



# Q2 2022 Earnings Results

August 4, 2022



# Legal Disclaimer

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This presentation and the accompanying conference call contain forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties.

Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “can,” “will,” “would,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “forecasts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this press release and the accompanying conference call include, but are not limited to, statements about: Twilio’s outlook for the quarter ending September 30, 2022; Twilio’s annual revenue run rate based on second quarter results; Twilio’s goals regarding delivering non-GAAP operating profitability beginning in 2023 and meeting annual growth rates and long-term non-GAAP gross margin targets; Twilio’s expectations regarding its products and solutions, including demand for its products and solutions based on macroeconomic trends and survey results; Twilio’s expectations regarding business benefits and financial impacts from its acquisitions and from its partnerships and investments, including the associated transactions; Twilio’s expectations regarding the impact of recent and future privacy changes on certain third party platforms on Twilio and its customers; and Twilio’s ability to manage changes in network service provider fees that it pays in connection with the delivery of communications on its platform and the impact of those fees on gross margin. You should not rely upon forward-looking statements as predictions of future events.

The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties, and other factors that may cause Twilio’s actual results, performance, or achievements to differ materially from those described in the forward-looking statements, including, among other things: adverse changes in general economic or market conditions, including labor shortages, supply chain disruptions, a downturn, recession and inflation; changes in the market for communications; the impact of COVID-19 on Twilio and its customers and partners; Twilio’s ability to adapt its products to meet evolving market and customer demands and rapid technological change; Twilio’s ability to comply with modified or new industry standards, laws and regulations applying to its business; Twilio’s ability to generate sufficient revenues to achieve or sustain profitability; general economic conditions, including a downturn or recession and rising inflation, that may adversely affect a prospective customer’s ability or willingness to adopt our products, delay a prospective customer’s adoption decision, reduce the revenue that we generate from the use of our products or affect customer retention; retention of customer data platforms like Twilio by organizations in times of macroeconomic uncertainty; Twilio’s ability to effectively manage its growth and increase gross margins; Twilio’s ability to compete effectively in an intensely competitive market; Twilio’s ability to attract and retain qualified employees; the technical reliability of Twilio’s products and platform; Twilio’s ability to successfully integrate its acquisitions and risks that the anticipated benefits of such acquisitions and partnerships and investments may not be fully realized or may take longer to realize than expected; Twilio’s ability to close the transactions associated with such partnerships and investments; the impact of recent and future privacy changes on certain third party platforms on Twilio and its customers; and Twilio’s ability to manage changes in network service provider fees that it pays in connection with the delivery of communications on its platform and the impact of those fees on gross margin.

The forward-looking statements contained in this presentation and the accompanying conference call are also subject to additional risks, uncertainties, and factors, including those more fully described in Twilio’s most recent filings with the Securities and Exchange Commission, including its most recent annual report on Form 10-K, as amended, and its most recent quarterly report on Form 10-Q. Further information on potential risks that could affect actual results will be included in the subsequent periodic and current reports and other filings that Twilio makes with the Securities and Exchange Commission from time to time. Moreover, Twilio operates in a very competitive and rapidly changing environment, and new risks and uncertainties may emerge that could have an impact on the forward-looking statements contained in this presentation and the accompanying conference call. Forward-looking statements represent Twilio’s management’s beliefs and assumptions only as of the date such statements are made. Twilio undertakes no obligation to update any forward-looking statements made in this presentation or the accompanying conference call to reflect events or circumstances after the date of this presentation or the accompanying conference call or to reflect new information or the occurrence of unanticipated events, except as required by law.

This presentation also includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of the Company’s non-GAAP financial measures as tools for comparison. Twilio provides a reconciliation of its non-GAAP measures to the most directly comparable GAAP measures, which are available in the earnings press release for the relevant period.

For further information with respect to Twilio, we refer you to our most recent annual report on Form 10-K, as amended, and our most recent quarterly report on Form 10-Q, filed with the SEC. In addition, we are subject to the information and reporting requirements of the Securities Exchange Act of 1934 and, accordingly, we file periodic reports, current reports, proxy statements and other information with the SEC. These periodic reports, current reports, proxy statements and other information are available for review at the SEC’s website at <http://www.sec.gov>.



