



# Q3 2022 Earnings Results

November 3, 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 December 31, 2022; Twilio’s annual revenue run rate based on third quarter results; Twilio’s goals regarding Twilio’s expectations regarding its products and solutions, including demand for its products and solutions based on macroeconomic trends; and Twilio’s expectations regarding prospects for long-term growth in building its customer engagement platform market and the potential benefits of efforts to increase personalization of relationship with customers. 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 is available in the appendix of this presentation.

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

- Third quarter revenue of **\$983 million**, up **33%** year-over-year
- Third quarter organic revenue<sup>1</sup> of **\$946 million**, up **32%** year-over-year
- Third quarter revenue dollar-based net expansion of **122%**
- More than **280,000** active customer accounts, as of September 30, 2022
- Initiates Q4'22 guidance
  - Total revenue: \$995 million to \$1.005 billion, up 18% to 19% year-over-year
  - Organic revenue<sup>2</sup> growth: 18% to 19% year-over-year
  - Non-GAAP loss from operations: (\$15) million to (\$5) million
  - Non-GAAP loss per share: (\$0.11) - (\$0.06)

View Twilio's prepared remarks for its Q3'22 earnings [here](#).

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

<sup>2</sup> Excludes revenue from acquisitions closed after October 1, 2021.

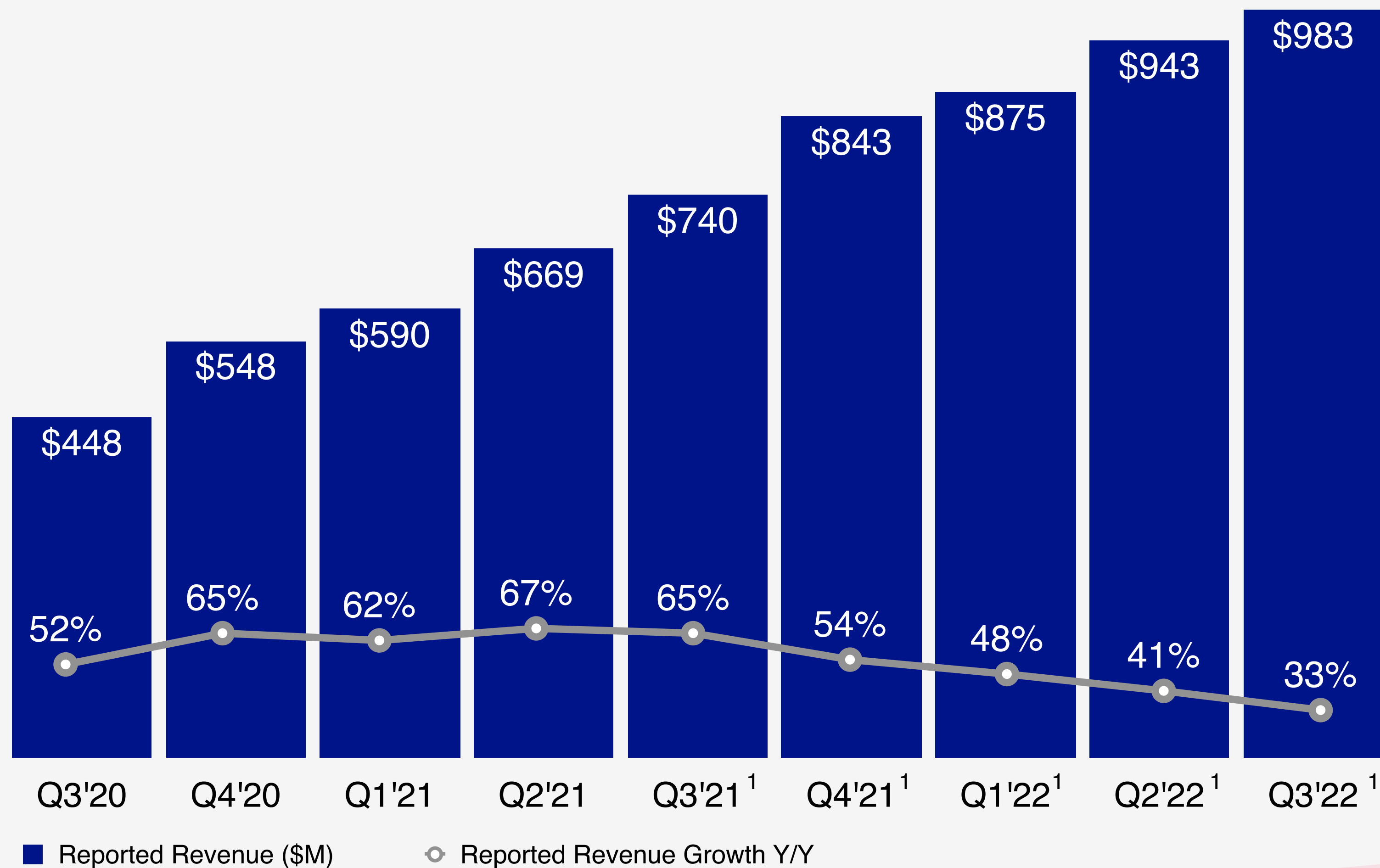


# Q3 Non-GAAP Loss From Operations Bridge

Non-GAAP loss from operations	(\$35M)
Less: Non-cash accrual for the adoption of a new sabbatical program	(\$29M)
Non-GAAP loss from operations excluding the non-cash accrual for the adoption of a new sabbatical program	(\$6M)



