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 1934**

For the quarterly period ended March 31, 2021

☐ **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 Number)

101 Spear Street, First 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	The New York Stock Exchange

As of April 30, 2021, 162,370,009 shares of the registrant's Class A common stock and 10,325,768 shares of registrant's Class B 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 x No o

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 x No o

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. o

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 March 31, 2021
TABLE OF CONTENTS

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 the coronavirus disease of 2019 ("COVID-19") pandemic on the global economy, our customers, employees and business;
- our future financial performance, including our revenue, cost of revenue, gross margin and operating expenses, ability to generate positive cash flow and ability to achieve and sustain profitability;
- anticipated technology trends, such as the use of and demand for cloud communications;
- our ability to continue to build and maintain credibility with the global software developer community;
- our ability to attract and retain customers to use our products;
- the evolution of technology affecting our products and markets;
- our ability to introduce new products and enhance existing products;
- our ability to comply with modified or new industry standards, laws and regulations applying to our business, including the General Data Protection Regulation ("GDPR"), the Schrems II decision invalidating the EU-US Privacy Shield, the California Consumer Privacy Act of 2018 ("CCPA") and other privacy regulations that may be implemented in the future, and Signature-based Handling of Asserted Information Using toKENs ("SHAKEN") and Secure Telephone Identity Revisited ("STIR") standards (together, "SHAKEN/STIR") and other robocalling prevention and anti-spam standards and increased costs associated with such compliance;
- our ability to optimize our network service provider coverage and connectivity;
- our ability to manage changes in network service provider fees that we pay in connection with the delivery of communications on our platform;
- our ability to work closely with email inbox service providers to maintain deliverability rates;
- our ability to pass on our savings associated with our platform optimization efforts to our customers;
- the impact and expected results from changes in our relationship with our larger customers;
- our ability to attract and retain enterprises and international organizations as customers for our products;
- our ability to form and expand partnerships with technology partners and consulting partners;
- our ability to successfully enter into new markets and manage our international expansion;
- the attraction and retention of qualified employees and key personnel;
- our ability to effectively manage our growth and future expenses and maintain our corporate culture;
- our ability to compete effectively in an intensely competitive market;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs;

- our anticipated investments in sales and marketing, research and development and additional systems and processes to support our growth;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to successfully defend litigation brought against us;
- our ability to service the interest on our 3.625% senior notes due 2029 (“2029 Notes”), our 3.875% notes due 2031 (“2031 Notes,” and together with the 2029 Notes, the “Notes”), and our 0.25% convertible senior notes due 2023 (the “Convertible Notes”) and repay such notes, to the extent required;
- our customers' and other platform users' violation of our policies or other misuse of our platform;
- our expectations about the impact of natural disasters and public health epidemics, such as COVID-19 on our business, results of operations and financial condition and on our customers, employees, vendors and partners;
- our ability to successfully integrate and realize the benefits of our past or future strategic acquisitions or investments, including our acquisition of Segment.io, Inc. (“Segment”); and
- our expectations about the impact of our recent cross platform API service disruption on our business, results of operations and financial condition.

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, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in “Summary of Risk Factors and Uncertainties Associated with Our Business” 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.

Summary of Risk Factors and Uncertainties Associated with Our Business

Our business is subject to numerous risks and uncertainties outside of our control. One, or a combination, of these risks and uncertainties could materially affect any of those matters as to which we have made forward-looking statements and cause our actual results or an actual event or occurrence to differ materially from those results or an event or occurrence described in a forward-looking statement. Some of the principal risks associated with our business include the following:

- *impact of global COVID-19 pandemic;*
- *new and unproven market for our products and platform;*
- *our rapid growth and ability to effectively manage our growth;*
- *fluctuations in our quarterly results and our ability to meet securities analysts’ and investors’ expectations;*
- *our ability to maintain and enhance our brand and increase market awareness of our company and products;*

- *limitations on the use and adoption of our solutions due to privacy laws, data collection and transfer restrictions and related domestic or foreign regulations;*
- *any loss of customers or decline in their use of our products;*
- *our ability to attract new customers in a cost-effective manner;*
- *our ability to develop enhancements to our products and introduce new products that achieve market acceptance;*
- *our ability to compete effectively in the market in which we participate;*
- *our history of losses and uncertainty about our future profitability;*
- *our ability to increase adoption of our products by enterprises;*
- *our ability to expand our relationships with existing technology partner customers and add new technology partner customers;*
- *significant risks associated with expansion of our international operations;*
- *compliance with applicable laws and regulations;*
- *telecommunications-related regulations and future legislative or regulatory actions;*
- *our ability to obtain 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;*
- *our ability to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, and changing customer needs, requirements or preferences;*
- *our ability to provide monthly uptime service level commitments of up to 99.95% under our agreements with customers;*
- *any breaches of our networks or systems, or those of AWS or our service providers;*
- *defects or errors in our products;*
- *any loss or decline in revenue from our largest customers;*
- *litigation by third parties for alleged infringement of their proprietary rights;*
- *exposure to substantial liability for intellectual property infringement and other losses from indemnity provisions in various agreements;*
- *our ability to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions;*
- *the loss of our senior management and other key employees;*
- *our use of open source software;*
- *our reliance on SaaS technologies from third parties;*
- *potentially adverse tax consequences on our global operations and structure;*
- *excessive credit card or fraudulent activity;*
- *unfavorable conditions in our industry or the global economy;*
- *requirement of additional capital to support our business and its availability on acceptable terms, if at all;*
- *exposure to foreign currency exchange rate fluctuations;*
- *our ability to use our net operating losses to offset future taxable income;*
- *our failure to maintain an effective system of disclosure controls and internal control over financial reporting;*
- *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, data security breaches or terrorism;*
- *volatility of the trading price of our Class A common stock;*
- *potential decline in the market price of our Class A common stock due to substantial future sales of shares;*
- *requirement of a significant amount of cash to service our future debt; and,*
- *our ability to raise the funds necessary for cash settlement upon conversion of the Convertible Notes or to repurchase the Convertible Notes, the 2029 Notes and 2031 Notes for cash.*

PART I - FINANCIAL INFORMATION

Item 1. ***Financial Statements***

TWILIO INC.
Condensed Consolidated Balance Sheets
(Unaudited)

	As of March 31, 2021	As of December 31, 2020
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,331,774	$ 933,885
Short-term marketable securities	3,375,284	2,105,906
Accounts receivable, net	257,854	251,167
Prepaid expenses and other current assets	129,063	81,377
Total current assets	6,093,975	3,372,335
Property and equipment, net	195,885	183,239
Operating right-of-use asset	241,328	258,610
Intangible assets, net	951,884	966,573
Goodwill	4,635,177	4,595,394
Other long-term assets	123,932	111,282
Total assets	$ 12,242,181	$ 9,487,433
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 66,511	$ 60,042
Accrued expenses and other current liabilities	293,658	252,895
Deferred revenue and customer deposits	93,516	87,031
Operating lease liability, current	46,239	48,338
Total current liabilities	499,924	448,306
Operating lease liability, noncurrent	214,456	229,905
Finance lease liability, noncurrent	19,933	17,856
Long-term debt	1,218,048	302,068
Other long-term liabilities	42,624	36,633
Total liabilities	1,994,985	1,034,768
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock	—	—
Class A and Class B common stock	171	164
Additional paid-in capital	11,618,698	9,613,246
Accumulated other comprehensive income	4,660	9,046
Accumulated deficit	(1,376,333)	(1,169,791)
Total stockholders' equity	10,247,196	8,452,665
Total liabilities and stockholders' equity	$ 12,242,181	$ 9,487,433

See accompanying notes to condensed consolidated financial statements.

TWILIO INC.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended March 31,	
	2021	**2020**
	(In thousands, except share and per share amounts)	
Revenue	$ 589,988	$ 364,868
Cost of revenue	291,684	171,333
Gross profit	298,304	193,535
Operating expenses:		
Research and development	174,800	114,339
Sales and marketing	210,590	116,722
General and administrative	110,253	55,170
Total operating expenses	495,643	286,231
Loss from operations	(197,339)	(92,696)
Other expenses, net	(8,313)	(1,118)
Loss before provision for income taxes	(205,652)	(93,814)
Provision for income taxes	(890)	(977)
Net loss attributable to common stockholders	$ (206,542)	$ (94,791)
Net loss per share attributable to common stockholders, basic and diluted	$ (1.24)	$ (0.68)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	167,160,458	139,231,594

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2021	**2020**
	(In thousands)	
Net loss	$ (206,542)	$ (94,791)
Other comprehensive loss:		
Unrealized loss on marketable securities	(4,176)	(9,375)
Foreign currency translation	(210)	—
Total other comprehensive loss	(4,386)	(9,375)
Comprehensive loss attributable to common stockholders	$ (210,928)	$ (104,166)

See accompanying notes to condensed consolidated financial statements.

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

	Common Stock Class A		Common Stock Class B		Additional Paid-In Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
	(In thousands, except share amounts)							
Balance as of December 31, 2020	**153,496,222**	**$ 151**	**10,551,302**	**$ 13**	**$ 9,613,246**	**$ 9,046**	**$ (1,169,791)**	**$ 8,452,665**
Net loss	—	—	—	—	—	—	(206,542)	(206,542)
Exercises of vested stock options	248,008	—	211,371	—	11,564	—	—	11,564
Vesting of restricted stock units	913,966	1	—	—	(1)	—	—	—
Value of equity awards withheld for tax liability	(6,989)	—	—	—	(2,774)	—	—	(2,774)
Conversion of shares of Class B common stock into shares of Class A common stock	419,371	—	(419,371)	—	—	—	—	—
Equity component from partial settlement of 2023 convertible senior notes	1,158,381	2	—	—	80,047	—	—	80,049
Donated common stock	22,102	—	—	—	9,405	—	—	9,405
Issuance of common stock in connection with a follow-on public offering, net of underwriter discounts	4,312,500	4	—	—	1,766,396	—	—	1,766,400
Costs related to the follow-on public offering	—	—	—	—	(727)	—	—	(727)
Issuance of restricted stock awards	24,697	—	—	—	—	—	—	—
Unrealized loss on marketable securities	—	—	—	—	—	(4,176)	—	(4,176)
Foreign currency translation	—	—	—	—	—	(210)	—	(210)
Stock-based compensation	—	—	—	—	141,542	—	—	141,542
Balance as of March 31, 2021	**160,588,258**	**$ 158**	**10,343,302**	**$ 13**	**$ 11,618,698**	**$ 4,660**	**$ (1,376,333)**	**$ 10,247,196**

	Common Stock Class A		Common Stock Class B		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
	(In thousands, except share amounts)							
Balance as of December 31, 2019	**126,882,172**	**$ 124**	**11,530,627**	**$ 14**	**$ 4,952,999**	**$ 5,086**	**$ (678,812)**	**$ 4,279,411**
Net loss	—	—	—	—	—	—	(94,791)	(94,791)
Exercises of stock options	243,029	—	426,001	—	8,231	—	—	8,231
Vesting of restricted stock units	849,763	1	23,107	—	—	—	—	1
Value of equity awards withheld for tax liability	(8,726)	—	(4,692)	—	(1,674)	—	—	(1,674)
Conversion of shares of Class B common stock into shares of Class A	618,103	1	(618,103)	(1)	—	—	—	—
Donated common stock	22,102	—	—	—	2,701	—	—	2,701
Unrealized loss on marketable securities	—	—	—	—	—	(9,375)	—	(9,375)
Stock-based compensation	—	—	—	—	72,021	—	—	72,021
Balance as of March 31, 2020	**128,606,443**	**$ 126**	**11,356,940**	**$ 13**	**$ 5,034,278**	**$ (4,289)**	**$ (773,603)**	**$ 4,256,525**

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2021	**2020**
CASH FLOWS FROM OPERATING ACTIVITIES:	(In thousands)	
Net loss	$ (206,542)	$ (94,791)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	59,592	32,239
Non-cash reduction to the right-of-use asset	11,711	8,023
Net amortization of investment premium and discount	4,240	343
Amortization of debt discount and issuance costs	3,373	6,178
Stock-based compensation	137,155	69,025
Amortization of deferred commissions	5,630	1,981
Allowance for credit losses	1,985	4,170
Value of donated common stock	9,405	2,701
Loss on extinguishment of debt	7,602	—
Other adjustments	3,089	1,866
Changes in operating assets and liabilities:		
Accounts receivable	5,565	(23,123)
Prepaid expenses and other current assets	(29,912)	(8,130)
Other long-term assets	(15,232)	(5,759)
Accounts payable	(10,275)	(20,803)
Accrued expenses and other current liabilities	28,307	44,840
Deferred revenue and customer deposits	3,435	589
Operating lease liabilities	(12,053)	(7,008)
Other long-term liabilities	(2,570)	3,194
Net cash provided by operating activities	4,505	15,535
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired and other related payments	(66,926)	(2,377)
Purchases of marketable securities and other investments	(1,640,499)	(228,025)
Proceeds from sales and maturities of marketable securities	356,824	316,992
Capitalized software development costs	(10,434)	(8,626)
Purchases of long-lived and intangible assets	(4,986)	(6,319)
Net cash (used in) provided by investing activities	(1,366,021)	71,645
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from a public equity offering	1,766,400	—
Payments of costs related to public offerings	(360)	—
Proceeds from issuance of senior notes	987,500	—
Payments of debt issuance costs	(130)	—
Principal payments on debt and finance leases	(2,751)	(1,954)
Proceeds from exercises of stock options	11,564	8,231
Value of equity awards withheld for tax liabilities	(2,774)	(1,674)
Net cash provided by financing activities	2,759,449	4,603
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(44)	—
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	1,397,889	91,783
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	933,885	253,735
CASH, CASH EQUIVALENTS AND RESTRICTED CASH —End of period	$ 2,331,774	$ 345,518
Cash paid for income taxes, net	$ 1,252	$ 257
Cash paid for interest	$ 263	$ 198
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Purchases of property, equipment and intangible assets, accrued but not paid	$ 3,494	$ 5,510
Purchases of property and equipment through finance leases	$ 5,266	$ —
Value of common stock issued to settle convertible senior notes	$ 422,716	$ —
Stock-based compensation capitalized in software development costs	$ 4,650	$ 3,418
Costs related to public debt and equity offerings, accrued but not paid	$ 2,681	$ —
Costs related to proposed investment in Syniverse, accrued but not paid	$ 3,262	$ —

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. The Company is the leading cloud communications platform and enables developers to build, scale and operate real-time customer engagement within their software applications via simple-to-use Application Programming Interfaces ("API"). The power, flexibility, and reliability offered by the Company's software building blocks empower entities of virtually every shape and size to build world-class engagement into their customer experience.

The Company's headquarters are located in San Francisco, California, and the Company has subsidiaries in Australia, Bermuda, Brazil, Canada, Colombia, Czech Republic, Estonia, France, Germany, Hong Kong, India, Ireland, Japan, Mexico, the Netherlands, Serbia, Singapore, Spain, Sweden, the United Kingdom and the United States.

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 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 26, 2021 ("Annual Report").

The condensed consolidated balance sheet as of December 31, 2020, 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 condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive loss, 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 2021 or any future period.

(b) Principles of Consolidation

The condensed consolidated financial statements include the Company and its wholly owned subsidiaries. All significant 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 value of acquired intangible assets and goodwill; 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) Concentration of Credit Risk

Financial instruments that potentially expose the Company to a concentration of credit risk consist primarily of cash, cash equivalents, marketable securities and accounts receivable. The Company maintains cash, cash equivalents and marketable securities with financial institutions that management believes are financially sound and have minimal credit risk exposure although the balances will 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 customers deteriorate substantially, operating results could be adversely affected. To reduce credit risk, management performs credit evaluations of the financial condition of significant 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. During the three months ended March 31, 2021 and 2020, no customer organization accounted for more than 10% of the Company's total revenue.

As of March 31, 2021 and December 31, 2020, no customer organization represented more than 10% of the Company's gross accounts receivable.

(e) Significant Accounting Policies

There have been no changes to the Company's significant accounting policies as described in its Annual Report.

(f) Recently Issued Accounting Guidance, Not yet Adopted

In August 2020, the FASB issued ASU 2020-06, *"Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40),"* which removes certain separation models for convertible debt instruments and convertible preferred stock that require the separation of a convertible debt instrument into a debt component and an equity or derivative component. The ASU also expands disclosure requirements for convertible instruments and simplifies areas of the guidance for diluted earnings-per-share calculations that are impacted by the amendments. The standard is effective for interim and annual periods beginning after December 15, 2021, with early adoption permitted. The Company is evaluating the impact of the adoption of this guidance on its consolidated financial statements.

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	Fair Value Hierarchy as of March 31, 2021			Aggregate Fair Value
				Level 1	Level 2	Level 3	
Financial Assets:			(In thousands)				
Cash and cash equivalents:							
Money market funds	$ 1,867,034	$ —	$ —	$ 1,867,034	$ —	$ —	$ 1,867,034
Commercial paper	322,701	—	—	—	322,701	—	322,701
Total included in cash and cash equivalents	2,189,735	—	—	1,867,034	322,701	—	2,189,735
Marketable securities:							
U.S. Treasury securities	236,651	248	(56)	236,843	—	—	236,843
Corporate debt securities and commercial paper	3,134,407	5,582	(1,548)	45,000	3,093,441	—	3,138,441
Total marketable securities	3,371,058	5,830	(1,604)	281,843	3,093,441	—	3,375,284
Total financial assets	$ 5,560,793	$ 5,830	$ (1,604)	$ 2,148,877	$ 3,416,142	$ —	$ 5,565,019

	Amortized Cost or Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value Hierarchy as of December 31, 2020			Aggregate Fair Value
				Level 1	Level 2	Level 3	
Financial Assets:			(In thousands)				
Cash and cash equivalents:							
Money market funds	$ 656,749	$ —	$ —	$ 656,749	$ —	$ —	$ 656,749
Commercial paper	2,000	—	—	—	2,000	—	2,000
Total included in cash and cash equivalents	658,749	—	—	656,749	2,000	—	658,749
Marketable securities:							
U.S. Treasury securities	223,247	389	(1)	223,635	—	—	223,635
Corporate debt securities and commercial paper	1,874,257	8,149	(135)	50,000	1,832,271	—	1,882,271
Total marketable securities	2,097,504	8,538	(136)	273,635	1,832,271	—	2,105,906
Total financial assets	$ 2,756,253	$ 8,538	$ (136)	$ 930,384	$ 1,834,271	$ —	$ 2,764,655

The Company's primary objective when investing excess cash is preservation of capital, hence the Company's marketable securities primarily consist of U.S. Treasury Securities, high credit quality corporate debt securities and commercial paper. As the Company views its marketable securities as available to support current operations, it has classified all available for sale securities as short-term. As of March 31, 2021 and December 31, 2020, for fixed income securities that were in unrealized loss positions, the Company has determined that (i) it does not have the intent to sell any of these investments, and (ii) it is not more likely than not that it will be required to sell any of these investments before recovery of the entire amortized cost basis. In addition, as of March 31, 2021 and December 31, 2020, the Company anticipates that it will recover the entire amortized cost basis of such fixed income securities before maturity.