# FINANCIAL OVERVIEW

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# Results Highlights

- Second quarter revenue of \$943 million, up 41% year-over-year
- Second quarter organic revenue<sup>1</sup> of \$862 million, up 33% year-over-year
- Second quarter revenue dollar-based net expansion of 123%
- More than 275,000 active customer accounts, as of June 30, 2022
- Initiates Q3'22 guidance
  - Total revenue: \$965 million to \$975 million, up 30% to 32% year-over-year
  - Organic revenue<sup>2</sup> growth: 29% to 30% year-over-year
  - Non-GAAP loss from operations:<sup>3</sup> (\$70) million to (\$60) million
  - Non-GAAP loss per share:<sup>3</sup> (\$0.43) - (\$0.37)

View Twilio's prepared remarks for its Q2'22 earnings [here](#).

<sup>1</sup> Excludes revenue from Zipwhip and all other acquisitions closed after April 1, 2021, and revenue from 10DLC A2P and related fees imposed by major U.S. carriers on Twilio's core messaging business.

<sup>2</sup> Excludes all revenue from Zipwhip and all other acquisitions closed after July 1, 2021.

<sup>3</sup> Includes an estimated \$35 million non-cash accrual for the adoption of a new sabbatical program for tenured employees. In the quarters subsequent to the adoption, the impact from this program is not expected to be significant to our results of operations.

Note: We expect that our Q3 GAAP results will also reflect an estimated \$90 million to \$110 million non-cash, one-time impairment associated with the closure of several offices. For clarity, this one-time, non-cash impairment associated with office closures will impact our GAAP earnings, but is not included in the (\$70) million to (\$60) million range above for Q3 non-GAAP loss from operations.



