30, 2026 was also impacted by federal, state and foreign income taxes and withholding taxes in foreign jurisdictions in which the Company conducts business, primarily driven by the excess benefit on share-based payment awards.

The provision for income taxes recorded in the three and six months ended June 30, 2025 consists primarily of federal, state and foreign income taxes and withholding taxes in foreign jurisdictions in which the Company conducts business.

The Company regularly assesses the need for a valuation allowance on its deferred tax assets. In making that assessment, the Company considers both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of all available evidence, whether it is more-likely-than-not that some or all of the deferred tax assets will be realized. The determination of the realizability of deferred tax assets requires significant judgment and relies on management's estimates of future taxable income.

As of June 30, 2026, the Company demonstrated sustained profitability in the U.S. over a cumulative period of three years based on the U.S. pre-tax book income adjusted for permanent book-tax differences, and expects to continue to sustain this profitability position in the U.S. for the annual period ended December 31, 2026. This evidence is objective and verifiable and represents strong positive evidence that carries significant weight.

Based on the Company’s analysis of all available positive and negative evidence, including the objective and verifiable positive evidence as described above, and anticipated future earnings, the Company concluded that it is more likely than not that the majority of its U.S. deferred tax assets are realizable. As a result of this change in estimate, the Company released a significant portion of the valuation allowance on its U.S. deferred tax assets in the current quarter. The majority of this valuation allowance related to the U.S. federal and state net operating losses, tax credit carryforwards, and capitalized R&D expenditures. As the change in estimate occurred during an interim period, the Company included the change in valuation allowance resulting from the current year income in the estimated annual effective tax rate and recorded the release of the valuation allowance as a discrete tax benefit during the period, which resulted in the recognition of deferred tax assets and an income tax benefit during the three and six months ended June 30, 2026 of $944.1 million. An additional $8.7 million of the valuation allowance release was recorded in the statement of shareholders’ equity related to deferred tax assets that arose from a previously settled capped call.

The Company’s judgment regarding the need for a valuation allowance may reasonably change in future reporting periods due to many factors, including changes in expectations of future profitability in the U.S. and changes in tax laws or regulations. The Company will continue to maintain a valuation allowance against deferred tax assets where the Company believes that it is more likely than not that they will not be realized. The remaining valuation allowance as of June 30, 2026 was $519.3 million, maintained against deferred tax assets related to investments, certain state research and development credits and certain foreign deferred tax assets.

The Company is subject to taxation in the U.S. and various other state and foreign jurisdictions. Because the Company has net operating loss carryforwards for U.S. federal and state jurisdictions, the statute of limitations is open for all tax years. In February 2026, the Internal Revenue Service notified the Company of its intent to commence an audit of the Company's federal income tax return for the year ended December 31, 2023. The audit is in its preliminary stages. While the final outcome of this audit is uncertain, management believes that adequate amounts have been reserved for any adjustments that may result and does not expect the audit to have a material adverse effect on the Company's consolidated financial position, results of operations, or cash flows.

15. Related Party Transactions

In May 2022, the Company and Syniverse Corporation ("Syniverse"), an equity method investee, entered into a wholesale agreement pursuant to which Syniverse would process, route and deliver application-to-person messages originating and/or terminating between the Company's customers and mobile network operators. For the three and six months ended June 30, 2026, the value of transactions that occurred between the Company and Syniverse were $13.0 million and $44.0 million, respectively. For the three and six months ended June 30, 2025, the value of the transactions that occurred between the Company and Syniverse were $30.3 million and $69.0 million, respectively. These transactions were recorded as cost of revenue in the accompanying unaudited condensed consolidated statements of operations.

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), 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 Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- the impact of global economic and political conditions and uncertainty and significant market volatility on our business, customers and partners;
- our future financial performance, including expectations regarding our revenue, revenue growth, cost of revenue, gross profit, gross margin, operating expenses, and stock-based compensation, our ability to generate positive cash flow and our ability to achieve, improve and sustain profitability;
- our expectations regarding the factors affecting our results of operations, the timing of future expenses, and the assumptions underlying such expectations;
- our ability to execute on our vision for our platform, including delivering new product releases and enhancements, reducing friction across our platform and streamlining cross-channel orchestration;
- our ability to successfully deliver an interoperable platform that allows businesses to harness the power of customer data and consumer insights to improve customer engagement;
- our use of and ability to leverage artificial intelligence ("AI") and machine learning, including to develop and commercialize products and features for our customers and deploy internal applications for our own operational efficiency;
- our ability to drive durable, profitable growth and increase our market share, including through product innovation, leveraging artificial intelligence, forming and enhancing relationships with independent software vendors and other partners, improving our self-service capabilities, cross-selling our products and expanding internationally;
- our ability to simplify and modernize our business processes and improve our overall operating efficiency;
- our ability to compete effectively in an intensely competitive market, including our ability to set optimal prices for our products and adapt and respond effectively to rising costs, competing offerings, rapidly changing technology and technology trends, and evolving customer needs and preferences;
- our anticipated investments in sales and marketing, research and development and additional systems and processes to support our growth;
- our ability to maintain reliable service levels for our customers;
- our ability to maintain, protect and enhance our intellectual property;
- the impact of, and our ability to comply with, modified or new industry standards, laws and regulations applying to our business, including legislative developments that may affect our tax obligations or tax expense;
- our expectations regarding changes in network service provider fees that we pay in connection with the delivery of communications on our platform, including A2P messaging fees, our ability to manage such fees and their impact on our financial results;
- investments and costs required to prevent, detect and remediate potential cybersecurity threats, incidents and breaches of ours or our customers' systems or information;

- our ability to optimize our network service provider coverage and connectivity;
- our ability to work closely with email inbox service providers to maintain deliverability rates;
- the impact and expected results from changes in our relationships with our larger customers;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs;
- our expectations regarding share repurchases;
- our ability to successfully defend litigation brought against us;
- the anticipated results of our foreign currency hedging activities;
- our ability to service the interest on our 3.625% senior notes due 2029 (“2029 Notes”) and on our 3.875% notes due 2031 (“2031 Notes,” and together with the 2029 Notes, the “Notes”), and repay such Notes;
- our customers’ and other platform users’ violation of our policies or other misuse of our platform; and
- our ability to successfully integrate acquired businesses and realize the benefits of our past or future strategic acquisitions, divestitures or investments.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, results of operations and financial condition. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described below in Part II, Item 1A, “Risk Factors,” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

Unless otherwise indicated or the context otherwise requires, all references in this Quarterly Report on Form 10-Q to “Twilio,” the “Company,” “we,” “our,” “us,” or similar terms are to Twilio Inc. and its consolidated subsidiaries.

Item 2. *Management’s Discussion and Analysis of Financial Condition and Results of Operations*

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2025. In addition to historical financial information, the following discussion contains forward-looking statements that are based upon current plans, expectations and beliefs that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under Part II, Item 1A, “Risk Factors” in this Quarterly Report on Form 10-Q.

Overview

We envision a world in which every digital interaction is amazing. The Twilio platform combines our communications channels and software solutions with contextual data and AI-powered orchestration, enabling businesses to deliver amazing customer engagement across the entire customer journey. Our platform provides a trusted, simple, and smart infrastructure foundation that customers can build on.

We offer highly customizable communications APIs that enable developers to embed numerous forms of messaging, voice, email, and video interactions into their customer-facing applications, as well as software products that target specific engagement needs, including our digital engagement centers, marketing campaigns, and user authentication and identity solutions. This combination of flexible APIs and software solutions, together with our customer data capabilities, helps businesses of all sizes and across numerous industries to benefit from smarter and more streamlined engagement at every step of the customer journey, including reduced customer acquisition costs, lasting loyalty, and increased customer value. The value proposition of our offerings has become stronger and our products have become more strategic to our customers as businesses are increasingly prioritizing building more personalized and differentiated customer engagement experiences through digital channels.

Factors Affecting Our Results of Operations

We are focused on innovation and durable, profitable growth. To increase revenue and grow market share, we intend to drive product innovation, leverage predictive and generative AI, further enhance our independent software vendor (“ISV”), reseller and other partner relationships, improve our self-service capabilities, cross-sell our products, and expand internationally. We also intend to optimize our business and take measures to reduce costs, including simplifying and further automating our business processes, modernizing our infrastructure, leveraging AI, enacting certain workforce planning initiatives, optimizing utilization of our distributed workforce and implementing other initiatives targeted at improving efficiencies in our business. We are focused on driving leverage through these cost savings and efficiency initiatives, as well as efforts to drive growth in higher margin products.

Our revenue is primarily derived from usage-based fees, which can lead to variability in our results of operations and at times create differences between our forecasts and actual results. Our usage-based revenue is also more immediately impacted by changes in consumer spending and macroeconomic conditions than our subscription-based revenue. We also experience seasonal trends due to increased consumer activity in the fourth quarter, which may result in lower sequential revenue in the first quarter.

Our gross profit and gross margin are impacted by a number of factors, including our product mix; our ability to manage our cloud infrastructure-related and network service provider fees, including A2P messaging fees; changes in foreign exchange rates; the timing of amortization of capitalized software development costs and acquired intangibles; the extent to which we periodically choose to adjust prices of our products; and the timing and extent of our investments in our operations. Our gross margin is also impacted by the mix of U.S. messaging termination compared to international messaging termination, as international messaging has lower gross margins.

In recent quarters, major U.S. mobile carriers have increased network service provider fees for A2P messages delivered to their subscribers, and such fees may increase further over time. We pass these fees through to our customers at cost. As a result, we recognize an equal amount of revenue and cost of revenue related to these fees. The increased fees do not impact our gross profit, but they create a headwind to our gross margins.

In the second quarter of 2026, we determined that we would be unable to consume certain network services that we prepaid in previous periods due to operational and financial challenges experienced by two network service providers. This determination resulted in a $32.8 million impairment loss on prepaid assets that impacted our operating expenses and income from operations for the three and six months ended June 30, 2026. This impairment loss has no impact on our free cash flow and will not impact our results of operations in future periods.

We regularly assess the need for a valuation allowance on our deferred tax assets. As of June 30, 2026, based on our analysis of both positive and negative evidence, including the amount of pre-tax book income in the U.S. in recent periods and our expectation of future profits in the U.S., we concluded that it is more likely than not that the majority of our U.S. deferred tax assets are realizable. As a result, we released a significant portion of our valuation allowance on the net deferred tax assets in the U.S., resulting in the recognition of deferred tax assets and income tax benefit of $944.1 million during the three and six months ended June 30, 2026. For further detail refer to Note 14 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Our results of operations have in the past been, and could in the future be, impacted by adverse macroeconomic conditions. We are continuing to monitor actual and potential effects of recent macroeconomic and political conditions and uncertainty on our business. For additional details, see Part II, Item 1A, “Risk Factors.”

Key Business Metrics

We review a number of operational and financial metrics, including Dollar-Based Net Expansion Rate (“DBNE”), to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions.

The following table summarizes our year-over-year revenue growth and DBNE for the three months ended June 30, 2026 and 2025.

	Three Months Ended June 30,	
	2026	**2025**
Total Revenue (in thousands)	$ 1,499,089	$ 1,228,425
Total Revenue Growth Rate	*22 %*	*13 %*
Dollar-Based Net Expansion Rate	116 %	108 %

Dollar-Based Net Expansion Rate

Our DBNE compares the total revenue in a quarter from all individual customer accounts, as identified by a unique account identifier, for which we have recognized at least $5 of revenue in the last month of the quarter, to revenue from those same accounts in the same quarter in the prior year. A single customer organization may constitute multiple unique customer accounts if it has multiple account identifiers. To calculate DBNE, we first identify the cohort of such customer accounts in the same quarter of the prior year. DBNE 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 DBNE for periods longer than one quarter, we use the average of the applicable quarterly DBNEs for each of the quarters in such period. Revenue from acquisitions does not impact the DBNE 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. Revenue from divestitures does not impact the DBNE calculation beginning in the quarter the divestiture closed, unless the divestiture closing date is the last day of a quarter.

We believe that measuring DBNE provides an important 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 customers 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 DBNE for such customer accounts. Our DBNE increases when these customers increase their usage of a product, extend their usage of a product to new applications or adopt a new product. Our DBNE decreases when these customers 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 customer account, this new account is tied to, and revenue from this new account is included with, the original customer account for the purposes of calculating this metric.

Key Components of Statements of Operations

Revenue

Revenue. We recognize revenue from our products on either a usage basis or a subscription basis, depending on the nature of the product and the type of customer contract.

The majority of our revenue is derived from usage-based fees. The usage-based fees are earned when customers access our cloud-based platform and start using our products. Examples of our primarily usage-based products are Messaging and Voice. For Messaging products, we primarily charge fees related to the number of text messages sent or received. For Voice products, we primarily charge fees for minutes of call duration. Examples of our primarily subscription-based products are Email and Segment. For subscription-based revenue derived from these products, we recognize revenue evenly over the contract term. When our usage-based products are embedded into our subscription-based products, or when multiple products are purchased together as a solution, we charge for each product separately on a usage or subscription basis, as applicable.

Most of our usage-based customers gain access to our platform through a self-service process, which requires an upfront prepayment via credit card that is drawn down as they use our products. Pricing is generally based on a publicly available, self-serve pricing matrix that generally allows customers to receive tiered discounts as their usage of our products increases. Many of our larger usage-based customers enter into contractual arrangements with us for a period of at least 12 months. These contracts may include negotiated terms and typically include minimum revenue commitments of varying durations. Usage-based customers subject to such contracts are typically invoiced monthly in arrears for products used. In the three months ended June 30, 2026 and 2025, we generated 75% and 74% of our revenue, respectively, from usage-based fees.

Subscription-based fees are earned in accordance with subscription pricing terms. For our subscription-based products, customers generally enter into negotiated contracts, which are typically one to three years in duration. Subscription customers are generally invoiced in advance at the start of the contract term. In the three months ended June 30, 2026 and 2025, we generated 25% and 26% of our revenue, respectively, from non-usage-based fees.

Amounts that have been charged via credit card or invoiced are recorded in revenue, deferred revenue or customer deposits, depending on whether the revenue recognition criteria have been met. Our deferred revenue and customer deposits liability balance is not a meaningful indicator of our future revenue at any point in time because the number of contracts with our invoiced customers that contain terms requiring any form of prepayment is not significant.

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

Cost of Revenue and Gross Profit

Cost of Revenue. Cost of revenue consists primarily of fees paid to network service providers. Cost of revenue also includes cloud infrastructure fees, direct costs of personnel, such as salaries and stock-based compensation for our customer support employees, and other non-personnel costs, such as depreciation and amortization expense related to data centers and hosting equipment, and amortization of capitalized internal-use software development costs and acquired intangible assets.

Our arrangements with network service providers require us to pay fees, including fees based on the volume of phone calls initiated or text messages sent, as well as the number of telephone numbers acquired by us to service our customers. Our arrangements with our cloud infrastructure providers require us to pay fees based on our server capacity consumption.

Gross Profit. Gross profit represents revenue less cost of revenue.

Operating Expenses

The most significant components of operating expenses are personnel costs, which consist of salaries, benefits, sales commissions, bonuses and stock-based compensation. We also incur other non-personnel costs related to our general overhead expenses.

Research and Development. Research and development expenses consist primarily of personnel costs, outsourced engineering services, cloud infrastructure fees for staging and development of our products, depreciation, amortization of capitalized internal-use software development costs and an allocation of our general overhead expenses. We capitalize the portion of our software development costs that meets the criteria for capitalization.

We are focusing our research and development investment in the highest impact product areas for our future. We are investing strategically in alignment with our focus on combining communications, memory, and AI orchestration with identity, governance and observability to enable businesses to deliver continuous, personal and secure conversations.

Sales and Marketing. Sales and marketing expenses consist primarily of personnel costs, including commissions and bonuses to our sales employees. Sales and marketing expenses also include expenditures related to advertising, marketing, brand awareness activities, costs related to our SIGNAL customer and developer conferences, credit card processing fees, professional services fees, depreciation, amortization of acquired intangible assets and an allocation of our general overhead expenses.

We focus our sales and marketing efforts on generating awareness of our company, platform and products, creating sales leads, expanding relationships with existing customers and establishing and promoting our brand, both domestically and internationally.

General and Administrative. General and administrative expenses consist primarily of personnel costs for our accounting, finance, legal, human resources and administrative support personnel. General and administrative expenses also include costs related to business acquisitions and dispositions, legal and other professional services fees, certain taxes, depreciation and amortization, charitable contributions and an allocation of our general overhead expenses.

Impairment Loss on Prepaid Assets. Impairment loss on prepaid assets consists of certain losses related to network services we prepaid in prior periods that we will be unable to consume due to operational and financial challenges experienced by two network service providers.

Other (Expenses) Income, Net

Our other (expenses) income, net, consist primarily of our share of losses from our equity method investment, impairment charges and gains and losses related to our strategic investments, realized gains and losses from marketable securities, interest income and expense and debt-related costs.

Benefit from (Provision for) Income Taxes

Our benefit from (provision for) income taxes consists primarily of the tax benefit from the release of a significant portion of our U.S. valuation allowance; and also, federal, state and foreign income taxes and withholding taxes in foreign jurisdictions in which the Company conducts business. From time to time, we may recognize tax benefits arising from various matters, including newly enacted legislations. Benefits from income taxes may fully or partially offset the provision for income taxes within a reporting period.

In 2026, the primary difference between our effective tax rate and federal statutory rate relates to the tax benefit recognized from the U.S. valuation allowance released during the second quarter of 2026. In prior periods, the primary difference between our effective tax rate and the federal statutory rate related to the valuation allowance we established on the federal, state and certain foreign deferred tax assets.