The Company regularly reviews changes to the rating of its debt securities by rating agencies as well as reasonably monitors the surrounding economic conditions to assess the risk of expected credit losses. As of March 31, 2021, the risk of expected credit losses was not significant.

Interest earned on marketable securities was $3.9 million and $8.8 million in the three months ended March 31, 2021 and 2020, respectively. The interest is recorded as other expenses, net, in the accompanying condensed consolidated statements of operations.

The following table summarizes the contractual maturities of marketable securities:

	As of March 31, 2021		As of December 31, 2020	
	Amortized Cost	Aggregate Fair Value	Amortized Cost	Aggregate Fair Value
Financial Assets:		(In thousands)		
Less than one year	$ 1,322,778	$ 1,325,489	$ 1,126,091	$ 1,128,927
One to three years	2,048,280	2,049,795	971,413	976,979
Total	$ 3,371,058	$ 3,375,284	$ 2,097,504	$ 2,105,906

Strategic Investments

As of March 31, 2021 and December 31, 2020, the Company held strategic investments with a fair value of $9.3 million in equity securities of privately held companies in which the Company does not have a controlling interest or significant influence. These securities are recorded as other long-term assets in the accompanying condensed consolidated balance sheets. There were no impairments in the three months ended March 31, 2021 and 2020.

Financial Liabilities

The Company's financial liabilities that are not measured at fair value on a recurring basis consist of its convertible senior notes due 2023 (“Convertible Notes”) and its senior notes due 2029 and 2031 (“2029 Notes” and “2031 Notes,” respectively) that are further described in Note 9.

As of March 31, 2021, the fair values of the Convertible Notes, 2029 Notes and 2031 Notes were $1.3 billion, $510.5 million and $512.8 million, respectively. The fair value of the Convertible Notes as of December 31, 2020 was $1.7 billion. The Convertible Notes, 2029 Notes and 2031 Notes are classified as level 2 financial instruments within the fair value hierarchy.

4. Property and Equipment

Property and equipment consisted of the following:

	As of March 31, 2021	As of December 31, 2020
	(In thousands)	
Capitalized internal-use software development costs	$ 154,117	$ 142,489
Data center equipment [1]	49,627	43,477
Leasehold improvements	70,663	69,756
Office equipment	45,040	35,346
Furniture and fixtures [1]	12,808	12,312
Software	10,218	9,943
Total property and equipment	342,473	313,323
Less: accumulated depreciation and amortization	(146,588)	(130,084)
Total property and equipment, net	$ 195,885	$ 183,239

[1] Data center equipment and furniture and fixtures contain assets under finance leases. See Note 5 for further detail.

Depreciation and amortization expense was $14.4 million and $11.9 million for the three months ended March 31, 2021 and 2020, respectively.

The Company capitalized $15.1 million and $12.0 million in internal-use software development costs in the three months ended March 31, 2021 and 2020, respectively, of which $4.7 million and $3.4 million, respectively, was stock-based compensation expense. Amortization of capitalized software development costs was $4.5 million and $4.6 million in the three months ended March 31, 2021 and 2020, respectively.

5. Right-of-Use Asset and Lease Liabilities

The Company has entered into various operating lease agreements for office space and data centers and finance lease agreements for data center and office equipment and furniture.

As of March 31, 2021, the Company had 24 leased properties with remaining lease terms of 0.1 years to 8.0 years, some of which include options to extend the leases for up to 5.0 years.

The components of the lease expense recorded in the accompanying condensed consolidated statements of operations were as follows:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Operating lease cost	$ 14,873	$ 10,424
Finance lease cost:		
Amortization of assets	2,680	1,904
Interest on lease liabilities	263	198
Short-term lease cost	1,692	1,412
Variable lease cost	2,900	1,296
Total net lease cost	$ 22,408	$ 15,234

Supplemental balance sheet information related to leases was as follows:

Leases	Classification	As of March 31, 2021	As of December 31, 2020
Assets:		(In thousands)	
Operating lease assets	Operating right-of-use asset, net of accumulated amortization [1]	$ 241,328	$ 258,610
Finance lease assets	Property and equipment, net of accumulated depreciation [2]	28,357	25,771
Total leased assets		$ 269,685	$ 284,381
Liabilities:			
Current			
Operating	Operating lease liability, current	$ 46,239	$ 48,338
Finance	Finance lease liability, current	9,389	9,062
Noncurrent			
Operating	Operating lease liability, noncurrent	214,456	229,905
Finance	Finance lease liability, noncurrent	19,933	17,856
Total lease liabilities		$ 290,017	$ 305,161

[1] Operating lease assets are recorded net of accumulated amortization of $65.2 million and $57.1 million as of March 31, 2021 and December 31, 2020, respectively.

[2] Finance lease assets are recorded net of accumulated depreciation of $17.7 million and $15.0 million as of March 31, 2021 and December 31, 2020, respectively.

Supplemental cash flow and other information related to leases was as follows:

	Three Months Ended March 31,	
	2021	2020
Cash paid for amounts included in the measurement of lease liabilities:	(In thousands)	
Operating cash flows from operating leases	$ 14,691	$ 9,953
Operating cash flows from finance leases (interest)	$ 263	$ 198
Financing cash flows from finance leases	$ 2,748	$ 1,881
Weighted average remaining lease term (in years):		
Operating leases	5.9	5.8
Finance leases	3.4	2.9
Weighted average discount rate:		
Operating leases	4.8 %	5.7 %
Finance leases	3.7 %	5.3 %

Maturities of lease liabilities were as follows:

	As of March 31, 2021	
	Operating Leases	Finance Leases
Year Ended December 31,	(In thousands)	
2021 (remaining nine months)	$ 42,698	$ 7,911
2022	57,060	8,987
2023	48,937	8,240
2024	44,373	4,999
2025	32,167	547
Thereafter	75,304	518
Total lease payments	300,539	31,202
Less: imputed interest	(39,844)	(1,880)
Total lease obligations	260,695	29,322
Less: current obligations	(46,239)	(9,389)
Long-term lease obligations	$ 214,456	$ 19,933

As of March 31, 2021, the Company had an additional operating lease obligation totaling $11.0 million for a lease that will commence in the first quarter of 2023 with a lease term of 6.2 years. As of March 31, 2021, the Company had no additional finance leases with future commencement dates.

6. Business Combinations

ValueFirst Digital Media Private Limited

On March 12, 2021, the Company acquired ValueFirst Digital Media Private Limited ("ValueFirst") for a purchase price of $70.2 million paid in cash. ValueFirst is an enterprise communications platform in India.

The acquisition was accounted for as a business combination and the preliminary purchase price was allocated to the net tangible and intangible assets as follows:

	Total
	(In thousands)
Net tangible assets	$ 9,756
Intangible assets [1]	30,300
Deferred tax liability	(6,179)
Goodwill	36,356
Total preliminary purchase price	$ 70,233

[1] Identifiable intangible assets were comprised of the following:

	Total	Estimated life
	(In thousands)	(In years)
Developed technology	$ 6,700	7
Customer relationships	11,200	7
Carrier relationships	7,700	5
Trademark and trade name	4,700	5
Total intangible assets acquired	$ 30,300	

The acquired entity's results of operations were included in the Company's condensed consolidated financial statements from the date of the acquisition. Pro forma results of operations for this acquisition are not presented as the financial impact to the Company's consolidated financial statements is not material.

As of March 31, 2021, the areas not yet finalized due to information that may become available subsequent to the filing of this Quarterly Report on Form 10-Q and may result in changes in the values recorded at March 31, 2021, relate to the purchase price, valuation of acquired intangible assets, contingencies and income and other taxes.

During the three months ended March 31, 2021, the Company incurred $1.3 million of costs related to this acquisition, which were expensed as incurred and recorded in general and administrative expenses in the accompanying condensed consolidated statement of operations.

7. Goodwill and Intangible Assets

Goodwill

The Goodwill balance as of March 31, 2021 and December 31, 2020, was as follows:

	Total
	(In thousands)
Balance as of December 31, 2020	$ 4,595,394
Goodwill additions and adjustments	39,783
Balance as of March 31, 2021	$ 4,635,177

Intangible assets

Intangible assets consisted of the following:

	As of March 31, 2021		
	Gross	Accumulated Amortization	Net
Amortizable intangible assets:		(In thousands)	
Developed technology	$ 731,311	$ (139,293)	$ 592,018
Customer relationships	390,564	(74,466)	316,098
Supplier relationships	12,071	(3,461)	8,610
Trade names	30,268	(9,252)	21,016
Order backlog	10,000	(4,167)	5,833
Patent	3,503	(409)	3,094
Total amortizable intangible assets	1,177,717	(231,048)	946,669
Non-amortizable intangible assets:			
Telecommunication licenses	4,920	—	4,920
Trademarks and other	295	—	295
Total	$ 1,182,932	$ (231,048)	$ 951,884

	As of December 31, 2020		
	Gross	Accumulated Amortization	Net
Amortizable intangible assets:		(In thousands)	
Developed technology	$ 724,599	$ (113,282)	$ 611,317
Customer relationships	379,344	(59,574)	319,770
Supplier relationships	4,356	(3,044)	1,312
Trade name	25,560	(7,921)	17,639
Order backlog	10,000	(1,667)	8,333
Patent	3,360	(373)	2,987
Total amortizable intangible assets	1,147,219	(185,861)	961,358
Non-amortizable intangible assets:			
Telecommunication licenses	4,920	—	4,920
Trademarks and other	295	—	295
Total	$ 1,152,434	$ (185,861)	$ 966,573

Amortization expense was $45.2 million and $20.3 million for the three months ended March 31, 2021 and 2020, respectively.

Total estimated future amortization expense is as follows:

	As of March 31, 2021
Year Ended December 31,	(In thousands)
2021 (remaining nine months)	$ 136,983
2022	172,264
2023	168,954
2024	163,380
2025	161,067
Thereafter	144,021
Total	$ 946,669

8. Accrued Expenses and Other Liabilities

Accrued expenses and other current liabilities consisted of the following:

	As of March 31, 2021	As of December 31, 2020
	(In thousands)	
Accrued payroll and related	$ 55,713	$ 54,683
Accrued bonus and commission	18,582	25,341
Accrued cost of revenue	88,882	80,620
Sales and other taxes payable	51,069	48,390
ESPP contributions	16,202	6,272
Finance lease liability, current	9,389	9,062
Accrued other expense	53,821	28,527
Total accrued expenses and other current liabilities	$ 293,658	$ 252,895

Other long-term liabilities consisted of the following:

	As of March 31, 2021	As of December 31, 2020
	(In thousands)	
Deferred tax liability	$ 19,031	$ 13,684
Acquisition holdback	8,751	8,800
Accrued other expenses	14,842	14,149
Total other long-term liabilities	$ 42,624	$ 36,633

9. Notes Payable

Long-term debt consisted of the following:

	As of March 31, 2021	As of December 31, 2020
	(In thousands)	
2029 Senior Notes [1]		
Principal	$ 500,000	$ —
Unamortized discount	(6,209)	—
Unamortized issuance costs	(1,213)	—
Net carrying amount	492,578	—
2031 Senior Notes [1]		
Principal	500,000	—
Unamortized discount	(6,219)	—
Unamortized issuance costs	(1,216)	—
Net carrying amount	492,565	—
Convertible Senior Notes [2]		
Principal	261,570	343,702
Unamortized discount	(26,455)	(38,406)
Unamortized issuance costs	(2,210)	(3,228)
Net carrying amount	232,905	302,068
Total long-term debt	$ 1,218,048	$ 302,068

[1] 2029 and 2031 Senior Notes

In March 2021, the Company issued $1.0 billion 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”). Initially, none of the Company's subsidiaries guaranteed the Notes. However, under certain circumstances in the future the Notes can be guaranteed by each of the Company's material domestic subsidiaries. The 2029 Notes and 2031 Notes will mature on March 15, 2029, and March 15, 2031, respectively. Interest payments are payable semi-annually in arrears on March 15 and September 15 of each year, commencing on September 15, 2021.

The aggregate net proceeds from offering of the Notes were approximately $985.1 million, after deducting underwriting discounts and issuance costs, paid and payable by the Company. The issuance costs of $2.4 million will be amortized into interest expense using the effective interest method over the term of the Notes.

The Company may voluntarily redeem the 2029 Notes, in whole or in part, under the following circumstances:

(1) at any time prior to March 15, 2024 with the net cash proceeds received by the Company from an equity offering at a redemption price equal to 103.625% of the principal amount, provided the aggregate principal amount of all such redemptions does not exceed 40% of the original aggregate principal amount of the 2029 Notes. Such redemption shall occur within 180 days after the closing of an equity offering and at least 50% of the then-outstanding aggregate principal amount of the 2029 Notes shall remain outstanding, unless all 2029 Notes are redeemed concurrently;

(2) at any time prior to March 15, 2024 at 100% of the principal amount, plus a “make-whole” premium;

(3) at any time on or after March 15, 2024 at a prepayment price equal to 101.813% of the principal amount;

(4) at any time on or after March 15, 2025 at a prepayment price equal to 100.906% of the principal amount; and

(5) at any time on or after March 15, 2026 at a prepayment price equal to 100.000% of the principal amount;

in each case, the redemption will include the accrued and unpaid interest, as applicable.

The Company may voluntarily redeem the 2031 Notes, in whole or in part, under the following circumstances:

(1) at any time prior to March 15, 2024 with the net cash proceeds received by the Company from an equity offering at a redemption price equal to 103.875% of the principal amount, provided the aggregate principal amount of all such redemptions does not to exceed 40% of the original aggregate principal amount of the 2031 Notes. Such redemption shall occur within 180 days after the closing of an equity offering and at least 50% of the then-outstanding aggregate principal amount of the 2031 Notes shall remain outstanding, unless all 2031 Notes are redeemed concurrently;

(2) at any time prior to March 15, 2026 at 100% of the principal amount, plus a “make-whole” premium;

(3) at any time on or after March 15, 2026 at a prepayment price equal to 101.938% of the principal amount;

(4) at any time on or after March 15, 2027 at a prepayment price equal to 101.292% of the principal amount;

(5) at any time on or after March 15, 2028 at a prepayment price equal to 100.646% of the principal amount; and

(6) at any time on or after March 15, 2029 at a prepayment price equal to 100.000% of the principal amount;

in each case, the redemption will include accrued and unpaid interest, as applicable.

The Notes are unsecured obligations and will rank senior in right of payment to any of the Company’s indebtedness that is expressly subordinated in right of payment to the Notes that the Company may incur in the future and equal in right of payment with the Company’s existing and future liabilities that are not subordinated.

In certain circumstances involving a change of control event, the Company will be required to make an offer to repurchase all, or, at the holder's option, any part, of each holder's notes of that series at 101% of the aggregate principal amount, plus accrued and unpaid interest, as applicable.

The indenture governing the Notes (the “Indenture”) contains covenants limiting the Company's ability and the ability of its subsidiaries to: (i) create liens on certain assets to secure debt; (ii) grant a subsidiary guarantee of certain debt without also providing a guarantee of the Notes; and (iii) consolidate or merge with or into, or sell or otherwise dispose of all or substantially all of its assets to another person. These covenants are subject to a number of limitations and exceptions. Certain of these covenants will not apply during any period in which the Notes are rated investment grade by either Moody's Investors Service, Inc. or Standard & Poor's Ratings Services.

For the three months ended March 31, 2021, the interest expense recognized related to the 2029 Notes and 2031 Notes was as follows:

	2029 Notes	2031 Notes
	(In thousands)	
Contractual interest expense	$ 1,120	$ 1,197
Amortization of debt discount and issuance costs	49	37
Total interest expense	$ 1,169	$ 1,234

As of March 31, 2021, the Company was in compliance with all of its financial covenants under the Indenture.

(2) Convertible Senior Notes and Capped Call Transactions

In May 2018, the Company issued $550.0 million aggregate principal amount of 0.25% convertible senior notes due 2023 in a private placement, including $75.0 million aggregate principal amount of such Notes pursuant to the exercise in full of the over-allotment options of the initial purchasers (collectively, the "Convertible Notes"). The interest on the Convertible Notes is payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2018.

The Convertible Notes may bear special interest under specified circumstances relating to the Company's failure to comply with its reporting obligations under the indenture relating to the issuance of Convertible Notes (the "Convertible Notes Indenture") or if the Convertible Notes are not freely tradeable as required by the Convertible Notes Indenture. The Convertible Notes will mature on June 1, 2023, unless earlier repurchased or redeemed by the Company or converted pursuant to their terms. The total net proceeds from the debt offering, after deducting initial purchaser discounts and debt issuance costs paid by us were approximately $537.0 million.

Each $1,000 principal amount of the Convertible Notes is initially convertible into 14.104 shares of the Company's Class A common stock par value $0.001, which is equivalent to an initial conversion price of approximately $70.90 per share. The conversion rate is subject to adjustment upon the occurrence of certain specified events but will not be adjusted for any accrued and unpaid special interest. In addition, upon the occurrence of a make-whole fundamental change, as defined in the Convertible Notes Indenture, the Company will, in certain circumstances, increase the conversion rate by a number of additional shares for a holder that elects to convert its Convertible Notes in connection with such make-whole fundamental change or during the relevant redemption period.

Prior to the close of business on the business day immediately preceding March 1, 2023, the Convertible Notes may be convertible at the option of the holders only under the following circumstances:

(1) during any calendar quarter commencing after September 30, 2018, and only during such calendar quarter, if the last reported sale price of the Class A common stock for at least 20 trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is more than or equal to 130% of the conversion price on each applicable trading day;

(2) during the five business days period after any five consecutive trading day period in which, for each trading day of that period, the trading price per $1,000 principal amount of Convertible Notes for such trading day was less than 98% of the product of the last reported sale price of the Class A common stock and the conversion rate on each such trading day;

(3) upon the Company's notice that it is redeeming any or all of the Convertible Notes; or

(4) upon the occurrence of specified corporate events.

On or after March 1, 2023, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders of the Convertible Notes may, at their option, convert all or a portion of their Convertible Notes regardless of the foregoing conditions.

Upon conversion, the Company may pay or deliver, as the case may be, cash, shares of Class A common stock, or a combination of cash and shares of Class A common stock, at the Company's election. It is the Company's current intent to settle the principal amount of the Convertible Notes in shares of Class A common stock if a conversion were to occur.