# Quarterly Revenue

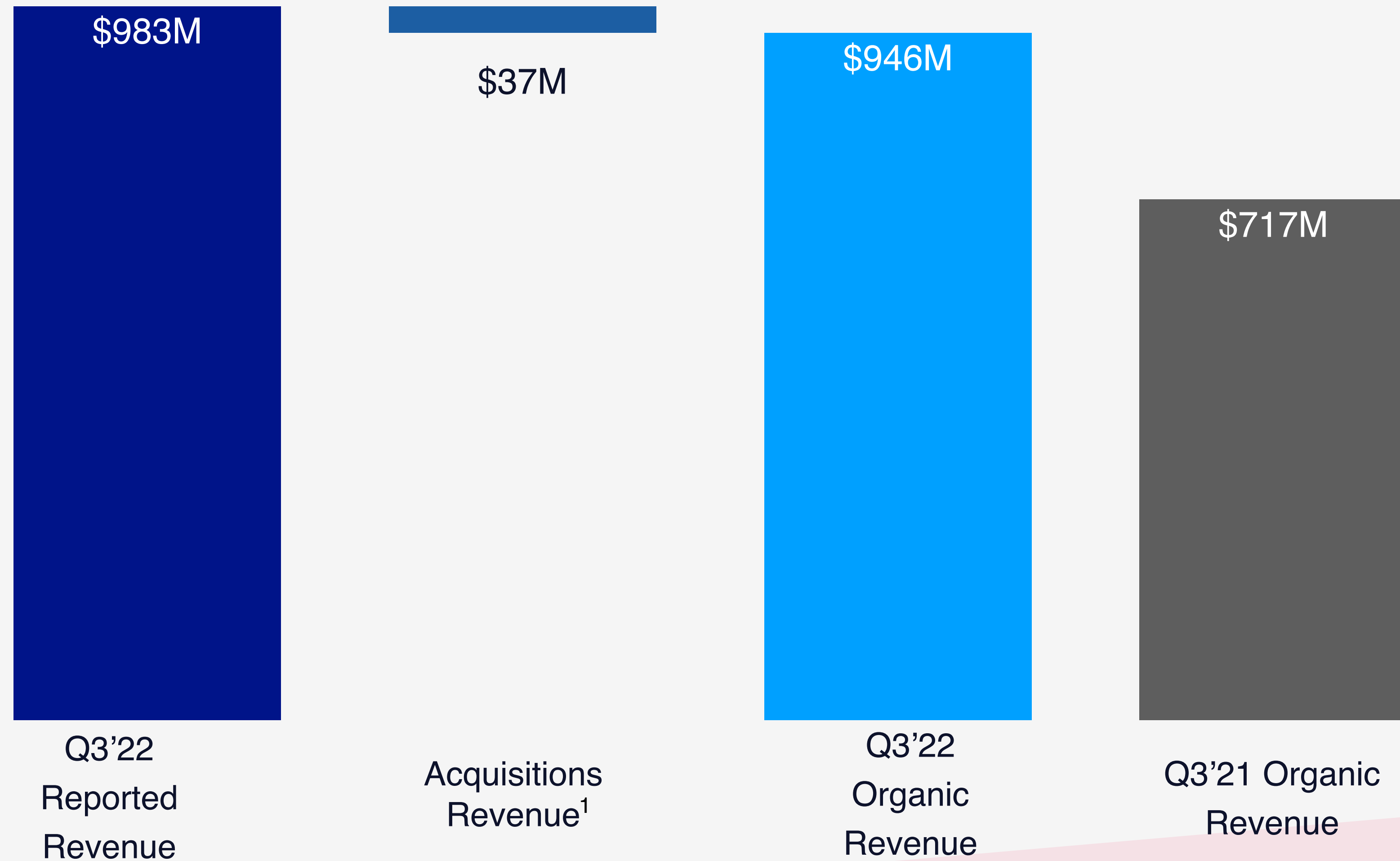


**33%**  
Q3'22 REPORTED REVENUE  
GROWTH Y/Y

<sup>1</sup> Includes revenue from Zipwhip, which closed July 14, 2021. Q3'22 includes \$35 million, Q2'22 included \$34 million, Q1'22 included \$32 million, Q4'21 included \$32 million, and Q3'21 included \$24 million.