Results of Operations

The following table sets forth our results of operations for the periods presented. The period-to-period comparison of our historical results are not indicative of the results that may be expected in the future.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Condensed Consolidated Statements of Operations Data:	(In thousands, except share and per share amounts)			
Revenue	$ 1,499,089	$ 1,228,425	$ 2,905,996	$ 2,400,888
Cost of revenue [(1) (2)]	773,223	625,685	1,495,886	1,216,581
Gross profit	725,866	602,740	1,410,110	1,184,307
Operating expenses:				
Research and development [(1)]	273,317	243,495	535,483	497,790
Sales and marketing [(1) (2)]	216,802	220,724	428,668	432,837
General and administrative [(1)]	118,430	101,532	220,976	193,609
Impairment loss on prepaid assets	32,771	—	32,771	—
Total operating expenses	641,320	565,751	1,217,898	1,124,236
Income from operations	84,546	36,989	192,212	60,071
Other (expenses) income, net:				
Share of losses from equity method investment	(24,346)	(25,222)	(51,569)	(44,693)
Other income, net	15,326	21,825	37,115	44,798
Total other (expenses) income, net	(9,020)	(3,397)	(14,454)	105
Income before benefit from (provision for) income taxes	75,526	33,592	177,758	60,176
Benefit from (provision for) income taxes	991,683	(11,169)	979,590	(17,736)
Net income attributable to common stockholders	$ 1,067,209	$ 22,423	$ 1,157,348	$ 42,440
Net income per share:				
Basic	$ 6.99	$ 0.15	$ 7.59	$ 0.28
Diluted	$ 6.68	$ 0.14	$ 7.29	$ 0.26
Weighted-average shares used to compute net income per share:				
Basic	152,785,292	153,228,766	152,582,316	153,273,594
Diluted	159,708,166	159,691,758	158,711,170	160,729,638

(1) Includes stock-based compensation expense as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands)			
Cost of revenue	$ 3,111	$ 4,087	$ 6,485	$ 8,358
Research and development	74,702	80,590	147,713	158,656
Sales and marketing	32,299	34,413	63,448	65,772
General and administrative	31,800	30,161	60,777	55,738
Total	$ 141,912	$ 149,251	$ 278,423	$ 288,524

(2) Includes amortization of acquired intangibles as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
	(In thousands)			
Cost of revenue	$ 6,037	$ 15,594	$ 15,393	$ 31,276
Sales and marketing	5,248	11,411	12,509	22,868
Total	$ 11,285	$ 27,005	$ 27,902	$ 54,144

The following table sets forth our results of operations for each of the periods presented as a percentage of our total revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
**Condensed Consolidated Statements of Operations, as a percentage of revenue: ** **				
Revenue	100%	100%	100%	100%
Cost of revenue	52	51	51	51
Gross profit	48	49	49	49
Operating expenses:				
Research and development	18	20	18	21
Sales and marketing	14	18	15	18
General and administrative	8	8	8	8
Impairment loss on prepaid assets	2	—	1	—
Total operating expenses	43	46	42	47
Income from operations	6	3	7	3
Other (expenses) income, net				
Share of losses from equity method investment	(2)	(2)	(2)	(2)
Other income, net	1	2	1	2
Total other (expenses) income, net	(1)	*	*	*
Income before benefit from (provision for) income taxes	5	3	6	3
Benefit from (provision for) income taxes	66	(1)	34	(1)
Net income attributable to common stockholders	71%	2%	40%	2%

* Less than 0.5% of revenue.
** Columns may not sum due to rounding.

Comparison of the Three Months Ended June 30, 2026 and 2025

Revenue

	Three Months Ended June 30,			
	2026	2025	Change	
	(Dollars in thousands)			
Revenue	$ 1,499,089	$ 1,228,425	$ 270,664	22 %

In the three months ended June 30, 2026, revenue increased by $270.7 million, or 22%, compared to the same period last year. This increase was primarily attributable to the increased usage of our products by our existing customers, as reflected in our DBNE of 116%, as well as an increase of $75.7 million in revenue derived from customer accounts not captured in our DBNE calculation, which are primarily new customer accounts. The increase also reflects $71.1 million in revenue related to the incremental A2P fees recently introduced by major U.S. carriers.

Cost of Revenue and Gross Profit

	Three Months Ended June 30,		Change	
	2026	2025		
	(Dollars in thousands)			
Cost of revenue	$ 773,223	$ 625,685	$ 147,538	24 %
Gross profit	$ 725,866	$ 602,740	$ 123,126	20 %

In the three months ended June 30, 2026, cost of revenue increased by $147.5 million, or 24%, compared to the same period last year. The increase was primarily attributable to a $138.8 million increase in network service provider costs, net of the impact of hedging instruments, which includes a $71.1 million increase due to the incremental A2P fees recently introduced by major U.S. carriers.

In the three months ended June 30, 2026, gross profit increased by $123.1 million, or 20%, compared to the same period last year. This increase was attributable to the factors impacting our revenue and cost of revenue, as described above.

Operating Expenses

	Three Months Ended June 30,		Change	
	2026	2025		
	(Dollars in thousands)			
Research and development	$ 273,317	$ 243,495	$ 29,822	12 %
Sales and marketing	216,802	220,724	(3,922)	(2)%
General and administrative	118,430	101,532	16,898	17 %
Impairment loss on prepaid assets	32,771	—	32,771	NM
Total operating expenses	$ 641,320	$ 565,751	$ 75,569	13 %

NM - Percentage not meaningful

In the three months ended June 30, 2026, research and development expenses increased by $29.8 million, or 12%, compared to the same period last year. The increase was primarily attributable to a $13.8 million increase in hosting fees to support development and staging of our products and a $10.3 million increase in total personnel costs.

In the three months ended June 30, 2026, sales and marketing expenses decreased by $3.9 million, or 2%, compared to the same period last year. Fluctuations in the various sales and marketing expense categories were not significant either individually or in the aggregate.

In the three months ended June 30, 2026, general and administrative expenses increased by $16.9 million, or 17%, compared to the same period last year. The increase was primarily attributable to an $8.0 million increase in the provision for doubtful accounts, a $4.0 million increase in personnel costs, and a $2.1 million increase in professional services fees.

In the three months ended June 30, 2026, impairment loss on prepaid assets increased by $32.8 million compared to the same period last year. The impairment relates to certain prepaid network services that we determined we would be unable to consume due to operational and financial challenges experienced by two network service providers. No such impairment occurred in the prior year period.

Other Expenses, net

	Three Months Ended June 30,			
	2026	2025	Change	
	(Dollars in thousands)			
Share of losses from equity method investment	$ (24,346)	$ (25,222)	$ 876	3 %
Other income, net	15,326	21,825	(6,499)	(30)%
Total other expenses, net	$ (9,020)	$ (3,397)	$ (5,623)	166 %

In the three months ended June 30, 2026, other expenses, net, increased by $5.6 million, or 166%, compared to the same period last year. Fluctuations in the various other expense, net, categories were not significant either individually or in the aggregate.

Benefit from (Provision for) Income Taxes

	Three Months Ended June 30,			
	2026	2025	Change	
	(Dollars in thousands)			
Benefit from (provision for) income taxes	$ 991,683	$ (11,169)	$ 1,002,852	NM

NM - Percentage not meaningful

In the three months ended June 30, 2026, benefit from (provision for) income taxes increased by $1.0 billion compared to the same period last year. The increase was primarily attributable to the release of our valuation allowance on certain of our U.S. federal and state deferred tax assets in the three months ended June 30, 2026, which generated a $944.1 million income tax benefit. For further detail refer to Note 14 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Comparison of the Six Months Ended June 30, 2026 and 2025

Revenue

	Six Months Ended June 30,			
	2026	2025	Change	
	(Dollars in thousands)			
Revenue	$ 2,905,996	$ 2,400,888	$ 505,108	21 %

In the six months ended June 30, 2026, revenue increased by $505.1 million, or 21%, compared to the same period last year. This increase was primarily attributable to the increased usage of our products by our existing customers, as reflected in our DBNE of 115%, as well as an increase of $146.6 million in revenue derived from customer accounts not captured in our DBNE calculation, which are primarily new customer accounts. The increase also reflects $117.1 million in revenue related to the incremental A2P fees recently introduced by major U.S. carriers.

Cost of Revenue and Gross Profit

	Six Months Ended June 30,			
	2026	2025	Change	
	(Dollars in thousands)			
Cost of revenue	$ 1,495,886	$ 1,216,581	$ 279,305	23 %
Gross profit	$ 1,410,110	$ 1,184,307	$ 225,803	19 %

In the six months ended June 30, 2026, cost of revenue increased by $279.3 million, or 23%, compared to the same period last year. This increase was primarily attributable to a $257.0 million increase in network service providers' costs, net of the impact of hedging instruments, which includes a $117.1 million increase due to the incremental A2P fees recently introduced by major U.S. carriers.

In the six months ended June 30, 2026, gross profit increased by $225.8 million, or 19%, compared to the same period last year. The increase was attributable to the factors impacting our revenue and cost of revenue, as described above.

Operating Expenses

	Six Months Ended June 30,			
	2026	2025	Change	
	(Dollars in thousands)			
Research and development	$ 535,483	$ 497,790	$ 37,693	8 %
Sales and marketing	428,668	432,837	(4,169)	(1)%
General and administrative	220,976	193,609	27,367	14 %
Impairment loss on prepaid assets	32,771	—	32,771	NM
Total operating expenses	$ 1,217,898	$ 1,124,236	$ 93,662	8 %

NM - Percentage not meaningful

In the six months ended June 30, 2026, research and development expenses increased by $37.7 million, or 8%, compared to the same period last year. The increase was primarily attributable to a $22.6 million increase in hosting fees to support development and staging of our products and a $12.5 million increase in total personnel costs.

In the six months ended June 30, 2026, sales and marketing expenses decreased by $4.2 million, or 1%, compared to the same period last year. Fluctuations in the various sales and marketing expense categories were not significant either individually or in the aggregate.

In the six months ended June 30, 2026, general and administrative expenses increased by $27.4 million, or 14%, compared to the same period last year. The increase was primarily attributable to an $11.1 million increase in total personnel costs, a $7.1 million increase in the provision for doubtful accounts and a $4.6 million increase in professional services fees.

In the six months ended June 30, 2026, impairment loss on prepaid assets increased by $32.8 million compared to the same period last year. The impairment relates to certain prepaid network services that we determined we would be unable to consume due to operational and financial challenges experienced by two network service providers. No such impairment occurred in the prior year period.

Other (Expenses) Income, net

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	Change	
	(Dollars in thousands)			
Share of losses from equity method investment	$ (51,569)	$ (44,693)	$ (6,876)	15 %
Other income, net	37,115	44,798	(7,683)	(17)%
Total other (expenses) income, net	$ (14,454)	$ 105	$ (14,559)	NM

NM - Percentage not meaningful

In the six months ended June 30, 2026, other (expenses) income, net, decreased by $14.6 million compared to the same period last year. The decrease is primarily attributable to a $7.7 million decrease in other income, net, primarily driven by unrealized losses from fluctuations in foreign currency exchange rates and a $6.9 million increase in our share of losses from our equity method investment.

Benefit from (Provision for) Income Taxes

	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025	Change	
	(Dollars in thousands)			
Benefit from (provision for) income taxes	$ 979,590	$ (17,736)	$ 997,326	NM

NM - Percentage not meaningful

In the six months ended June 30, 2026, benefit from (provision for) income taxes increased by $1.0 billion compared to the same period last year. The increase was primarily attributable to the release of our valuation allowance on certain of our U.S. federal and state deferred tax assets in the six months ended June 30, 2026, which generated a $944.1 million income tax benefit. For further detail refer to Note 14 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Non-GAAP Financial Measures

We use the following non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information may be helpful to investors because it provides consistency and comparability with past financial performance, facilitates period-to-period comparisons of results of operations and assists in comparisons with other companies, many of which use similar non-GAAP financial information to supplement their results of operations reported in accordance with generally accepted accounting principles (“GAAP”). We believe free cash flow and free cash flow margin provide useful supplemental information to help investors understand underlying trends in our business and our liquidity.

Non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies. Whenever we use a non-GAAP financial measure, a reconciliation is provided to the most closely applicable financial measure stated in accordance with GAAP. The users of our consolidated financial statements are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

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, as applicable, certain expenses as presented in the table below:

	Three Months Ended June 30,	
	2026	**2025**
Reconciliation:	(In thousands)	
GAAP gross profit	$ 725,866	$ 602,740
GAAP gross margin	48 %	49 %
Non-GAAP adjustments:		
Stock-based compensation	3,111	4,087
Amortization of acquired intangibles	6,037	15,594
Payroll taxes related to stock-based compensation	696	481
Non-GAAP gross profit	$ 735,710	$ 622,902
Non-GAAP gross margin	49 %	51 %

Non-GAAP Operating Expenses

For the periods presented, we define non-GAAP operating expenses (including categories of operating expenses) as GAAP operating expenses (and categories of operating expenses) adjusted to exclude, as applicable, certain expenses as presented in the table below:

	Three Months Ended June 30,	
	2026	**2025**
Reconciliation:	(In thousands)	
GAAP operating expenses	$ 641,320	$ 565,751
Non-GAAP adjustments:		
Stock-based compensation	(138,801)	(145,164)
Amortization of acquired intangibles	(5,248)	(11,411)
Acquisition and divestiture related expenses	(32)	—
Payroll taxes related to stock-based compensation	(9,143)	(4,440)
Charitable contributions	(4,356)	(2,237)
Restructuring costs	108	(140)
Impairment loss on prepaid assets	(32,771)	—
Non-GAAP operating expenses	$ 451,077	$ 402,359

Non-GAAP Income from Operations and Non-GAAP Operating Margin

For the periods presented, we define non-GAAP income from operations and non-GAAP operating margin as GAAP income from operations and GAAP operating margin, respectively, adjusted to exclude, as applicable, certain expenses as presented in the table below:

	Three Months Ended June 30,	
	2026	2025
Reconciliation:	(In thousands)	
GAAP income from operations	$ 84,546	$ 36,989
GAAP operating margin	6 %	3 %
Non-GAAP adjustments:		
Stock-based compensation	141,912	149,251
Amortization of acquired intangibles	11,285	27,005
Acquisition and divestiture related expenses	32	—
Payroll taxes related to stock-based compensation	9,839	4,921
Charitable contributions	4,356	2,237
Restructuring costs	(108)	140
Impairment loss on prepaid assets	32,771	—
Non-GAAP income from operations	$ 284,633	$ 220,543
Non-GAAP operating margin	19 %	18 %

Free Cash Flow and Free Cash Flow Margin

For the periods presented, we define free cash flow as net cash provided by operating activities less capitalized software development costs and purchases of long-lived assets, and we define free cash flow margin as free cash flow divided by revenue, as presented in the table below:

	Three Months Ended June 30,	
	2026	2025
Reconciliation:	(In thousands)	
Net cash provided by operating activities	$ 372,385	$ 277,084
Operating cash flow margin	25 %	23 %
Non-GAAP adjustments:		
Capitalized software development costs	(16,675)	(12,588)
Purchases of long-lived assets	(3,065)	(1,004)
Free cash flow	$ 352,645	$ 263,492
Free cash flow margin	24 %	21 %
Net cash (used in) provided by investing activities	$ (53,246)	$ 402,019
Net cash used in financing activities	$ (37,854)	$ (175,914)

Liquidity and Capital Resources

As of June 30, 2026, we had cash and cash equivalents of $823.3 million and short-term marketable securities of $1.8 billion. Cash equivalents consist of money market funds, commercial paper and U.S. treasury bills. Short-term marketable securities consist primarily of U.S. treasury securities, high credit quality corporate debt securities and commercial paper. The cash and cash equivalents and short-term marketable securities are held for working capital purposes.

Our principal sources of liquidity have been (i) the payments received from customers using our products; (ii) public equity offerings, most recently in February 2021; and (iii) debt financings, most recently the issuance of our 2029 Notes and 2031 Notes (each, as defined below) in March 2021.

Our primary uses of cash include operating costs, such as personnel-related costs, network service provider costs, cloud infrastructure costs, facility-related spending, acquisitions and investments we may make from time to time, and repurchases of common stock under our share repurchase program. Our principal contractual and other commitments consist of obligations under our 2029 Notes and 2031 Notes, our operating leases for office space that we occupy, sublease or hold, and contractual commitments to our cloud infrastructure and network service providers. Refer to Note 8 and Note 10(a) to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for discussions of our obligations and commitments related to leases, debt and other purchase obligations.

We may, from time to time, consider acquisitions of, or investments in, complementary businesses, products, services, capital infrastructure or technologies which might affect our liquidity requirements or cause us to secure additional financing or issue additional equity or debt securities. There can be no assurance that additional credit lines or financing instruments will be available in amounts or on terms acceptable to us, if at all.

We believe that our cash, cash equivalents and marketable securities balances, as well as the cash flows generated by our operations, will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditure needs, including authorized share repurchases, for the next 12 months and beyond. However, our belief may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. We may be required to seek additional equity or debt financing in order to meet our future capital requirements. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us, or at all. If we are unable to raise additional capital when desired, our business, results of operations and financial condition would be adversely affected. Our future capital requirements, the adequacy of our available funds and our cash from operations depend on many factors and are affected by various risks and uncertainties, including those set forth in Part II, Item 1A, "Risk Factors."

Share Repurchase Program

In January 2025, our board of directors authorized the repurchase of up to $2.0 billion in aggregate value of our Class A common stock. Repurchases under this program can be made through open market, private transactions or other means, in compliance with applicable federal securities laws, and can include repurchases pursuant to Rule 10b5-1 trading plans. We have discretion in determining the conditions under which shares may be repurchased from time to time. The program expires on December 31, 2027.

In the three and six months ended June 30, 2026, we repurchased $66.0 million in aggregate value, or 0.5 million shares, and $319.4 million in aggregate value, or 2.6 million shares, respectively, of our Class A common stock. As of June 30, 2026, approximately $826.0 million of the amount authorized in January 2025 for share repurchases remained available for future repurchases.

2029 Notes and 2031 Notes

In March 2021, we issued and sold $1.0 billion in aggregate principal amount of senior notes, consisting of $500.0 million principal amount of 3.625% notes due 2029 (the "2029 Notes") and $500.0 million principal amount of 3.875% notes due 2031 (the "2031 Notes," and together with the 2029 Notes, the "Notes"). The Notes are described in detail in Note 15 to our Annual Report on Form 10-K filed with the SEC on February 24, 2026.

Cash Flows

The following table summarizes our cash flows:

	Six Months Ended June 30,	
	2026	2025
	(In thousands)	
Cash provided by operating activities	$ 525,591	$ 468,126
Cash (used in) provided by investing activities	(94,436)	382,879
Cash used in financing activities	(290,428)	(301,708)
Net increase in cash, cash equivalents and restricted cash	$ 140,727	$ 549,297

Cash Flows from Operating Activities

In the six months ended June 30, 2026, cash provided by operating activities consisted primarily of our net income of $1.2 billion adjusted for non-cash items, including $944.1 million of tax benefit related to release of our U.S. valuation allowance, $278.4 million of stock-based compensation expense, $63.7 million of depreciation and amortization expense, $51.6 million of our share of losses from an equity method investment, $33.6 million of amortization of deferred commissions, $9.5 million of non-cash reduction in our operating right-of-use asset, and $175.0 million of cumulative changes in operating assets and liabilities. With respect to changes in operating assets and liabilities, accounts payable and other current liabilities decreased $67.3 million primarily driven by the payment of the 2025 company-wide bonus in the six months ended June 30, 2026. Operating lease liabilities decreased $17.8 million due to payments made against our operating lease obligations.