During the three months ended March 31, 2021, the conditional conversion feature of the Convertible Notes was triggered as the last reported sale price of the Company's Class A common stock was more than or equal to 130% of the conversion price for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on March 31, 2021 (the last trading day of the calendar quarter), and therefore the Convertible Notes are currently convertible, in whole or in part, at the option of the holders between April 1, 2021 through June 30, 2021. Whether the Convertible Notes will be convertible following such period will depend on the continued satisfaction of this condition or another conversion condition in the future. The Company continues to classify the Convertible Notes as a long-term liability in its condensed consolidated balance sheet as of March 31, 2021, based on contractual settlement provisions. The Company may redeem the Convertible Notes, in whole or in part, at its option, on or after June 1, 2021 but before the 35th scheduled trading day before the maturity date, at a cash redemption price equal to 100% of the principal amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest, if any, if the last reported sale price of the Class A common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading days ending on, and including, the trading day immediately before the date the redemption notices were sent; and the trading day immediately before such notices were sent.

No sinking fund is provided for the Convertible Notes. Upon the occurrence of a fundamental change (as defined in the Convertible Notes Indenture) prior to the maturity date, holders may require the Company to repurchase all or a portion of the Convertible Notes for cash at a price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the fundamental change repurchase date.

The Convertible Notes are senior unsecured obligations and will rank senior in right of payment to any of the Company’s indebtedness that is expressly subordinated in right of payment to the Convertible Notes; equal in right of payment with the Company’s existing and future liabilities that are not so subordinated; effectively subordinated to any of the Company’s secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of current or future subsidiaries of the Company.

The foregoing description is qualified in its entirety by reference to the text of the Convertible Notes Indenture and the form of 0.25% convertible senior notes due 2023, which were filed as exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018 and are incorporated herein by reference.

In accounting for the issuance of the Convertible Notes, the Company separated the Convertible Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was $119.4 million and was determined by deducting the fair value of the liability component from the par value of the Convertible Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, is amortized to interest expense at an annual effective interest rate of 5.7% over the contractual terms of the Convertible Notes.

In accounting for the transaction costs related to the Convertible Notes, the Company allocated the total amount incurred to the liability and equity components of the Convertible Notes based on the proportion of the proceeds allocated to the debt and equity components. Issuance costs attributable to the liability component were approximately $10.2 million, were recorded as an additional debt discount and are amortized to interest expense using the effective interest method over the contractual terms of the Convertible Notes. Issuance costs attributable to the equity component were netted with the equity component in stockholders’ equity.

In the three months ended March 31, 2021, the Company converted $82.1 million aggregate principal amount of the Convertible Notes by issuing 1,158,381 shares of its Class A common stock. Of the $422.7 million total value of these transactions, $342.7 million and $80.1 million were allocated to the equity and liability components, respectively, utilizing an effective interest rate to determine the fair value of the liability component. The selected interest rate reflects the Company's incremental borrowing rate, adjusted for the Company's credit standing on nonconvertible debt with similar maturity. The extinguishment of these Convertible Notes resulted in a $7.6 million loss that is included in other expenses, net, in the accompanying condensed consolidated statement of operations.

The net carrying amount of the equity component of the Convertible Notes was as follows:

	As of March 31, 2021	As of December 31, 2020
	(In thousands)	
Proceeds allocated to the conversion options (debt discount)	$ 56,801	$ 74,636
Issuance costs	(2,819)	(2,819)
Net carrying amount	$ 53,982	$ 71,817

The following table sets forth the interest expense recognized related to the Convertible Notes:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Contractual interest expense	$ 170	$ 344
Amortization of debt issuance costs	259	484
Amortization of debt discount	3,028	5,694
Total interest expense	$ 3,457	$ 6,522

In connection with the offering of the Convertible Notes, the Company entered into privately negotiated capped call transactions with certain counterparties (the “capped calls”). The capped calls each have an initial strike price of approximately $70.90 per share, subject to certain adjustments, which corresponds to the initial conversion price of the Convertible Notes. The capped calls have initial cap prices of $105.04 per share, subject to certain adjustments. The capped calls cover, subject to anti-dilution adjustments, approximately 7,757,200 shares of Class A common stock. The capped calls are generally intended to reduce or offset the potential dilution to the Class A common stock upon any conversion of the Convertible Notes with such reduction or offset, as the case may be, subject to a cap based on the cap price. The capped calls expire on the earlier of (i) the last day on which any convertible securities remain outstanding and (ii) June 1, 2023, subject to earlier exercise. The capped calls are subject to either adjustment or termination upon the occurrence of specified extraordinary events affecting the Company, including a merger event, a tender offer, and a nationalization, insolvency or delisting involving the Company. In addition, the capped calls are subject to certain specified additional disruption events that may give rise to a termination of the capped calls, including changes in law, insolvency filings, and hedging disruptions. The capped call transactions are recorded in stockholders’ equity and are not accounted for as derivatives. The net cost of $58.5 million incurred to purchase the capped call transactions was recorded as a reduction to additional paid-in capital in the accompanying condensed consolidated balance sheets.

10. Supplemental Balance Sheet Information

A roll-forward of the Company’s reserves is as follows:

(a) Allowance for doubtful accounts:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Balance, beginning of period	$ 12,046	$ 6,287
Additions	3,381	4,261
Write-offs	(2,036)	(1,463)
Balance, end of period	$ 13,391	$ 9,085
Percentage of revenue	2 %	2 %

(b) Customer credit reserve:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Balance, beginning of period	$ 16,783	$ 6,784
Additions	15,466	8,174
Deductions against reserve	(14,998)	(5,271)
Balance, end of period	$ 17,251	$ 9,687
Percentage of revenue	3 %	3 %

11. Revenue by Geographic Area

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

	Three Months Ended March 31,	
	2021	2020
Revenue by geographic area:	(In thousands)	
United States	$ 421,531	$ 261,813
International	168,457	103,055
Total	$ 589,988	$ 364,868
Percentage of revenue by geographic area:		
United States	71 %	72 %
International	29 %	28 %

Long-lived assets outside of the United States were not significant.

12. Commitments and Contingencies

(a) Lease and Other Commitments

The Company entered into various non-cancelable operating lease agreements for its facilities with remaining lease terms from less than one year to eight years. See Note 5 to these condensed consolidated financial statements for additional detail on the Company's operating and finance lease commitments.

Additionally, the Company has noncancellable contractual commitments with its cloud infrastructure provider, network service providers and other vendors. In the three months ended March 31, 2021, the Company entered into several such agreements with terms up to three years for a total purchase commitment of $426.9 million.

In February 2021, the Company entered into a Framework Agreement with Syniverse Corporation (“Syniverse”) and Carlyle Partners V Holdings, L.P. (“Carlyle”) (the “Framework Agreement”), pursuant to which Syniverse will issue to the Company shares of Syniverse common stock in consideration for an investment by the Company of up to $750.0 million. In connection with the closing of the investment, the Company and Syniverse will enter into a wholesale agreement, in which Syniverse will process, route and deliver application-to-person messages originating and/or terminating between the Company's customers and mobile network operators. The investment is expected to result in the Company holding a significant minority equity ownership position in Syniverse, subject to certain adjustments based on the terms of the final agreement. This proposed transaction closing is subject to consummation of certain other transactions by Syniverse, as defined in the Framework Agreement, and other customary closing conditions, including regulatory approvals. The closing is expected to occur before the end of 2021. As of March 31, 2021, the Company has deferred $3.3 million of costs related to this proposed transaction that are recorded in prepaid expenses and other current assets in the accompanying condensed consolidated balance sheet.

(b) Legal Matters

From time to time, the Company may be subject to legal actions and claims in the ordinary course of business. The Company has received, and may in the future continue to receive, claims from third parties asserting, among other things, infringement of their intellectual property rights. Future litigation may be necessary to defend the Company, its partners and its customers by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. 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.

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 condensed consolidated statements of operations.

(c) Indemnification Agreements

The Company has signed indemnification agreements with all of its board members and executive officers. The agreements indemnify the board members and executive officers from claims and expenses on actions brought against the individuals separately or jointly with the Company for certain indemnifiable events. Indemnifiable events generally mean any event or occurrence related to the fact that the board member or the executive officer was or is acting in his or her capacity as a board member or an executive officer for the Company or was or is acting or representing the interests of the Company.

In the ordinary course of business and in connection with our financing and business combinations 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 various products, or its acts or omissions. In these circumstances, payment may be conditional on the other party making a claim pursuant to the procedures specified in the particular contract. Further, the Company’s obligations under these agreements may be limited in terms of time and/or amount, and in some instances, the Company may have recourse against third parties for certain payments. The terms of such obligations may vary.

As of March 31, 2021 and December 31, 2020, 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. Prior to March 2017, the Company had not billed nor collected these taxes from its customers and, in accordance with U.S. GAAP, recorded a provision for its tax exposure in these jurisdictions when it was both probable that a liability had been incurred and the amount of the exposure could be reasonably estimated. These estimates included several key assumptions including, but not limited to, the taxability of the Company’s services, the jurisdictions in which its management believes it had nexus, and the sourcing of revenues to those jurisdictions. Starting in March 2017, the Company began collecting these taxes from customers in certain jurisdictions and since then has expanded to collect taxes in most jurisdictions where the Company operates. The Company is also in discussions with certain jurisdictions regarding its prior sales and other taxes, if any, that it may owe. In the event any of these jurisdictions disagrees with management’s assumptions and analysis, the assessment of the Company's tax exposure could differ materially from management's current estimates. For example, one jurisdiction has assessed the Company for $38.8 million in taxes, including interest and penalties, which exceeded the $11.5 million the Company had accrued for the period covered by this assessment. The Company believes that this assessment is incorrect and has disputed it, paid the full amount as required by law, and is seeking a refund or settlement. The payment made in excess of the accrued amount is reflected as a deposit in the Company's accompanying condensed consolidated balance sheets. If a reasonable settlement cannot be reached in the near future, the Company will challenge the jurisdiction’s assessment in court. However, litigation is uncertain and a ruling against the Company may adversely affect its financial position and results of operation.

As of March 31, 2021 and December 31, 2020, the liability recorded for these taxes was $26.6 million and $25.6 million, respectively.

13. Stockholders' Equity

Preferred Stock

As of March 31, 2021 and December 31, 2020, the Company had authorized 100,000,000 shares of preferred stock, par value $0.001, of which no shares were issued and outstanding.

Common Stock

As of March 31, 2021 and December 31, 2020, the Company had authorized 1,000,000,000 shares of Class A common stock and 100,000,000 shares of Class B common stock, each par value $0.001 per share. As of March 31, 2021, 160,588,258 shares of Class A common stock and 10,343,302 shares of Class B common stock were issued and outstanding. As of December 31, 2020, 153,496,222 shares of Class A common stock and 10,551,302 shares of Class B common stock were issued and outstanding. Holders of Class A and Class B common stock are entitled to one vote per share and 10 votes per share, respectively, and the shares of Class A common stock and Class B common stock are identical, except for voting and conversion rights.

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

	As of March 31, 2021	As of December 31, 2020
Stock options issued and outstanding	5,216,385	5,625,735
Unvested restricted stock units issued and outstanding	6,758,222	7,523,882
Class A common stock reserved for Twilio.org	685,163	707,265
Stock-based awards available for grant under 2016 Plan	26,871,942	18,942,205
Stock-based awards available for grant under 2016 ESPP	6,581,756	4,941,281
Class A common stock reserved for the convertible senior notes	6,411,350	7,569,731
Total	52,524,818	45,310,099

Public Equity Offerings

In February 2021, the Company completed public equity offerings in which it sold 4,312,500 shares of its Class A common stock at a public offering price of $409.60 per share. The Company received total proceeds of $1.8 billion, net of offering expenses paid and payable by the Company.

14. Stock-Based Compensation

The Company's 2016 Stock Option and Incentive Plan (the "2016 Plan") provides for granting stock options, restricted stock units ("RSU"), restricted stock awards ("RSA"), stock appreciation rights, unrestricted stock awards, performance share awards, dividend equivalent rights and cash-based awards 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.

The Company also offers an Employee Stock Purchase Plan ("ESPP") to eligible employees. The ESPP provides for separate six-month offering periods beginning in May and November of each year.

On January 1, 2021, the shares available for grant under the 2016 Plan and ESPP were automatically increased by 8,202,376 shares and 1,640,475 shares, respectively.

Stock-options and restricted stock units and awards activity under the Company's equity incentive plans was as follows:

Stock Options

	Number of options outstanding	Weighted-average exercise price (Per share)	Weighted-average remaining contractual term (In years)	Aggregate intrinsic value (In thousands)
Outstanding options as of December 31, 2020	5,070,735	$ 51.71	6.85	$ 1,454,222
Granted	108,429	378.11		
Exercised	(459,379)	25.17		
Forfeited and canceled	(58,400)	62.63		
Outstanding options as of March 31, 2021	4,661,385	$ 61.78	6.67	$ 1,304,466
Options vested and exercisable as of March 31, 2021	2,609,089	$ 26.89	5.35	$ 818,926

	Three Months Ended March 31,	
	2021	2020
	(In thousands, except per share amounts)	
Aggregate intrinsic value of stock options exercised [1]	$ 165,559	$ 68,359
Total estimated grant date fair value of options vested	$ 31,979	$ 23,335
Weighted-average grant date fair value per share of options granted	$ 205.36	$ 60.47

[1] Aggregate intrinsic value represents the difference between the fair value of the Company's Class A common stock as reported on the New York Stock Exchange and the exercise price of outstanding "in-the-money" options.

Additionally, as of March 31, 2021, the Company had outstanding 555,000 shares of performance-based stock options with a weighted average exercise price of $31.72, of which 543,437 were vested and exercisable. All performance conditions have been met.

Restricted Stock Units and Awards

	Number of awards outstanding	Weighted-average grant date fair value (Per share)	Aggregate intrinsic value (In thousands)
Unvested RSUs as of December 31, 2020	7,523,882	$ 131.76	$ 2,542,858
Granted	314,291	389.26	
Vested	(919,022)	84.12	
Forfeited and canceled	(160,929)	124.66	
Unvested RSUs as of March 31, 2021	6,758,222	$ 150.39	$ 2,302,932

Additionally, as of March 31, 2021, the Company granted 24,697 shares of RSAs with a weighted average grant date fair value of $359.80 per share and aggregate intrinsic value of $8.9 million.

As of March 31, 2021, the Company had 258,554 shares of its Class A common stock in escrow that are subject to future vesting over a period of 2.5 years with a weighted average grant date fair value of $273.38 per share and aggregate intrinsic value of $88.1 million.

As of March 31, 2021, total unrecognized compensation cost was as follows:

	Unrecognized Compensation Cost	Weighted-average remaining period
	(In thousands)	(In years)
Unvested stock options	$ 225,119	2.4
Unvested restricted stock units and awards	923,508	2.9
Class A shares in escrow subject to future vesting	58,889	2.5
ESPP	2,119	0.1
Total	$ 1,209,635	

Valuation Assumptions

The fair value of employee stock options was estimated on the date of grant using the following assumptions in the Black-Scholes option pricing model:

	Three Months Ended March 31,	
Employee Stock Options:	**2021**	**2020**
Fair value of common stock	$377.6 - $409.2	$117.9 - $126.7
Expected term (in years)	6.08	6.08
Expected volatility	58.3% - 58.4%	51.9%
Risk-free interest rate	0.8% - 1.0%	1.3% - 1.4%
Dividend rate	—%	—%

Stock-Based Compensation Expense

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

	Three Months Ended March 31,	
	2021	**2020**
	(In thousands)	
Cost of revenue	$ 2,717	$ 1,837
Research and development	56,959	33,209
Sales and marketing	41,636	19,943
General and administrative	35,843	14,036
Total	$ 137,155	$ 69,025

15. Net Loss Per Share Attributable to Common Stockholders

Basic and diluted net loss per common share is presented in conformity with the two-class method required for participating securities and is described in detail in the Company's Annual Report.

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

	Three Months Ended March 31,	
	2021	2020
Net loss attributable to common stockholders (in thousands)	$ (206,542)	$ (94,791)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	167,160,458	139,231,594
Net loss per share attributable to common stockholders, basic and diluted	$ (1.24)	$ (0.68)

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

	As of March 31,	
	2021	2020
Stock options issued and outstanding	5,216,385	7,492,970
Restricted stock units issued and outstanding	6,758,222	8,039,823
Class A common stock reserved for Twilio.org	685,163	773,571
Class A common stock committed under 2016 ESPP	101,030	212,028
Convertible senior notes [(1)]	3,689,177	2,747,996
Class A common stock in escrow	75,612	—
Class A common stock in escrow and restricted stock awards subject to future vesting	289,618	—
Total	16,815,207	19,266,388

[(1)] Since, effective with the fourth quarter 2020, the Company expects to settle the principal amount of its outstanding convertible senior notes in shares of the Company's Class A common stock, as of March 31, 2021, the Company used the if-converted method for calculating any potential dilutive effect of the debt settlement on diluted net income per share, if applicable. Prior to the fourth quarter 2020, the Company expected to settle the principal amount of its outstanding convertible senior notes in cash and any excess in shares of the Company's Class A common stock. Hence, as of March 31, 2020, the Company used the treasury stock method for calculating any potential dilutive effect of the conversion spread on diluted net income per share, if applicable. The conversion spread has a dilutive impact on diluted net income per share of Class A common stock when the average market price of the Company's Class A common stock for a given period exceeds the conversion price of $70.90 per share for the Convertible Notes. The conversion spread is calculated using the average market price of Class A common stock during the period, consistent with the treasury stock method.

16. Income Taxes

The Company computes its provision for interim periods by applying an estimated annual effective tax rate to 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. The Company recorded an income tax provision of $0.9 million and $1.0 million for the three months ended March 31, 2021 and 2020, respectively.

The provision for income taxes recorded in the three months ended March 31, 2021 and 2020 consists primarily of income taxes and withholding taxes in foreign jurisdictions in which the Company conducts business, partially offset by an income tax benefit from the reversal of U.S. deferred tax liabilities related to acquired intangibles from prior year business combinations. The primary difference between the effective tax rate and the federal statutory rate is the full valuation allowance the Company established on the federal, state, and certain foreign net operating losses and credits. The Company continues to maintain a full valuation allowance against its U.S. federal and state net deferred tax assets.

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 condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. 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 are the leader in the cloud communications platform category. We enable developers to build, scale and operate real-time customer engagement within their software applications.

We offer a customer engagement platform with software designed to address specific use cases like account security and contact centers, and a set of Application Programming Interfaces ("APIs") that handles the higher level communication logic needed for nearly every type of customer engagement. These APIs are focused on the business challenges that a developer is looking to address, allowing our customers to more quickly and easily build better ways to engage with their customers throughout their journey. We also offer a set of APIs that enable developers to embed voice, messaging, video and email capabilities into their applications, and are designed to support almost all the fundamental ways humans communicate, unlocking innovators to address just about any communication market. The Super Network is our software layer that allows our customers' software to communicate with connected devices globally. It interconnects with communications networks and inbox service providers around the world and continually analyzes data to optimize the quality and cost of communications that flow through our platform. The Super Network also contains a set of APIs giving our customers access to more foundational components of our platform, like phone numbers.