# Q3 Non-GAAP Loss From Operations Guidance Bridge

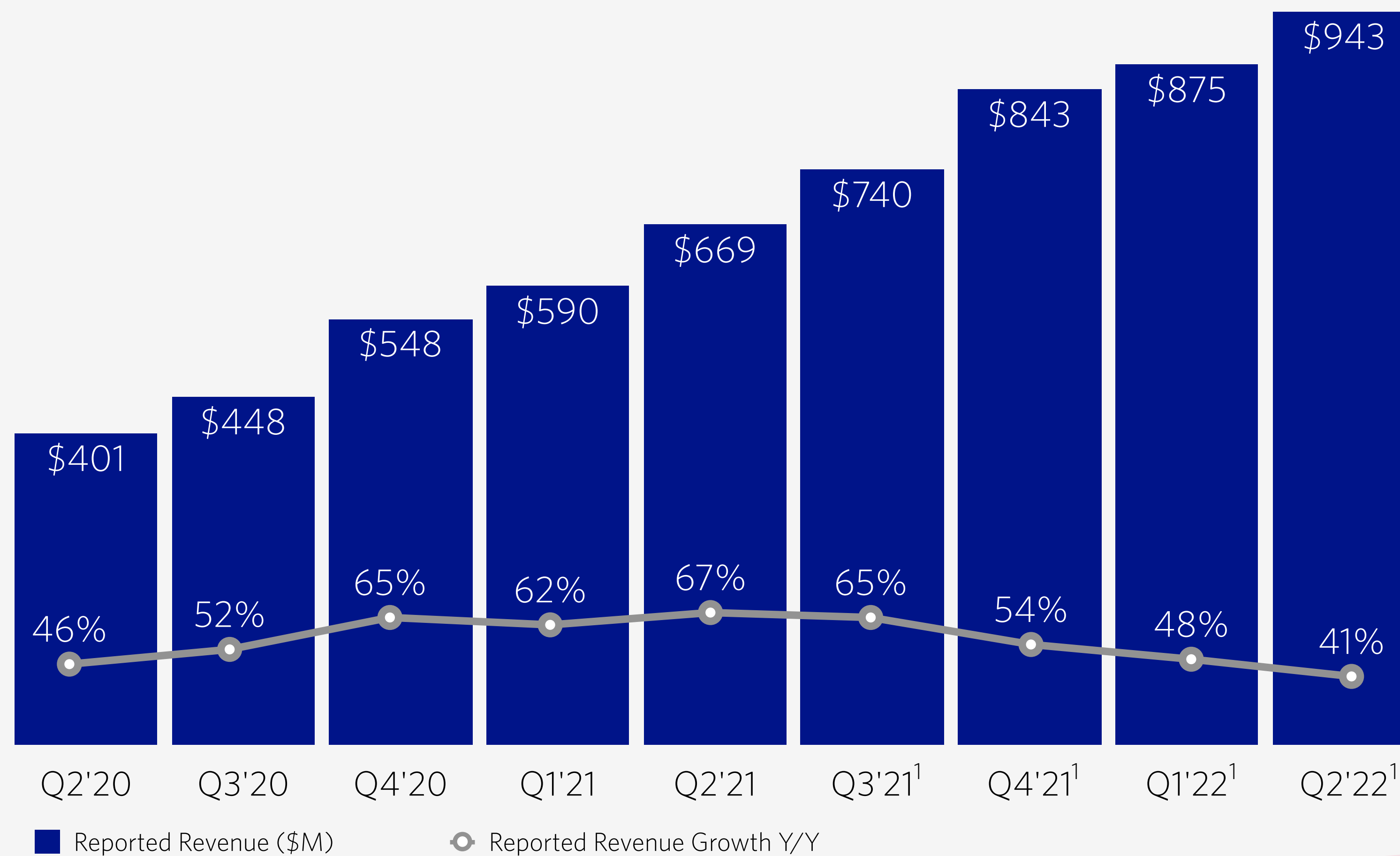
## Q3'22 Guidance Range

Non-GAAP loss from operations	(\$70M) - (\$60M)
Less: Estimated \$35M non-cash accrual for the adoption of a new sabbatical program	(\$35M)
Non-GAAP loss from operations excluding the non-cash accrual for the adoption of a new sabbatical program	(\$35M) - (\$25M)

Note: We expect that our Q3 GAAP results will also reflect an estimated \$90 million to \$110 million non-cash, one-time impairment associated with the closure of several offices. For clarity, this one-time, non-cash impairment associated with office closures will impact our GAAP earnings, but is not included in the (\$70) million to (\$60) million range above for Q3 non-GAAP loss from operations.