In the six months ended June 30, 2025, cash provided by operating activities consisted primarily of our net income of $42.4 million adjusted for non-cash items, including $288.5 million of stock-based compensation expense, $99.4 million of depreciation and amortization expense, $44.7 million of our share of losses from an equity method investment, $38.4 million of amortization of deferred commissions, $10.5 million of non-cash reduction in our operating right-of-use asset, and $59.8 million of cumulative changes in operating assets and liabilities. With respect to changes in operating assets and liabilities, accounts receivable and prepaid expenses decreased $81.6 million primarily due to timing of cash receipts and prepayments of certain operating expenses. Accounts payable and other current liabilities decreased $64.4 million primarily driven by the payment of the 2024 company-wide bonus in the six months ended June 30, 2025. Other long-term assets increased $51.4 million primarily due to an increase in long-term prepayments to support our business. Operating lease liabilities decreased $18.7 million due to payments made against our operating lease obligations.

Cash Flows from Investing Activities

In the six months ended June 30, 2026, cash used in investing activities was $94.4 million, primarily consisting of $53.2 million of purchases of marketable securities and other investments, net of proceeds from sales and maturities of marketable securities and other investments, $33.4 million related to capitalized software development costs, and $7.2 million related to purchases of long-lived assets.

In the six months ended June 30, 2025, cash provided by investing activities was $382.9 million, primarily consisting of $409.2 million of maturities and sales of marketable securities, net of purchases, partially offset by $24.2 million related to capitalized software development costs, and $2.2 million related to purchases of long-lived assets.

Cash Flows from Financing Activities

In the six months ended June 30, 2026, cash used in financing activities was $290.4 million primarily consisting of $323.0 million of cash paid to repurchase 0.5 million shares of our Class A common stock, including related costs, partially offset by $32.8 million in proceeds from exercises of stock options and shares of Class A common stock issued under the Company's ESPP.

In the six months ended June 30, 2025, cash used in financing activities was $301.7 million primarily consisting of $323.2 million of cash paid to repurchase 3.0 million shares of our Class A common stock, including related costs, partially offset by $25.9 million in proceeds from exercises of stock options and shares of Class A common stock issued under the Company's ESPP.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

Income Taxes

We account for income taxes using the asset and liability approach. Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, as well as net operating losses and tax credit carry-forwards. Deferred tax amounts are determined by using the enacted tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance reduces the deferred tax assets to the amount that is more likely than not to be realized.

We recognize the effect of uncertain income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is more than 50% likely to be realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

We regularly assess the need for a valuation allowance on our deferred tax assets. In making that assessment, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of all available evidence, whether it is more-likely-than-not that some or all of our deferred tax assets will be realized. The determination of the realizability of deferred tax assets requires significant judgment and relies on management's estimates of future taxable income.

As of June 30, 2026, we demonstrated sustained profitability in the U.S. over a cumulative period of three years based on the U.S. pre-tax book income adjusted for permanent book-tax differences, and we expect to continue to sustain this profitability position in the U.S. for the annual period ended December 31, 2026. This evidence is objective and verifiable and represents strong positive evidence that carries significant weight.

Based on our analysis of all available positive and negative evidence, including the objective and verifiable positive evidence as described above, and anticipated future earnings, we concluded that it is more likely than not that the majority of our U.S. deferred tax assets are realizable. As a result of this change in estimate, we released a significant portion of the valuation allowance on our U.S. deferred tax assets in the current quarter. For further detail refer to Note 14 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Our judgment regarding the need for a valuation allowance may reasonably change in future reporting periods due to many factors, including changes in expectations of future profitability in the U.S. and changes in tax laws or regulations. We will continue to maintain a valuation allowance against deferred tax assets where we believe that it is more likely than not that they will not be realized.

There have been no other changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K filed with the SEC on February 24, 2026.

Recent Accounting Pronouncements Not Yet Adopted

Refer to Note 2 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a discussion of recent accounting pronouncements not yet adopted.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

We are exposed to certain market risks in the ordinary course of our business, including sensitivities as follows:

Interest Rate Risk

We had cash and cash equivalents of $823.3 million and marketable securities of $1.8 billion as of June 30, 2026. In any given period, cash, cash equivalents and restricted cash may consist of bank deposits, money market funds, reverse repurchase agreements, commercial paper and U.S. Treasury bills. Marketable securities consist primarily of U.S. treasury securities, high credit quality corporate debt securities and commercial paper. The cash and cash equivalents and marketable securities are held for working capital purposes. Such interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest income have not been significant. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. In March 2021, we issued $1.0 billion aggregate principal amount of our 2029 Notes and 2031 Notes carrying fixed interest rates of 3.625% and 3.875%, respectively. Due to the short-term nature of our investments and fixed rate nature of our debt, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Currency Exchange Risks

The functional currency of most of our foreign subsidiaries is the U.S. dollar. The local currencies of our foreign subsidiaries are the Australian dollar, the Brazilian real, the British pound, the Canadian dollar, the Colombian peso, the Euro, the Hong Kong dollar, the Indian rupee, the Japanese yen, the Mexican peso, the Polish zloty, the Singapore dollar and the Swedish krona.

The majority of our subsidiaries remeasure monetary assets and liabilities at period-end exchange rates, while non-monetary items are remeasured at historical rates. Revenue and expense accounts are remeasured at the average exchange rate in effect during the month in which a transaction occurs. If there is a change in foreign currency exchange rates, the conversion of our foreign subsidiaries' financial statements into U.S. dollars would result in a realized gain or loss which is recorded in our unaudited condensed consolidated statements of operations included elsewhere in this Quarterly Report on Form 10-Q.

We enter into foreign currency derivative hedging transactions to mitigate our exposure to market risks that may result from changes in foreign currency exchange rates. For further information, refer to Note 5 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

A hypothetical 10% change in foreign exchange rates during any of the periods presented would not have had a material impact on our unaudited condensed consolidated financial statements.

Item 4. ***Controls and Procedures***

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2026, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

(b) Changes in Internal Control

There were no changes in our internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended June 30, 2026, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

(c) Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the organization have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II

Item 1. *Legal Proceedings*

Refer to Note 10(b) to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a description of our current material legal proceedings.

Item 1A. *Risk Factors*

Investing in our Class A common stock ("common stock") involves a high degree of risk. A description of the risks and uncertainties associated with our business is set forth below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited condensed consolidated financial statements and related notes, before making a decision to invest in our common stock. The risks and uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business, results of operations and financial condition could be adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.

Risk Factor Summary

Our business operations are subject to numerous risks and uncertainties, including those outside of our control, that could cause our business, results of operations, and financial condition to be harmed, including risks regarding the following:

Risks Related to Our Business and Industry

- *the impact of global economic and political conditions, including macroeconomic and political uncertainties;*
- *fluctuations in our quarterly results and our ability to meet securities analysts' and investors' expectations;*
- *fluctuations in the levels of our customers' usage of our platform;*
- *our ability to attract new customers and increase usage of our products by existing customers effectively and in a cost-efficient manner;*
- *our ability to develop new products and enhancements that achieve market acceptance and adapt to changing technology, regulations, and industry standards;*
- *our ability to integrate our products with third-party products and ensure they operate effectively;*
- *our ability to effectively manage our growth and strategic changes to our business;*
- *our ability to compete effectively in intensely competitive and rapidly evolving markets;*
- *our ability to maintain profitability;*
- *our ability to hire, integrate and retain highly skilled personnel;*
- *our ability to maintain and enhance our brand and increase market awareness of our company and products;*
- *our reliance on network service providers and internet service providers for network service and connectivity;*
- *failure to set optimal prices for our products;*
- *our international operations;*
- *our ability to integrate and achieve the expected benefits of acquisitions, partnerships and investments;*

Risks Related to Cybersecurity, Data Privacy and Intellectual Property

- *any breaches of or incidents impacting our networks or systems, or those of our service providers or broader supply chain;*
- *our actual or perceived failure to comply with increasingly stringent laws, regulations and obligations relating to privacy, data protection and cybersecurity;*
- *our ability to protect our intellectual property rights;*
- *our use of open source software;*
- *our reliance on third-party technology and intellectual property;*
- *our use of AI technologies in our platform and business;*

Risks Related to Legal and Regulatory Matters

- *our ability to comply with telecommunications-related regulations, and the impact of future legislative or regulatory actions;*
- *our ability to obtain, assign or retain geographical, mobile, regional, local or toll-free numbers and to effectively process requests to port such numbers in a timely manner due to industry regulations;*
- *federal and state legislation and international laws imposing obligations on the senders of commercial emails;*
- *unwanted, fraudulent or illegal usage of or activity relating to our products;*
- *changes in laws and regulations related to the internet or its infrastructure;*
- *compliance with applicable laws and regulations, including export controls, economic sanctions, customs and anti-corruption regulations;*
- *standards imposed by private entities and inbox service providers that interfere with the effectiveness of our platform;*
- *any legal proceedings or claims against us;*

Risks Related to Financial and Accounting Matters

- *exposure to foreign currency exchange rate fluctuations;*
- *our substantial indebtedness that may decrease our business flexibility;*
- *our ability to obtain additional capital to support our business and its availability on acceptable terms;*
- *the accuracy of our metrics, and assumptions and estimates used to calculate them;*
- *the accuracy of our estimates and judgments related to our critical accounting policies;*
- *changes in accounting standards that may cause adverse financial reporting fluctuations;*
- *the possibility that our goodwill or intangible assets could become impaired;*
- *our failure to maintain an effective system of disclosure controls and internal control over financial reporting;*

Risks Related to Tax Matters

- *our ability to use our net operating losses and certain other tax attributes to offset future taxable income and taxes;*
- *additional tax liabilities or potentially adverse tax consequences of our global operations and structure;*
- *changes in tax rules and regulations;*

Risks Related to Ownership of Our Common Stock

- *volatility of the trading price of our common stock;*
- *potential decline in the market price of our common stock due to substantial future sales of shares;*
- *the possibility that we may not realize the anticipated long-term stockholder value of our share repurchase program;*
- *securities or industry analysts changing their recommendations regarding our common stock;*
- *anti-takeover provisions contained in our governing documents and the exclusive forum provision in our bylaws;*

General Risks

- *the occurrence of natural catastrophic events and other events beyond our control; and*
- *environmental, social and governance ("ESG") matters.*

Risks Related to Our Business and Our Industry

Global economic and political conditions, including macroeconomic and political uncertainties, have had, and may continue to have, an adverse impact on our business, results of operations and financial condition.

Global economic and business activities continue to face widespread macroeconomic uncertainties, including market volatility, changes in international economic and trade relations, supply chain disruptions, changes in the labor market, increased energy and commodity price volatility, elevated interest rates and potential increases in inflation, foreign currency exchange rate fluctuations and recession risks, which may continue for an extended period. Additionally, the instability in the political environment in many parts of the world, including in the United States, geopolitical instability, including related to conflicts in the Middle East, and changes and uncertainty with respect to trade policies, actual or threatened tariffs, treaties, government regulations, executive orders, directives and enforcement priorities, as well as any ongoing or potential U.S. federal government shutdown, have contributed to further disruptions in global trade and have adversely affected, and may continue to adversely affect, the global economy and/or our business. Given that a majority of our revenue is usage-based and therefore impacted by general consumer sentiment and activity, our business may be more immediately and severely impacted by adverse macroeconomic conditions than those that rely primarily on subscription revenue. Additionally, increased prices resulting from the effects of tariffs and inflation could increase our operating expenses.

Adverse macroeconomic conditions have in the past resulted in, and may in the future result in, decreased or delayed business spending by our current and prospective customers and business partners, reduced demand for or usage of our products, lower renewal rates by our customers, longer or delayed sales cycles, including current and prospective customers delaying contract signing or contract renewals, reduced budgets or minimum commitments related to the products that we offer, or delays in customer payments or our ability to collect accounts receivable, all of which could negatively affect revenue and revenue growth. Additionally, our customers may be affected by changes and uncertainty in the global political environment with respect to trade and other policies. For example, tariffs imposed by the U.S. administration, uncertainty related thereto, and potential or actual retaliatory measures, have adversely affected trade relations, pressured supply chains, and led to increased market volatility, and such effects may continue. Any resulting harm to our customers' businesses could depress their usage levels and/or purchasing power and lead them to reduce their spending with us.

Macroeconomic and political conditions and uncertainties have in the past adversely affected, and may in the future adversely affect, our business, results of operations and financial condition, and could exacerbate many of the other risks described in this "Risk Factors" section.

Our quarterly and annual results of operations have fluctuated in the past and may continue to do so in the future. As a result, we may fail to meet securities analysts' and investors' expectations, which could cause the price of our common stock to decline.

Our quarterly and annual results of operations have fluctuated in the past and may continue to do so in the future due to a variety of factors, many of which are outside of our control. These fluctuations and the related impacts to any earnings guidance we may issue from time to time could cause the price of our common stock to change significantly or decline. In addition to the other risks described in this "Risk Factors" section, some of the factors that may result in fluctuations to our results of operations include:

- fluctuations in demand for, pricing of, or usage of, our products;
- our ability to introduce new products, features and enhancements;
- our ability to expand our customer base and the markets that our products address, attract and retain new customers, obtain renewals from existing customers and cross-sell or otherwise increase revenue from existing customers;
- our ability to improve, automate, and leverage more of our self-service capabilities for customers;
- our ability to maintain and expand relationships with resellers, distributors, and strategic partners, including ISVs, technology partners, and systems integrators;
- our ability to combine our communications products with contextual data and AI and introduce compelling new products and enhancements that address the changing nature of our markets and customer needs and preferences;
- competition and the actions of our competitors, including pricing changes and the introduction of new technologies, products, services and geographies;
- significant security breaches or incidents impacting our platform, or interruptions to the delivery and use of our products;
- changes in cloud infrastructure, network services and other third-party technology, including the fees charged by their providers and the impact of such fees on our pricing and customers;
- the effectiveness of our sales and marketing efforts, the productivity of our sales force, and the length and complexity of the sales cycle for certain of our products or customers;
- changes in the mix or amount of products that our customers use, and that are sold in the United States versus internationally, during a particular period;

- seasonal trends, including due to increased consumer activity in the fourth quarter;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- our ability to control costs, including our operating expenses;
- the timing of customer payments and our ability to collect accounts receivable from customers;
- the amount and timing of costs associated with recruiting, training and integrating new employees, and retaining existing employees;
- expenses in connection with mergers, acquisitions, dispositions, or other strategic transactions;
- changes in foreign currency exchange rates and our ability to effectively hedge our foreign currency exposure;
- extraordinary expenses such as litigation or other dispute-related settlement payments;
- changes in laws, industry standards and regulations that affect our business;
- sales tax and other tax determinations by authorities in the jurisdictions in which we conduct business;
- the impact of new accounting pronouncements;
- fluctuations in stock-based compensation expenses; and
- general economic conditions, including heightened inflation or interest rates, and geopolitical uncertainty or instability.

The occurrence of one or more of the foregoing and other factors may cause our results of operations to vary significantly. As such, comparing our operating results on a period-to-period basis may not be meaningful and should not be relied upon as an indication of future performance. In addition, a significant percentage of our operating expenses is fixed in nature and is based on forecasted revenue trends. Accordingly, in the event of a revenue shortfall, we may not be able to mitigate the negative impact on our net income (loss) and margins in the short term. If we fail to meet or exceed the expectations of investors or securities analysts, then the trading price of our common stock could fall substantially, and we could face costly lawsuits, including securities class action suits, which, in turn, could harm our business, results of operations and financial condition.

If our customers terminate or reduce their usage of our products, our business, results of operations and financial condition would be adversely affected.

Our revenue grows as customers increase their usage of a product, extend their usage of a product to new applications or adopt a new product that we offer. The majority of our revenue is usage-based, and if our customers do not increase their use of our products or maintain their usage of our products at existing levels, then our revenue may decline or grow at rates lower than expected. Most of our usage-based customers do not have long-term contractual financial commitments to us and, therefore, may reduce or cease their use of our products at any time without penalty or termination charges. Our subscription-based customers generally base their contract value on anticipated usage, and if their anticipated levels of usage are not met, they may reduce their contract value or choose not to renew their contract upon its expiration.

Customers may terminate or reduce their use of our products, or we may fail to attract new customers, for any number of reasons, including dissatisfaction with our products or with the value proposition of our products, our inability to meet their needs and expectations, our failure to maintain performance, reliability, security, integrity or availability of our products and infrastructure to the satisfaction of our customers, or customers' use of competitors' products. For example, prior instances of disruptions in our networks or systems, or those of our third-party service providers, have impacted our customers' ability to use products on our platform for up to several hours at a time. Such issues have had, and in the future may have, an adverse impact on customer satisfaction and our ability to retain or attract customers and have caused, and may in the future cause, us to incur certain costs associated with offering credits to our affected customers.

Additionally, we believe our ability to provide customers with high-quality, effective customer support services is a crucial component of maintaining customer satisfaction, generating increased customer usage of our products and ultimately retaining customers. If we are unable to effectively assist our customers, it could adversely affect our ability to retain existing customers and could disincentivize prospective customers from adopting our products. The resources we dedicate to customer service at a particular time may prove insufficient, such as in the event we are unable to respond quickly enough to accommodate short-term increases in demand for customer support. We also may be unable to modify the nature, scope and delivery of our customer support in order to compete with changes in the support services provided by our competitors. Our sales are highly dependent on our business reputation and on positive recommendations from our customers. If we are unable to provide high-quality customer support, or if there is a market perception that we do not maintain high-quality customer support, it could erode the trust of current and potential customers and adversely affect our reputation. Moreover, even if we succeed in providing and maintaining high-quality customer support, there is no guarantee that it will generate increased customer usage of our products or lead to long-term or meaningful customer retention.

Customer usage of our products depends on factors generally outside of our control, so it is difficult to accurately predict customers' usage levels. Our Dollar-Based Net Expansion Rate may decline for a number of reasons, including if customers are not satisfied with our products and related customer service experience, the value proposition of our products or our ability to meet their needs and expectations, due to reductions in customers' budgets or as a result of adverse macroeconomic conditions. If we lose customers, or if our customers reduce their usage levels of our products, our business, results of operations and financial condition could be adversely affected.

If we are unable to attract new customers or increase usage of our products by existing customers effectively and in a cost-efficient manner, our business, results of operations and financial condition would be adversely affected.

To grow our business, we must continue to attract new customers, increase usage of our existing products and new product adoption by existing customers, and successfully market new products, including products with higher gross margins, and do so in a cost-effective manner. Our sales and marketing teams work closely together to drive awareness and adoption of our platform. We leverage our brand, marketing programs and conferences, such as SIGNAL, to expand our go-to-market motions. Our go-to-market model has three motions: our self-service platform, primarily aimed at developers and other technical customers; our direct sales motion, primarily aimed at enterprises and other organizations with complex, high-scale business needs; and our partner-led motion, including resellers, distributors, and strategic partners, such as ISVs, technology partners and systems integrators, which is primarily aimed at customers who do not have the available developer resources or expertise to build our products into their own applications.