Our customers' applications are able to reach users via voice, messaging, video and email in nearly every country in the world by utilizing our platform. We support our global business through over 25 cloud data centers across more than seven regions around the world and have developed contractual relationships with network service providers globally.

Our business model is primarily focused on reaching and serving the needs of software developers, who we believe are becoming increasingly influential in technology decisions in a wide variety of companies. We call this approach our Business Model for Innovators, which empowers developers by reducing friction and upfront costs, encouraging experimentation, and enabling developers to grow as customers as their ideas succeed. We established and maintain our leadership position by engaging directly with, and cultivating, our developer community, which has led to the rapid adoption of our platform. We reach developers through community events and conferences, including our SIGNAL customer and developer conference, to demonstrate how every developer can create differentiated applications incorporating communications using our products.

Once developers are introduced to our platform, we provide them with a low friction trial experience. By accessing our easy-to-adopt APIs, extensive self-service documentation and customer support team, developers build our products into their applications and then test such applications through free trial periods that we provide. Once they have decided to use our products beyond the initial free trial period, customers provide their credit card information and only pay for the actual usage of our products. As customers' use of our products grows larger, some enter into negotiated contracts with terms that dictate pricing, and typically include some level of minimum revenue commitments. Historically, we have acquired the substantial majority of our customers through this self-service model. As customers expand their usage of our platform, our relationships with them often evolve to include business leaders within their organizations. Once our customers reach a certain spending level with us, we support them with account executives or customer success advocates within our sales organization to ensure their satisfaction and expand their usage of our products.

We also supplement our self-service model with a sales effort aimed at engaging larger potential customers and existing customers through a direct sales approach. To help increase our awareness in the enterprise, we have expanded our marketing efforts through programs like our Twilio Engage roadshow, where we seek to bring business leaders and developers together to discuss the future of customer engagement. We have developed products to support this effort as well, like the Twilio Enterprise Plan, which provides capabilities for advanced security, access management and granular administration. Our sales organization targets technical leaders and business leaders who are seeking to leverage software to drive competitive differentiation. As we educate these leaders on the benefits of developing applications incorporating our products to differentiate their business, they often consult with their developers regarding implementation. We believe that developers are often advocates for our products as a result of our developer-focused approach. Our sales organization includes sales development, inside sales, field sales and sales engineering personnel.

When potential customers do not have the available developer resources to build their own applications, we refer them to either our technology partners who embed our products in the solutions that they sell to other businesses (such as contact centers and sales force and marketing automation), or our consulting partners who provide consulting and development services for organizations that have limited software development expertise to build our platform into their software applications.

We generate the substantial majority of our revenue from customers based on their usage of our software products that they have incorporated into their applications. Our Flex contact center platform is generally offered on a per user, per month basis or on a usage basis per agent hour. In addition, our email API is offered on a monthly subscription basis and our Marketing Campaigns product is priced based on the number of email contacts stored on our platform and the number of monthly emails sent to those contacts through our Email API. Also, customers using our Programmable Messaging or Programmable Voice APIs typically purchase one or more telephone numbers from us, for which we charge a monthly flat fee per number. Some customers also choose to purchase various levels of premium customer support for a monthly fee. Customers that register in our self-service model typically pay upfront via credit card and draw down their balance as they purchase or use our products. Most of our customers draw down their balance in the same month they pay up front or are charged on a monthly subscription basis for our email-related products. As a result, our deferred revenue and customer deposits liability at any particular time is not a meaningful indicator of future revenue. As our customers' usage grows, some of our customers enter into contracts and are invoiced monthly in arrears. Most of these customer contracts have terms of approximately 12 months and typically include some level of minimum revenue commitment. Most customers with minimum revenue commitment contracts generate a significant amount of revenue in excess of their minimum revenue commitment in any period. Historically, the aggregate minimum commitment revenue from customers with whom we have contracts has constituted a minority of our revenue in any period, and we expect this to continue in the future.

Our developer-focused products are delivered to customers and users through our Super Network, which uses software to optimize communications on our platform. We interconnect with communications networks and inbox service providers globally to deliver our products, and therefore we have arrangements with network service providers in many regions in the world. Historically, a substantial majority of our cost of revenue has been network service provider fees. We continue to optimize our network service provider coverage and connectivity through continuous improvements in routing and sourcing in order to lower the usage expenses we incur for network service provider fees. As we benefit from our platform optimization efforts, we sometimes pass these savings on to customers in the form of lower usage prices on our products in an effort to drive increased usage and expand the reach and scale of our platform. In the near term, we intend to operate our business to expand the reach and scale of our platform and to grow our revenue, rather than to maximize our gross margins.

We have achieved significant growth in recent periods. In the three months ended March 31, 2021 and 2020, our revenue was $590.0 million and $364.9 million, respectively, and our net loss was $206.5 million and $94.8 million, respectively. In the three months ended March 31, 2021 and 2020, our 10 largest Active Customer Accounts generated an aggregate of 12% and 15% of our total revenue, respectively.

Investment in Syniverse Corporation

In February 2021, we entered into a Framework Agreement with Syniverse Corporation ("Syniverse") and Carlyle Partners V Holdings, L.P. ("Carlyle") (the "Framework Agreement"), pursuant to which Syniverse will issue to us shares of Syniverse common stock in consideration for an investment by us of up to $750.0 million. In connection with the closing of the investment, we and Syniverse will enter into a wholesale agreement, in which Syniverse will process, route and deliver application-to-person messages originating and/or terminating between our customers and mobile network operators. The investment is expected to result in us holding a significant minority equity ownership position in Syniverse, subject to certain adjustments based on the terms of the final agreement. This proposed transaction closing is subject to consummation of certain other transactions by Syniverse, as defined in the Framework Agreement, and other customary closing conditions, including regulatory approvals. The closing is expected to occur before the end of 2021.

Acquisition of ValueFirst Digital Media Private Limited

On March 12, 2021, we acquired ValueFirst Digital Media Private Limited, an enterprise communications platform in India, for a purchase price of $70.2 million paid in cash. Refer to Note 6 of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further details related to this acquisition.

Public Equity Offering

In February 2021, we completed a public equity offering in which we sold 4,312,500 shares of our Class A common stock at a public offering price of $409.60 per share. We received aggregate proceeds of $1.8 billion after deducting offering expenses paid and payable by us.

Issuance of 2029 and 2031 Senior Notes

In March 2021, we issued and sold $1.0 billion 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 net proceeds from the debt offering of the Notes were approximately $985.1 million, after deducting underwriting discounts and issuance costs paid and payable by us. Refer to Note 9 of our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for further details related to these transactions.

COVID-19 UPDATE

A novel coronavirus disease ("COVID-19") was declared a global pandemic during the first quarter of 2020 and has resulted in the imposition of numerous, unprecedented, national and international measures to try to contain the virus, including travel bans and restrictions, shutdowns, quarantines, shelter-in-place and social distancing orders. To prioritize the health and safety of our employees, customers and our community at large, we have either cancelled or shifted other planned events to virtual-only experiences and may determine to alter, postpone or cancel additional customer, employee or industry events in the future. Since mid-March 2020, we have also taken several precautionary measures to protect our employees and contingent workers and help minimize the spread of the virus, including temporarily closing our worldwide offices, requiring all employees and contingent workers to work from home and suspending all business travel worldwide for our employees for the time being.

The broader implications of COVID-19 on our results of operations and overall financial performance remain uncertain. The COVID-19 pandemic and its adverse effects have been prevalent in the locations where we, our customers, suppliers or third-party business partners conduct business. In the three months ended March 31, 2021, we experienced stable or increased usage in industries most impacted by COVID-19, including travel, hospitality, and ridesharing, among others. We acknowledge that there may be additional impacts to the economy and our business as a result of COVID-19. We expect that there may be some volatility in customer demand and buying habits as the pandemic continues, and we may experience constrained supply or curtailed customer demand that could materially and adversely impact our business, results of operations and financial performance in future periods. Specifically, we may experience impact from delayed sales cycles, including customers and prospective customers delaying contract signing or contract renewals, or reducing budgets or minimum commitments related to the products and services that we offer and changes to consumer behavior that may affect customers who use our products and service for confirmations, notifications, and other use cases. While we are continuing our recruiting efforts, it is possible that the pace of our hiring may slow during the COVID-19 pandemic. See the risk factor titled "The global COVID-19 pandemic may adversely impact our business, results of operations and financial performance" in Part II, Item 1A, "Risk Factors" of this Quarterly Report on Form 10-Q for further discussion of the possible impact of the COVID-19 pandemic on our business, financial condition and results of operations.

Key Business Metrics

	Three Months Ended March 31,			
	2021		2020	
Number of Active Customer Accounts (as of end date of period) [1]	235,000		190,000	
Total Revenue (in thousands) [1]	$ 589,988		$ 364,868	
Total Revenue Growth Rate [1]	62	%	57	%
Dollar-Based Net Expansion Rate [2]	133	%	143	%

[1] Includes the contributions from our ValueFirst business, acquired March 12, 2021, and Twilio Segment business, acquired November 2, 2020.

[2] Revenue from ValueFirst and Twilio Segment will not impact this calculation until the one-year anniversary of the acquisition.

Number of Active Customer Accounts. We believe that the number of Active Customer Accounts is an important indicator of the growth of our business, the market acceptance of our platform and future revenue trends. We define an Active Customer Account at the end of any period as an individual account, as identified by a unique account identifier, for which we have recognized at least $5 of revenue in the last month of the period. We believe that use of our platform by customers at or above the $5 per month threshold is a stronger indicator of potential future engagement than trial usage of our platform or usage at levels below $5 per month. In the three months ended March 31, 2021 and 2020, revenue from Active Customer Accounts represented over 99% of total revenue in each period. A single organization may constitute multiple unique Active Customer Accounts if it has multiple account identifiers, each of which is treated as a separate Active Customer Account.

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

To calculate the Dollar-Based Net Expansion Rate, we first identify the cohort of Active Customer Accounts that were Active Customer Accounts in the same quarter of the prior year. The Dollar-Based Net Expansion Rate is the quotient obtained by dividing the revenue generated from that cohort in a quarter, by the revenue generated from that same cohort in the corresponding quarter in the prior year. When we calculate Dollar-Based Net Expansion Rate for periods longer than one quarter, we use the average of the applicable quarterly Dollar-Based Net Expansion Rates for each of the quarters in such period.

Key Components of Statements of Operations

Revenue. We derive our revenue primarily from usage-based fees earned from customers using the software products within our Solutions APIs and Channel APIs. These usage-based software products include offerings, such as Programmable Voice, Programmable Messaging and Programmable Video. Some examples of the usage-based fees for which we charge include minutes of call duration activity for our Programmable Voice products, number of text messages sent or received using our Programmable Messaging products and number of authentications for our Account Security products. In the three months ended March 31, 2021 and 2020, we generated 71% and 74% of our revenue, respectively, from usage-based fees. We also earn monthly flat fees from certain fee-based products, such as our Email API, Marketing Campaigns, Flex seats, telephone numbers, short codes and customer support.

When customers first begin using our platform, they typically pay upfront via credit card in monthly prepaid amounts and draw down their balances as they purchase or use our products. Our larger customers often enter into contracts, for at least 12 months that contain minimum revenue commitments, which may contain more favorable pricing. Customers on such contracts typically are invoiced monthly in arrears for products used.

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, 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.

Cost of Revenue and Gross Margin. 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 non-personnel costs, such as depreciation and amortization expense related to data centers and hosting equipment, amortization of capitalized internal use software development costs and acquired intangibles. Our arrangements with network service providers require us to pay 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 provider require us to pay fees based on our server capacity consumption.

Our gross margin has been and will continue to be affected by a number of factors, including the timing and extent of our investments in our operations, our product mix, our ability to manage our network service provider and cloud infrastructure-related fees, including Application to Person SMS fees, the mix of U.S. revenue compared to international revenue, changes in foreign exchange rates and the timing of amortization of capitalized software development costs and acquired intangibles and the extent to which we periodically choose to pass on our cost savings from platform optimization efforts to our customers in the form of lower usage prices.

Operating Expenses. The most significant components of operating expenses are personnel costs, which consist of salaries, benefits, sales commissions and bonuses and stock-based compensation. We also incur other non-personnel costs related to our general overhead expenses. We expect that our operating costs will increase in absolute dollars as we add additional employees and invest in our infrastructure to grow our business.

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

We continue to focus our research and development efforts on adding new features and products, including new use cases, improving our platform and increasing the functionality of our existing products.

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

We focus our sales and marketing efforts on generating awareness of our company, platform and products through our developer evangelist team and self-service model, creating sales leads and establishing and promoting our brand, both domestically and internationally. We plan to continue investing in sales and marketing by increasing our sales and marketing headcount, supplementing our self-service model with an enterprise sales approach, expanding our sales channels, driving our go-to-market strategies, building our brand awareness and sponsoring additional marketing events.

General and Administrative. General and administrative expenses consist primarily of personnel costs for our accounting, finance, legal, human resources and administrative support personnel and executives. General and administrative expenses also include costs related to business acquisitions, legal and other professional services fees, certain taxes, depreciation and amortization and an allocation of our general overhead expenses. We expect that we will incur costs associated with supporting the growth of our business and to meet the increased compliance requirements associated with our international expansion. We may also incur higher than usual losses related to deterioration of quality of certain financial assets caused by the macroeconomic conditions and uncertainly in the COVID-19 environment.

Our general and administrative expenses include a certain amount of sales and other taxes to which we are subject in the United States and internationally based on the manner we sell and deliver our products.

Provision for Income Taxes. Our income tax provision or benefit for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items occurring in the quarter. The primary difference between our effective tax rate and the federal statutory rate relates to the full valuation allowance the Company established on the federal, state, and certain foreign net operating losses and credits.

Non-GAAP Financial Measures:

We use the following non-GAAP financial information, collectively, to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, 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 GAAP results. Non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with generally accepted accounting principles, 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 generally accepted accounting principles. Investors 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 March 31,	
	2021	2020
Reconciliation:	(In thousands)	
Gross profit	$ 298,304	$ 193,535
Non-GAAP adjustments:		
Stock-based compensation	2,717	1,837
Amortization of acquired intangibles	26,342	12,381
Non-GAAP gross profit	$ 327,363	$ 207,753
Non-GAAP gross margin	55 %	57 %

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 March 31,	
	2021	2020
Reconciliation:	(In thousands)	
Operating expenses	$ 495,643	$ 286,231
Non-GAAP adjustments:		
Stock-based compensation	(134,438)	(67,188)
Amortization of acquired intangibles	(18,809)	(7,911)
Acquisition-related expenses	(2,764)	(302)
Charitable contributions	(9,405)	(2,701)
Payroll taxes related to stock-based compensation	(20,171)	(6,453)
Non-GAAP operating expenses	$ 310,056	$ 201,676

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 loss from operations and GAAP operating margin, respectively, adjusted to exclude, as applicable, certain expenses as presented in the table below:

	Three Months Ended March 31,	
	2021	**2020**
Reconciliation:	(In thousands)	
Loss from operations	$ (197,339)	$ (92,696)
Non-GAAP adjustments:		
Stock-based compensation	137,155	69,025
Amortization of acquired intangibles	45,151	20,292
Acquisition-related expenses	2,764	302
Charitable contributions	9,405	2,701
Payroll taxes related to stock-based compensation	20,171	6,453
Non-GAAP income from operations	$ 17,307	$ 6,077
Non-GAAP operating margin	3 %	2 %

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our total revenue for those periods. The period-to-period comparison of our historical results are not necessarily indicative of the results that may be expected in the future.

	Three Months Ended March 31,	
	2021	2020
Condensed Consolidated Statements of Operations Data:	(In thousands)	
Revenue	$ 589,988	$ 364,868
Cost of revenue [1] [2]	291,684	171,333
Gross profit	298,304	193,535
Operating expenses:		
Research and development [1] [2]	174,800	114,339
Sales and marketing [1] [2]	210,590	116,722
General and administrative [1] [2]	110,253	55,170
Total operating expenses	495,643	286,231
Loss from operations	(197,339)	(92,696)
Other expenses, net	(8,313)	(1,118)
Loss before provision for income taxes	(205,652)	(93,814)
Provision for income taxes	(890)	(977)
Net loss attributable to common stockholders	$ (206,542)	$ (94,791)

[1] Includes stock-based compensation expense as follows:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Cost of revenue	$ 2,717	$ 1,837
Research and development	56,959	33,209
Sales and marketing	41,636	19,943
General and administrative	35,843	14,036
Total	$ 137,155	$ 69,025

[2] Includes amortization of acquired intangibles as follows:

	Three Months Ended March 31,	
	2021	2020
	(In thousands)	
Cost of revenue	$ 26,342	$ 12,381
Sales and marketing	18,694	7,864
General and administrative	115	47
Total	$ 45,151	$ 20,292

Condensed Consolidated Statements of Operations, as a percentage of revenue: **	Three Months Ended March 31, 2021		2020	
Revenue	100	%	100	%
Cost of revenue	49		47	
Gross profit	51		53	
Operating expenses:				
Research and development	30		31	
Sales and marketing	36		32	
General and administrative	19		15	
Total operating expenses	84		78	
Loss from operations	(33)		(25)	
Other expenses, net	(1)			*
Loss before provision for income taxes	(35)		(26)	
Provision for income taxes		*		*
Net loss attributable to common stockholders	(35	%)	(26	%)

* Less than 0.5% of revenue.
** Columns may not add up to 100% due to rounding.

Comparison of the Three Months Ended March 31, 2021 and 2020

Revenue

	Three Months Ended March 31, 2021	2020	Change	
		(Dollars in thousands)		
Total Revenue	$ 589,988	$ 364,868	$ 225,120	62 %

In the three months ended March 31, 2021, total revenue increased by $225.1 million, or 62%, compared to the same period last year. This increase was primarily attributable to an increase in the usage of our products, particularly our Programmable Messaging products and Programmable Voice products, the adoption of additional products by our existing customers, and revenue contribution from the acquisition of our Twilio Segment business. The change in usage was reflected in our Dollar-Based Net Expansion Rate of 133% for the three months ended March 31, 2021. The increase in usage was also attributable to a 24% increase in the number of Active Customer Accounts, from 190,000 as of March 31, 2020, to over 235,000 as of March 31, 2021, which was also positively impacted by the customer accounts added through our acquisition of the Twilio Segment businesses.

In the three months ended March 31, 2021, U.S. revenue and international revenue represented $421.5 million or 71%, and $168.5 million, or 29%, respectively, of total revenue. In the three months ended March 31, 2020, U.S. revenue and international revenue represented $261.8 million, or 72%, and $103.1 million, or 28%, respectively, of total revenue. The increase in international revenue was attributable to the growth in usage of our products, particularly our Programmable Messaging products and Programmable Voice products, by our existing international Active Customer Accounts; a 23% increase in the number of international Active Customer Accounts driven in part by our focus on expanding our sales to customers outside of the United States; and revenue contribution from the acquisition of our Twilio Segment business.