# Q3'22 Organic Revenue Bridge

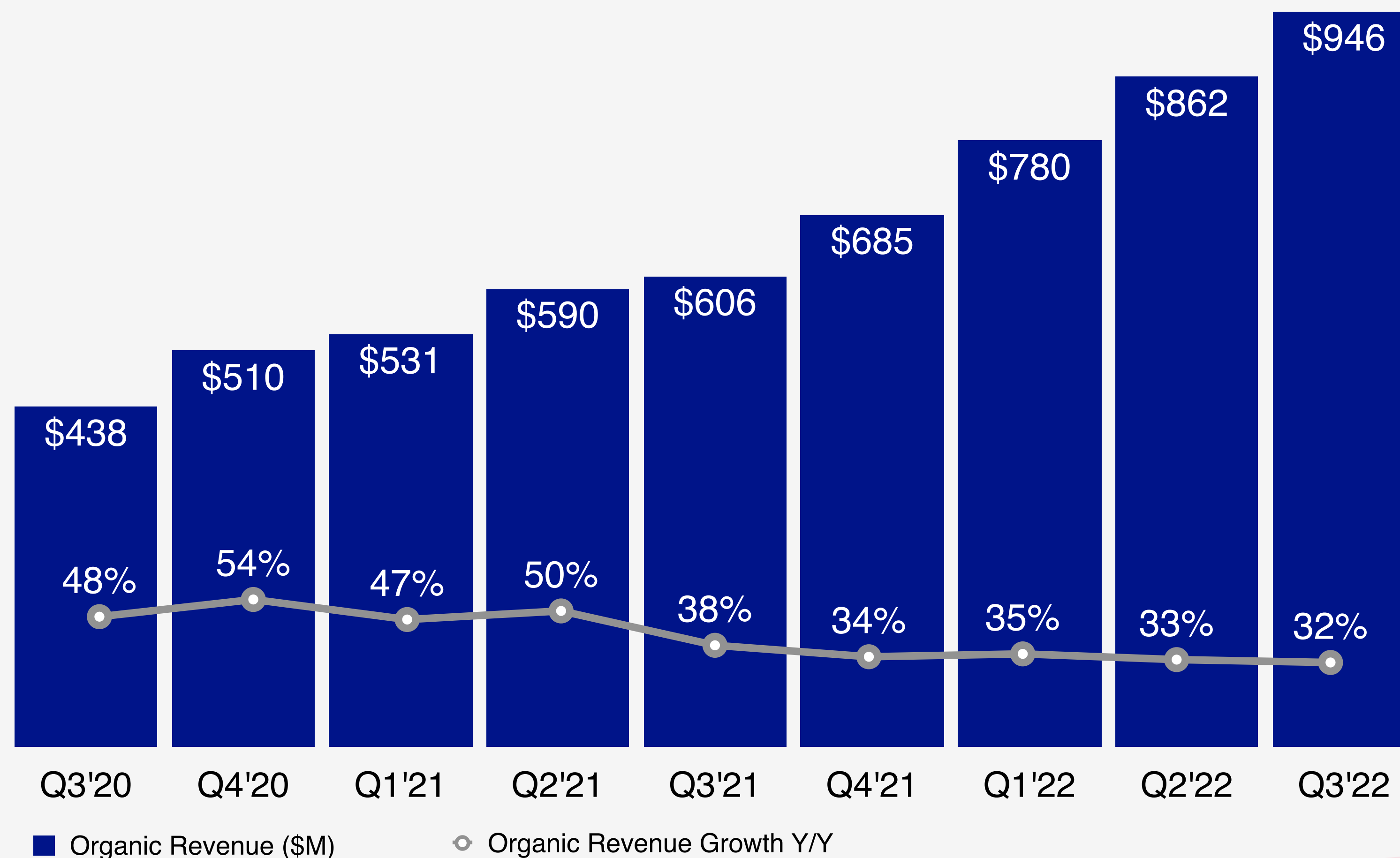


**32%**  
Q3'22 ORGANIC REVENUE  
GROWTH Y/Y

<sup>1</sup> Represents all acquisitions closed after July 1, 2021, including \$17M in 10DLC A2P fees related to Zipwhip.