Our sales and marketing strategies, and their effectiveness, are influenced by numerous factors. We have made, and may in the future make, changes to the organization of our sales force and sales motions in response to changes in company strategy, new market opportunities, new products or features, sales performance or effectiveness, changes in sales headcount, changes to the compensation structure of our sales organization, or other factors. Such changes may not lead to wider adoption of our products or to the cost-effective acquisition of additional customers or increased revenue from existing customers as quickly or to the extent we expect, or at all, and have resulted, and may in the future result, in a reduction of productivity, which could negatively impact our growth rate and results of operations. For example, we are focusing increasingly on solution selling and platform services. We are focused on driving efficiencies in our sales operations, and are continuing to improve and rely increasingly on our self-service capabilities to drive sales to customers that do not require direct account coverage. We are also introducing AI and automation in our self-service platform aimed at improving sales and customer support. In addition, we recently introduced a unified Twilio Console designed in part to streamline and facilitate initial onboarding and multi-product adoption. These efforts may not continue to be as effective as we anticipate in driving adoption or increased usage of our products, or may take longer than we expect to drive growth or increase efficiency. In addition, if the costs of the marketing channels we use increase, then we may choose to use alternative or less expensive channels, which may not be as effective as the channels we currently use.

New products that we develop or markets that we pursue may require increasingly sophisticated and more costly sales efforts and result in longer sales cycles. For example, in recent years, we have expanded efforts to increase the adoption of our products by enterprises. For enterprises, the decision to adopt our products may require the approval of multiple technical and business decision makers, and enterprise customers may require extensive education about our products and significant customer support before they will commit to deploying our products at scale, which may place additional strain on our product and engineering resources. Enterprises may also engage in protracted pricing and contract negotiations, leading to higher costs and longer sales cycles. Enterprise customers may not use our products enough for us to generate revenue that justifies our cost to obtain such customers, or may choose to develop their own solutions that do not include our products. They may also demand reductions in pricing as their usage of our products increases, notwithstanding increased costs incurred by us to provide such products, which could have an adverse impact on our gross margin.

We are focused on serving as a foundational infrastructure layer for the AI era. If our efforts to increase the adoption and usage of our products or sell additional products to existing customers are less effective or more expensive or time-consuming than we expect, including as a result of the rapidly evolving AI landscape, then our business, results of operations and financial condition would be adversely affected.

We may not be able to develop new products or product enhancements that achieve market acceptance, or adapt and respond effectively to rapidly changing technology, regulations, industry standards, or customer needs and preferences.

Our ability to attract new customers and increase revenue from existing customers depends in large part on our ability to enhance and improve our existing products and to introduce compelling new products and enhancements. Our platform and products must reflect and respond to dynamic markets, technology, industry standards, and customer needs and preferences. We allocate significant resources to product development without any guarantee that these investments will result in increased adoption of our products by current and prospective customers. For example, we have committed, and expect to continue to commit, significant resources towards developing new products and enhancements by combining our communications products with contextual data and AI. The success of any enhancements or new products depends on several factors, including timely completion, adequate quality testing, actual performance quality, market-accepted pricing levels, customer value and the ability to provide rapid time-to-value for our customers, and the emergence of competing products and services that may be delivered at lower prices, more efficiently, conveniently or securely, or render our products obsolete. For example, if user authentication practices evolve to reduce or eliminate the use of one-time passwords, our revenue could be adversely affected. Enhancements and new products that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, may require reworking features and capabilities, may have interoperability difficulties with our platform or other products or may not achieve the broad market acceptance necessary to generate significant revenue or increase our gross profits. Furthermore, our ability to increase the usage of our products depends, in part, on the development of new use cases for our products, which is at times driven by our developer community and may be outside of our control.

If we are unable to successfully and cost-effectively develop and drive adoption of new products, anticipate and keep pace with changes in technology, customers' needs and expectations, and industry standards, or provide rapid time-to-value to our current and prospective customers, our business, results of operations and financial condition would be adversely affected.

The success of our products depends, in part, on our ability to integrate them with third-party products used by us or our customers and to ensure that they operate effectively with evolving platforms and technologies.

The providers of third-party products with which our products are integrated may modify the features, functionality, pricing, and other terms and conditions with respect to such products in a manner adverse to us and to our customers. If we are unable to maintain the integrations between our products and such third-party products, our ability to meet the needs and expectations of our customers could be adversely affected, which could adversely affect our business. Our platform must integrate with and leverage a variety of infrastructure, network, hardware, mobile and software platforms and technologies, including AI model providers, and we need to continuously modify and enhance our products and platform to adapt to new integrations and changes and innovation in integrated technologies which may present significant complexity, obstacles or other adverse impacts on our products or our business. For example, in 2025 we launched a new channel using Rich Communication Services ("RCS") and we are working on a channel for Apple Messages for Business. We are also focused on the interoperability of our products across the data ecosystem. Third-party platforms may also implement changes to their policies or practices regarding privacy or other matters that may adversely impact us or our customers. In addition, our network service providers, mobile device operating system providers or inbox service providers may adopt new filtering technologies in an effort to combat spam or robocalling. For example, Apple, Google, Yahoo and other mobile device operating system providers or inbox service providers have developed, and may in the future develop, new applications or functions intended to filter spam and unwanted phone calls, messages or emails. Such technologies may inadvertently filter desired messages or calls to or from our customers. If mobile device operating system providers, inbox service providers or network service providers, our customers or their end users adopt new software platforms or infrastructure, we may be required to develop new versions of our products to work with those new platforms or infrastructure. This development effort may require significant resources, which would adversely affect our business, results of operations and financial condition. Any failure of our products and platform to operate effectively with evolving or new platforms and technologies could reduce the demand for our products. If we are unable to respond to these changes in a cost-effective manner, our products may become less marketable and less competitive or obsolete, and our business, results of operations and financial condition could be adversely affected.

If we fail to effectively manage our growth and strategic changes to our business, then our business, results of operations and financial condition could be adversely affected.

We have experienced substantial growth in our business and operations, which has placed, and may continue to place, significant demands on our management, operational and financial resources and systems, especially as we continue to focus on improving our operating efficiency. Although we have conducted workforce reductions in the past, we may experience employee growth in the future. We have also experienced significant growth in the number of customers, usage and amount of data that our platform and associated infrastructure support. To manage our current and anticipated future growth effectively, we must continue to improve our operational, financial and management controls as well as our reporting systems and procedures, which has required, and will continue to require, us to commit substantial financial, operational, and technical resources.

We continue to scale the capacity of, and enhance the capability and reliability of, our technical infrastructure to support increased activity on our platform. Any failure to maintain performance, reliability, security, integrity and availability of our products and infrastructure to the satisfaction of our customers may harm our reputation and our ability to retain existing customers or attract new customers. If we fail to efficiently scale and manage our infrastructure, or if our customers experience service disruptions or outages, our business, financial condition and operating results may be adversely impacted.

The current and prospective markets for our products are intensely competitive and rapidly evolving, and if we do not compete effectively or if these markets fail to grow as expected, our business, results of operations and financial condition could be harmed.

The current and prospective markets for our products are rapidly evolving, significantly fragmented and highly competitive, in some cases with relatively low barriers to entry, and may fail to grow as expected or decline over time. The principal competitive factors of these markets include completeness of offering, credibility with customers, ability to differentiate our products against competing offerings, global reach, ease of integration and programmability, product features, platform scalability, reliability, deliverability, security and performance, brand awareness and reputation, the strength of sales and marketing efforts, customer support, and the cost of deploying and using products, as well as our customers' perception of the value and necessity of our products and platform. Our competitors are primarily (i) CPaaS companies that offer communications products and applications, (ii) regional network service providers that offer limited developer functionality on top of their own physical infrastructure, (iii) customer relationship management and customer experience vendors, (iv) standalone customer data platform vendors and (v) other software companies that compete with portions of our product line.

Some of our competitors and potential competitors are larger and have greater name recognition, longer operating histories, more established customer relationships, larger budgets, lower operating costs, and significantly greater resources than we do. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, customer requirements or changing economic conditions. Our competitors may also offer products or services that address one or a limited number of functions at lower prices, with greater depth than our products or in different geographies. Our current and potential competitors have in the past and may in the future develop and market products and services with comparable functionality to our products, and this could lead us to decrease prices in order to remain competitive. In addition, customers may reduce or delay spending on our products or substitute alternative solutions in response to pricing pressures, budget constraints or changing business priorities.

With the introduction of new products and services and new market entrants, we expect competition to intensify in the future. Industry developments and evolving technology, such as AI, may also impact our competitive landscape and the factors required to compete effectively in current or prospective markets. Our ability to grow will depend in part on our success in expanding the scope of our products and entering new markets, and there can be no assurance that the markets will grow or that our products will achieve meaningful adoption within them. As we expand the scope of our products, we may face additional competition and, in some cases, may find our products in competition with those of our customers, which could cause them to replace our products with competitive offerings. If one or more of our competitors were to merge or partner with another of our competitors or our suppliers, the change in the competitive landscape could also adversely affect our ability to compete effectively. For example, certain of our competitors have engaged in acquisition activity, and we expect that our competitors will continue to evaluate the acquisition of companies and technologies that could increase competition with our products in the future. In addition, some of our competitors have lower list prices than us, which may be attractive to certain customers even if those products have different or lesser functionality. Pricing pressures and increased competition generally could result in reduced revenue, reduced margins, increased losses or the failure of our products to achieve or maintain widespread market acceptance, any of which could harm our business, results of operations and financial condition.

Our business, results of operations and financial condition also depends, in part, on our ability to establish, maintain and expand relationships through resellers, distributors, and strategic partners, including ISVs, technology partners and systems integrators. A portion of our revenue is derived from sales made by these partners and any one of them may later decide to sell their own products or those of third parties that may be competitive with our products. A loss or reduction in sales of our products through these third parties could adversely affect our revenue and other results of operations.

Our financial performance in recent periods may not be indicative of future performance, and we may not be able to maintain profitability in the future.

We achieved net income of $33.8 million in the year ended December 31, 2025. However, we incurred net losses in each preceding year since our inception. Our past performance for any quarterly or annual period should not be relied upon as an indication of our performance for any future period. If we are unable to generate and sustain increased revenue levels and manage our operating expenses, we may not achieve and sustain profitability and, even if we do, we may not be able to increase our level of profitability or achieve our stated profitability goals. As we implement additional initiatives to increase revenue, our operating expenses may continue to rise over the long term, potentially including, among other things: investments in our engineering team; improvements in security and data protection; the development of new products, features and functionality and enhancements to our platform, including computing costs associated with AI; sales and marketing; expansion of our operations and infrastructure, both domestically and internationally; and general administration, including legal, accounting and other expenses related to being a public company. Our efforts to grow our business may be more costly than we expect, and if our revenue growth does not meet estimates, we may not be able to offset our associated operating expenses, which could prevent us from sustaining profitability, or maintaining or increasing cash flow. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications and delays and other unknown events. If we are unable to sustain profitability, or if we incur significant losses, the value of our business and common stock may significantly decrease.

We depend largely on the continued services of highly skilled personnel, including our senior management and other key employees, and the inability to attract, integrate or retain such employees could adversely affect our business, results of operations and financial condition.

Our future performance depends on the continued services and contributions of highly skilled personnel, including our senior management and other key employees, to execute on our business plan, to develop our products and platform, to deliver our products to customers, to attract and retain customers and to identify and pursue opportunities to expand our business. We believe that there is, and will continue to be, intense competition for highly skilled management, technical, sales and other employees with experience in our industry. In addition, we have experienced and may in the future experience employee attrition, which could significantly delay or prevent the achievement of our business objectives, and any resulting influx of new employees may require us to expend time, attention and resources to recruit and retain employees, restructure parts of our organization and train and integrate new personnel. If we fail to effectively manage attrition, and to hire, integrate and adequately incentivize our personnel, our efficiency and ability to meet our financial and operational targets, as well as our corporate culture, employee morale, productivity and retention, could suffer, and our business and operating results would be adversely impacted.

Any of our executive officers may terminate employment with us at any time with no advance notice. We have experienced, and may continue to experience, high attrition among our senior management team and key employees. The replacement of any of our senior management or other key employees will involve significant time and costs, and any loss of services of any such key employee for any reason could significantly delay or prevent the achievement of our business objectives and our financial and operational targets, and could adversely affect our business, results of operations and financial condition.

Additionally, we have implemented several reductions in workforce and efforts to restructure our business in the past and may in the future implement other reductions in force. Our reductions in force may result in unintended consequences, including employee attrition beyond the intended reduction in force, damage to our corporate culture and decreased employee morale among remaining employees, diversion of management attention, damage to our reputation as an employer, which could make it more difficult for us to hire new employees in the future, delays in meeting our financial and operational targets, and the loss of institutional knowledge and expertise of departing employees.

The labor market for our business is subject to external factors that are beyond our control, including our industry's highly competitive market for skilled workers and leaders. We must provide competitive compensation packages and a high-quality work environment to hire, retain and motivate employees. Volatility in, or the actual or perceived lack of performance of, our stock price may affect our ability to attract, motivate and retain key employees. If we are unable to retain and motivate our existing employees and attract qualified employees to fill key positions, we may be unable to manage our business effectively, including the development, marketing and sale of our products, which could adversely affect our business, results of operations and financial condition.

If we are not able to maintain and enhance our brand and increase market awareness of our company and products, then our business, results of operations and financial condition may be adversely affected.

We believe that maintaining and enhancing our brand identity and increasing market awareness of our company and products, particularly among developers and enterprises, is critical to achieving widespread acceptance of our platform, to strengthening our relationships with our existing customers and to our ability to attract new customers. The successful promotion of our brand will depend largely on our continued marketing efforts, our ability to continue to offer high-quality products, and our ability to successfully differentiate our products and platform from competing products and services. Our brand promotion and thought leadership activities may not be successful or yield increased revenue. In addition, independent industry analysts often provide reviews of our products and competing products and services, which may significantly influence the perception of our products in the marketplace. If these reviews are negative or not as strong as reviews of our competitors' products and services, then our brand may be harmed.

The promotion of our brand also requires us to make substantial expenditures, and we anticipate that these expenditures will increase as our markets become more competitive and as we expand into new markets. To the extent that these activities increase revenue, this revenue still may not be enough to offset the increased expenses we incur.

To deliver our products, we rely on network service providers and internet service providers for our network service and connectivity, and disruption or deterioration in the quality of these services or changes in provider fees that we pay in connection with the delivery of communications on our platform could adversely affect our business, results of operations and financial condition.

We interconnect with fixed and mobile network service providers around the world to deliver our products. Although we have, or are in the process of acquiring, authorization to provide voice and messaging services and for direct access to phone numbers in many countries, we expect to continue to rely to some extent on network service providers for these services. Reliance on network service providers subjects us to regulatory, competitive and other industry related changes over which we have little or no control. In addition, our reliance on network service providers subjects us to fees, penalties, administrative and technical requirements, each of which are subject to change. Similarly, in some cases, we utilize intermediaries for direct access to networks. Although we have, or are in the process of securing, direct connections with network service providers in many countries, we expect to continue to rely on intermediaries for these services to some extent. These intermediaries also charge us changing fees and at times have offerings that compete directly with our products. We also interconnect with internet service providers around the world to deliver our email products, and expect to continue to rely on such providers.

Reliance on these providers poses risks to the quality of our services, primarily by limiting our control, operating flexibility, and ability to timely identify and respond to necessary service changes, and by subjecting us to service interruptions or outages. Reliance on such providers in the past has caused, and may in the future cause, errors, service outages, security incidents, or poor-quality communications on our products, and we could encounter difficulty identifying the source of the problem. This has in the past, and may in the future, cause harm to our brand, result in lost revenue, and cause us to lose existing and prospective customers.

The fees we pay to these providers also subject us to risks. We are exposed to significant fluctuations in applicable fees paid to network service providers, intermediaries, and internet service providers. These fees are outside of our control and we are not able to predict the magnitude or timing of changes to such fees. Additional or increased fees charged by such providers have resulted, and could in the future result, in increases to our costs and other impacts on our financial results. For example, recent increases to A2P messaging fees charged by major U.S. mobile carriers create a headwind on our margins, and such fees may increase further over time. In some markets, fees charged by our network service providers change daily or weekly. We may not be able to change our customer pricing as rapidly, and absorbing these costs could adversely affect our business and results of operations. Further, even when we do pass fee increases through to customers, it typically increases revenue and cost of revenue such that while gross profit dollars are not impacted, it has a negative impact on gross margins. While historically we have responded to many fee increases through negotiating efforts, absorbing increased costs or passing fees through to customers, we may be unable to respond in these ways in the future without a material negative impact to customer demand and our business, results of operations and financial condition. Our ability to respond to fee increases may also be constrained by equivalent increases by other providers in a particular market, fees that are disproportionately large compared to underlying prices paid by our customers, or market or other conditions limiting our ability to increase the prices we charge for our products.

We also face risks related to losing access to these services. Many of these providers do not have long-term committed contracts with us and may interrupt services or terminate their agreements with us without notice. We may not be able to replace these services on a cost-effective basis, or at all, and even if we can, replacing providers may be time-consuming, costly and result in delays.

Any of the foregoing consequences of our reliance on network service providers, intermediaries and internet service providers to deliver our products could adversely impact our business, results of operations and financial condition.

Failure to set optimal prices for our products could adversely impact our business, results of operations and financial condition.

We face risks associated with optimally pricing our products, particularly given the dynamic nature of our usage-based pricing. The fees that we pay to network service providers can vary, in some markets daily or weekly, differ across countries, and are affected by volume and other factors that may be outside of our control and which are difficult to predict. As a result, we may incur increased costs that we may be unable or unwilling to pass through to our customers. If we do pass increased fees through to our customers, it could adversely affect customer relationships and demand or cause customers to seek lower-cost alternatives.

We periodically adjust the pricing for our products and expect to continue to. Many of our usage-based customers have contracts with negotiated pricing, and our subscription contracts also have negotiated pricing. New products or price reductions by competitors may prevent us from retaining or attracting customers based on our historical pricing, and we may otherwise be required or choose to reduce our pricing. Any such price reductions, lost customers, or other failure to optimize our pricing could adversely impact our business, results of operations and financial condition.

Our international operations expose us to risks inherent in global operations.