Cost of Revenue and Gross Margin

	Three Months Ended March 31,					
	2021		2020		Change	
	(Dollars in thousands)					
Cost of revenue	$ 291,684		$ 171,333		$ 120,351	70 %
Gross margin	51	%	53	%		

In the three months ended March 31, 2021, cost of revenue increased by $120.4 million, or 70%, compared to the same period last year. The increase in cost of revenue was primarily attributable to a $84.7 million increase in network service providers' costs and a $13.8 million increase in cloud infrastructure fees, both to support the growth in usage of our products. The increase was also due to a $14.0 million increase in the amortization expense of intangible assets that we acquired through business combinations.

In the three months ended March 31, 2021, gross margin percentage declined compared to the same period last year. This decline was primarily driven by a re-acceleration in growth of our messaging business, an increase in amortization expense related to acquired intangible assets, the impact of an increasing mix of international product usage and an increase in network service provider fees in certain geographies. These declines were partially offset by the impact of the acquisition of the Twilio Segment business and certain operational improvements.

Operating Expenses

	Three Months Ended March 31,					
	2021		2020		Change	
	(Dollars in thousands)					
Research and development	$ 174,800		$ 114,339		$ 60,461	53 %
Sales and marketing	210,590		116,722		93,868	80 %
General and administrative	110,253		55,170		55,083	100 %
Total operating expenses	$ 495,643		$ 286,231		$ 209,412	73 %

In the three months ended March 31, 2021, research and development expenses increased by $60.5 million, or 53%, compared to the same period last year. The increase was primarily attributable to a $52.6 million increase in personnel costs, net of a $3.0 million increase in capitalized software development costs, largely as a result of a 54% average increase in our research and development headcount, as we continued to focus on enhancing our existing products, introducing new products as well as enhancing product management and other technical functions. The increase was also due to a $3.1 million increase in our cloud infrastructure fees related to staging and development of our products. In addition, the three months ended March 31, 2021 included research and development expenses and the impact of growth in the headcount, from our acquired Twilio Segment business on November 2, 2020.

In the three months ended March 31, 2021, sales and marketing expenses increased by $93.9 million, or 80%, compared to the same period last year. The increase was primarily attributable to a $65.3 million increase in personnel costs, largely as a result of an 85% average increase in sales and marketing headcount, as we continued to expand our sales efforts in the United States and abroad. The increase was also due to a $10.8 million increase related to the amortization of acquired intangible assets and a $6.4 million increase in advertising expenses. In addition, the three months ended March 31, 2021 included sales and marketing expenses and the impact of growth in the headcount from our acquired Twilio Segment business on November 2, 2020.

In the three months ended March 31, 2021, general and administrative expenses increased by $55.1 million, or 100%, compared to the same period last year. The increase was primarily attributable to a $34.7 million increase in personnel costs, largely as a result of a 76% average increase in general and administrative headcount, to support the growth of our business domestically and internationally. The increase was also due to a $6.7 million increase in charitable contributions and a $2.5 million increase in professional service fees related to our acquisitions of other businesses. Additionally, certain of our taxes increased by $1.5 million primarily in foreign jurisdictions and our professional services fees increased by $2.1 million. Further, the three months ended March 31, 2021 included general and administrative expenses and the impact of growth in the headcount from our acquired Twilio Segment business on November 2, 2020.

Liquidity and Capital Resources

Our principal sources of liquidity have been (i) the net proceeds of $979.0 million, $1.4 billion and $1.8 billion, net of underwriting discounts and offering expenses paid by us, from our public equity offerings in June 2019, August 2020 and February 2021, respectively; (ii) the net proceeds of approximately $537.0 million, after deducting purchaser discounts and debt issuance costs paid by us, from issuance of our Convertible Notes in May 2018; (iii) the aggregate net proceeds of approximately $985.1 million, after deducting purchaser discounts and debt issuance costs paid or payable by us, from issuance of our 2029 Notes and 2031 Notes in March 2021; and (iv) the payments received from customers using our products.

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 expenditures for at least the next 12 months. However, our belief may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in Part II, Item 1A, “Risk Factors.” We may be required to seek additional equity or debt financing in order to meet these 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. Additionally, cash from operations could also be affected by various risks and uncertainties in connection with the COVID-19 pandemic, including timing and ability to collect payments from our customers and other risks detailed in Part II, Item 1A, “Risk Factors.”

Cash Flows

The following table summarizes our cash flows:

	Three Months Ended March 31,	
	2021	**2020**
	(In thousands)	
Cash provided by operating activities	$ 4,505	$ 15,535
Cash (used in) provided by investing activities	(1,366,021)	71,645
Cash provided by financing activities	2,759,449	4,603
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(44)	—
Net increase in cash, cash equivalents and restricted cash	$ 1,397,889	$ 91,783

Cash Flows from Operating Activities

In the three months ended March 31, 2021, cash provided by operating activities consisted primarily of our net loss of $206.5 million adjusted for non-cash items, including $137.2 million of stock-based compensation expense, $59.6 million of depreciation and amortization expense, $9.4 million of donated common stock, $7.6 million loss on extinguishment of our Convertible Notes, $3.4 million amortization of the debt discount and issuance costs related primarily to our Convertible Notes, $11.7 million of non-cash reduction to our operating right-of-use asset, $5.6 million amortization of deferred commissions, a $2.0 million increase in our allowance for credit losses, and $32.7 million of cumulative changes in operating assets and liabilities. With respect to changes in operating assets and liabilities, accounts receivable and prepaid expenses increased $24.3 million primarily due to the timing of cash receipts from certain of our larger customers, pre-payments for cloud infrastructure fees and certain operating expenses. Accounts payable and other current liabilities increased $18.0 million primarily due to increases in transaction volumes. Operating lease liability decreased $12.1 million due to payments made against our operating lease obligations. Other long-term assets increased $15.2 million primarily due to an increase in the sales commissions balances related to the growth of our business.

In the three months ended March 31, 2020, cash provided by operating activities consisted primarily of our net loss of $94.8 million adjusted for non-cash items, including $69.0 million of stock-based compensation expense, $32.2 million of depreciation and amortization expense, $8.0 million of reduction to our operating right-of-use asset, $6.2 million in amortization of debt discount and issuance costs, a $4.2 million increase in allowance for credit losses and $16.2 million of cumulative changes in operating assets and liabilities. With respect to changes in operating assets and liabilities, accounts receivable and prepaid expenses increased $31.3 million primarily due to the timing of cash receipts from our customers, pre-payments for cloud infrastructure fees and certain operating expenses. Accounts payable and other current liabilities increased $24.0 million primarily due to increases in transaction volumes. Our operating right-of-use liability decreased $7.0 million due to payments made against our operating lease obligations. Our long-term assets increased $5.8 million primarily due to an increase in the deferred sales commissions balances related to the growth of our business.

Cash Flows from Investing Activities

In the three months ended March 31, 2021, cash used in investing activities was $1.4 billion primarily consisting of $1.3 billion of purchases of marketable securities and other investments, net of maturities and sales, $66.9 million of net cash paid to acquire other businesses as described in Note 6 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, $10.4 million related to capitalized software development costs and $5.0 million related to purchases of long-lived assets.

In the three months ended March 31, 2020, cash provided by investing activities was $71.6 million primarily consisting of $89.0 million of maturities and sales of marketable securities and other investments, net of purchases, $8.6 million related to capitalized software development costs and $6.3 million related to purchases of long-lived assets.

Cash Flows from Financing Activities

In the three months ended March 31, 2021, cash provided by financing activities was $2.8 billion primarily consisting of $1.8 billion in net proceeds from our public equity offering, as described in Note 13 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, $987.4 million in net proceeds from the issuance of our 2029 Notes and 2031 Notes, as described in Note 9 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q, and $11.6 million in proceeds from stock options exercised by our employees. This was offset by $2.8 million in principal payments on finance leases and $2.8 million related to the value of equity awards withheld to settle tax liabilities.

In the three months ended March 31, 2020, cash provided by financing activities was $4.6 million primarily consisting of $8.2 million in proceeds from stock options exercised by our employees. This was offset by $2.0 million in principal payments on financing leases and $1.7 million related to the value of equity awards withheld to settle tax liabilities.

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.

There have been no changes to our critical accounting policies as described in our Annual Report on Form 10-K filed with the SEC on February 26, 2021.

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.

Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements and do not have any holdings in variable interest entities.

Contractual Obligations and Other Commitments

Our principal commitments consist of obligations under our Convertible Notes, our 2029 Notes and 2031 Notes, our operating leases for office space and our contractual commitments to our cloud infrastructure and network service providers. In the three months ended March 31, 2021, we entered into several non-cancelable vendor agreements with terms up to three years for a total purchase commitment of $426.9 million.

Available Information

The following filings are available for download free of charge through our investor relations website after we file them with the Securities and Exchange Commission ("SEC"): Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and our Proxy Statement for our annual meeting of stockholders. Our investor relations website is located at http://investors.twilio.com. The SEC also maintains an Internet website that contains reports, proxy statements and other information about issuers, like us, that file electronically with the SEC. The address of that website is www.sec.gov.

We webcast our earnings calls and certain events we participate in or host with members of the investment community on our investor relations website. Additionally, we provide notifications of news or announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases and blogs as part of our investor relations website. We also use our Twitter Account (https://twitter.com/twilio) and the Twitter account of our Chief Executive Officer, Jeff Lawson (https://twitter.com/jeffiel) as a means of disclosing information about our Company, our services and other matters and for complying with our disclosure obligations under Regulation FD.

Further corporate governance information, including our corporate governance guidelines and code of business conduct and ethics, is also available on our investor relations website under the heading "Corporate Governance." The contents of our websites and the social media channels identified above are not intended to be incorporated by reference into this Quarterly Report on Form 10-Q or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

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 $2.3 billion and marketable securities of $3.4 billion as of March 31, 2021. Cash and cash equivalents consist of bank deposits and money market funds. Marketable securities consist primarily of U.S. treasury securities and high credit quality corporate debt securities. 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. Due to the short-term nature of our investments, 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.

In May 2018, we issued $550.0 million aggregate principal amount of Convertible Notes, of which $288.4 million was redeemed as of March 31, 2021. The fair market value of the Convertible Notes is affected by our stock price. The fair value of the Convertible Notes will generally increase as our common stock price increases and will generally decrease as our common stock price declines in value. In addition, the fair market value of the Convertible Notes is exposed to interest rate risk. Generally, the fair market value of our fixed interest rate Convertible Notes will increase as interest rates fall and decrease as interest rates rise. Additionally, on our balance sheet we carry the Convertible Notes at face value less unamortized discount and debt issuance cost, and we present the fair value for required disclosure purposes only.

In March 2021, we issued and sold $1.0 billion aggregate principal amount of our 2029 Notes and 2031 Notes carrying fixed interest rates of 3.625% and 3.875%, respectively.

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 Bermuda dollar, the Brazilian real, the British pound, the Canadian dollar, the Columbian peso, the Czech Republic koruna, the Euro, the Hong Kong dollar, the Indian rupee, the Japanese yen, the Mexican Peso, the Serbian Dollar, the Singapore dollar and the Swedish krona.

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 year. 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. We do not currently engage in any hedging activity to reduce our potential exposure to currency fluctuations, although we may choose to do so in the future. 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 March 31, 2021, 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 quarter ended March 31, 2021 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 Company 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 - OTHER INFORMATION

Item 1. ***Legal Proceedings***

Refer to Note 12(b) of 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***

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 Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. The risks and uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business, financial condition, results of operations and prospects could be materially and adversely affected. In that event, the market price of our Class A common stock could decline.

Risks Related to Our Business and Our Industry

The global COVID-19 pandemic may adversely impact our business, results of operations and financial performance.

The COVID-19 pandemic and efforts to control its spread have significantly curtailed the movement of people, goods and services worldwide, including in most or all of the regions in which we sell our products and services and conduct our business operations. While the duration and severity of the COVID-19 outbreak and the degree and duration of its impact on our business continues to be uncertain and difficult to predict, compliance with social distancing and shelter-in-place measures have impacted our day-to-day operations. Like many other companies, including our customers and prospective customers, our employees continue to work from home and we have restricted business travel for the time being. Additionally, in response to the COVID-19 pandemic, we held SIGNAL, our annual developer and customer conference, on September 30, 2020 and October 1, 2020, as a virtual event. We have also cancelled, postponed, or shifted other planned events to virtual-only experiences and we may deem it advisable to similarly alter, postpone or cancel entirely additional customer, employee or industry events in the future.

The continued spread of COVID-19 has had an adverse impact on the business of some of our customers while other customers in certain industries have seen an increase in customer demand. COVID-19 could still have an adverse impact on our business partners and third-party business partners. The continuing crisis could also potentially lead to an ongoing global economic downturn, which could result in constrained supply or reduced customer demand and willingness to enter into or renew contracts with us, any of which could adversely impact our business, results of operations and overall financial performance in future periods. Specifically, we often enter into annual or multi-year, minimum commitment arrangements with our customers. If customers fail to pay us or reduce their spending with us, we may be adversely affected by an inability to collect amounts due, the cost of enforcing the terms of our contracts, including litigation, or a reduction in revenue. We may also experience impact from delayed sales cycles, including customers and prospective customers delaying contract signing or contract renewals, or reducing budgets or minimum commitments related to the product and services that we offer. In addition, as companies transition to supporting a fully remote workforce and as individuals increasingly utilize voice, video and messaging for their communication needs, there will be increased strain and demand for telecommunications infrastructure, including our voice, video and messaging products. Supporting increased demand will require us to make additional investments to increase network capacity, the availability of which may be limited. For example, if the data centers that we rely on for our cloud infrastructure and the network service providers that we interconnect with are unable to keep up with capacity needs or if governmental or regulatory authorities determine to limit our bandwidth, customers may experience delays, interruptions or outages in service. From time to time, including during the COVID-19 pandemic, our data center suppliers and our network service providers have had some outages which resulted in disruptions to service for some of our customers. In certain jurisdictions, governmental and regulatory authorities had announced that during the COVID-19 pandemic, telecommunications operators' implementation of traffic management measures may be justified to avoid network congestion. Such traffic management measures could result in customers experiencing delays, interruptions or outages in services. Any of these events could harm our reputation, erode customer trust, cause customers to stop using our products, 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.

Changes to consumer behavior may also affect customers who use our products and services for confirmations, notifications, and related use cases. For example, certain industries such as travel, hospitality, and ridesharing were initially more impacted by COVID-19 than others, and have recovered at varying rates. It has been and, until the COVID-19 pandemic is contained, will continue to be more difficult for us to forecast usage levels and predict revenue trends.

Additionally the COVID-19 pandemic has adversely affected global economic and market conditions, which are likely to continue for an extended period, and which could result in decreased business spending by our customers and prospective customers, reduced demand for our solutions, longer sales cycles and lower renewal rates by our customers, all of which could have an adverse impact on our business operations and financial condition. While we have developed and continue to develop plans to help mitigate the potential negative impact of the outbreak on our business, these efforts may not be effective and a protracted economic downturn may limit the effectiveness of our mitigation efforts.

We have experienced rapid growth and expect our growth to continue, and if we fail to effectively manage our growth, then our business, results of operations and financial condition could be adversely affected.

We have experienced substantial growth in our business since inception. For example, our headcount has grown from 3,060 employees on March 31, 2020 to 5,482 employees on March 31, 2021. We have moved to a virtual on-boarding process since the imposition of COVID-19 restrictions on certain business activities. In addition, we are rapidly expanding our international operations. Our international headcount grew from 815 employees as of March 31, 2020 to 1,907 employees as of March 31, 2021. We expect to continue to expand our international operations 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. This growth has placed and may continue to place significant demands on our corporate culture, operational infrastructure and management, particularly in light of virtual on-boarding and limited connectivity.

We believe that our corporate culture has been a critical component of our success. We have invested substantial time and resources in building our team and nurturing our culture. As we expand our business in the U.S. and non-U.S. regions and mature as a public company, we may find it difficult to maintain our corporate culture while managing this growth. Any failure to manage our anticipated growth and organizational changes in a manner that preserves the key aspects of our culture could hurt our chance for future success, including our ability to recruit and retain employees, and effectively focus on and pursue our corporate objectives. This, in turn, could adversely affect our business, results of operations and financial condition.

In addition, as we have rapidly grown, our organizational structure has become more complex. In order to manage these increasing complexities, we will need to continue to scale and adapt our operational, financial and management controls, as well as our reporting systems and procedures. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and management resources before our revenue increases and without any assurances that our revenue will increase.

Finally, if this growth continues, it could strain our ability to maintain reliable service levels for our customers. If we fail to achieve the necessary level of efficiency in our organization as we grow, then our business, results of operations and financial condition could be adversely affected.

Our quarterly results may fluctuate, and if we fail to meet securities analysts' and investors' expectations, then the trading price of our Class A common stock and the value of your investment could decline substantially.

Our results of operations, including the levels of our revenue, cost of revenue, gross margin and operating expenses, have fluctuated from quarter to quarter in the past and may continue to vary significantly in the future. These fluctuations are a result of a variety of factors, many of which are outside of our control, and may be difficult to predict and may or may not fully reflect the underlying performance of our business. If our quarterly results of operations or forward-looking quarterly and annual financial guidance fall below the expectations of investors or securities analysts, then the trading price of our Class A common stock could decline substantially. Some of the important factors that may cause our results of operations to fluctuate from quarter to quarter include:

- the impact of COVID-19 on our customers, our pace of hiring and the global economy in general;
- our ability to retain and increase revenue from existing customers and attract new customers;
- fluctuations in the amount of revenue from our Active Customer Accounts;
- our ability to attract and retain enterprises and international organizations as customers;

- our ability to introduce new products and enhance existing products;
- competition and the actions of our competitors, including pricing changes and the introduction of new products, services and geographies;
- changes in laws, industry standards, regulations or regulatory enforcement in the United States or internationally, such as the invalidation of the EU-U.S. Privacy Shield by the Court of Justice of the European Union, the implementation and enforcement of new global privacy laws, such as the General Data Protection Regulation ("GDPR"), the California Consumer Privacy Act of 2018 ("CCPA") and Brazil's General Data Protection Law (Lei Geral de Proteção de Dados Pessoais) (Law No. 13,709/2018), and the adoption of SHAKEN/STIR and other robocalling prevention and anti-spam standards, all of which increase compliance costs;
- the number of new employee hires during a particular period;
- changes in network service provider fees that we pay in connection with the delivery of communications on our platform;
- changes in cloud infrastructure fees that we pay in connection with the operation of our platform;
- changes in our pricing as a result of our optimization efforts or otherwise;
- reductions in pricing as a result of negotiations with our larger customers;
- the rate of expansion and productivity of our sales force, including our enterprise sales force, which has been a focus of our recent expansion efforts;
- changes in the size and complexity of our customer relationships;
- the length and complexity of the sales cycle for our services, especially for sales to larger enterprises, government and regulated organizations;
- change in the mix of products that our customers use;
- change in the revenue mix of U.S. and international products;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business, including investments in our international expansion, additional systems and processes and research and development of new products and services;
- significant security breaches of, technical difficulties with, or interruptions to, the delivery and use of our products on our platform;
- expenses in connection with mergers, acquisitions or other strategic transactions and the follow-on costs of integration;
- the timing of customer payments and any difficulty in collecting accounts receivable from customers;
- general economic conditions 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;
- 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;
- sales tax and other tax determinations by authorities in the jurisdictions in which we conduct business;
- the impact of new accounting pronouncements; and,

- fluctuations in stock-based compensation expense.