# Quarterly Revenue

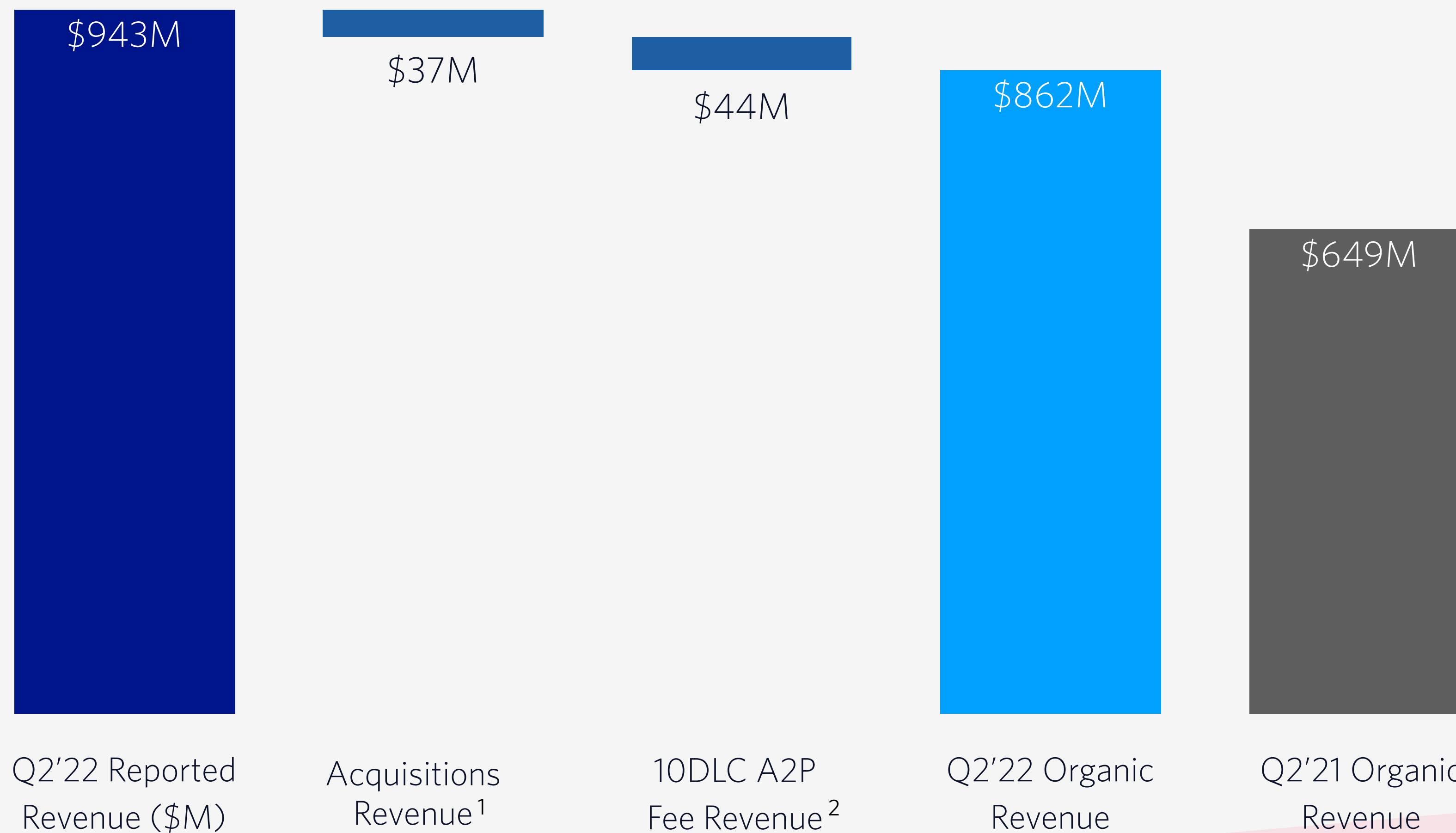


**41%**  
Q2'22 REPORTED REVENUE  
GROWTH Y/Y

<sup>1</sup>Includes revenue from Zipwhip, which closed July 14, 2021. Q2'22 includes \$34 million, Q1'22 included \$32 million, Q4'21 included \$32 million, and Q3'21 included \$24 million.



# Q2'22 Organic Revenue Bridge



**33%**  
Q2'22 ORGANIC REVENUE  
GROWTH Y/Y

<sup>1</sup> Represents all acquisitions closed after April 1, 2021, including \$16M in 10DLC A2P fees related to Zipwhip.

<sup>2</sup> Represents revenues from 10DLC A2P and related fees imposed by major U.S. carriers on Twilio's core messaging business and does not include revenue from fees related to Zipwhip customers.



# Organic Revenue Trend



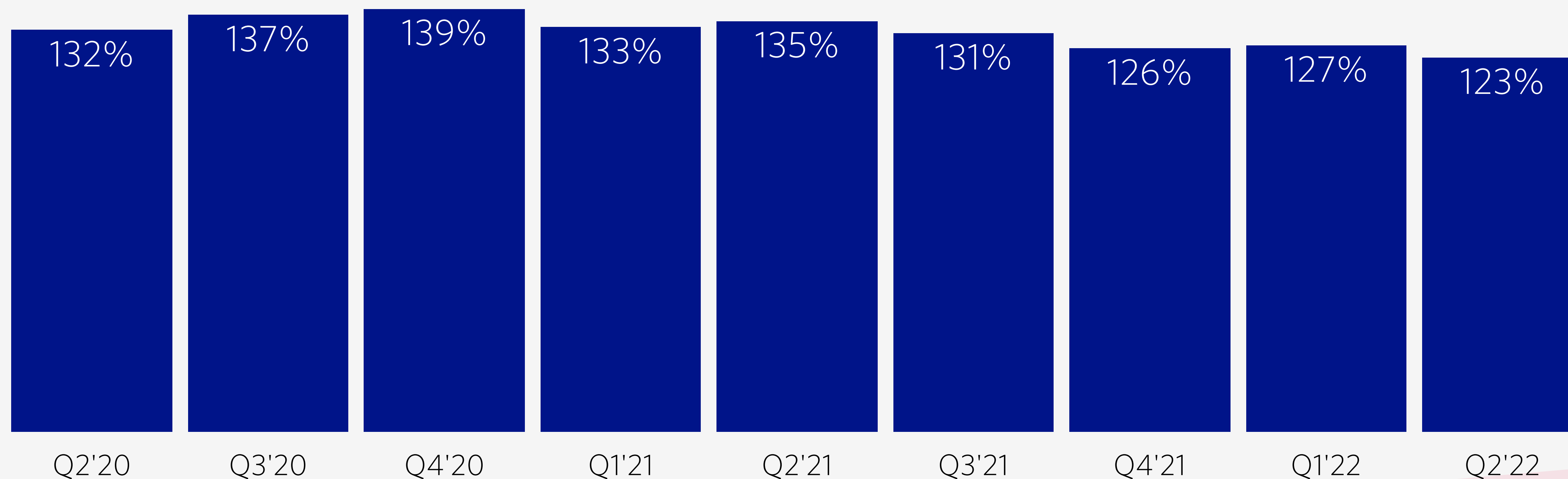
**33%**  
Q2'22 ORGANIC REVENUE  
GROWTH Y/Y