In the six months ended June 30, 2026 and the years ended December 31, 2025 and 2024, we derived 36%, 36% and 35% of our revenue from customer accounts located outside the United States, respectively. The future success of our business will depend, in part, on our ability to strategically maintain and expand our customer base worldwide. Operating in international markets requires significant resources and management attention and subjects us to regulatory, economic and political risks in addition to those we face in the United States.

In addition, we face risks in doing business internationally that could adversely affect our business, including:

- the difficulty of managing and staffing international operations and the increased operations, travel and infrastructure and other costs associated with servicing international customers and operating numerous international locations, including collecting accounts receivable and having longer payment cycles, higher or more variable network service provider fees and other costs associated with the need to adapt and localize our products and support for foreign countries;

- new and different sources of global competition affecting our ability to effectively price our products in competitive international markets;

- implementing and reconciling technical controls to address different technical standards, data privacy, data protection and telecommunications regulations, and registration and certification requirements outside the United States, which could prevent customers from deploying our products or limit their usage;

- our ability to comply with laws, regulations, customs and industry standards in countries and other regions in which we operate or do business, and the associated costs and management attention required to support such compliance, including with respect to data privacy, data protection, data localization, cybersecurity, intellectual property rights, environmental and sustainability matters, as well as export controls, sanctions, anti-bribery and anti-corruption matters;

- international tax and trade policies, tariffs, and other non-tariff barriers;

- fluctuations in currency exchange rates, which could increase the price of our products outside of the United States, increase the expenses of our international operations and expose us to foreign currency exchange rate risk;
- currency control regulations, which might restrict or prohibit our conversion of other currencies into U.S. dollars;
- restrictions on the transfer of funds; and
- political or social unrest, economic instability, conflict or war in a specific country or region in which we, our customers, partners or service providers operate, which could have an adverse impact on our operations in the region or otherwise have a material impact on regional or global economies, any or all of which could adversely affect our business.

Also, due to costs from our international operations and network service provider fees outside of the United States, which generally are higher than domestic rates, our gross margin for messages terminating internationally is typically lower than our gross margin for messages terminating domestically. As a result, our gross margin has been, and may continue to be, adversely impacted by our international operations. If we, or our international business partners, fail to manage any of these risks successfully, it could harm our international operations and adversely affect our business, results of operations and financial condition.

We may not realize potential benefits from our acquisitions, partnerships and investments because of difficulties related to integration, the achievement of synergies, and other challenges.

Our success will depend, in part, on our ability to expand our products and grow our business to meet the needs of current and prospective customers. In some circumstances, we may determine to do so through acquisitions, partnerships or investments in businesses and technologies that are complementary to our business. There can be no assurances that such transactions will result in the anticipated benefits, and it is possible that there could be a loss of our key employees and customers, disruption of ongoing businesses or unexpected issues, higher than expected costs, the diversion of management attention and resources from day-to-day business operations and an overall post-completion process that takes longer than originally anticipated. In addition, the following issues, among others, may need to be addressed in order to realize the anticipated benefits of any acquisitions, partnerships or investments:

- combining the acquired businesses’ corporate functions with our corporate functions;
- combining acquired businesses with our existing business in a manner that permits us to achieve the synergies anticipated to result from such acquisitions, the failure of which would result in the anticipated benefits of our acquisitions not being realized in the time frame currently anticipated or at all;
- maintaining existing agreements with customers, distributors, providers, talent and vendors and avoiding delays in entering into new agreements with prospective customers, distributors, providers, talent and vendors;
- determining whether and how to address possible differences in corporate cultures and management philosophies;
- integrating the companies’ product, compliance, administrative and IT infrastructure;
- developing products and technology that allow value to be unlocked in the future;
- incurring significant, nonrecurring costs to integrate our operations with those of acquired businesses, including the costs to maintain employee morale and retain key employees;
- evaluating and forecasting the financial impact of such acquisitions, partnerships and investments, including accounting charges; and
- effecting potential actions that may be required in connection with obtaining regulatory approvals.

From time to time, we may also divest or stop investing in certain businesses or products. The sale of a business or product has in the past and may in the future require us to restructure operations and/or terminate employees and could expose us to unanticipated ongoing obligations and liabilities, including as a result of our indemnification obligations. During the pendency of a divestiture, we may be subject to risks related to a decline in the business, loss of employees, customers, or suppliers, and that the transaction may not close, which could have an adverse effect on the business to be divested and on us.

Divestitures or winding down businesses or products can also disrupt our customer, supplier and/or employee relationships and divert the time and attention of our management and employees. Additionally, we may experience harm to our financial results, including loss of revenue, and we may not realize the expected benefits and cost savings of these actions and our operating results may be adversely impacted.

Risks Related to Cybersecurity, Data Privacy and Intellectual Property

Breaches of or other incidents impacting our networks or systems, or those of our service providers and broader supply chain, could degrade our ability to conduct our business, compromise the integrity of our products, platform and data, result in significant loss or unavailability of data and the theft of our intellectual property, damage our reputation, expose us to liability to third parties and require us to incur significant additional costs to maintain the security of our networks and data.

We depend upon our IT systems to conduct virtually all of our business operations, ranging from our internal operations and research and development activities to our marketing and sales efforts and communications with our customers, vendors and other business partners. Moreover, our platform stores, transmits, and otherwise processes our, our customers' and our partners' proprietary, confidential, and sensitive data. We also rely on various third-party service providers – including network service providers, internet service providers, telecommunications carriers, and providers of cloud infrastructure and cloud communications – for business operations, to operate our platform and to deliver our products, as well as third-party technology and intellectual property.

We have been targeted by threat actors seeking unauthorized access to our systems or data, or that of our customers or service providers, or to disrupt our operations or ability to provide our services. Our service providers and broader supply chain have also been targeted, and incidents involving such other parties can also result in unauthorized access or disruptions to our or our customers' systems or data. Our platform and our underlying infrastructure, the information we store and process, and those of others in our supply chain, are subject to evolving threats and have in the past and may in the future be subject to breaches, compromises, disruptions, or other incidents, including as a result of the following:

- fraud, social-engineering attacks (such as phishing) and other third-party attempts to induce our employees, customers or partners to disclose sensitive information to gain access to our customers' data or systems, or our data or our systems;
- efforts by hackers or sophisticated groups, such as criminal organizations, state-sponsored organizations or nation-states, to launch coordinated cyberattacks on internally built infrastructure or on third-party cloud-computing platform providers, including malicious code, ransomware, destructive malware, supply chain attacks and distributed denial-of-service attacks;
- third-party attempts to abuse our marketing, advertising, messaging or products and functionalities to impersonate persons or organizations and disseminate information that is false, misleading or malicious;
- attacks on, malfunctions or unavailability of, or other vulnerabilities in, the underlying networks and services that power the internet or that our products otherwise depend on, many of which are not under our control or the control of our customers or partners;
- attacks facilitated or enhanced by AI, including agentic AI and deep fakes; and
- employee fraud, misconduct or error, including resulting from efforts to bribe, extort, infiltrate or otherwise compromise our or our service providers' workforce.

Cyberattacks and other malicious activity continue to become more sophisticated, targeted and inexpensive to conduct, and to increase in frequency and magnitude, particularly through the use of AI. These include ransomware and cyber extortion attacks, which can lead to significant interruptions in our operations, loss of data and income, reputational harm, and diversion of funds. Extortion payments may reduce the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments, such as due to applicable laws or regulations prohibiting such payments. Geopolitical tensions and events may further heighten risks we and our service providers face from breaches and other incidents.

We make, and expect to continue to make, significant investments in processes and controls designed to mitigate risks associated with breaches and other incidents, including to evaluate and respond to known and potential risks. These investments are, and could increasingly be, costly, and may not be effective or prevent a material incident. Our ability to effectively mitigate these risks may be impacted by, among other factors:

- the use of AI to rapidly discover and exploit vulnerabilities;
- the rapidly evolving nature of techniques to breach, compromise, or disrupt IT systems and infrastructure, including increasing use of AI technologies, such that we may not be able to recognize such techniques until launched against a target, or anticipate, prevent, or timely respond to them, increasing the likelihood and magnitude of damage of a breach or other incident;
- the increasing complexity of our internal IT systems, including as we adopt new technologies, including AI solutions, and incorporate and secure IT environments from acquired companies;
- our reliance on third-party technology and service providers; and
- our limited control over customers and third-party providers (including those authorized by customers to access their data) and the processing of data by third-party providers, which may prevent us from maintaining the integrity or security of such data.

In the normal course of business, we experience, and have experienced, cyberattacks and other security incidents, which have in the past and may in the future cause harm to our business. For example, in 2022, one such incident resulted in threat actors obtaining employee credentials and accessing customer data, and required us to notify affected customers and regulators and take steps to remediate the incident. While to date the security events we have experienced have not had a material financial impact, we may experience significant and material future incidents. Any security incident can result in loss, corruption, unavailability, or other unauthorized processing of confidential information or sensitive personal information. Any such event, or the perception that it has occurred, may also result in damage to our reputation, erosion of customer trust, loss of customers, litigation, regulatory investigation, fines, penalties, and other consequences and liabilities that could adversely affect our business, results of operation and financial condition. Laws and regulations require us to maintain security measures, and we may have contractual or other legal obligations to notify customers, government agencies, impacted individuals or other relevant stakeholders of security breaches or other incidents, which disclosures are costly and may cause widespread negative publicity and resulting harm, among other adverse consequences. Further, the detection, prevention, and remediation of known and potential security incidents, including determining whether an incident is notifiable or reportable, may not be straightforward and result in additional direct or indirect costs to respond or alleviate the consequences of the actual or perceived incident, such as additional infrastructure capacity spending to mitigate system degradation or reallocation of resources from development activities. We maintain errors, omissions and cyber liability insurance policies covering certain security and privacy damages, but such insurance may not be sufficient to cover the potentially significant losses resulting from a security breach or other incident, may be denied with respect to a particular claim, or may not remain available in the future on acceptable terms or at all.

Our actual or perceived failure to comply with increasingly stringent laws, regulations and contractual obligations relating to privacy, data protection and cybersecurity could harm our reputation and subject us to significant fines and liability or loss of business.

We are subject to increasing legal, regulatory, and contractual obligations relating to privacy, data protection and cybersecurity that affect how we process personal data in the jurisdictions where we and our customers operate. Our obligations change frequently due to new or modified laws and regulations, as well as court rulings interpreting or invalidating them. These evolving obligations involve significant compliance costs and operational challenges, and increasingly expose us to enforcement actions and other proceedings or actions, sanctions, and litigation, as well as regulatory and public scrutiny of our practices relating to personal information. We expect the increasing breadth and depth, and changing nature of, these obligations to continue to require significant resources, including to review our technology, systems and processes against changing requirements. They may also limit our ability to use personal data for new products, including those relying on AI-related technologies.

In the United States, for example, the California Consumer Privacy Act (as amended by the California Privacy Rights Act of 2020, the “CCPA”) provides our customers, employees, and other individuals certain rights related to their personal information. The federal government has also proposed, and numerous other states are considering or have proposed and/or enacted, laws and regulations addressing privacy and cybersecurity. Internationally, the regulatory landscape is increasingly complex and fragmented and compliance increasingly financially burdensome. For example, in the European Union (“EU”), the General Data Protection Regulation (“GDPR”) imposes significant requirements regarding the processing of personal information, including related to transparency, individuals' privacy rights, compliance contracting, data minimization, data breach notification, data retention, security, and international data transfers. Other international privacy and data protection laws also impose strict requirements, such as related to marketing communications and deployment of cookies. Together, this patchwork of global requirements presents significant compliance challenges, and subjects us to possible fines, sanctions, litigation, and other adverse consequences. For example, under the GDPR, regulators may impose temporary or definitive bans on data transfers or other processing, require deletion, and impose significant fines, potentially ranging up to 4% of our worldwide revenue.

We must also comply with increasing laws and regulations relating to data residency, data localization, and the transfer of data across territorial boundaries, arising from the fact that our primary data processing facilities are in the United States. For example, the GDPR restricts the transfer of personal data from the EU to the United States and other countries that are not deemed to have implemented adequate data protection measures, and other jurisdictions have proposed and enacted laws relating to cross-border data transfer or requiring personal information to be stored in the jurisdiction of origin. We use a variety of legal transfer mechanisms to transfer personal data across borders, including standard contractual clauses and the E.U.-U.S. Data Privacy Framework, whose use is subject to ongoing review and litigation, and we may not be able to continue to rely on these or other transfer mechanisms. As a result of this uncertainty, we have encountered hesitancy, reluctance or refusal by European and multinational customers to use our services. If we are unable to maintain valid mechanisms for cross-border data transfer, we and our customers may face increased exposure to regulatory actions, significant fines, or injunctions against processing or transferring personal information from Europe or elsewhere. Any inability to transfer personal information to the United States or other jurisdictions, or costly restrictions on such transfer, may also limit our ability to collaborate with partners and customers, require us to increase our data processing capabilities in Europe and/or other jurisdictions at significant expense, and/or otherwise negatively impact our business.

Additionally, as a provider of interconnected VoIP services, we must also comply with certain U.S. federal privacy laws and regulations, including Section 222 of the Communications Act of 1934, as amended, and the FCC's customer proprietary network information rules. We are also subject to state rules and obligations that have been proposed or adopted, or may be in the future. We are also subject to other rapidly changing technology- and industry-specific laws, regulations and obligations. For example, we expect increased global regulation in the use of AI and ML such as the recent AI Act in Europe, which imposes onerous obligations related to the development, placement on the market and use of AI systems. Various countries and a growing number of U.S. states are also enacting legislation regulating aspects of AI or AI generally. We may need to change our business practices to comply with obligations under these or other new and evolving regimes, and face significant compliance challenges, liability, or other risks.

We also have contractual obligations relating to privacy, data protection and cybersecurity that are increasingly stringent due to related legal and regulatory changes and the expansion of our offerings. For example, certain laws and regulations, such as the GDPR and CCPA, require our customers to impose contractual restrictions on their service providers. In addition, we support customer workloads involving the processing of protected health information and are required to sign business associate agreements with customers that subject us to certain requirements under federal and state laws governing health information, such as the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009.

Taken together, evolving legal, regulatory and contractual obligations pertaining to privacy, data protection, cybersecurity and AI may require us to expend resources to modify our practices and products, reduce demand for our platform, increase our costs, restrict our ability to store and process data, inhibit product functionality or the development of new products and features, or impact our ability to operate in certain locations, any of which could impair growth or otherwise harm our business. Further, any actual or perceived non-compliance with these laws, regulations, contractual commitments, or other actual or asserted obligations, including industry standards, pertaining to privacy, data protection, cybersecurity or AI could subject us to regulatory audits or inquiries, civil and criminal penalties, or significant fines, or lead to costly legal action, breach of contract claims, adverse publicity, significant liability, inability to process data, and decreased demand for our services, any of which could adversely affect our business, results of operations, and financial condition.

We could incur substantial costs in protecting or defending our intellectual property rights, and any failure to protect our intellectual property could adversely affect our business, results of operations and financial condition.

Our success depends, in part, on our ability to protect our brand and the proprietary methods and technologies that we develop under patent and other intellectual property laws. We rely on a combination of patents, copyrights, trademarks, service marks, trade secret laws and other intellectual property laws, contractual provisions, and internal processes, procedures, and controls in an effort to establish, maintain, enforce, and protect our intellectual property and proprietary rights. However, the steps we take to protect our intellectual property may be inadequate. While we have been issued patents in the United States and other countries and have additional patent applications pending, we may be unable to obtain patent protection for the technology covered in our patent applications. In addition, any patents issued to us in the future may not provide us with competitive advantages or may be successfully challenged by third parties. Further, the laws of some countries do not protect intellectual property or proprietary rights to the same extent as the laws of the United States, and mechanisms for enforcement of such rights in some foreign countries may be inadequate. To the extent we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information may increase. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our technology and intellectual property.

We also rely, in part, on contractual confidentiality obligations we impose on our business partners, employees, consultants, advisors, customers and others in our efforts to protect our proprietary technology, processes and methods. These obligations may not effectively prevent unauthorized disclosure or use of our confidential information, and it may be possible for unauthorized parties to copy or access our software or other proprietary technology or information, or to develop similar products independently without us having an adequate remedy for unauthorized use or disclosure of our confidential information. In addition, others may independently discover our trade secrets and proprietary information, and in these cases, we may not be able to assert any trade secret rights against those parties.

We may be required to spend significant resources to monitor, enforce, maintain, and protect our intellectual property and proprietary rights. Litigation brought to protect and enforce our intellectual property or proprietary rights could be costly, time-consuming and distracting to management, result in a diversion of significant resources, or the narrowing or invalidation of portions of our intellectual property. Our efforts to enforce our intellectual property or proprietary rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of such rights. Our failure to meaningfully protect our intellectual property and proprietary rights could have an adverse effect on our business, results of operations and financial condition.

We have been sued and may, in the future, be sued by third parties for alleged infringement of their intellectual or other proprietary rights, which could adversely affect our business, results of operations and financial condition.

There is considerable patent and other intellectual property development activity in our industry. We may also introduce or acquire new products or technologies, including in areas where we historically have not participated, which could increase our exposure to intellectual property infringement claims brought by third parties. Our future success depends, in part, on not infringing the intellectual property or proprietary rights of others and we may be unaware of such rights that may cover some or all of our technology or intellectual property. We have from time to time been subject to claims that our products or platform and underlying technology are infringing upon third-party intellectual property or proprietary rights. We may be subject to such claims in the future and we may be found to be infringing upon such rights. Any claims or litigation could cause us to incur significant expenses (including settlement payments and costs associated with litigation) and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering our products, or require that we comply with other unfavorable terms.

Additionally, our agreements with customers and other third parties typically include indemnification or other provisions under which we agree to indemnify or are otherwise liable to them for losses suffered or incurred by them as a result of claims of intellectual property infringement. Although we typically limit our liability with respect to such obligations through such agreements, we may still incur substantial liability related to our indemnification obligations.

Regardless of the merits or ultimate outcome of any claims of infringement, misappropriation, or violation of intellectual or other proprietary rights that have been or may be brought against us or that we may bring against others, these types of claims, disputes, and lawsuits are time-consuming and expensive to resolve, divert management’s time and attention, and could harm our reputation. Litigation is inherently unpredictable and we cannot predict the timing, nature, controversy or outcome of disputes brought against us or assure you that the results of any of these actions will not have an adverse effect on our business, results of operations or financial condition.

We rely on technology and intellectual property of third parties, the loss of which could limit the functionality of our products and disrupt our business.

We use technology and intellectual property licensed from third parties in certain of our products and our platform, and for business operations, and we expect to license additional third-party technology and intellectual property in the future. Licensed technology and intellectual property may not continue to be available on commercially reasonable terms, or at all. The loss of the right to license and distribute third-party technology could limit the functionality of our products or platform and could require us to redesign our products or platform. In addition, if the third-party technology and intellectual property we use has errors, service outages, security vulnerabilities, or otherwise malfunctions, our business operations or the functionality of our products and platform may be negatively impacted, our customers may experience outages or reduced service levels, and our business may be adversely affected.