The occurrence of one or more of the foregoing and other factors may cause our results of operations to vary significantly. As such, we believe that quarter-to-quarter comparisons of our results of operations 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 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 Class A common stock could fall substantially, and we could face costly lawsuits, including securities class action suits.

Additionally, global pandemics such as COVID-19 as well as certain large scale events, such as major elections and sporting events, can significantly impact usage levels on our platform, which could cause fluctuations in our results of operations. We expect that significantly increased usage of all communications platforms, including ours, during certain seasonal and one-time events could impact delivery and quality of our products during those events. We also tend to experience increased expenses in connection with the hosting of SIGNAL, which we plan to continue to host annually. Such annual and one-time events may cause fluctuations in our results of operations and may impact both our revenue and operating expenses.

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 the “Twilio” brand identity and increasing market awareness of our company and products, particularly among developers, is critical to achieving widespread acceptance of our platform, to strengthen 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, our ability to be thought leaders in the cloud communications market 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.

From time to time, our customers have complained about our products, such as complaints about our pricing and customer support. If we do not handle customer complaints effectively, then our brand and reputation may suffer, our customers may lose confidence in us and they may reduce or cease their use of our products. In addition, many of our customers post and discuss on social media about Internet-based products and services, including our products and platform. Our success depends, in part, on our ability to generate positive customer feedback and minimize negative feedback on social media channels where existing and potential customers seek and share information. If actions we take or changes we make to our products or platform upset these customers, then their online commentary could negatively affect our brand, reputation and customer trust. Complaints or negative publicity about us, our products or our platform could adversely impact our ability to attract and retain customers, our business, results of operations and financial condition.

The promotion of our brand also requires us to make substantial expenditures, and we anticipate that these expenditures will increase as our market becomes 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. In addition, due to restrictions on travel and in-person meetings as a result of the on-going COVID-19 pandemic, we have limited ability to host in-person events, which have been a significant source of our customer pipeline in prior years. It is likely that we will have a mix of virtual and in-person customer, employee or industry events in the near future and overall a smaller number of in-person events than we hosted prior to the COVID-19 pandemic. We have typically relied on marketing and promotional events such as SIGNAL and in-person meetings to facilitate customer sign-ups and generate leads for potential customers, and we cannot predict how long or the extent to which the COVID-19 pandemic may continue to constrain our marketing, promotional and sales activities. If we do not successfully maintain and enhance our brand, then our business may not grow, we may see our pricing power reduced relative to competitors and we may lose customers, all of which would adversely affect our business, results of operations and financial condition.

The market for our products and platform is still relatively new and evolving, may decline or experience limited growth and is dependent in part on developers continuing to adopt our platform and use our products.

We were founded in 2008, and we have been developing and providing a cloud-based platform that enables developers and organizations to integrate voice, messaging, video and email communications capabilities into their software applications. This market is relatively new and evolving and is subject to a number of risks and uncertainties. We believe that our revenue currently constitutes a significant portion of the total revenue in this market, and therefore, we believe that our future success will depend in large part on the growth, if any, and evolution of this market. The utilization of APIs by developers and organizations to build communications functionality into their applications is still relatively new, and developers and organizations may not recognize the need for, or benefits of, our products and platform. Moreover, if they do not recognize the need for and benefits of our products and platform, they may decide to adopt alternative products and services to satisfy some portion of their business needs. In order to grow our business and extend our market position, we intend to focus on educating developers and other potential customers about the benefits of our products and platform, expanding the functionality of our products and bringing new technologies to market to increase market acceptance and use of our platform. Our ability to expand the market that our products and platform address depends upon a number of factors, including the cost, performance and perceived value associated with such products and platform. The market for our products and platform could fail to grow significantly or there could be a reduction in demand for our products as a result of a lack of developer acceptance, technological challenges, competing products and services, decreases in spending by current and prospective customers, weakening economic conditions and other causes. If our market does not experience significant growth or demand for our products decreases, then our business, results of operations and financial condition could be adversely affected.

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

We and our customers are subject to numerous domestic and foreign privacy, data protection, and data security laws and regulations that restrict the collection, use, disclosure and processing of personal information, including financial and health data. These laws and regulations are evolving, are being tested in courts, may result in increasing regulatory and public scrutiny of our practices relating to personal information and may increase our exposure to regulatory enforcement action, sanctions, and litigation.

Further, the interpretation and application of new domestic and foreign laws and regulations in many cases is uncertain, and our legal and regulatory obligations in such jurisdictions are subject to frequent and unexpected changes, including the potential for various regulatory or other governmental bodies to enact new or additional laws or regulations, to issue rulings that invalidate prior laws or regulations, or to increase penalties significantly.

For example, the EU adopted the GDPR, which took effect on May 25, 2018, and imposes stringent penalties for noncompliance. Companies that violate the GDPR can face private litigation, restrictions or prohibitions on data processing, and fines of up to the greater of €20 million or 4% of global annual revenues. The GDPR imposes comprehensive privacy, data protection, and data security obligations on businesses and requires service providers (data processors) processing personal information on behalf of customers to, among other things, make contractual privacy, data protection, and data security commitments, cooperate with European data protection authorities, implement security measures, give data breach notifications, and keep records of personal information processing activities. EU member states also have national laws restricting direct marketing communications and the use of cookies and similar technologies. If our efforts to comply with GDPR or other applicable EU laws and regulations are not successful, we may be subject to significant fines and restrictions on our ability to process personal information as needed to provide our product and services, which could impede our ability to conduct business in the EU, reduce demand for our services and adversely impact our business and results of operations.

We have in the past relied on various transfer safeguards, including the EU-U.S. and the Swiss-U.S. Privacy Shield frameworks, to legitimize data transfers from the European Economic Area (“EEA”). However, on July 16, 2020, the Court of Justice of the European Union invalidated the EU-U.S. Privacy Shield and raised questions about whether one of the primary alternatives to the EU-U.S. Privacy Shield, the European Commission's Standard Contractual Clauses, can lawfully be used for personal information transfers from Europe to the United States or most other countries. At present, there are few viable alternatives to the Standard Contractual Clauses and there is uncertainty as to how personal information can be transferred from the EEA to the U.S. in compliance with the GDPR.

Subsequent interpretive guidance from the European Data Protection Board on July 24, 2020 extended the Court of Justice's guidance regarding the use of Standard Contractual Clauses as a transfer safeguard to the use of Binding Corporate Rules, which serve as Twilio's primary mechanism to legitimize data transfers from the EEA to other jurisdictions, including the U.S. Because our primary data processing facilities are in the U.S., we may experience hesitancy, reluctance, or refusal by European or multinational customers to continue to use our services due to the potential risk posed to such customers as a result of the Court of Justice ruling and subsequent interpretive guidance from the European Data Protection Board. We and our customers are at risk of enforcement actions taken by an EU data protection authority until such point in time that we are able to ensure that all data transfers to us from the EEA are legitimized. Similarly, the Swiss data protection authority determined the Swiss-U.S. Privacy Shield was no longer sufficient for the U.S. to be deemed adequate as a data transfer party and also raised questions about the viability of the Standard Contractual Clauses as a mechanism for transferring personal information out of Switzerland. Israel, which had allowed transfers of Israeli personal information to the U.S. based on the EU-U.S. Privacy Shield, has also declared that it is no longer a valid basis for transfer of personal information from Israel to the U.S. If we are unable to implement a valid solution for personal information transfers to the United States or other countries, we will face increased exposure to regulatory actions, substantial fines, and injunctions against processing or transferring personal information from Europe, and we may be required to increase our data processing capabilities in Europe and other countries at significant expense. Inability to transfer personal information from Europe or other countries has decreased and may continue to decrease demand for our products and services if affected customers seek alternatives that do not involve such transfers.

Regulation of privacy, data protection and data security has also become more stringent in the United States. For example, the California Consumer Privacy Act (“CCPA”), which took effect on January 1, 2020, gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase our compliance costs and potential liability. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent state privacy, data protection, and data security legislation in the U.S., which could increase our potential liability and adversely affect our business. The CCPA will be expanded substantially on January 1, 2023, when the California Privacy Rights Act of 2020 (“CPRA”) becomes fully operative. The CPRA will, among other things, give California residents the ability to limit use of certain sensitive personal information, further restrict the use of cross-contextual advertising, establish restrictions on the retention of personal information, expand the types of data breaches subject to the CCPA’s private right of action, provide for increased penalties for CPRA violations concerning California residents under the age of 16, and establish a new California Privacy Protection Agency to implement and enforce the new law.

Further, as additional individual U.S. states pass privacy, data protection, and data security laws, these laws may place different obligations or limitations on the processing of personal information of individuals in those states, and it will become more complex to comply with these laws and our compliance costs and potential liability may increase. Virginia recently became the second state to enact comprehensive state privacy legislation, the Virginia Consumer Data Protection Act, which will become effective on January 1, 2023.

In addition, with our registration as an interconnected VoIP provider with the FCC, we also must comply with privacy laws associated with customer proprietary network information (“CPNI”) rules in the U.S. If we fail to maintain compliance with these requirements, we could be subject to regulatory audits, civil and criminal penalties, fines and breach of contract claims, as well as reputational damage, which could impact the willingness of customers to do business with us.

Jurisdictions outside of the United States and the EU are also passing more stringent privacy, data protection, and data security laws. For example, on July 8, 2019, Brazil enacted the General Data Protection Law (Lei Geral de Proteção de Dados Pessoais) (Law No. 13,709/2018) (“LGPD”), and on June 5, 2020, Japan passed amendments to its Act on the Protection of Personal Information (“APPI”). Both laws broadly regulate the processing of personal information in a manner comparable to the GDPR, and violators of the LGPD and APPI face substantial penalties.

We continue to see jurisdictions imposing data localization laws, which require personal information, or certain subcategories of personal information, to be stored in the jurisdiction of origin. These regulations may inhibit our ability to expand into those markets or prohibit us from continuing to offer services in those markets without significant additional costs.

In addition to our legal obligations, our contractual obligations relating to privacy, data protection and data security have become increasingly stringent due to changes in privacy, data protection and data security and the expansion of our service offerings. Certain privacy, data protection and data security laws, such as the GDPR and the CCPA, require our customers to impose specific contractual restrictions on their service providers. In addition, we have begun to support customer workloads that involve the processing of protected health information and are therefore required to sign business associate agreements ("BAAs") with customers that subject us to the privacy and security requirements under the U.S. Health Insurance Portability and Accountability Act of 1996 and the U.S. Health Information Technology for Economic and Clinical Health Act as well as state laws that govern the privacy and security of health information.

Our actual or perceived failure to comply with laws, regulations or contractual commitments regarding privacy, data protection and data security could lead to costly legal action, adverse publicity, significant liability, and decreased demand for our services, which could adversely affect our business, results of operations and financial condition. For example, in February 2016, a putative class action complaint was filed in the Alameda County Superior Court in California and alleged that our products permitted the interception, recording and disclosure of communications at certain of our customers' request in a manner that violated the California Invasion of Privacy Act. This litigation has now settled, but actions in the future could lead to similar claims and include damages and related penalties that could divert management's attention and resources, and harm our business.

Our business depends on customers increasing their use of our products, and any loss of customers or decline in their use of our products could adversely affect our business, results of operations and financial condition.

Our ability to grow and generate incremental revenue depends, in part, on our ability to maintain and grow our relationships with existing customers (including any customers acquired in connection with our acquisitions) and to have them increase their usage of our platform. If our customers do not increase their use of our products, then our revenue may decline, and our results of operations may be harmed. Customers are charged based on the usage of our products. Most of our customers do not have long-term contractual financial commitments to us and, therefore, most of our customers may reduce or cease their use of our products at any time without penalty or termination charges. Customers may terminate or reduce their use of our products for any number of reasons, including if they are not satisfied with our products, introduction of new competing products by competitors, the value proposition of our products or our ability to meet their needs and expectations. For example, on February 26, 2021, a critical feature enablement service on our platform became overloaded, which resulted in connection issues across multiple products in our cloud communications platform that affected our customers for a limited number of hours. The service disruption had a widespread impact on our customers' ability to use several of our products. We are still monitoring the impact and we expect to incur certain costs associated with offering credits to our affected customers, but we do not expect the overall impact to be material to our business. We may also ultimately lose or see reduced utilization of our products by one or more customers as a result of the outage. To protect our system from similar disruptions in the near term, we have significantly increased our server capacity and added additional caching layers to accommodate usage spikes. We also intend to undertake longer term improvements to mitigate against future service disruptions, but there can be no guarantee that these actions or improvements will be effective in preventing or reducing such service disruptions.

We cannot accurately predict customers' usage levels, and the loss of customers or reductions in their usage levels of our products may each have a negative impact on our business, results of operations and financial condition and may cause our Dollar-Based Net Expansion Rate to decline in the future if customers are not satisfied with our products, the value proposition of our products or our ability to meet their needs and expectations. If a significant number of customers cease using, or reduce their usage of our products, then we may be required to spend significantly more on sales and marketing than we currently plan to spend in order to maintain or increase revenue from customers. Such additional sales and marketing expenditures could adversely affect our business, results of operations and financial condition.

If we are unable to attract new customers in a cost-effective manner, then our business, results of operations and financial condition would be adversely affected.

In order to grow our business, we must continue to attract new customers in a cost-effective manner. We use a variety of marketing channels to promote our products and platform, such as developer events and developer evangelism, as well as search engine marketing and optimization. We periodically adjust the mix of our other marketing programs such as regional customer events, email campaigns, billboard advertising and public relations initiatives. If the costs of the marketing channels we use increase dramatically, then we may choose to use alternative and less expensive channels, which may not be as effective as the channels we currently use. As we add to or change the mix of our marketing strategies, we may need to expand into more expensive channels than those we are currently in, which could adversely affect our business, results of operations and financial condition. We will incur marketing expenses before we are able to recognize any revenue that the marketing initiatives may generate, and these expenses may not result in increased revenue or brand awareness. We have made in the past, and may make in the future, significant expenditures and investments in new marketing campaigns, and we cannot guarantee that any such investments will lead to the cost-effective acquisition of additional customers. If we are unable to maintain effective marketing programs, then our ability to attract new customers could be adversely affected, our advertising and marketing expenses could increase substantially, and our results of operations may suffer.

If we do not develop enhancements to our products and introduce new products that achieve market acceptance, our business, results of operations and financial condition could be adversely affected.

Our ability to attract new customers and increase revenue from existing customers depends in part on our ability to enhance and improve our existing products, increase adoption and usage of our products and introduce new products. 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 and overall market acceptance. 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. 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 typically driven by our developer community and may be outside of our control. We also have invested, and may continue to invest, in the acquisition of complementary businesses, technologies, services, products and other assets that expand the products that we can offer our customers. We may make these investments without being certain that they will result in products or enhancements that will be accepted by existing or prospective customers. Our ability to generate usage of additional products by our customers may also require increasingly sophisticated and more costly sales efforts and result in a longer sales cycle. In addition, adoption of new products or enhancements may put additional strain on our customer support team, which could require us to make additional expenditures related to further hiring and training. If we are unable to successfully enhance our existing products to meet evolving customer requirements, increase adoption and usage of our products, develop new products, or if our efforts to increase the usage of our products are more expensive than we expect, then our business, results of operations and financial condition would be adversely affected.

The market in which we participate is intensely competitive, and if we do not compete effectively, our business, results of operations and financial condition could be harmed.

The market for cloud communications is rapidly evolving, significantly fragmented and highly competitive, with relatively low barriers to entry in some segments. The principal competitive factors in our market include completeness of offering, credibility with developers, 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, as well as the cost of deploying and using our products. Our competitors fall into four primary categories:

- legacy on-premises vendors;
- regional network service providers that offer limited developer functionality on top of their own physical infrastructure;
- smaller software companies that compete with portions of our product line; and,
- software-as a-service (“SaaS”) companies and cloud platform vendors that offer prepackaged applications and platforms.

Some of our competitors and potential competitors are larger and have greater name recognition, longer operating histories, more established customer relationships, larger budgets and significantly greater resources than we do. In addition, they have the operating flexibility to bundle competing products and services at little or no perceived incremental cost, including offering them at a lower price as part of a larger sales transaction. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. In addition, some competitors may 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 may develop and market new products and services with comparable functionality to our products, and this could lead to us having to decrease prices in order to remain competitive. Customers utilize our products in many ways and use varying levels of functionality that our products offer or are capable of supporting or enabling within their applications. Customers that use many of the features of our products or use our products to support or enable core functionality for their applications may have difficulty or find it impractical to replace our products with a competitor's products or services, while customers that use only limited functionality may be able to more easily replace our products with competitive offerings. Our customers also may choose to build some of the functionality our products provide, which may limit or eliminate their demand for our products.

With the introduction of new products and services and new market entrants, we expect competition to intensify in the future. In addition, some of our customers may choose to use our products and our competitors' products at the same time. Further, customers and consumers may choose to adopt other forms of electronic communications or alternative communication platforms.

Moreover, as we expand the scope of our products, we may face additional competition. If one or more of our competitors were to merge or partner with another of our competitors, the change in the competitive landscape could also adversely affect our ability to compete effectively. For example, Sinch AB offered to acquire Inteliquent in February 2021. 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. If we are unable to maintain our current pricing due to competitive pressures, our margins will be reduced and our business, results of operations and financial condition would be adversely affected. In addition, 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.

We have a history of losses and we are uncertain about our future profitability.

We have incurred net losses in each year since our inception, including net losses of $206.5 million, $491.0 million and $307.1 million in the three months ended March 31, 2021 and the years ended December 31, 2020 and 2019, respectively. We had an accumulated deficit of $1.4 billion as of March 31, 2021. We expect to continue to expend substantial financial and other resources on, 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;
- sales and marketing, including the continued expansion of our direct sales organization and marketing programs, especially for enterprises and for organizations outside of the United States, and expanding our programs directed at increasing our brand awareness among current and new developers;
- 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.