Note: Organic revenue excludes revenue from 10DLC A2P and related fees imposed by major U.S. carriers on Twilio's core messaging business, and revenue from all acquisitions that have yet to lap a quarter following their acquisition anniversary date. Beginning next quarter, organic revenue will include 10DLC A2P and related fees imposed by major U.S. carriers on Twilio's core messaging business, as we will have lapped the one year anniversary of the introduction of AT&T and T-Mobile fees.





# Dollar-Based Net Expansion

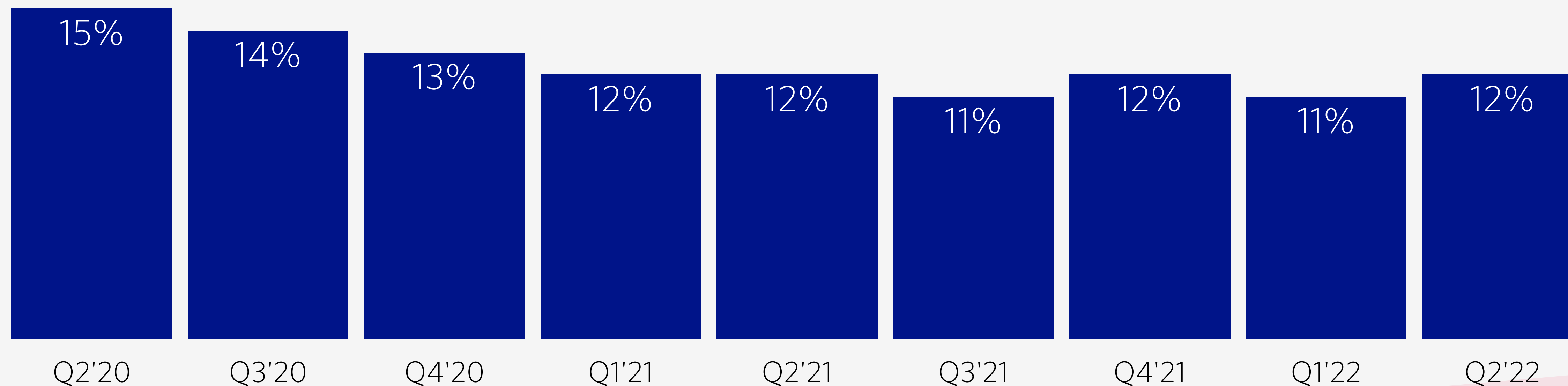


Note: Zipwhip, which closed July 14, 2021, will not be included in the calculation until Q4 2022. Segment, which closed on November 2, 2020 is excluded from the calculation until Q1 2022. For more information, refer to the appendix.