# Organic Revenue Trend



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**32%**  
Q3'22 ORGANIC REVENUE  
GROWTH Y/Y

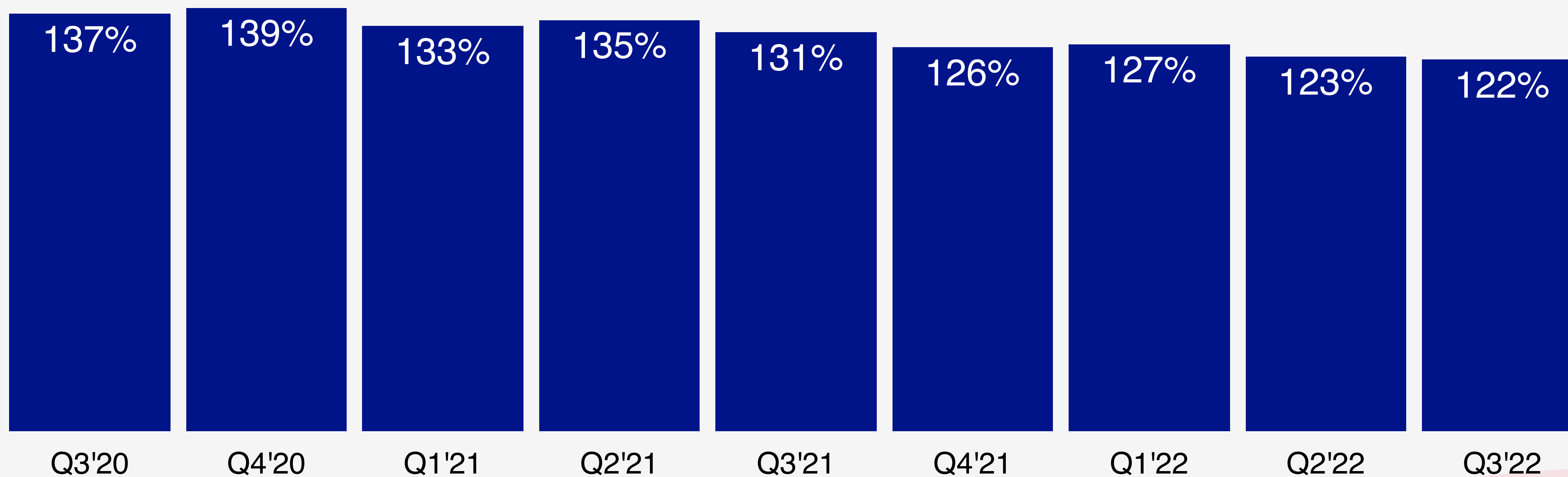
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Note: Organic revenue excludes revenue from all acquisitions that have yet to lap a quarter following their acquisition anniversary date.





# Dollar-Based Net Expansion

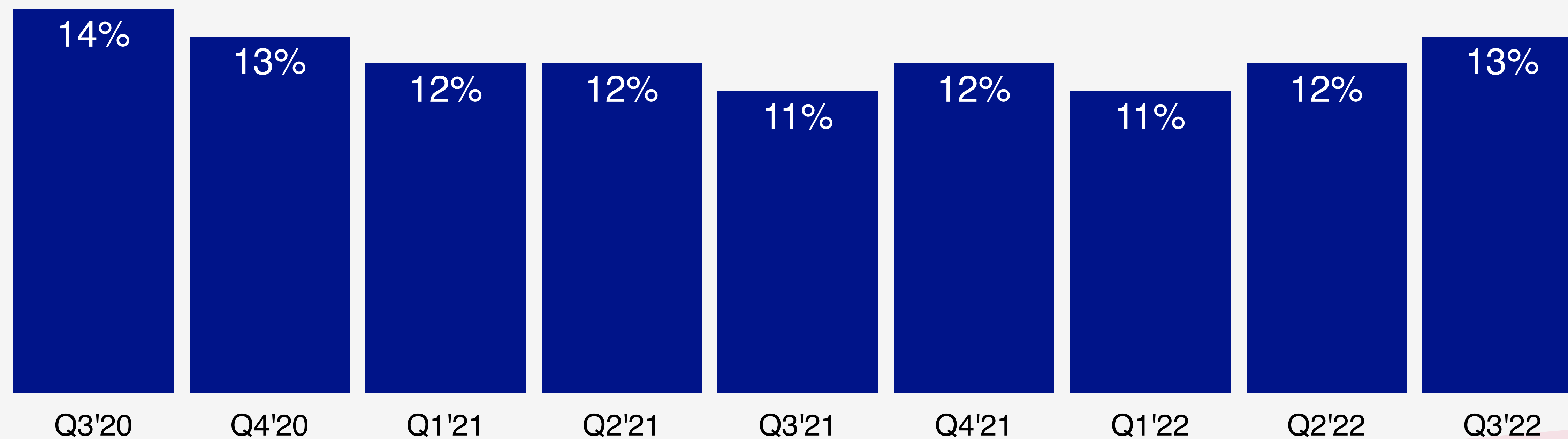


Note: Zipwhip, which closed July 14, 2021, will not be included in the calculation until Q4 2022. Segment, which closed on November 2, 2020 is excluded from the calculation until Q1 2022. For more information, refer to the appendix.