These investments may not result in increased revenue or growth of our business. We also expect that our revenue growth rate will decline over time. Accordingly, we may not be able to generate sufficient revenue to offset our expected cost increases and achieve and sustain profitability. If we fail to achieve and sustain profitability, then our business, results of operations and financial condition would be adversely affected.

If we are unable to increase adoption of our products by enterprises, our business, results of operations and financial condition may be adversely affected.

Historically, we have relied on the adoption of our products by software developers through our self-service model for a significant majority of our revenue, and we currently generate only a small portion of our revenue from enterprise customers. Our ability to increase our customer base, especially among enterprises, and achieve broader market acceptance of our products will depend, in part, on our ability to effectively organize, focus and train our sales and marketing employees.

Our ability to convince enterprises to adopt our products will depend, in part, on our ability to attract and retain sales employees with experience selling to enterprises. We believe that there is significant competition for experienced sales professionals with the skills and technical knowledge that we require. Our ability to achieve significant revenue growth in the future will depend, in part, on our ability to recruit, train and retain a sufficient number of experienced sales professionals, particularly those with experience selling to enterprises. In addition, even if we are successful in hiring qualified sales employees, new hires require significant training and experience before they achieve full productivity, particularly for sales efforts targeted at enterprises and new territories. Our recent hires and planned hires may not become as productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we do business. Because we do not have a long history of targeting our sales efforts at enterprises, we cannot predict whether, or to what extent, our sales will increase as we organize and train our sales force or how long it will take for sales employees to become productive.

As we seek to increase the adoption of our products by enterprises, including products like Flex, which is primarily aimed at complex contact center implementations at larger companies, we expect to incur higher costs and longer sales cycles. In the enterprise market segment, the decision to adopt our products may require the approval of multiple technical and business decision makers, including legal, security, compliance, procurement, operations and IT. In addition, while enterprise customers may quickly deploy our products on a limited basis, before they will commit to deploying our products at scale, they often require extensive education about our products and significant customer support time, engage in protracted pricing negotiations and seek to secure readily available development resources. In addition, sales cycles for enterprises are inherently more complex and less predictable than the sales through our self-service model, and some enterprise customers may not use our products enough to generate revenue that justifies the cost to obtain such customers. In addition, these complex and resource intensive sales efforts could place additional strain on our product and engineering resources. Further, enterprises, including some of our customers, may choose to develop their own solutions that do not include our products. They also may demand reductions in pricing as their usage of our products increases, which could have an adverse impact on our gross margin. As a result of our limited experience selling and marketing to enterprises, our efforts to sell to these potential customers may not be successful. If we are unable to increase the revenue that we derive from enterprises, then our business, results of operations and financial condition may be adversely affected.

If we are unable to expand our relationships with existing technology partner customers and add new technology partner customers, our business, results of operations and financial condition could be adversely affected.

We believe that the continued growth of our business depends in part upon developing and expanding strategic relationships with technology partner customers. Technology partner customers embed our software products in their solutions, such as software applications for contact centers and sales force and marketing automation, and then sell such solutions to other businesses. When potential customers do not have the available developer resources to build their own applications, we refer them to either our technology partners who embed our products in the solutions that they sell to other businesses or our consulting partners who provide consulting and development services for organizations that have limited software development expertise to build our platform into their software applications.

As part of our growth strategy, we intend to expand our relationships with existing technology partner customers and add new technology partner customers. If we fail to expand our relationships with existing technology partner customers or establish relationships with new technology partner customers in a timely and cost-effective manner, or at all, then our business, results of operations and financial condition could be adversely affected. Additionally, even if we are successful at building these relationships but there are problems or issues with integrating our products into the solutions of these customers, our reputation and ability to grow our business may be harmed.

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 could adversely affect our business, results of operations and financial condition.

We currently interconnect with network service providers around the world to enable the use by our customers of our products over their networks. Although we are in the process of acquiring authorization in many countries for direct access to phone numbers and for the provision of voice services on the networks of network service providers, we expect that we will continue to rely on network service providers for these services. Where we don't have direct access to phone numbers, our reliance on network service providers has reduced our operating flexibility, ability to make timely service changes and control quality of service. In addition, the fees that we are charged by network service providers may change daily or weekly, while we do not typically change our customers' pricing as rapidly.

At times, network service providers have instituted additional fees due to regulatory, competitive or other industry related changes that increase our network costs. For example, in early 2020, a major U.S. mobile carrier introduced a new Application to Person (A2P) SMS service offering that adds a new fee for A2P SMS messages delivered to its subscribers, and other U.S. mobile carriers have added or are in the process of adding similar fees. While we have historically responded to these types of fee increases through a combination of further negotiating efforts with our network service providers, absorbing the increased costs or changing our prices to customers, there is no guarantee that we will continue to be able to do so in the future without a material negative impact to our business. In the case of these new carriers A2P SMS fees, after a short phase-in period where we absorbed the fees, we began on May 1, 2021 to pass these fees directly through to our customers who are sending SMS messages to these carriers' subscribers. We expect that this will increase our revenue and cost of revenue, but will not impact the gross profit dollars received for sending these messages. However, mathematically this will have a negative impact on our gross margins. Additionally, our ability to respond to any new fees may be constrained if all network service providers in a particular market impose equivalent fee structures, if the magnitude of the fees is disproportionately large when compared to the underlying prices paid by our customers, or if the market conditions limit our ability to increase the price we charge our customers.

Furthermore, many of these network service providers do not have long-term committed contracts with us and may interrupt services or terminate their agreements with us without notice. If a significant portion of our network service providers stop providing us with access to their infrastructure, fail to provide these services to us on a cost-effective basis, cease operations, or otherwise terminate these services, the delay caused by qualifying and switching to other network service providers could be time consuming and costly and could adversely affect our business, results of operations and financial condition. Further, if problems occur with our network service providers, it may cause errors or poor quality communications with our products, and we could encounter difficulty identifying the source of the problem. The occurrence of errors or poor quality communications on our products, whether caused by our platform or a network service provider, may result in the loss of our existing customers or the delay of adoption of our products by potential customers and may adversely affect our business, results of operations and financial condition.

Further, we sometimes access network services through intermediaries who have direct access to network service providers. Although we are in the process of securing direct connections with network service providers in many countries, we expect that we will continue to rely on intermediaries for these services. These intermediaries sometimes have offerings that directly compete with our products and may stop providing services to us on a cost-effective basis. If a significant portion of these intermediaries stop providing services or stop providing services on a cost-effective basis, our business could be adversely affected.

We also interconnect with internet service providers around the world to enable the use of our email products by our customers, and we expect that we will continue to rely on internet service providers for network connectivity going forward. Our reliance on internet service providers reduces our control over quality of service and exposes us to potential service outages and rate fluctuations. If a significant portion of our internet service providers stop providing us with access to their network infrastructure, fail to provide access on a cost-effective basis, cease operations, or otherwise terminate access, the delay caused by qualifying and switching to other internet service providers could be time consuming and costly and could adversely affect our business, results of operations, and financial condition.

Our future success depends in part on our ability to drive the adoption of our products by international customers.

In the three months ended March 31, 2021 and the years ended December 31, 2020 and 2019, we derived 29%, 27% and 29% of our revenue, respectively, from customer accounts located outside the United States. The future success of our business will depend, in part, on our ability to expand our customer base worldwide. While we have been rapidly expanding our sales efforts internationally, our experience in selling our products outside of the United States is limited. Furthermore, our developer-first business model may not be successful or have the same traction outside the United States. As a result, our investment in marketing our products to these potential customers may not be successful. If we are unable to increase the revenue that we derive from international customers, then our business, results of operations and financial condition may be adversely affected.

We are continuing to expand our international operations, which exposes us to significant risks.

We are continuing to expand our international operations to increase our revenue from customers outside of the United States as part of our growth strategy. Between March 31, 2020 and March 31, 2021, our international headcount grew from 815 employees to 1,907 employees. We expect to open additional international offices and hire employees to work at these offices in order to reach new customers and gain access to additional technical talent. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks in addition to those we already face in the United States. Because of our limited experience with international operations or with developing and managing sales in international markets, our international expansion efforts may not be successful.

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

- exposure to political developments in the United Kingdom ("U.K."), including the departure of the U.K. from the European Union (“EU”) (“Brexit”), which has created an uncertain political and economic environment, instability for businesses, volatility in global financial markets and the value of foreign currencies, all of which could disrupt trade, the sale of our services and the mobility of our employees and contractors between the U.K., EU and other jurisdictions. Any long–term impact from Brexit on our business and operations will depend, in part, on the outcome of the U.K.'s continuing negotiations on a number of matters not definitively addressed in the UK-EU Trade and Cooperation Agreement and may require us to expend significant time and expense to make adjustments to our business and operations;
- the difficulty of managing and staffing international operations and the increased operations, travel, infrastructure and legal compliance costs associated with servicing international customers and operating numerous international locations;
- our ability to effectively price our products in competitive international markets;
- new and different sources of competition or other changes to our current competitive landscape;
- understanding and reconciling different technical standards, data privacy and telecommunications regulations, 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 the GDPR and Brazil's General Data Protection Law (Lei Geral de Proteção de Dados Pessoais) (Law No. 13,709/2018), which went into effect September 18, 2020, and laws, regulations and industry standards relating to data privacy, data protection, data localization and data security enacted in countries and other regions in which we operate or do business;
- potentially greater difficulty collecting accounts receivable and longer payment cycles;
- higher or more variable network service provider fees outside of the United States;
- the need to adapt and localize our products for specific countries;
- the need to offer customer support in various languages;
- difficulties in understanding and complying with local laws, regulations and customs in non-U.S. jurisdictions;

- export controls and economic sanctions administered by the Department of Commerce Bureau of Industry and Security and the Treasury Department's Office of Foreign Assets Control;
- compliance with various anti-bribery and anti-corruption laws such as the Foreign Corrupt Practices Act and United Kingdom Bribery Act of 2010;
- changes in international trade policies, tariffs and other non-tariff barriers, such as quotas and local content rules;
- more limited protection for intellectual property rights in some countries;
- adverse tax consequences;
- 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;
- deterioration of political relations between the United States and other countries;
- the impact of natural disasters and public health epidemics or pandemics such as COVID-19 on employees, contingent workers, partners, travel and the global economy and the ability to operate freely and effectively in a region that may be fully or partially on lockdown; and,
- political or social unrest or economic instability in a specific country or region in which we operate, which could have an adverse impact on our operations in that location.

Also, due to costs from our international expansion efforts and network service provider fees outside of the United States, which generally are higher than domestic rates, our gross margin for international customers is typically lower than our gross margin for domestic customers. As a result, our gross margin may be impacted and fluctuate as we expand our operations and customer base worldwide.

Our failure to manage any of these risks successfully could harm our international operations, and adversely affect our business, results of operations and financial condition.

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, we are subject to existing or potential Federal Communications Commission ("FCC") regulations relating to privacy, telecommunications, consumer protection and other requirements. In addition, the extension of telecommunications regulations to our non-interconnected VoIP services could result in additional federal and state regulatory obligations and taxes. We are also in discussions with certain jurisdictions regarding potential sales and other taxes for prior periods that we may owe. In the event 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 services. If we do not comply with FCC rules and regulations, we could be subject to FCC enforcement actions, fines, loss of licenses and possibly restrictions on our ability to operate or offer certain of our products. Any enforcement action by the FCC, which may be a public process, would hurt our reputation in the industry, could erode customer trust, possibly impair our ability to sell our VoIP products to customers and could adversely affect our business, results of operations and financial condition.

Certain of our products are subject to a number of FCC regulations and laws that are administered by the FCC. Among others, we must comply (in whole or in part) with:

- the Communications Act of 1934, as amended, which regulates communications services and the provision of such services;
- the Telephone Consumer Protection Act, which limits the use of automatic dialing systems for calls and texts, artificial or prerecorded voice messages, and fax machines;

- the Communications Assistance for Law Enforcement Act, which requires covered entities to assist law enforcement in undertaking electronic surveillance;
- requirements to safeguard the privacy of certain customer information;
- payment of annual FCC regulatory fees and taxes based on our interstate and international revenues;
- rules pertaining to access to our services by people with disabilities and contributions to the Telecommunications Relay Services fund; and,
- FCC rules regarding the use of customer proprietary network information.

In addition, Congress and the FCC are attempting to mitigate the scourge of robocalls by requiring participation in a technical standard called SHAKEN/STIR, which allows voice carriers to authenticate caller ID, prohibiting malicious spoofing.

If we do not comply with any current or future rules or regulations that apply to our business, we could be subject to substantial fines and penalties, and we may have to restructure our offerings, exit certain markets or raise the price of our products. In addition, any uncertainty regarding whether particular regulations apply to our business, and how they apply, could increase our costs or limit our ability to grow.

As we continue to expand internationally, we have become subject to telecommunications laws and regulations in the foreign countries where we offer our products. Internationally, we currently offer our products in over 180 countries.

Our international operations are subject to country-specific governmental regulation and related actions that have increased and will continue to increase our costs or impact our products and platform or prevent us from offering or providing our products in certain countries. Moreover, the regulation of communications platform-as-a-service (“CPaaS”) companies like us is continuing to evolve internationally and many existing regulations may not fully contemplate the CPaaS business model or how they fit into the communications regulatory framework. As a result, interpretation and enforcement of regulations often involve significant uncertainties. In many countries, including those in the European Union, a number of our products or services are subject to licensing and communications regulatory requirements which increases the level of scrutiny and enforcement by regulators. Future legislative, regulatory or judicial actions impacting CPaaS services could also increase the cost and complexity of compliance and expose us to liability. For example, in some countries, some or all of the services we offer are not considered regulated telecommunications services, while in other countries they are subject to telecommunications regulations, including but not limited to payment into universal service funds, licensing fees, provision of emergency services, provision of information to support emergency services and number portability. Specifically, the Australian Communications and Media Authority recently issued a formal finding against several companies, including our Company, for failure to upload data into a centralized database for emergency services and, in the future, regulatory authorities in other jurisdictions in which we operate may also determine that we are a telecommunications company subject to similar regulations. Failure to comply with these regulations could result in our Company being issued remedial directions to undertake independent audits and implement effective systems, processes and practices to ensure compliance, significant fines or being prohibited from providing telecommunications services in a jurisdiction.

Moreover, certain of our products may be used by customers located in countries where voice and other forms of IP communications may be illegal or require special licensing or in countries on a U.S. embargo list. Even where our products are reportedly illegal or become illegal or where users are located in an embargoed country, users in those countries may be able to continue to use our products in those countries notwithstanding the illegality or embargo. We may be subject to penalties or governmental action if consumers continue to use our products in countries where it is illegal to do so or if we use a local partner to provide services in a country and the local partner does not comply with applicable governmental regulations. Any such penalties or governmental action may be costly and may harm our business and damage our brand and reputation. We may be required to incur additional expenses to meet applicable international regulatory requirements or be required to raise the prices of services, or restructure or discontinue those services if required by law or if we cannot or will not meet those requirements. Any of the foregoing could adversely affect our business, results of operations and financial condition.

If we are unable to obtain 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 or of network service providers from whom we can provision Numbering Resources, such as offering these Numbering Resources with conditional minimum volume call level requirements, the cost of these Numbering Resources and the level of overall competitive demand for new Numbering Resources.

In addition, in order to obtain allocations of, assign and retain Numbering Resources in the EU or certain other regions, we are often required to be licensed by local telecommunications regulatory authorities, some of which have been increasingly monitoring and regulating the categories of Numbering Resources that are eligible for provisioning to our customers. 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. Furthermore, these regulations and governments' approach to their enforcement, as well as our products and services, are still 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. Also, compliance with these types of regulation may require changes in products or business practices that result in reduced revenue. Due to our or our customers' assignment and/or use of Numbering Resources in certain countries in a manner that violates 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 forced 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.

Due to their limited availability, there are certain popular area code prefixes that we generally cannot obtain. Our inability to acquire or retain Numbering Resources for our operations may make our voice and messaging products less attractive to potential customers in the affected local geographic areas. In addition, future growth in our customer base, together with growth in the customer bases of other providers of cloud communications, has increased, which increases our dependence on needing sufficiently large quantities of Numbering Resources. It may become increasingly difficult to source larger quantities of Numbering Resources as we scale and we may need to pay higher costs for Numbering Resources, and Numbering Resources may become subject to more stringent regulation or conditions of usage such as the registration and on-going compliance requirements discussed above.

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 the fact that we depend on network service providers to transfer these numbers, a process that we do not control, and these network service providers may refuse or substantially delay the transfer of these numbers to us. Number portability is considered an important feature by many potential customers, and if we fail to reduce any related delays, then we may experience increased difficulty in acquiring new customers.

Any of the foregoing factors could adversely affect our business, results of operations and financial condition.

If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, and changing customer needs, requirements or preferences, our products may become less competitive.

The market for communications in general, and cloud communications in particular, is subject to rapid technological change, evolving industry standards, changing regulations, as well as changing customer needs, requirements and preferences. The success of our business will depend, in part, on our ability to adapt and respond effectively to these changes on a timely basis. If we are unable to develop new products that satisfy our customers and provide enhancements and new features for our existing products that keep pace with rapid technological and industry change, including but not limited to SHAKEN/STIR and applicable industry standards, our business, results of operations and financial condition could be adversely affected. If new technologies emerge that are able to deliver competitive products and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely impact our ability to compete effectively.

Our platform must integrate with a variety of network, hardware, mobile and software platforms and technologies, and we need to continuously modify and enhance our products and platform to adapt to changes and innovation in these technologies. For example, Apple, Google and other cell-phone 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. Similarly, our network service providers may adopt new filtering technologies in an effort to combat spam or robocalling. Such technologies may inadvertently filter desired messages or calls to or from our customers. If cell-phone operating system providers, 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.

We substantially rely upon Amazon Web Services to operate our platform, and any disruption of or interference with our use of Amazon Web Services would adversely affect our business, results of operations and financial condition.

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 access our platform at any time, without 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 in the future we may experience interruptions, delays and outages in service and availability due to a variety of factors, including infrastructure changes, human or software errors, website hosting disruptions and capacity constraints. Capacity constraints could be due to a number of potential causes, including technical failures, natural disasters, pandemics such as COVID-19, fraud or security attacks. For instance, in September 2015, AWS suffered a significant outage that had a widespread impact on the ability of our customers to use several of our products and from time to time since then, we have experienced some outages which resulted in disruptions to service for some of our customers. In addition, if our security, or that of AWS, is compromised, or our products or platform are unavailable or our users are unable to use our products within a reasonable amount of time or at all, then our business, results of operations and financial condition could be adversely affected. In some instances, we may 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, 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, our business, results of operations and financial condition may be adversely affected. In addition, any changes in service levels from AWS 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 server capacity and, to a lesser extent, storage and other optimization offerings. AWS enables us to order and reserve server capacity in varying amounts and sizes distributed across multiple regions. We access AWS infrastructure through standard IP connectivity. AWS provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. AWS may terminate the agreement for cause upon notice and upon our failure to cure a breach within 30 days from the date of such notification and may, in some cases, suspend the agreement immediately for cause upon notice. Although we expect that we could receive similar services from other third parties, if any of our arrangements with AWS are terminated, we could experience interruptions on our platform and in our ability to make our products available to customers, as well as delays and additional expenses in arranging alternative cloud infrastructure services.