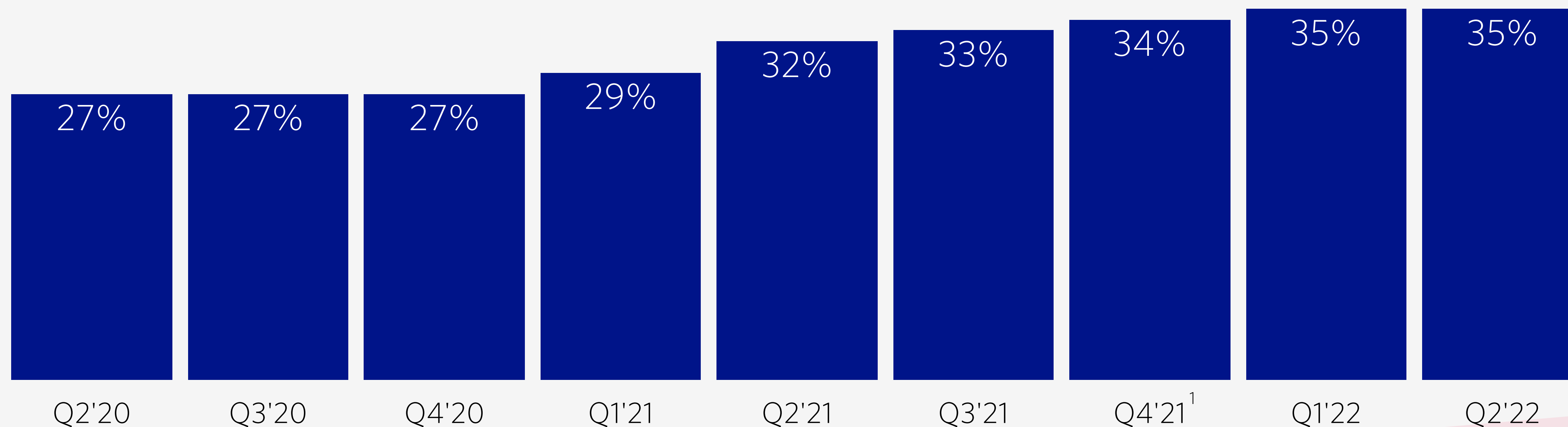
# Top 10 Customer Accounts

Represents top 10 customer accounts as a percentage of total revenue in the respective quarter





# International Revenue Mix

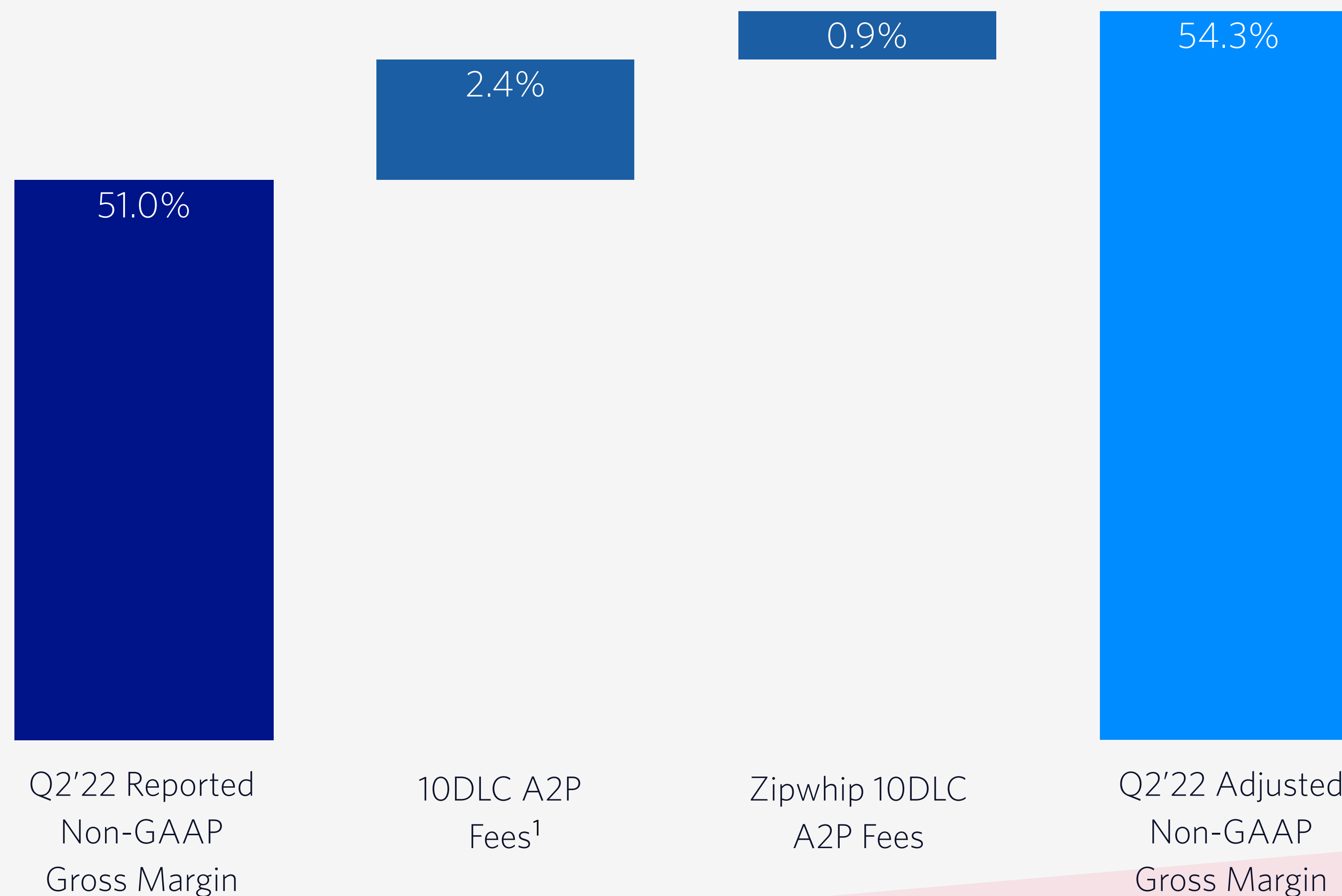


<sup>1</sup> Revised from previous misclassification of domestic customer revenue as reported in Q4 2021. For more information, refer to the appendix.