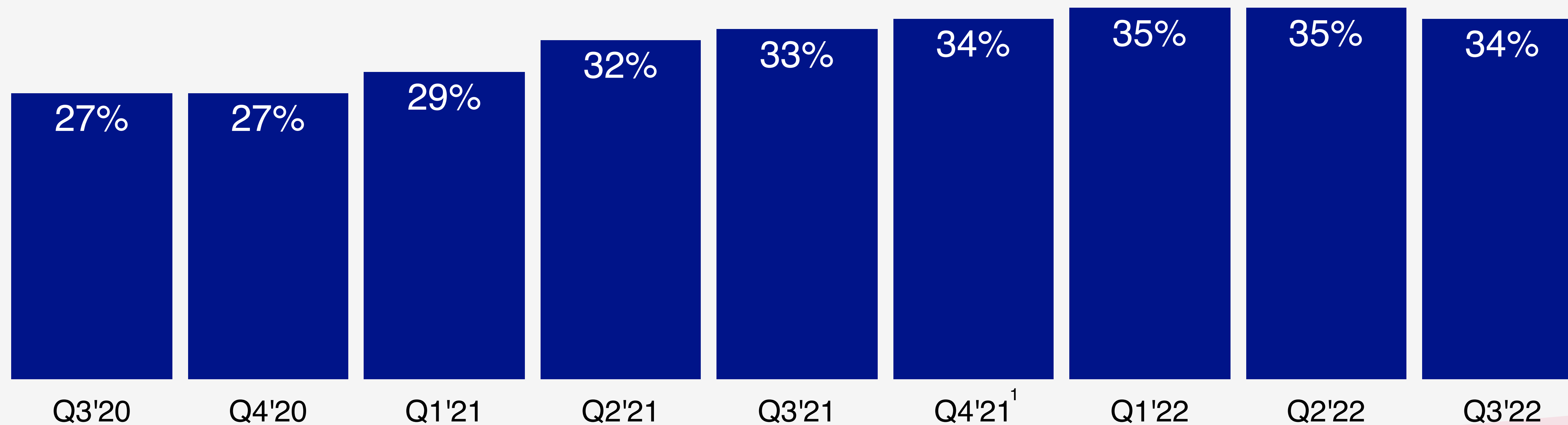
# Top 10 Customer Accounts

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





# International Revenue Mix

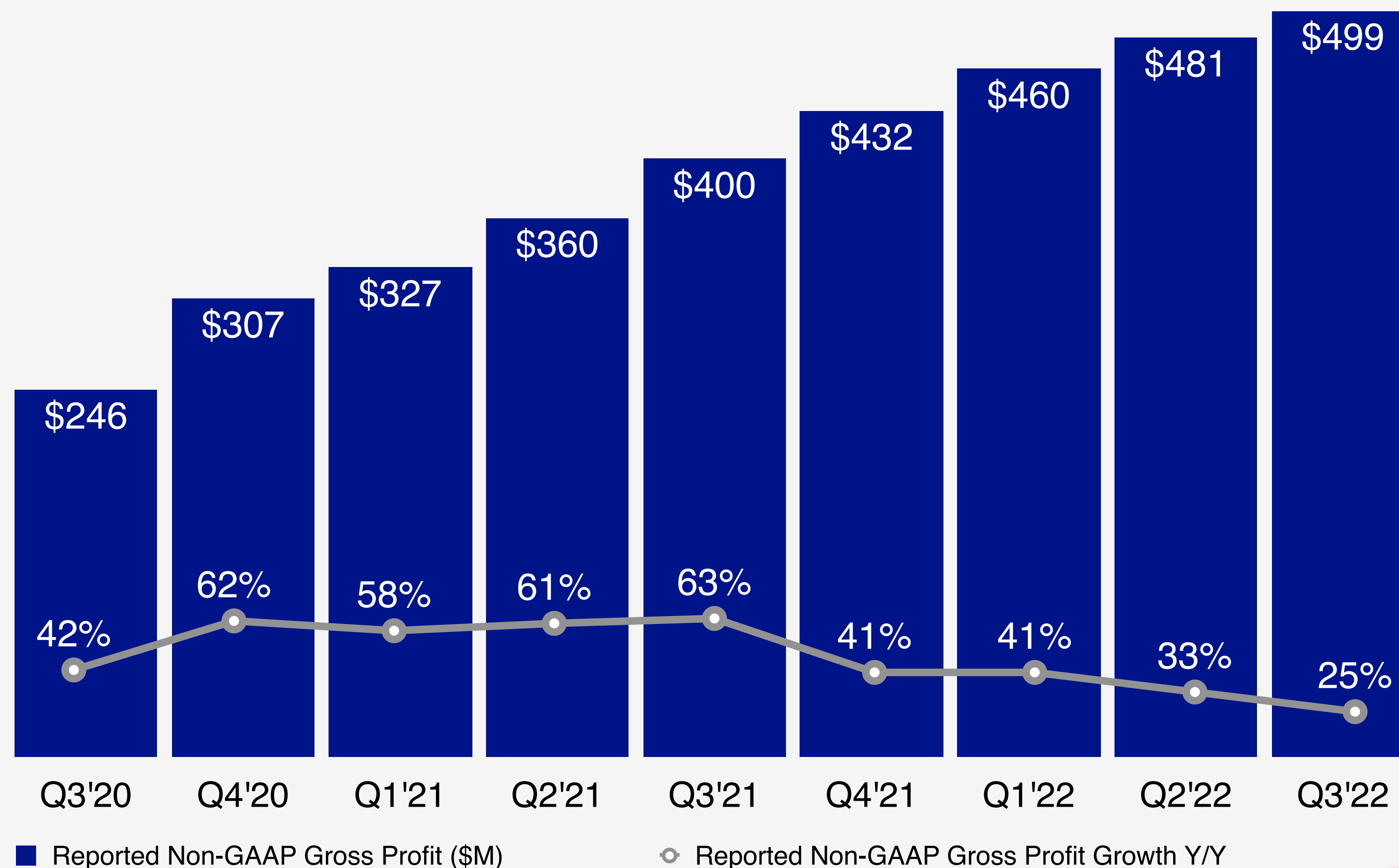


<sup>1</sup> Revised from previous misclassification of domestic customer revenue as reported in Q4 2021. For more information, refer to the appendix.

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.



# Quarterly Non-GAAP Gross Profit



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**25%**  
Q3'22 NON-GAAP GROSS  
PROFIT GROWTH Y/Y

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Note: Non-GAAP gross profit is a non-GAAP financial metric. Refer to the appendix for a reconciliation of non-GAAP financial measures to its most directly comparable GAAP measure.

THANK YOU





# APPENDIX





# Operating Metrics

**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.



# Non-GAAP Reconciliation

TWILIO INC.  
Reconciliation to Non-GAAP Financial Measures

(In thousands, except share and per share amounts)