For example, we outsource a substantial majority of our cloud infrastructure to Amazon Web Services ("AWS"), which hosts our products and platform. Our customers need to be able to reliably access our platform, without material interruption or degradation of performance. AWS runs its own platform that we access, and we are, therefore, vulnerable to service interruptions at AWS. We have experienced, and expect that we may experience interruptions, delays and outages in service and availability in the future due to a variety of factors, including infrastructure changes, human or software errors, website hosting disruptions and capacity constraints. Capacity constraints could be caused by a number of potential causes, including technical failures, natural disasters, public health epidemics or pandemics, fraud or security attacks. In addition, if our security, or that of AWS, is compromised, if our products, platform or customer data become unavailable, or if our users are unable to use our products within a reasonable amount of time or at all, any one of which may be due to circumstances beyond our control, then our business, results of operations and financial condition could be adversely affected. In some instances, we may encounter difficulties or otherwise not be able to identify the cause or causes of these performance problems within a period of time acceptable to our customers. It may become increasingly difficult to maintain and improve our platform performance and to troubleshoot performance issues, especially during peak usage times, as our products become more complex and the usage of our products increases. To the extent that we do not effectively address capacity constraints, either through AWS or alternative providers of cloud infrastructure, or through other factors that may result in interruptions, delays and outages in service and availability of our products and/or services, our business, results of operations and financial condition may be adversely affected. In addition, if Amazon.com, Inc. ("Amazon") requires that we comply with unfavorable terms in order to continue our use of AWS or if Amazon implements any changes in its service levels for AWS, the changes may adversely affect our ability to meet our customers' requirements, result in negative publicity which could harm our reputation and brand and may adversely affect the usage of our platform.

The substantial majority of the services we use from AWS are for cloud-based reserve service capacity and, to a lesser extent, storage and other optimization offerings. AWS enables us to order and reserve service capacity in varying amounts and sizes distributed across multiple regions. We access AWS infrastructure through standard IP connectivity protocols. AWS provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. AWS may terminate the agreement if we fail to cure a breach of the agreement within 30 days of our being notified of the breach and, in some cases, AWS may suspend the agreement immediately for cause upon notice. Although we expect that we could procure similar services from other third parties, if any of our arrangements with AWS are terminated, we could experience interruptions to our platform and encounter difficulties in our ability to make our products reliably accessible by customers, as well as delays and additional expenses in procuring, implementing, and transitioning to alternative cloud infrastructure services. Any of the above circumstances or events may harm our reputation, erode customer trust, cause customers to stop using or reduce their usage of our products, discourage customers from renewing their contracts, impair our ability to increase revenue from existing customers, impair our ability to grow our customer base, subject us to financial penalties and liabilities under our service level agreements and otherwise harm our business, results of operations and financial condition.

Our use of open source software could negatively affect our ability to sell our products and subject us to possible litigation.

Our products and platform incorporate open source software, and we expect to continue to incorporate open source software in our products and platform in the future. Open source software presents certain risks in addition to those of third-party technology and intellectual property generally. Few of the licenses applicable to open source software have been interpreted by courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products and platform. Although we have implemented policies to regulate the use and incorporation of open source software into our products and platform, we cannot be certain that we have not incorporated open source software in our products or platform in a manner that is inconsistent with such policies. If we fail to comply with open source licenses, we may be subject to certain requirements, including requirements that we offer our products that incorporate the open source software for no cost, that we make available the source code for any modifications or derivative works we create based upon, incorporating or using the open source software and that we license such modifications or derivative works under the terms of applicable open source licenses. If an author or other third-party that distributes such open source software were to allege that we had not, or have not, complied with the terms and conditions of the license for such open source software, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from generating revenue from customers using products that contained the open source software and required to comply with onerous conditions or restrictions on these products. In any of these events, we and our customers could be required to seek licenses from third parties in order to continue offering our products and platform and to re-engineer our products or platform or discontinue offering our products to customers in the event re-engineering cannot be accomplished on a timely basis. Any of the foregoing could require us to devote additional research and development resources to re-engineer our products or platform, damage our reputation, give rise to increased scrutiny regarding our use of open source software, result in customer dissatisfaction and may adversely affect our business, results of operations and financial condition.

The use of AI technologies in our platform and our business may not produce the desired benefits, and may result in increased liability, reputational harm, or other adverse consequences.

We have deployed, and continue to develop and incorporate, AI solutions and features in our platform and our business, and these solutions and features may become more important to our operations, future growth or competitiveness over time. We expect to rely on AI solutions and features to help drive future growth and efficiency in our business, but there can be no assurance that we will realize the desired or anticipated benefits from AI in a timely or cost-effective manner. For example, we are focused on continued product innovations to combine our communications products with contextual data and AI. We are also building out new AI capabilities internally, including AI automation and agents in our self-service platform and in our internal operations. We may also fail to properly implement or market our AI solutions and features. Our competitors or other third parties may incorporate AI into their products, offerings, and solutions more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our results of operations. Our ability to effectively implement and market our AI solutions and features will depend, in part, on our ability to attract and retain employees with AI expertise, and we expect significant competition for professionals with the skills and technical knowledge that we will require.

The deployment of agentic AI — systems that autonomously execute multi-step tasks — introduces risks that are distinct from those of traditional AI features resulting from unintended or unauthorized actions that disrupt our internal operations and service delivery or create unknown or unexpected compliance risks. These risks may be difficult to monitor or prevent given the autonomous nature of such systems.

Additionally, our use of AI internally and in our offerings may expose us to additional claims, demands and proceedings by private parties and regulatory authorities and subject us to legal liability as well as brand and reputational harm. For example, our business, financial condition and results of operations may be adversely affected if content or recommendations that AI solutions or features assist in producing are or are alleged to be deficient, inaccurate, harmful, or biased, or if such content, recommendations, solutions, or features or their development or deployment (including the collection, use, or other processing of data used to train or create such AI solutions or features) are found to have or alleged to have infringed upon or misappropriated third-party intellectual property rights or violated applicable laws, regulations, or other actual or asserted legal or contractual obligations to which we are or may become subject. Our increasing use of AI internally in the development of our products may also subject us to intellectual property risks arising from limits and uncertainty regarding the protectability of certain outputs we create using generative AI tools. If we fail to obtain any required permissions to collect, use, or otherwise process data, including personal information, in relation to AI solutions or features, or if we jeopardize the privacy or security of such information, it could adversely affect our business, results of operations and financial condition. The legal, regulatory, and policy environments around AI are evolving rapidly, and we may become subject to new and evolving legal and other obligations. Our increasing use of AI internally, including in product development, may also present risks of technical errors, service disruptions or other issues related to flawed or inaccurate AI-generated outputs, as well as security vulnerabilities, which would negatively impact our reputation and our business. These and other developments may require us to make significant changes to our use of AI, including by limiting or restricting our use of AI, require us to make significant changes to our policies and practices, and necessitate expenditure of significant time, expense, and other resources. AI also presents emerging ethical issues, and if our use of AI becomes controversial, we may experience brand or reputational harm.

Our ability to mitigate the risks associated with AI will depend on our effective maintenance, training, monitoring and enforcement of appropriate policies, procedures and controls governing the use of AI tools, the results of any such use by us and our partners, and compliance with such policies and procedures by our workforce. Any unauthorized use or misuse of AI by our employees undermines our ability to protect against the AI-related risks described above.

Risks Related to Legal and Regulatory Matters

Certain of our products are subject to telecommunications-related regulations, and future legislative or regulatory actions could adversely affect our business, results of operations and financial condition.

As a provider of communications products and a licensed telecommunications provider, we are required to comply with many changing federal, state and international regulations, including relating to privacy, security, telecommunications, consumer protection, fraud and scam prevention, Know Your Customer, Know Your Upstream Provider, Know Your Traffic and other requirements and obligations, which often vary across the numerous jurisdictions in which we operate. Compliance with these requirements involves significant management attention and compliance costs, and can present operational challenges, onboarding delays and friction for our customers, require us to raise prices, restructure or discontinue our products, or limit our ability to expand into certain jurisdictions. If we do not comply with such requirements, we could face enforcement actions, significant fines, remedial directions to implement audits or new processes, loss of licenses, restrictions or prohibitions on our ability to operate or offer certain of our products, eroded customer trust, and damage to our brand and reputation, and other consequences. Any of the foregoing could adversely affect our business, results of operations and financial condition.

In the United States, at the federal level, we and/or our customers are required to comply with laws and regulations limiting telemarketing and certain technologies that enable automatic calling and/or messaging and establishing quiet hours for solicitations, such as the Telephone Consumer Protection Act of 1991 ("TCPA"), laws requiring assistance to law enforcement in electronic surveillance, requirements to pay regulatory fees and contributions to various federally administered funds, requirements to safeguard the privacy of certain customer information, and requirements aimed at mitigating illegal robocalls and robotexts, such as the implementation of call authentication technologies, and other compliance requirements. At the state level, some states have adopted, proposed or may propose, regulations that may subject us to additional registration, reporting, resiliency and/or compliance obligations, including laws similar to the TCPA.

We are also subject to varying international licensing obligations and communications regulations, including related to reporting requirements, provision of emergency services and of information to support emergency services, number portability, combatting scam and fraud, payment into universal service funds, and licensing fees, among others. As we expand into new countries, our potential regulatory and licensing obligations, and related scrutiny, increase. The international landscape continues to evolve, and in many cases involves significant uncertainties related to how our business model fits into the communications regulatory framework. There is significant variation in requirements across international jurisdictions, including as to whether some or all of the services we offer are considered regulated telecommunications services. In addition, certain of our products may be used by customers located in countries where voice and other forms of Internet Protocol ("IP") communications may be illegal or require special licensing or in countries on a U.S. embargo list, and users in such countries may continue to use our products in those countries notwithstanding the illegality or embargo, or a local partner that we use to provide services may not comply with applicable governmental regulations, subjecting us to potential penalties or governmental actions that may be costly, harm our business and damage our brand and reputation.

Both in the United States and internationally, these requirements continue to change rapidly, increase in volume and complexity and involve heightened risks of enforcement and liability. For example, new federal, state, or international requirements could impose more or different robocall or robotext mitigation measures, limit the customers we are able to serve, extend telecommunications regulations to our non-interconnected VoIP services or messaging or other products, subject us to additional registration, reporting or resiliency compliance obligations, or subject us to other fees, taxes or obligations. The volume and changing nature of these requirements increases the associated compliance costs, operational challenges, customer friction, possibility of enforcement actions and other associated risks, and new or changed requirements, or interpretations or judicial actions related to them, may also adversely affect our business, results of operations and financial condition.

If we are unable to obtain, assign or retain geographical, mobile, regional, local or toll-free numbers, or to effectively process requests to port such numbers in a timely manner due to industry regulations, our business and results of operations may be adversely affected.

Our future success depends in part on our ability to obtain allocations of geographical, mobile, regional, local and toll-free direct inward dialing numbers or phone numbers as well as short codes and alphanumeric sender IDs (collectively, "Numbering Resources") in the United States and foreign countries at a reasonable cost and without overly burdensome restrictions. Our ability to obtain allocations of, assign and retain Numbering Resources depends on factors outside of our control, such as applicable regulations, the practices of authorities that administer national numbering plans and the requirements of network service providers from whom we can provision Numbering Resources, such as conditional minimum volume call level requirements, as well as related costs and competitive demand.

In addition, in order to obtain allocations of, assign and retain Numbering Resources in many international jurisdictions, we are often required to be licensed by local telecommunications regulatory authorities. We have obtained licenses and are in the process of obtaining licenses in various countries in which we do business, but in some countries, the regulatory regime around provisioning of Numbering Resources is unclear, subject to change over time, and sometimes may conflict from jurisdiction to jurisdiction. These regulations and governments' approach to their enforcement, as well as our products and services, are evolving and we may be unable to maintain compliance with applicable regulations, or enforce compliance by our customers, on a timely basis or without significant cost or changes in products or business practices that result in reduced revenue. In some countries where our or our customers' assignment and/or use of Numbering Resources in certain ways may violate applicable rules and regulations, we have been subjected to government inquiries and audits, and may in the future be subject to significant penalties or further governmental action, and in extreme cases, may be precluded from doing business in that particular country. We have also been required to reclaim Numbering Resources from our customers as a result of certain events of non-compliance. These reclamations result in loss of customers, loss of revenue, reputational harm, erosion of customer trust, and may also result in breach of contract claims, all of which could have an adverse effect on our business, results of operations and financial condition.

If we are unable to acquire or retain Numbering Resources, our voice and messaging products may be less attractive to potential customers. Certain popular area code prefixes have limited availability, and restrictive rules generally prevent us from obtaining or assigning certain number types. In addition, future growth in our customer base and those of other CPaaS providers may make it increasingly difficult to source larger quantities of Numbering Resources, and Numbering Resources may become more expensive or subject to more stringent regulation or conditions of usage.

Additionally, in some geographies, we support number portability, which allows our customers to transfer their existing phone numbers to us and thereby retain their existing phone numbers when subscribing to our voice and messaging products. Transferring existing numbers is a manual process that can take up to 15 business days or longer to complete. Any delay that we experience in transferring these numbers typically results from our dependency on network service providers to transfer these numbers, and these network service providers may refuse or substantially delay the transfer of these numbers to us. Number portability is an important feature to many potential customers, and failure to reduce delays may result in adverse regulatory enforcement, increased difficulty in acquiring new customers, or costs to compensate customers for certain failures in the porting process.

United States federal and state legislation and international laws impose certain obligations on the senders of commercial emails, which could minimize the effectiveness of our platform, and establish financial penalties for non-compliance, which could increase the costs of our business.

The Federal Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (the "CAN-SPAM Act") establishes certain requirements for commercial and transactional email messages and specifies penalties for the transmission of email messages that are intended to deceive the recipient as to source or content. Among other things, the CAN-SPAM Act obligates the sender of commercial emails to provide recipients with the ability to "opt-out" of receiving future commercial emails from the sender. In addition, some states have passed laws regulating commercial email practices that are significantly more restrictive and difficult to comply with than the CAN-SPAM Act. For example, certain states prohibit the sending of email messages that advertise products or services that minors are prohibited by law from purchasing or that contain content harmful to minors to email addresses listed on specified registries. Some portions of these state laws may not be preempted by the CAN-SPAM Act. In addition, certain non-U.S. jurisdictions in which we operate have enacted laws regulating the sending of email that are more restrictive than U.S. laws. For example, some foreign laws prohibit sending broad categories of email unless the recipient has provided the sender advance consent (or "opted-in") to receipt of such email. If we were found to be in violation of the CAN-SPAM Act, applicable state laws governing email not preempted by the CAN-SPAM Act or foreign laws regulating the distribution of email, whether as a result of violations by our customers or our own acts or omissions, we could be required to pay large penalties, which would adversely affect our financial condition, significantly harm our business, injure our reputation and erode customer trust. The terms of any injunctions, judgments, consent decrees or settlement agreements entered into in connection with enforcement actions or investigations against our company in connection with any of the foregoing laws may also require us to change one or more aspects of the way we operate our business, which could impair our ability to attract and retain customers or could increase our operating costs.

Our customers' and others' violation of our policies or other misuse of our platform to transmit unwanted, offensive or illegal communications, spam, social engineering scams, links to harmful applications or for other fraudulent or illegal activity could damage our reputation, and we may face a risk of regulatory penalties, litigation and liability for illegal activities on our platform and unauthorized, inaccurate, or fraudulent information distributed via our platform.

The actual or perceived improper sending of text messages, voice calls, or email may subject us to potential risks, including liabilities or claims relating to consumer protection laws and regulatory enforcement, including fines. For example, the TCPA restricts telemarketing and the use of text messages without prior express consent. TCPA violations can result in significant financial penalties, as businesses can incur civil or criminal penalties imposed by the FCC, FTC, state attorneys general or other state actors or through private litigation. Regulatory enforcement is often public, which would result in reputational harm.

Class action suits are the most common method for private enforcement. This has resulted in civil claims against our company and requests for information through third-party subpoenas. The scope and interpretation of the laws that are or may be applicable to the delivery of text messages, voice calls, or email are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws, we could face direct liability.

Moreover, certain customers and others have in the past, and despite our prevention efforts, may in the future, use our platform to transmit unwanted, offensive or illegal communications, spam, social engineering scams, and website links to harmful applications, reproduce and distribute copyrighted material or the trademarks of others without permission, and report inaccurate or fraudulent data or information. These actions violate our policies. Our efforts to defeat spamming attacks, illegal robocalls and other fraudulent activity will not prevent all such activity. Such activity could damage our reputation and the effectiveness of our platform, and we could face claims for damages, regulatory enforcement, copyright or trademark infringement, defamation, negligence, or fraud. Furthermore, enacting more stringent controls on use of our platform to combat such activity could increase friction for our legitimate customers and decrease their use of our platform.

Similarly, our products may be subject to fraudulent usage, including but not limited to revenue share fraud, domestic traffic pumping, subscription fraud, premium text message scams and other fraudulent schemes, such as phishing. Although our customers are required to set passwords or personal identification numbers to protect their accounts, third parties have in the past been, and may in the future be, able to access customers' accounts through fraudulent means and use the accounts for fraudulent activity. Furthermore, spammers attempt to use our products to send targeted and untargeted spam communications. We cannot be certain that our efforts to defeat spamming attacks will be successful in eliminating all spam communications from being sent using our platform. In addition, a security breach of, or security incident impacting, our customers' systems could result in exposure of their authentication credentials, unauthorized access to their accounts or fraudulent calls on their accounts, any of which could adversely affect our business, results of operations and financial condition.

Our customers' and other users' promotion of their products and services through our platform might not comply with federal, state, and foreign laws or of contractual requirements imposed by carriers, such as the CTIA Shortcode Agreement, The Campaign Registry, carrier codes of conduct and similar policies. We rely on contractual representations made to us by our customers that their use of our platform will comply with our policies and applicable law, including, without limitation, our email and messaging policies. Although we retain the right to verify that customers and other users are abiding by certain contractual terms, our Acceptable Use Policy and our email and messaging policies and, in certain circumstances, to review their email, messages and distribution lists, our customers and other users are ultimately responsible for compliance with our policies, and we do not systematically audit our customers or other users to confirm compliance with our policies. We cannot predict whether our role in facilitating our customers' or other users' activities will result in violations of carrier policies which could result in fines, administrative delays, or service interruptions. We also cannot predict whether our role in facilitating our customers' or other users' activities would expose us to liability under applicable state or federal law, or whether that possibility could become more likely if changes to current laws regulating content moderation, such as Section 230 of the Communications Decency Act, are enacted. If we are found liable for our customers' or other users' activities, we could be required to pay fines or penalties, redesign business methods or otherwise expend resources to remedy any damages caused by such actions and to avoid future liability.