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



# Non-GAAP Gross Margin Bridge



54.3%

Q2'22 ADJUSTED GM %  
EXCLUDING 10DLC A2P FEES

<sup>1</sup>Represents 10DLC A2P and related fees imposed by major U.S. carriers on Twilio's core messaging business and does not include revenue from fees related to Zipwhip customers. See Twilio's earnings press release for a reconciliation of non-GAAP Gross Margin to its most directly comparable GAAP measure.



# Quarterly Non-GAAP Gross Profit



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**33%**  
Q2'22 NON-GAAP GROSS  
PROFIT GROWTH Y/Y

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See Twilio's earnings press release for a reconciliation of non-GAAP Gross Profit to its most directly comparable GAAP measure.

THANK YOU





# APPENDIX

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# Operating Metrics

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**Dollar-Based Net Expansion Rate.** Twilio's ability to drive growth and generate incremental revenue depends, in part, on the Company's ability to maintain and grow its relationships with existing Active Customer Accounts and to increase their use of the platform. An important way in which Twilio has historically tracked performance in this area is by measuring the Dollar-Based Net Expansion Rate for Active Customer Accounts. Twilio's Dollar-Based Net Expansion Rate increases when such Active Customer Accounts increase their usage of a product, extend their usage of a product to new applications or adopt a new product. Twilio's Dollar-Based Net Expansion Rate decreases when such Active Customer Accounts cease or reduce their usage of a product or when Twilio lowers usage prices on a product. As Twilio's 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 Twilio identifies a significant customer organization (defined as a single customer organization generating more than 1% of revenue in a quarterly reporting period) that has created a new Active Customer Account, this new Active Customer Account is tied to, and revenue from this new Active Customer Account is included with, the original Active Customer Account for the purposes of calculating this metric. Twilio believes that measuring Dollar-Based Net Expansion Rate provides a more meaningful indication of the performance of the Company's efforts to increase revenue from existing customers.

Twilio's Dollar-Based Net Expansion Rate compares the total revenue from all Active Customer Accounts in a quarter to the same quarter in the prior year. To calculate the Dollar-Based Net Expansion Rate, Twilio first identifies the cohort of Active Customer Accounts that were Active Customer Accounts in the same quarter of the prior year. The Dollar-Based Net Expansion Rate is the quotient obtained by dividing the revenue generated from that cohort in a quarter, by the revenue generated from that same cohort in the corresponding quarter in the prior year. When Twilio calculates Dollar-Based Net Expansion Rate for periods longer than one quarter, it uses the average of the applicable quarterly Dollar-Based Net Expansion Rates for each of the quarters in such period. Revenue from acquisitions does not impact the Dollar-Based Net Expansion Rate calculation until the quarter following the one-year anniversary of the applicable acquisition, unless the acquisition closing date is the first day of a quarter.

**Number of Active Customer Accounts.** Twilio believes that the number of Active Customer Accounts is an important indicator of the growth of its business, the market acceptance of its platform and future revenue trends. Twilio defines an Active Customer Account at the end of any period as an individual account, as identified by a unique account identifier, for which Twilio has recognized at least \$5 of revenue in the last month of the period. Twilio believes that use of its platform by customers at or above the \$5 per month threshold is a stronger indicator of potential future engagement than trial usage of its platform or usage at levels below \$5 per month. A single organization may constitute multiple unique Active Customer Accounts if it has multiple account identifiers, each of which is treated as a separate Active Customer Account.

**International Customer Revenue:** During our closing process for Q1 2022, we identified a misclassification of some of our domestic customers for Q4 2021, which impacted the reported domestic versus international revenue split in that quarter. While this didn't impact overall revenue or any other reported financial results, it did overstate the international mix and understate the domestic mix for Q4 2021. We have updated the revenue mix and the 34% referenced for Q4 2021 is the revised international revenue share number compared to 40% as previously reported.