	Three Months Ended								
	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022
<b>Revenue</b>	\$ 447,969	\$ 548,090	\$ 589,988	\$ 668,931	\$ 740,176	\$ 842,744	\$ 875,363	\$ 943,354	\$ 983,030
<b>GAAP gross profit</b>	\$ 230,874	\$ 282,121	\$ 298,304	\$ 331,247	\$ 364,615	\$ 396,547	\$ 425,071	\$ 445,289	\$ 462,075
Non-GAAP adjustments:									
Stock-based compensation	2,237	2,640	2,717	3,024	3,720	4,613	4,521	3,996	6,114
Amortization of acquired intangibles	12,540	21,885	26,342	26,204	31,558	30,792	30,636	31,236	30,729
Payroll taxes related to stock-based compensation	-	-	-	-	-	-	-	242	215
Non-GAAP gross profit	\$ 245,651	\$ 306,646	\$ 327,363	\$ 360,475	\$ 399,893	\$ 431,952	\$ 460,228	\$ 480,763	\$ 499,133
Non-GAAP gross margin	55%	56%	55%	54%	54%	51%	53%	51%	51%
<b>GAAP research and development</b>	\$ 136,652	\$ 158,856	\$ 174,800	\$ 181,280	\$ 209,890	\$ 223,249	\$ 240,611	\$ 279,641	\$ 284,735
Non-GAAP adjustments:									
Stock-based compensation	(46,294)	(53,959)	(56,959)	(58,871)	(69,242)	(73,600)	(79,369)	(109,524)	(90,787)
Amortization of acquired intangibles	-	-	-	(378)	(462)	(420)	(420)	(420)	(420)
Payroll taxes related to stock-based compensation	(2,827)	(5,005)	(10,729)	(3,767)	(6,035)	(3,338)	(6,178)	(2,610)	(1,533)
Non-GAAP research and development	\$ 87,531	\$ 99,892	\$ 107,112	\$ 118,264	\$ 134,151	\$ 145,891	\$ 154,644	\$ 167,087	\$ 191,995
Non-GAAP research and development as a % of revenue	20%	18%	18%	18%	18%	17%	18%	18%	20%
<b>GAAP sales and marketing</b>	\$ 140,875	\$ 179,987	\$ 210,590	\$ 238,058	\$ 264,548	\$ 331,422	\$ 287,907	\$ 334,958	\$ 328,833
Non-GAAP adjustments:									
Stock-based compensation	(26,573)	(33,848)	(41,636)	(47,940)	(53,843)	(69,932)	(47,586)	(78,492)	(58,747)
Amortization of acquired intangibles	(7,876)	(15,286)	(18,694)	(18,762)	(23,741)	(21,296)	(20,403)	(20,509)	(20,500)
Payroll taxes related to stock-based compensation	(1,728)	(3,401)	(7,349)	(2,633)	(3,721)	(5,423)	(3,830)	(2,667)	(2,261)
Non-GAAP sales and marketing	\$ 104,698	\$ 127,452	\$ 142,911	\$ 168,723	\$ 183,243	\$ 234,771	\$ 216,088	\$ 233,290	\$ 247,325
Non-GAAP sales and marketing as a % of revenue	23%	23%	24%	25%	25%	28%	25%	25%	25%
<b>GAAP general and administrative</b>	\$ 65,617	\$ 128,569	\$ 110,253	\$ 114,183	\$ 122,522	\$ 125,502	\$ 114,362	\$ 142,626	\$ 135,331
Non-GAAP adjustments:									
Stock-based compensation	(14,306)	(33,642)	(35,843)	(34,333)	(37,238)	(38,774)	(23,799)	(50,078)	(37,973)
Amortization of acquired intangibles	(10)	(10)	(115)	(10)	-	(10)	(7)	-	-
Acquisition-related expenses	(791)	(20,651)	(2,764)	(2,836)	(1,620)	(229)	(660)	(1,840)	(121)
Charitable contributions	(5,757)	(6,563)	(9,405)	(6,789)	(8,389)	(6,586)	(4,232)	(2,373)	(1,911)
Payroll taxes related to stock-based compensation	1,376	(1,173)	(2,093)	(929)	(978)	(1,422)	(1,210)	(647)	(416)
Non-GAAP general and administrative	\$ 46,129	\$ 66,530	\$ 60,033	\$ 69,286	\$ 74,297	\$ 78,481	\$ 84,454	\$ 87,688	\$ 94,910
Non-GAAP general and administrative as a % of revenue	10%	12%	10%	10%	10%	9%	10%	9%	10%
<b>GAAP restructuring costs</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,451
Total restructuring costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,451
Non-GAAP restructuring costs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-GAAP restructuring costs as a % of revenue	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Impairment of long-lived assets</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,722
Total impairment of long-lived assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 97,722
Non-GAAP impairment of long-lived assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Non-GAAP impairment of long-lived assets as a % of revenue	0%	0%	0%	0%	0%	0%	0%	0%	0%
<b>Operating Expenses</b>	\$ 343,144	\$ 467,412	\$ 495,643	\$ 533,521	\$ 596,960	\$ 680,173	\$ 642,879	\$ 757,225	\$ 919,072
Non-GAAP adjustments:									
Stock-based compensation	(87,173)	(121,449)	(134,438)	(141,144)	(160,323)	(182,306)	(150,754)	(238,094)	(187,507)
Amortization of acquired intangibles	(7,886)	(15,296)	(18,809)	(19,150)	(24,203)	(21,726)	(20,830)	(20,929)	(20,920)
Acquisition related expenses	(791)	(20,651)	(2,764)	(2,836)	(1,620)	(229)	(660)	(1,840)	(121)
Payroll taxes related to stock-based compensation	(3,179)	(9,579)	(20,171)	(7,329)	(10,734)	(10,183)	(11,218)	(5,924)	(4,210)
Charitable contributions	(5,757)	(6,563)	(9,405)	(6,789)	(8,389)	(6,586)	(4,232)	(2,373)	(1,911)
Restructuring costs	-	-	-	-	-	-	-	-	(72,451)
Impairment of long-lived assets	-	-	-	-	-	-	-	-	(97,722)
Non-GAAP operating expenses	\$ 238,358	\$ 293,874	\$ 310,056	\$ 356,273	\$ 391,691	\$ 459,143	\$ 455,185	\$ 488,065	\$ 534,230
Non-GAAP operating expenses as a % of revenue	53%	54%	53%	53%	53%	54%	52%	52%	54%





TWILIO INC.  
Reconciliation to Non-GAAP Financial Measures

(In thousands, except share and per share amounts)