Many of the foregoing activities are increasingly being facilitated or enhanced by AI and other evolving technologies. AI agents operating through our platform have the potential to facilitate communications and fraudulent schemes with a scale, speed and sophistication that may evade existing fraud and compliance controls or evolve faster than controls can evolve to match, violate carrier policies, or breach applicable law.

Changes in laws and regulations related to the internet or changes in the internet infrastructure itself may diminish the demand for our products, and could adversely affect our business, results of operations and financial condition.

The future success of our business depends upon the continued use of the internet as a primary medium for commerce, communications and business applications. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the internet as a commercial medium. Changes in these laws or regulations could require us to modify our products and platform in order to comply with these changes. In addition, government agencies or private organizations have imposed and may impose additional taxes, fees or other charges for accessing the internet or commerce conducted via the internet. These laws or charges could limit the growth of internet-related commerce or communications generally or result in reductions in the demand for internet-based products and services such as our products and platform.

The current legislative and regulatory landscape regarding the regulation of the internet is subject to uncertainty. For example, in January 2025, the U.S. Court of Appeals for the Sixth Circuit struck down the FCC's net neutrality rules, and the current federal regulatory environment makes the adoption of similar rules unlikely in the near term. Without federal net neutrality rules, we cannot predict whether internet access service providers may be able to limit our users' ability to access our platform or make our platform a less attractive alternative to our competitors' applications. Moreover, several states have enacted or are considering state-level legislation or executive action that would implement certain net neutrality protections. State broadband regulations have been upheld by courts in certain jurisdictions, creating the potential for a patchwork of disparate regulatory regimes and operational challenges.

In a related regulatory context, while the EU requires equal access to internet content, under its Digital Single Market initiative the EU may impose additional requirements that could increase our costs. If new FCC, EU, or other rules directly or inadvertently impose costs on online providers like our business, our expenses may rise. Were any of these outcomes to occur, our ability to retain existing users or attract new users may be impaired, our costs may increase, and our business may be significantly harmed.

In addition, the use of the internet as a business tool could be adversely affected by delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility and quality of service. The performance of the internet and its acceptance as a business tool has been adversely affected by cyberattacks, malicious software, and other security threats. If the use of the internet is reduced as a result of these or other issues, then demand for our products could decline, which could adversely affect our business, results of operations and financial condition.

Our global operations subject us to potential liability under export controls, economic sanctions, customs, anti-corruption, and other laws and regulations, and violating these laws could subject us to liability and impair our ability to compete in international markets.

Certain aspects of our business are subject to international trade laws, including U.S. export control laws and regulations, U.S. customs laws and regulations, and U.S. economic sanctions laws and regulations, as well as other similar laws and regulations in other countries in which we do business. Exports and imports of our products and the provision of our services must be made in compliance with these laws, which include varying prohibitions on the sale, export, or supply of our products and services to certain sanctioned countries, regions, governments, entities, or individuals. We take precautions to prevent our products from being imported or exported and our services from being provided in violation of these laws; however, we are aware of certain of our products and services being provided to, procured from, or that involve dealings with, a small number of individuals and entities that are the subject of, or are located in countries or regions subject to, sanctions regulations administered by U.S. and foreign governmental authorities. If we fail to comply with these laws, we and certain of our employees could be subject to substantial civil or criminal penalties, including: the possible loss of export privileges; fines, which may be imposed on us and responsible employees or managers; criminal liability, which may be imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers.

Any change in these laws or other regulatory requirements affecting trade and investments, shift in the enforcement or scope of existing laws, or change in the countries, governments, persons or technologies targeted by such regulations, could also result in decreased use of our products and services, or in our decreased ability to export our products or provide our services to existing or prospective customers outside of the United States. Any decreased use of our products and services or limitations on our ability to export our products and provide our services could adversely affect our business, results of operations and financial condition.

Further, we incorporate encryption technology into certain of our products. Various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit our customers' ability to import our products into those countries. Encryption products and the underlying technology may also be subject to export control restrictions. Governmental regulation of encryption technology and regulation of exports of encryption products, or our failure to obtain required approval for our products, when applicable, could harm our international sales and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the export of our products and provision of our services, including with respect to new releases of our products and services, may create delays in the introduction of our products and services in international markets, prevent our customers with international operations from deploying our products and using our services throughout their globally-distributed systems or, in some cases, prevent the export of our products or provision of our services to some countries altogether.

We are also subject to U.S. and foreign anti-corruption and anti-bribery laws, including the Foreign Corrupt Practices Act, as amended ("FCPA"), the UK Bribery Act 2010, and other anti-corruption laws and regulations in the countries in which we conduct activities. Anti-corruption laws are interpreted broadly and generally prohibit companies, their employees, agents, representatives, business partners, and third-party intermediaries from directly or indirectly authorizing, offering, or providing, improper payments or things of value to recipients in the public or private sector, and also require that we maintain accurate books and records and adequate internal controls and compliance procedures designed to prevent violations. We sometimes leverage third parties to sell our products and conduct our business abroad. We, our employees, agents, representatives, business partners and third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and we may be held liable for the corrupt or other illegal activities of these employees, agents, representatives, business partners or third-party intermediaries even if we do not explicitly authorize such activities. It is possible that our employees, agents, representatives, business partners or third-party intermediaries could fail to comply with our policies and applicable laws and regulations, for which we may ultimately be held responsible. Any allegations or violation of the FCPA or other applicable anti-bribery and anti-corruption laws and anti-money laundering laws could result in whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, significant fines and penalties, damages, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from government contracts, all of which may have an adverse effect on our reputation, business, results of operations, and prospects. Responding to any investigation or action would likely result in a materially significant diversion of management's attention and resources, significant defense costs and other professional fees.

The standards imposed by private entities and inbox service providers to regulate the use and delivery of email have in the past interfered with, and may continue to interfere with, the effectiveness of our platform and our ability to conduct business.

From time to time, private entities and inbox service providers impose requirements that impact our and our customers' ability to use and deliver email. For example, some of our IP addresses have become, and we expect will continue to be, listed with one or more denylisting entities due to the messaging practices of our customers and other users. We may be at an increased risk of having our IP addresses denylisted due to our scale and volume of email processed, compared to our smaller competitors. There can be no guarantee that we will be able to successfully remove ourselves from those lists. Because we fulfill email delivery on behalf of our customers, denylisting of this type could undermine the effectiveness of our customers' transactional email, email marketing programs and other email communications, all of which could have a material negative impact on our business, financial condition and results of operations. For example, in 2024 and 2025, Google, Yahoo and Microsoft began enforcing new email sender requirements aimed at sender authentication, including Domain-based Message Authentication, Reporting and Conformance ("DMARC") record requirements, requiring us to devote time and resources toward compliance efforts. These or similar authentication requirements imposed in the future could result in reduced volumes for our email products and could adversely affect our business, financial condition and results of operations.

Additionally, inbox service providers can block emails from reaching their users or categorize certain emails as "promotional" emails and, as a result, direct them to an alternate or "tabbed" section of the recipient's inbox. The implementation of new or more restrictive policies by inbox service providers may make it more difficult to deliver our customers' emails, particularly if we are not given adequate notice of a change in policy or struggle to update our platform or services to comply with the changed policy in a reasonable amount of time. If the open rates of our customers' emails are negatively impacted by the actions of inbox service providers to block or categorize emails then customers may question the effectiveness of our platform and cancel their accounts. This, in turn, could harm our business, financial condition and results of operations.

Any legal proceedings or claims against us could be costly and time-consuming to defend and could harm our reputation regardless of the outcome.

We are and may in the future become subject to legal proceedings and claims that arise in the ordinary course of business, such as disputes or employment claims made by our current or former employees. Any litigation, whether meritorious or not, could harm our reputation, will increase our costs and may divert management’s attention, time and resources, which may in turn seriously harm our business. Insurance might not cover such claims or the costs to defend such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could seriously harm our business. If we are required to make substantial payments or implement significant changes to our operations as a result of legal proceedings or claims, our business, results of operations and financial condition could be adversely affected.

Risks Related to Financial and Accounting Matters

We face exposure to foreign currency exchange rate fluctuations, and such fluctuations could adversely affect our business, results of operations and financial condition.

As our international operations expand, our exposure to the effects of fluctuations in currency exchange rates grows. For example, global geopolitical events, economic events, public health epidemics and pandemics, actual or potential tariffs and other events have caused global economic uncertainty and variability in foreign currency exchange rates. While we have primarily transacted with customers and business partners in U.S. dollars, we have also conducted business in currencies other than the U.S. dollar. We expect to expand the number of transactions with customers that are denominated in foreign currencies in the future as we continue to expand our business internationally. We also incur expenses for some of our network service provider costs outside of the United States in local currencies and for employee compensation and other operating expenses at our non-U.S. locations in the respective local currency. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in an increase to the U.S. dollar equivalent of such expenses.

In addition, our international subsidiaries maintain net assets that are denominated in currencies other than the functional operating currencies of these entities. As we continue to expand our international operations, we become more exposed to the effects of fluctuations in currency exchange rates. Accordingly, changes in the value of foreign currencies relative to the U.S. dollar can affect our results of operations due to transactional and translational remeasurements. As a result of such foreign currency exchange rate fluctuations, it could be more difficult to detect underlying trends in our business and results of operations. In addition, to the extent that fluctuations in currency exchange rates cause our results of operations to differ from our expectations or the expectations of our investors and securities analysts who follow our stock, the trading price of our common stock could be adversely affected.

We have implemented a program to hedge transactional exposure against the Euro, and may do so in the future with respect to other foreign currencies. We also use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

We have incurred substantial indebtedness that may decrease our business flexibility, access to capital, and/or increase our borrowing costs, and we may still incur substantially more debt, which may adversely affect our operations and financial results.

As of June 30, 2026, we had $1.0 billion of indebtedness outstanding (excluding intercompany indebtedness). Our indebtedness may:

- limit our ability to obtain additional financing to fund future working capital, capital expenditures, business opportunities, acquisitions or other general corporate requirements;
- require a portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, business opportunities, acquisitions and other general corporate purposes;

- expose us to the risk of increased interest rates as certain of our borrowings, including borrowings under a future revolving credit facility, may be at variable rates of interest; and

- increase our cost of borrowing.

In addition, the indenture which governs our 3.625% notes due 2029 (the “2029 Notes”) and our 3.875% notes due 2031 (the “2031 Notes,” and together with the 2029 Notes, the “Notes”) contains restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could permit the trustee, or permit the holders of the Notes to cause the trustee, to declare all or part of the Notes to be immediately due and payable or to exercise any remedies provided to the trustee and/or result in the acceleration of substantially all of our indebtedness. Any such event would adversely affect our business, results of operations and financial condition.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and may be forced to reduce or delay investments and capital expenditures. We may be forced to sell assets, seek additional capital, or restructure or refinance our indebtedness, including the Notes. Our ability to restructure or refinance our debt will depend on, among other things, the condition of capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture that governs the Notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness and our financial condition. In the absence of such cash flows and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations.

We may require additional capital to support our business, and this capital might not be available on acceptable terms, if at all.

We intend to continue to make investments to support our business and may require additional funds. In particular, we may seek additional funds to develop new products and enhance our platform and existing products, expand our operations, including our sales and marketing organizations and our presence outside of the United States, improve our infrastructure or acquire complementary businesses, technologies, services, products and other assets. In addition, we may use a portion of our cash to satisfy tax withholding and remittance obligations related to outstanding restricted stock units. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing that we may secure in the future could involve restrictive covenants relating to our capital raising activities, our ability to repurchase stock, and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. We may not be able to obtain additional financing on terms favorable to us, if at all, particularly during times of market volatility and general economic instability. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth, scale our infrastructure, develop product enhancements and to respond to business challenges could be significantly impaired, and our business, results of operations and financial condition may be adversely affected.

We rely on assumptions and estimates to calculate certain of our business metrics, and real or perceived inaccuracies in such metrics could adversely affect our reputation and our business.

We rely on assumptions and estimates to calculate certain of our business metrics that we disclose in SEC filings, press releases and other materials, including Dollar-Based Net Expansion Rate. 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 our metrics are based on internal data and may be compiled from multiple systems, including systems that are organically developed or acquired through business combinations. 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 our business or components of our business. We regularly review our processes for calculating these metrics, and from time to time we may make adjustments to improve their accuracy or relevance. Further, as our business develops, we may revise or cease reporting metrics if we determine that such metrics are no longer appropriate measures of our performance. For example, beginning in the first quarter of 2026, we discontinued disclosure of Active Customer Accounts as a key metric. If investors or analysts do not perceive our metrics to be accurate representations of our business, or if they disagree with our methodologies, or if we discover material inaccuracies in our metrics, our reputation, business, results of operations, and financial condition would be harmed.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect, our results of operations could be adversely affected.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition and business combinations. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below the expectations of securities analysts and investors, resulting in a decline in the trading price of our common stock.

Changes in accounting standards or practices may cause adverse, unexpected financial reporting fluctuations and affect our results of operations.

A change in accounting standards or practices may have a significant effect on our results of operations and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our reported financial results or the way we conduct our business. Adoption of accounting standards and any difficulties in implementation of changes in accounting principles, including the ability to modify our accounting systems, could cause us to fail to meet our financial reporting obligations, which result in regulatory discipline and harm investors' confidence in us.

Events or changes in circumstances may require us to record impairment charges related to our intangible assets, goodwill or investments.

We review our intangible assets, goodwill and equity method investment for impairment in accordance with applicable accounting requirements. As of June 30, 2026, we carried a net $5.4 billion of goodwill and intangible assets and $250.5 million related to our equity method investment. An adverse change in market conditions or significant changes in accounting conclusions, particularly if such changes have the effect of changing one of our critical assumptions or estimates, have in the past resulted, and could in the future result, in a change to the estimation of fair value resulting in an impairment charge to the underlying asset. Our results of operations may be adversely affected as a result of any such charges. For example, during the year ended December 31, 2025, we recorded an impairment of our equity method investment totaling approximately $80.6 million, as described in additional detail in Note 12 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2025.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act") requires that we evaluate and determine the effectiveness of our internal control over financial reporting and provide a management report on internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. In addition, if we acquire additional businesses, we may not be able to successfully integrate the acquired operations and technologies and maintain internal control over financial reporting, if applicable, in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we are required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, and could have a material and adverse effect on our business, results of operations and financial condition and could cause a decline in the trading price of our common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the New York Stock Exchange.

Risks Related to Tax Matters

Our ability to use our net operating losses and certain other tax attributes to offset future taxable income and taxes may be subject to certain limitations.

As of December 31, 2025, we had U.S. federal, state and foreign net operating loss carryforwards (“NOLs”), of $2.9 billion, $2.4 billion and $1.0 billion, respectively. Utilization of these NOLs depends on our future taxable income, and there is risk that a portion of our existing NOLs could expire unused and the use of our unexpired NOLs could be subject to limitations, which could materially and adversely affect our operating results. Under current law, our U.S. federal NOLs can generally be carried forward indefinitely, but the deductibility of such NOLs is generally limited to 80% of taxable income. Our state NOLs may also be subject to limitations, including periods during which the use of state NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. For example, California legislation limits the use of state NOLs for taxable years beginning on or after January 1, 2024 and before January 1, 2027.

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the “Code”), and corresponding provisions of state law, a corporation that undergoes an “ownership change” (generally defined as a greater than 50-percentage-point cumulative change (by value) in the equity ownership of certain stockholders over a rolling three-year period) is subject to limitations on its ability to utilize its pre-change NOLs and other pre-change tax attributes to offset post-change taxable income and taxes. Our existing NOLs and other tax attributes may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change in the future (which may be outside of our control), our ability to utilize NOLs and other tax attributes could be further limited.

We may have additional tax liabilities, which could harm our business, results of operations and financial condition.

In many of the jurisdictions in which we operate, non-income-based taxes, such as sales tax, value-added tax, goods and services tax, and telecommunications taxes, are assessed on our operations or our sales to customers. Such tax laws and rates vary by jurisdiction. One or more states or countries may seek to impose incremental or new indirect tax collection obligations on us. Any additional fees and taxes levied on our services by any state may adversely impact our results of operations.

Historically, we have not billed or collected indirect taxes in certain jurisdictions and, in accordance with GAAP, we have recorded a provision for our tax exposure in these jurisdictions when it is both probable that a liability has been incurred and the amount of the exposure can be reasonably estimated. We reserved $45.2 million on our June 30, 2026 balance sheet for these tax payments. These estimates include several key assumptions, including, but not limited to, the taxability of our products, the jurisdictions in which we believe we have nexus or a permanent establishment, and the sourcing of revenues to those jurisdictions. In the event these jurisdictions challenge our assumptions and analysis, our actual exposure could differ materially from our current estimates and reserves. If the actual payments we make to any jurisdiction exceed the accrual in our balance sheet, our results of operations would be harmed. In addition, some customers may question the incremental tax charges and seek to negotiate lower pricing from us, which could adversely affect our business, results of operations and financial condition.

We are in discussions with certain jurisdictions regarding potential sales and other indirect taxes for prior periods that we may owe. If any of these jurisdictions disagree with management’s assumptions and analysis, the assessment of our tax exposure could differ materially from management’s current estimates, which may increase our costs of doing business and negatively affect the prices our customers pay for our products.

Our global operations and structure subject us to potentially adverse tax consequences.

We generally conduct our global operations through subsidiaries and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. In particular, our intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Also, our tax expense could be affected depending on the applicability of withholding and other taxes (including withholding and indirect taxes on software licenses and related intercompany transactions) under the tax laws of certain jurisdictions in which we have business operations.

The relevant revenue and taxing authorities may disagree with positions we have taken generally, or our determinations as to the value of assets sold or acquired or income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and our position were not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations.

Changes in, or interpretations of, tax rules and regulations or our tax positions may materially and adversely affect our taxes.

We are subject to taxes in both the United States and numerous international jurisdictions. Significant judgment is required in determining our worldwide provision for taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Our effective tax rates may fluctuate significantly on a quarterly basis because of a variety of factors, including changes in the mix of earnings and losses in countries with differing statutory tax rates, changes in our business or structure, or the expiration of or disputes about certain tax agreements in a particular country. We are subject to audit by various tax authorities. For example, the Internal Revenue Service is conducting an examination of our U.S. federal income tax return for the year ending December 31, 2023. The outcome of this examination, which is still in its preliminary stages, is uncertain. In accordance with GAAP, we recognize income tax benefits, net of required valuation allowances and accrual for uncertain tax positions. Although we believe our tax estimates are reasonable, the final determination of this examination, other tax audits and any related litigation could be materially different than that which is reflected in our historical income tax provisions and accruals. Should additional taxes be assessed as a result of an audit or litigation, an adverse effect on our results of operations, financial condition and cash flows in the period or periods for which that determination is made could result.

Changes in tax laws, including 2025 U.S. federal tax legislation commonly referred to as the One Big Beautiful Bill Act (the “OBBB Act”), or tax rulings, or changes in interpretations of existing laws, could cause us to be subject to additional taxes, which in turn could materially affect our financial position and results of operations. The OBBB Act could potentially increase our effective tax rate as we continue to expand our international operations in the coming years. Additionally, new, changed, modified, or newly interpreted or applied tax laws could increase our customers’ and our compliance, operating and other costs, as well as the costs of our products.

As another example, the Organization for Economic Co-operation and Development (the “OECD”) has proposed a global minimum tax (“Pillar Two”), contemplating a minimum tax rate of 15% for large multinational companies, and various countries have proposed or enacted implementing legislation. Notwithstanding the OECD’s side-by-side elective safe harbor announced in January 2026 for U.S. parented groups, we may still face increased tax rates, compliance complexity and tax provision volatility as a result of Pillar Two.

Risks Related to Ownership of Our Common Stock

The trading price of our common stock has been volatile and may continue to be volatile, and you could lose all or part of your investment.

The trading price of our common stock has, and may continue to, fluctuate significantly in response to numerous factors, many of which are beyond our control and may not be related to our operating performance, including:

- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our common stock by our stockholders;
- our issuance or repurchase of shares of our common stock;
- short selling of our common stock or related derivatives;
- changes in financial estimates or the publication of reports or statements by securities analysts or investors who follow our company, or our failure to meet these estimates or the expectations of investors;

- the financial projections or targets we may provide to the public, any changes in those projections or targets, or our failure to meet those projections or targets;
- announcements by us or our competitors of new products or services or related to acquisitions of businesses, products or technologies;
- the public's reaction to our press releases, other public announcements and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- changes in laws, industry standards, regulations or regulatory enforcement in the United States or internationally;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations or actual or anticipated changes in our strategy or the organization of our business;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management, including changes in the pace of hiring; and
- general political, social, economic and market conditions, in both domestic and foreign markets, and slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Substantial future sales of shares of our common stock could cause the market price of our common stock to decline.

The market price of our common stock could decline as a result of substantial sales of our common stock, particularly sales by our directors, executive officers and significant stockholders, or the perception in the market that holders of a large number of shares intend to sell their shares. Additionally, the shares of common stock subject to outstanding options and restricted stock unit awards under our equity incentive plans and the shares reserved for future issuance under our equity incentive plans will become eligible for sale in the public market upon issuance, subject to applicable insider trading policies.

We may not realize the anticipated long-term stockholder value of our share repurchase program, and any failure to repurchase our common stock after we have announced our intention to do so may negatively impact our stock price.

In January 2025, our board of directors authorized the repurchase of up to $2.0 billion of our common stock from time to time through a share repurchase program. As of June 30, 2026, we had repurchased $1.2 billion of outstanding shares of our common stock under this program, such that approximately $826.0 million remained available for purchase as of such date. Under our share repurchase program, we may make repurchases of stock through a variety of methods, including open market purchases, privately negotiated purchases, entering into one or more confirmations or other contractual arrangements with a financial institution counterparty to effectuate one or more accelerated stock repurchase contracts, forward purchase contracts or similar derivative instruments, Dutch auction tender offers, or through a combination of any of the foregoing, in accordance with applicable federal securities laws. Our share repurchase program terminates at 11:59 pm Pacific Time on December 31, 2027, does not obligate us to repurchase any specific number of shares, and may be suspended at any time at our discretion and without prior notice. The timing and amount of any repurchases, if any, will be subject to liquidity, stock price, market and economic conditions, compliance with applicable legal requirements such as Delaware surplus and solvency tests and other relevant factors. Any failure to repurchase stock after we have announced our intention to do so may negatively impact our reputation and investor confidence in us and may negatively impact our stock price.

The existence of our share repurchase program could cause our stock price to be higher than it otherwise would be and could potentially reduce the market liquidity for our stock. Although our share repurchase program is intended to enhance long-term stockholder value, there is no assurance that it will do so because the market price of our common stock may decline below the levels at which we repurchase shares, and short-term stock price fluctuations could reduce the effectiveness of the program.

Repurchasing our common stock reduces the amount of cash we have available to fund working capital, capital expenditures, strategic acquisitions or business opportunities, and other general corporate purposes, and we may fail to realize the anticipated long-term stockholder value of any share repurchase program.

If securities or industry analysts change their recommendations regarding our common stock adversely, the trading price of our common stock and trading volume could decline.

The trading market for our common stock is influenced by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If any of the analysts who cover us change their recommendation regarding our common stock adversely, or provide more favorable relative recommendations about our competitors, the trading price of our common stock would likely decline. If any analyst who covers us were to cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause the trading price of our common stock or trading volume to decline.

Anti-takeover provisions contained in our certificate of incorporation and bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our certificate of incorporation, bylaws and Delaware law contain provisions which could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors. Among other things, our certificate of incorporation and bylaws include provisions:

- authorizing “blank check” preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend and other rights superior to our common stock;
- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- prohibiting stockholder action by written consent, instead requiring all stockholder actions to be taken at a meeting of our stockholders;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors;
- controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings; and
- providing for advance notice procedures that stockholders must comply with in order to nominate candidates to our board of directors or to propose matters to be acted upon at a meeting of stockholders, which may discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer’s own slate of directors or otherwise attempting to obtain control of us.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents certain stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of at least two-thirds of our outstanding common stock not held by such 15% or greater stockholder.

Any provision of our certificate of incorporation, bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock.

Our bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law:

- any derivative action or proceeding brought on our behalf;
- any action asserting a breach of fiduciary duty owed by our directors, officers, employees or our stockholders;
- any action asserting a claim against us arising under the Delaware General Corporation Law; and
- any action asserting a claim against us that is governed by the internal-affairs doctrine (the "Delaware Forum Provision").

The Delaware Forum Provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim under the Securities Act, for which the United States District Court for the Northern District of California has sole and exclusive jurisdiction (the "Federal Forum Provision"), as we are based in the State of California. In addition, our bylaws provide that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock is deemed to have notice of and consented to the Delaware Forum Provision and the Federal Forum Provision; provided, however, that stockholders cannot and will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder.

The Delaware Forum Provision and the Federal Forum Provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or employees, which may discourage lawsuits against us and our directors, officers and employees. If a court were to find the Delaware Forum Provision and the Federal Forum Provision in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could seriously harm our business.

General Risks

Our business is subject to the risks of pandemics, earthquakes, fire, floods and other natural catastrophic events, and to interruption by man-made problems such as power disruptions, computer viruses, security breaches and incidents, terrorism or war.

Our business operations are subject to interruption by natural disasters, flooding, fire, power shortages, public health epidemics or pandemics, terrorism, political unrest, cyber-attacks, geopolitical instability, war, the effects of climate change and other events beyond our control. For example, our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity. A significant natural disaster, such as an earthquake, fire or flood, occurring at our headquarters, at one of our other facilities or where a business partner is located could adversely affect our business, results of operations and financial condition. Further, if a natural disaster or man-made problem were to affect our service providers, this could adversely affect the ability of our customers to use our products and platform. Natural disasters, public health epidemics or pandemics, such as the COVID-19 pandemic, and geopolitical events could cause disruptions in our or our customers' businesses, national economies or the world economy as a whole.

We also rely on our network and third-party infrastructure and enterprise applications and internal technology systems for our engineering, sales and marketing, and operations activities. Although we maintain incident management and disaster response plans, in the event of a major disruption caused by a natural disaster or man-made problem, we may be unable to continue our operations and may endure system interruptions and outages, reputational harm, delays in our development activities, lengthy interruptions in service, security breaches and incidents and loss or unavailability of critical data, any of which could adversely affect our business, results of operations and financial condition.

In addition, computer malware, viruses and computer hacking, fraudulent use attempts and phishing attacks have become more prevalent in our industry, have occurred on our platform in the past and may occur on our platform in the future. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security, integrity and availability of our products and technical infrastructure to the satisfaction of our customers may harm our reputation and our ability to retain existing customers and attract new customers. In addition, global climate change could result in certain types of natural disasters occurring more frequently or with more intense effects. Any such events may result in users being subject to service disruptions or outages, and we may not be able to recover our technical infrastructure in a timely manner to maintain or resume operations, which may adversely affect our financial results.

Our reputation and/or business could be negatively impacted by ESG matters and/or our reporting of such matters.

There has been a focus on ESG matters from governmental authorities, investors, customers and other stakeholders, whose expectations are evolving and may be contradictory. Our decisions regarding ESG-related initiatives, goals, or commitments, including whether to pursue them, and/or the extent to which we achieve them, may be scrutinized and could negatively impact our reputation, result in reduced customer demand or certain investors not purchasing or holding our stock, harm our ability to attract and retain qualified employees, or otherwise materially harm our business. Additionally, compliance with current or future legal requirements or stakeholder expectations regarding ESG matters, including disclosure and reporting obligations, may result in increased costs, and legal and operational risks.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

Unregistered Sales of Equity Securities

During the three months ended June 30, 2026, we issued 22,102 shares of our Class A common stock to an independent donor advised fund to further our Twilio.org philanthropic goals. The shares were “restricted securities” for purposes of Rule 144 under the Securities Act, and had an aggregate fair market value on the date of donation of $4.4 million. The foregoing transaction did not involve any underwriters, any underwriting discounts or commissions, or any public offering. We believe the offer, sale and issuance of the above shares were exempt from registration under the Securities Act by virtue of Section 4(a)(2) of the Securities Act because the issuance of the shares did not involve a public offering.

Issuer Purchases of Equity Securities

The following table summarizes the share repurchase activity for the three months ended June 30, 2026:

	Total Number of Shares Purchased[1]	Average Price Paid Per Share[2]	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[1]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[1]
	(In thousands)		(In thousands)	(In millions)
April 1 - 30, 2026	496	$ 133.18	496	$ 826
May 1 - 31, 2026	—	$ —	—	$ 826
June 1 - 30, 2026	—	$ —	—	$ 826
	496		496	

[1] In January 2025, our board of directors authorized a new program to repurchase up to $2.0 billion in aggregate value of our Class A common stock, which expires on December 31, 2027. Repurchases under this program can be made through open market transactions, privately negotiated transactions and other means in compliance with applicable federal securities laws, including through Rule 10b5-1 plans. We have discretion in determining the conditions under which shares may be repurchased from time to time. Refer to Note 11 — Stockholders' Equity in Part I, Item 1, of this Quarterly Report on Form 10-Q for additional information related to share repurchases.

[2] Average price paid per share includes costs associated with the repurchases.

Item 5. *Other Information*

Securities Trading Plans of Directors and Executive Officers

During the three months ended June 30, 2026, none of our directors or officers adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (each as defined in Item 408 of Regulation S-K).

Item 6. *Exhibits*

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein.

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference			
		Form	**File No.**	**Exhibit**	**Filing Date**
10.1+	Twilio Inc. Amended and Restated 2016 Stock Option and Incentive Plan, and forms of agreement thereunder	8-K		10.1	June 17, 2026
10.2+	Twilio Inc. Amended and Restated 2016 Employee Stock Purchase Plan	8-K		10.2	June 17, 2026
10.3+	Twilio Inc. Amended and Restated Non-Employee Directors' Deferred Compensation Program				Filed herewith
31.1	Certification of the Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				Filed herewith
31.2	Certification of the Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				Filed herewith
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				Furnished herewith
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document				Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				Filed herewith
104	Cover Page with Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)				

\+ Indicates a management contract or compensatory plan or arrangement.
* The certifications furnished in Exhibit 32.1 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TWILIO INC.

August 7, 2026

/s/ KHOZEMA Z. SHIPCHANDLER
Khozema Z. Shipchandler
Director and Chief Executive Officer (Principal Executive Officer)

August 7, 2026

/s/ AIDAN VIGGIANO
Aidan Viggiano
Chief Financial Officer (Principal Accounting and Financial Officer)

Exhibit 10.3

RULES AND CONDITIONS
FOR THE TWILIO INC.
NON-EMPLOYEE DIRECTORS' DEFERRED COMPENSATION PROGRAM (THE "PROGRAM")

The following rules and conditions have been adopted by the Board of Directors of Twilio Inc. (the "Company") to govern the deferral of Restricted Stock Units by Non-Employee Directors pursuant to the Twilio Inc. Amended and Restated 2016 Stock Option and Incentive Plan (as amended, or as amended and restated, from time to time, the "Stock Plan") and the Twilio Inc. Amended and Restated Non-Employee Director Compensation Policy (the "Policy"). Capitalized terms used but not defined herein shall have the meaning given such terms in the Stock Plan.

1. Election to Defer the Equity Retainer. A Non-Employee Director may elect in advance to defer the receipt of the initial and/or annual Restricted Stock Unit Grant made to such Non-Employee Director pursuant to the Policy under the Stock Plan (such grant, the "Equity Retainer"). To make such an election, except with respect to a newly elected or appointed Non-Employee Director, the Non-Employee Director must execute and deliver to the Company a deferral election form before the end of the calendar year preceding the calendar year in which the applicable Equity Retainer is scheduled to be granted. A prospective, newly elected or appointed Non-Employee Director, may, in connection with (but no later than 30 days after) becoming a Non-Employee Director, file a deferral election with respect to the initial Equity Retainer and/or to Equity Retainers that are awarded subsequent to the election. An election shall remain in effect from year to year until revoked in writing by the Non-Employee Director, but any revocation shall become effective only with respect to Equity Retainers that are granted in calendar years beginning after receipt and acceptance by the Company of a written revocation. All elections (including revocation thereof) must be made while the Non-Employee Director is not in possession of any material non-public information relating to the Company and, other than in the case of a prospective Non-Employee Director making an election (or revocation) prior to becoming subject to the Company's insider trading policy, during an open trading window.

2. Deferred Account. Upon the vesting of any Equity Retainer awarded to any Non-Employee Director who has elected to defer their Equity Retainer(s) pursuant to this Program, any shares of Stock that would otherwise have been issued to the Non-Employee Director upon such vesting shall be converted to deferred stock units on a one-to-one basis and credited to the Non-Employee Director's deferred account ("Account").

3. Dividend Equivalent Amounts. If dividends (other than dividends payable only in shares of Stock) are paid with respect to Stock, each Account shall be credited with a number of whole and fractional stock units determined by multiplying the dividend value per share by the stock unit balance of the Account on the record date and dividing the result by the Fair Market Value of a share of Stock on the dividend payment date.

4. Period of Deferral. The deferred stock units in each Account shall be deferred until, and the period of deferral shall cease upon, the earliest of (a) 90 days after a Non-Employee Director

ceases to serve as a member of the Board of Directors of the Company and incurs a "separation from service" within the meaning of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("Section 409A"), (b) the consummation of a Sale Event (as defined in the Stock Plan) so long as such Sale Event constitutes a "change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company" within the meaning of Section 409A (a "Change in Control") or (c) 90 days after the date of a Non-Employee Director's death.

5. Designation of Beneficiary. A Non-Employee Director may designate one or more beneficiaries to receive payments from their Account in the event of their death. A designation of beneficiary may apply to a specified percentage of a Non-Employee Director's entire interest in their Account. Such designation, or any change therein, must be in writing and shall be effective upon receipt by the Company. If there is no effective designation of beneficiary, or if no beneficiary survives the Non-Employee Director, the estate of the Non-Employee Director shall be deemed to be the beneficiary. All payments to a beneficiary or estate shall be made in a lump sum in shares of Stock, with any fractional share paid in cash.

6. Payment. All amounts credited to a Non-Employee Director's Account shall be paid in shares of Stock to the Non-Employee Director, or their designated beneficiary (or beneficiaries) or estate, in a single lump sum as soon as practicable (but in no event later than 30 days) after the end of the first applicable period of deferral specified in Section 4 (above) occurs; provided, however, that fractional shares shall be paid in cash.

7. Adjustments. In the event of a stock dividend, stock split or similar change in capitalization affecting the Stock, the Company shall make appropriate adjustments in the number of stock units credited to the Non-Employee Directors' Accounts.

8. Non-transferability of Rights. During a Non-Employee Director's lifetime, any payment under this Program shall be made only to the Non-Employee Director. No sum or other interest under this deferred compensation arrangement shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt by a Non-Employee Director or any beneficiary under this Program to do so shall be void. No interest under this deferred compensation arrangement shall in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of a Non-Employee Director or beneficiary entitled thereto. Notwithstanding the foregoing, the Company may make payments to an individual other than a Non-Employee Director to the extent required by a domestic relations order.

9. Company's Obligations to Be Unfunded and Unsecured. The Accounts maintained under this Program shall at all times be entirely unfunded, and no provision shall at any time be made with respect to segregating assets of the Company (including Stock) for payment of any amounts hereunder. No Non-Employee Director or other person shall have any interest in any particular assets of the Company (including Stock) by reason of the right to receive payment under this Program, and any Non-Employee Director or other person shall have only the rights of a general unsecured creditor of the Company with respect to any rights under this Program.

10. Section 409A. This Program is intended to be a compliant deferred compensation plan under Section 409A and shall be administered in accordance with the requirements of Section 409A.

11. Incorporation of Plan. This Program shall be subject to the terms and conditions of the Stock Plan and the Policy. Capitalized terms in this document shall have the meaning specified in the Stock Plan, unless a different meaning is specified herein.

Adopted as of July 13, 2017, amended as of April 15, 2026

Exhibit 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Khozema Z. Shipchandler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Twilio Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2026

/s/ KHOZEMA Z. SHIPCHANDLER

Khozema Z. Shipchandler
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) OF
THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Aidan Viggiano, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Twilio Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 7, 2026

/s/ AIDAN VIGGIANO

Aidan Viggiano

Chief Financial Officer (Principal Accounting and Financial Officer)

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, Khozema Z. Shipchandler, Chief Executive Officer of Twilio Inc. (the "Company"), and Aidan Viggiano, Chief Financial Officer of the Company, each hereby certifies that, to the best of their knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2026, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 7, 2026

/s/ KHOZEMA Z. SHIPCHANDLER

Khozema Z. Shipchandler

Chief Executive Officer (Principal Executive Officer)

/s/ AIDAN VIGGIANO

Aidan Viggiano

Chief Financial Officer (Principal Accounting and Financial Officer)