	Three Months Ended								
	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022
<b>GAAP loss from operations</b>	\$ (112,270)	\$ (185,291)	\$ (197,339)	\$ (202,274)	\$ (232,345)	\$ (283,626)	\$ (217,808)	\$ (311,936)	\$ (456,997)
Non-GAAP adjustments:									
Stock-based compensation	89,410	124,089	137,155	144,168	164,043	186,919	155,275	242,090	193,621
Amortization of acquired intangibles	20,426	37,181	45,151	45,354	55,761	52,518	51,466	52,165	51,649
Acquisition related expenses	791	20,651	2,764	2,836	1,620	229	660	1,840	121
Charitable contributions	5,757	6,563	9,405	6,789	8,389	6,586	4,232	2,373	1,911
Payroll taxes related to stock-based compensation	3,179	9,579	20,171	7,329	10,734	10,183	11,218	6,166	4,425
Restructuring costs	-	-	-	-	-	-	-	-	72,451
Impairment of long-lived assets	-	-	-	-	-	-	-	-	97,722
Non-GAAP income from operations	\$ 7,293	\$ 12,772	\$ 17,307	\$ 4,202	\$ 8,202	\$ (27,191)	\$ 5,043	\$ (7,302)	\$ (35,097)
Non-GAAP operating margin	2%	2%	3%	1%	1%	-3%	1%	-1%	-4%
<b>GAAP net loss attributable to common stockholders</b>	\$ (116,914)	\$ (179,351)	\$ (206,542)	\$ (227,853)	\$ (224,109)	\$ (291,396)	\$ (221,627)	\$ (322,769)	\$ (482,327)
Non-GAAP adjustments:									
Stock-based compensation	89,410	124,089	137,155	144,168	164,043	186,919	155,275	242,090	193,621
Amortization of acquired intangibles	20,426	37,181	45,151	45,354	55,761	52,518	51,466	52,165	51,649
Acquisition related expenses	791	20,651	2,764	2,836	1,620	229	660	1,840	121
Charitable contributions	5,757	6,563	9,405	6,789	8,389	6,586	4,232	2,373	1,911
Payroll taxes related to stock-based compensation	3,179	9,579	20,171	7,329	10,734	10,183	11,218	6,166	4,425
Amortization of debt discount and issuance costs	6,076	5,327	3,373	1,708	376	370	338	375	380
Income tax benefit related to acquisition	(359)	(15,743)	(366)	(143)	(15,060)	(1,667)	(1,137)	(1,487)	(2,329)
Interest in loss (income) of equity method investment	-	-	-	-	-	-	-	-	13,376
Restructuring costs	-	-	-	-	-	-	-	-	72,451
Impairment of long-lived assets	-	-	-	-	-	-	-	-	97,722
(Provision)/Benefit from income tax effects related to Non-GAAP adjustments**	(1,336)	(1,791)	(1,465)	1,465	-	-	-	-	-
Non-GAAP net loss attributable to common stockholders	\$ 7,030	\$ 6,505	\$ 9,646	\$ (18,347)	\$ 1,754	\$ (36,258)	\$ 425	\$ (19,247)	\$ (49,000)
Non-GAAP net loss attributable to common stockholders as a % of revenue	2%	1%	2%	-3%	0%	-4%	0%	-2%	-5%
<b>GAAP net loss per share attributable to common stockholders, basic and diluted*</b>	\$ (0.79)	\$ (1.13)	\$ (1.24)	\$ (1.31)	\$ (1.26)	\$ (1.63)	\$ (1.23)	\$ (1.77)	\$ (2.63)
Non-GAAP adjustments:									
Stock-based compensation	0.55	0.72	0.76	0.83	0.89	1.04	0.84	1.33	1.05
Amortization of acquired intangibles	0.13	0.21	0.25	0.25	0.30	0.29	0.28	0.29	0.28
Acquisition related expenses	-	0.12	0.02	0.02	0.01	-	-	0.01	-
Charitable contributions	0.04	0.04	0.05	0.04	0.05	0.04	0.02	0.01	0.01
Payroll taxes related to stock-based compensation	0.02	0.06	0.11	0.04	0.06	0.06	0.06	0.03	0.02
Amortization of debt discount and issuance costs	0.04	0.03	0.02	0.01	-	-	-	-	-
Income tax benefit related to acquisition	-	(0.09)	-	-	(0.08)	(0.01)	(0.01)	(0.01)	(0.01)
(Provision)/Benefit from income tax effects related to Non-GAAP adjustments**	(0.01)	(0.01)	(0.01)	0.01	-	-	-	-	-
Dilutive securities	0.06	0.09	0.09	-	0.04	-	0.04	0.00	0.02
Interest in loss (income) of equity method investment	-	-	-	-	-	-	-	-	0.07
Restructuring costs	-	-	-	-	-	-	-	-	0.39
Impairment of long-lived assets	-	-	-	-	-	-	-	-	0.53
Non-GAAP net loss per share attributable to common stockholders, diluted	\$ 0.04	\$ 0.04	\$ 0.05	\$ (0.11)	\$ 0.01	\$ (0.20)	\$ -	\$ (0.11)	\$ (0.27)
GAAP weighted-average shares used to compute net loss per share attributable to common stockholders, basic	147,501,075	158,382,667	167,160,458	173,407,187	177,231,285	178,934,692	180,898,713	182,347,864	183,692,564
Weighted Average Diluted Shares Outstanding	13,798,963	14,716,399	13,442,439	8,401,294	7,720,226	-	3,615,224	-	-
Non-GAAP weighted-average shares used to compute Non-GAAP net loss per share attributable to common stockholders, diluted	161,300,038	173,099,066	180,602,897	181,808,481	184,951,511	178,934,692	184,513,937	182,347,864	183,692,564

\* Some columns may not add due to rounding.

\*\* Represents the tax effect of the non-GAAP adjustments. For fiscal 2020, the Company used an estimated non-GAAP tax rate of 25%, and for fiscal 2021, the Company is using an estimated non-GAAP tax rate of 22%