Any of the above circumstances or events may harm our reputation, erode customer trust, cause customers to stop using our products, 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.

We typically provide monthly uptime service level commitments of up to 99.95% under our agreements with customers. If we fail to meet these contractual commitments, then our business, results of operations and financial condition could be adversely affected.

Our agreements with customers typically provide for service level commitments. If we suffer extended periods of downtime for our products or platform and we are unable to meet these commitments, then we are contractually obligated to provide a service credit, which is typically 10% of the customer's amounts due for the month in question. For example, on February 26, 2021, a critical feature enablement service on our platform became overloaded, which resulted in connection issues across multiple products in our cloud communications platform that affected our customers for a limited number of hours. The service disruption had a widespread impact on our customers' ability to use several of our products. We are still monitoring the impact and we expect to incur certain costs associated with offering credits to our affected customers, but we do not expect the overall impact to be material to our business. We may also ultimately lose or see reduced utilization of our products by one or more customers as a result of the outage. In addition, the performance and availability of AWS or other service providers, which provides our cloud infrastructures is outside of our control and, therefore, we are not in full control of whether we meet our service level commitments. As a result, our business, results of operations and financial condition could be adversely affected if we suffer unscheduled downtime that exceeds the service level commitments we have made to our customers. Any extended service outages could adversely affect our business and reputation and erode customer trust.

Breaches of our networks or systems, or those of AWS or our service providers, could degrade our ability to conduct our business, compromise the integrity of our products, platform and data, result in significant data losses 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 and business partners. Individuals or entities may attempt to penetrate our network security, or that of our platform, and to cause harm to our business operations, including by misappropriating our proprietary information or that of our customers, employees and business partners or to cause interruptions of our products and platform. In particular, cyberattacks and other malicious internet-based activity continue to increase in frequency and in magnitude generally, and cloud-based companies have been targeted in the past. In addition to threats from traditional computer hackers, malicious code (such as malware, viruses, worms, and ransomware), employees theft or misuse, password spraying, phishing, credential stuffing, and denial-of-service attacks, we also face threats from sophisticated organized crime, nation-state, and nation-state supported actors who engage in attacks (including advanced persistent threat intrusions) that add to the risk to our systems (including those hosted on AWS or other cloud services), internal networks, our customers' systems and the information that they store and process. While we devote significant financial and employees resources to implement and maintain security measures, because the techniques used by such individuals or entities to access, disrupt or sabotage devices, systems and networks change frequently and may not be recognized until launched against a target, we may be required to make further investments over time to protect data and infrastructure as cybersecurity threats develop, evolve and grow more complex over time. We may also be unable to anticipate these techniques, and we may not become aware in a timely manner of such a security breach, which could exacerbate any damage we experience. Additionally, we depend upon our employees and contractors to appropriately handle confidential and sensitive data, including customer data, and to deploy our IT resources in a safe and secure manner that does not expose our network systems to security breaches or the loss of data. We have been and expect to be subject to cybersecurity threats and incidents, including denial-of-service attacks, employee errors or individual attempts to gain unauthorized access to information systems. Any data security incidents, including internal malfeasance or inadvertent disclosures by our employees or a third party's fraudulent inducement of our employees to disclose information, unauthorized access or usage, virus or similar breach or disruption of us or our service providers, such as AWS, could result in loss of confidential information, damage to our reputation, erosion of customer trust, loss of customers, litigation, regulatory investigations, fines, penalties and other liabilities. Furthermore, we are required to comply with laws and regulations that require us to maintain the security of personal information and we may have contractual and other legal obligations to notify customers or other relevant stakeholders of security breaches. Such disclosures could lead to negative publicity, may cause our customers to lose confidence in the effectiveness of our security measures and require us to expend significant capital and other resources to respond to and/or mitigate the security breach. Accordingly, if our cybersecurity measures or those of AWS or our service providers, fail to protect against unauthorized access, attacks (which may include sophisticated cyberattacks), compromise or the mishandling of

data by our employees and contractors, then our reputation, customer trust, business, results of operations and financial condition could be adversely affected.

While we maintain errors, omissions, and cyber liability insurance policies covering certain security and privacy damages, we cannot be certain that our existing insurance coverage will continue to be available on acceptable terms or will be available, and in sufficient amounts, to cover the potentially significant losses that may result from a security incident or breach or that the insurer will not deny coverage as to any future claim.

Defects or errors in our products could diminish demand for our products, harm our business and results of operations and subject us to liability.

Our customers use our products for important aspects of their businesses, and any errors, defects or disruptions to our products and any other performance problems with our products could damage our customers' businesses and, in turn, hurt our brand and reputation and erode customer trust. We provide regular updates to our products, which have in the past contained, and may in the future contain, undetected errors, failures, vulnerabilities and bugs when first introduced or released. Real or perceived errors, failures or bugs in our products could result in negative publicity, loss of or delay in market acceptance of our platform, loss of competitive position, lower customer retention or claims by customers for losses sustained by them. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem. In addition, we may not carry insurance sufficient to compensate us for any losses that may result from claims arising from defects or disruptions in our products. As a result, our reputation and our brand could be harmed, and our business, results of operations and financial condition may be adversely affected.

We currently generate significant revenue from our largest customers, and the loss or decline in revenue from any of these customers could harm our business, results of operations and financial condition.

In the three months ended March 31, 2021 and the years ended December 31, 2020 and 2019, our 10 largest Active Customer Accounts generated an aggregate of 12%, 14% and 13% of our revenue, respectively. In the event that any of our large customers do not continue to use our products, use fewer of our products, or use our products in a more limited capacity, or not at all, our business, results of operations and financial condition could be adversely affected. Additionally, the usage of our products by customers that do not have long-term contracts with us may change between periods. Those with no long-term contract with us may reduce or fully terminate their usage of our products at any time without notice, penalty or termination charges, which may adversely impact our results of operations.

If we are unable to develop and maintain successful relationships with consulting partners, our business, results of operations and financial condition could be adversely affected.

We believe that continued growth of our business depends in part upon identifying, developing and maintaining strategic relationships with consulting partners. As part of our growth strategy, we intend to further develop partnerships and specific solution areas with consulting partners. If we fail to establish these relationships in a timely and cost-effective manner, or at all, then our business, results of operations and financial condition could be adversely affected. Additionally, even if we are successful at developing these relationships but there are problems or issues with the integrations or enterprises are not willing to purchase through consulting partners, our reputation and ability to grow our business may be adversely affected.

Any failure to offer high quality customer support may adversely affect our relationships with our customers and prospective customers, and adversely affect our business, results of operations and financial condition.

Many of our customers depend on our customer support team to assist them in deploying our products effectively to help them to resolve post-deployment issues quickly and to provide ongoing support. If we do not devote sufficient resources or are otherwise unsuccessful in assisting our customers effectively, it could adversely affect our ability to retain existing customers and could prevent prospective customers from adopting our products. We may be 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 to compete with changes in the support services provided by our competitors. Increased demand for customer support, without corresponding revenue, could increase costs and adversely affect our business, results of operations and financial condition. Our sales are highly dependent on our business reputation and on positive recommendations from developers. Any failure to maintain high quality customer support, or a market perception that we do not maintain high quality customer support, could erode customer trust and adversely affect our reputation, 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 charge our customers based on their use of our products. We expect that we may need to change our pricing from time to time. In the past, we have sometimes reduced our prices either for individual customers in connection with long-term agreements or for a particular product. One of the challenges to our pricing is that the fees that we pay to network service providers over whose networks we transmit communications can vary daily or weekly and are affected by volume and other factors that may be outside of our control and difficult to predict. This can result in us incurring increased costs that we may be unable or unwilling to pass through to our customers, which could adversely impact our business, results of operations and financial condition.

Further, as competitors introduce new products or services that compete with ours or reduce their prices, we may be unable to attract new customers or retain existing customers based on our historical pricing. As we expand internationally, we also must determine the appropriate price to enable us to compete effectively internationally. Moreover, enterprises, which are a primary focus for our direct sales efforts, may demand substantial price concessions. In addition, if the mix of products sold changes, including for a shift to IP-based products, then we may need to, or choose to, revise our pricing. As a result, in the future we may be required or choose to reduce our prices or change our pricing model, which could adversely affect 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 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. Our future success depends, in part, on not infringing the intellectual property rights of others and we may be unaware of the intellectual property rights of others that may cover some or all of our technology. Our competitors or other third parties have claimed and may, in the future, claim that our products or platform and underlying technology are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. For example, Telesign Corporation ("Telesign") sued us in 2015 and 2016 alleging that we infringed four U.S. patents. The patent infringement allegations in the lawsuits related to our two-factor authentication use case, *Authy*, and an API tool to find information about a phone number. On October 19, 2018, a United States District Court in the Northern District of California entered judgment in our favor on all asserted claims, which was affirmed on appeal. We intend to vigorously defend ourselves against such lawsuits. During the course of these lawsuits, there may be announcements of the results of hearings and motions and other interim developments related to the litigation. If securities analysts or investors regard these announcements as negative, the trading price of our Class A common stock may decline.

In the future, we may also introduce or acquire new products or technologies, including in areas where we historically have not participated in, which could increase our exposure to intellectual property claims. Any claims or litigation could cause us to incur significant expenses 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. We may also be obligated to indemnify our customers or business partners in connection with any such litigation and to obtain licenses or modify our products or platform, which could further exhaust our resources. Litigation is inherently uncertain and even if we were to prevail in the event of claims or litigation against us, any claim or litigation regarding intellectual property could be costly and time-consuming and divert the attention of our management and other employees from our business. Patent infringement, trademark infringement, trade secret misappropriation and other intellectual property claims and proceedings brought against us, whether successful or not, could harm our brand, business, results of operations and financial condition.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.

Our agreements with customers and other third parties typically include indemnification or other provisions under which we agree to indemnify or otherwise be liable to them for losses suffered or incurred as a result of claims of intellectual property infringement, loss or exposure of confidential or sensitive data, damages caused by us to property or persons or other liabilities relating to or arising from our products or platform or other acts or omissions. The term of these contractual provisions often survives termination or expiration of the applicable agreement. Large indemnity payments or damage claims from contractual breach could harm our business, results of operations and financial condition. Although typically we contractually limit our liability with respect to such obligations, we may still incur substantial liability related to them. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other current and prospective customers, demand for our products and 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 in the U.S. and in non-U.S. jurisdictions so that we can prevent others from using our inventions and proprietary information. As of December 31, 2020, in the United States, we had been issued 157 patents, which expire between 2029 and 2039. As of such date, we also had 33 issued patents in non-U.S. jurisdictions, all of which are related to U.S. patents and patent applications. We have also filed various applications for protection of certain aspects of our intellectual property in the United States and internationally. There can be no assurance that additional patents will be issued or that any patents that have been issued or that may be issued in the future will provide significant protection for our intellectual property. As of December 31, 2020, we had 41 registered trademarks in the United States and 257 registered trademarks in non-U.S. jurisdictions. If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology and our business, results of operations and financial condition may be adversely affected.

There can be no assurance that the particular forms of intellectual property protection that we seek, including business decisions about when to file patent applications and trademark applications, will be adequate to protect our business. We could be required to spend significant resources to monitor and protect our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights, determine the validity and scope of our proprietary rights or those of others, or defend against claims of infringement or invalidity. Such litigation could be costly, time-consuming and distracting to management, result in a diversion of significant resources, the narrowing or invalidation of portions of our intellectual property and have an adverse effect on our business, results of operations and financial condition. Our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights or alleging that we infringe the counterclaimant's own intellectual property. Any of our patents, copyrights, trademarks or other intellectual property rights could be challenged by others or invalidated through administrative process or litigation.

We also rely, in part, on confidentiality agreements with our business partners, employees, consultants, advisors, customers and others in our efforts to protect our proprietary technology, processes and methods. These agreements may not effectively prevent disclosure of our confidential information, and it may be possible for unauthorized parties to copy our software or other proprietary technology or information, or to develop similar software independently without our 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 would not be able to assert any trade secret rights against those parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

In addition, the laws of some countries do not protect intellectual property and other proprietary rights to the same extent as the laws of the United States. To the extent we expand our international activities, our exposure to unauthorized copying, transfer and use of our proprietary technology or information may increase.

We cannot be certain that our means of protecting our intellectual property and proprietary rights will be adequate or that our competitors will not independently develop similar technology. If we fail to meaningfully protect our intellectual property and proprietary rights, our business, results of operations and financial condition could be adversely affected.

We may acquire or invest in companies, which may divert our management's attention and result in debt or dilution to our stockholders. We may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions or investments.

We actively evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products and other assets in the future. For example, in November 2020, we acquired Segment for a total purchase price of $3.0 billion, of which $2.5 billion represented the value of our Class A common stock issued at closing. The estimated transaction value of $3.2 billion, as previously announced, includes certain shares of Class A common stock and assumed equity awards that are subject to future vesting. Accordingly, at closing, our stockholders incurred substantial dilution. Any future acquisitions or strategic transactions may result in additional dilution or require us to take on debt in order to finance any such transactions. For further risks related to the acquisition of Segment, please see below under "Risks Related to the Acquisition of Segment." We also may enter into relationships with other businesses to expand our products and platform, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing or investments in other companies, such as our recent proposed investment of up to $750.0 million in Syniverse Corporation.

Any acquisition, investment or business relationship may result in unforeseen operating difficulties and expenditures. In particular, we may encounter difficulties or delays in assimilating or integrating the businesses, technologies, products, employees or operations of the acquired companies, particularly if the key employees of the acquired company choose not to work for us, their products or services are not easily adapted to work with our platform, or we have difficulty retaining the customers of any acquired business due to changes in ownership, management or otherwise. In addition, we may discover liabilities or deficiencies associated with the assets or companies we acquire or ineffective or inadequate controls, procedures or policies at an acquired business that were not identified in advance, any of which could result in significant unanticipated costs. Acquisitions also may disrupt our business, divert our resources or require significant management attention that would otherwise be available for development of our existing business. Moreover, the anticipated benefits of any acquisition, investment or business relationship may not be realized or we may be exposed to unknown risks or liabilities.

Negotiating these transactions can be time consuming, difficult and expensive, and our ability to complete these transactions may often be subject to approvals that are beyond our control. Consequently, these transactions, even if announced, may not be completed. For one or more of those transactions, we may:

- issue additional equity securities that would dilute our existing stockholders;
- use cash that we may need in the future to operate our business;
- incur large charges or substantial liabilities;
- incur debt on terms unfavorable to us or that we are unable to repay;
- encounter difficulties retaining key employees of the acquired company or integrating diverse software codes or business cultures;
- encounter difficulties retaining the acquired company's customers; or
- become subject to adverse tax consequences, substantial depreciation, or deferred compensation charges.

The occurrence of any of these foregoing could adversely affect our business, results of operations and financial condition.

We depend largely on the continued services of our senior management and other key employees, the loss of any of whom could adversely affect our business, results of operations and financial condition.

Our future performance depends on the continued services and contributions of 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. The loss of services of senior management or other key employees could significantly delay or prevent the achievement of our development and strategic objectives. In particular, we depend to a considerable degree on the vision, skills, experience and effort of our co-founder and Chief Executive Officer, Jeff Lawson. None of our executive officers or other senior management are bound by a written employment agreement and any of them may terminate employment with us at any time with no advance notice. The replacement of any of our senior management would likely involve significant time and costs, and such loss could significantly delay or prevent the achievement of our business objectives. The loss of the services of any of our senior management or other key employees for any reason could adversely affect our business, results of operations and financial condition.

If we are unable to hire, retain and motivate qualified employees, our business will suffer.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled employees. 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 the San Francisco Bay Area, where our headquarters are located, and in other locations where we maintain offices. We must provide competitive compensation packages and a high quality work environment to hire, retain and motivate 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. To the extent we hire employees from competitors, we also may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information.

Volatility in, or lack of performance of, our stock price may also affect our ability to attract and retain key employees. Many of our key employees are, or will soon be, vested in a substantial number of shares of Class A common stock or stock options. Employees may be more likely to terminate their employment with us if the shares they own or the shares underlying their vested options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or, conversely, if the exercise prices of the options that they hold are significantly above the trading price of our Class A common stock. If we are unable to retain our employees, our business, results of operations and financial condition could be adversely affected.

United States federal 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, or the CAN-SPAM Act, establishes certain requirements for commercial email messages 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, Utah and Michigan prohibit the sending of email messages that advertise products or services that minors are prohibited by law from purchasing (e.g., alcoholic beverages, tobacco products, illegal drugs) or that contain content harmful to minors (e.g., pornography) to email addresses listed on specified child protection 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 to receipt of such email, or in other words has "opted-in" to receiving 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 other users' violation of our policies or other misuse of our platform to transmit unauthorized, offensive or illegal messages, spam, phishing scams, and website links to harmful applications or for other fraudulent or illegal activity could damage our reputation, and we may face a risk of 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 or voice calls may subject us to potential risks, including liabilities or claims relating to consumer protection laws and regulatory enforcement, including fines. For example, the Telephone Consumer Protection Act of 1991 restricts telemarketing and the use of automatic SMS text messages without explicit customer consent. 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 or voice calls 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 by obtaining proper consent, we could face direct liability.

Moreover, despite our ongoing and substantial efforts to limit such use, certain customers may use our platform to transmit unauthorized, offensive or illegal messages, calls, spam, phishing 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 issues also arise with respect to a portion of those users who use our platform on a free trial basis or upon initial use. These actions are in violation of our policies, in particular, our Acceptable Use Policy. However, our efforts to defeat spamming attacks, illegal robocalls and other fraudulent activity will not prevent all such attacks and activity. Such use of our platform could damage our reputation and we could face claims for damages, regulatory enforcement, copyright or trademark infringement, defamation, negligence, or fraud. Moreover, our customers' and other users' promotion of their products and services through our platform might not comply with federal, state, and foreign laws. 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 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 would expose us to liability under applicable 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. There have been various Congressional and executive efforts to eliminate or modify Section 230, which limits the liability of internet platforms for third-party content that is transmitted via those platforms and for good-faith moderation of offensive content. President Biden and many Members of Congress from both parties support reform or repeal of Section 230, so the possibility of Congressional action remains. In addition, a petition filed by the Trump administration with the Federal Communications Commission to adopt rules interpreting Section 230 remains before the Commission. If the FCC adopts rules, the scope of the protection offered by Section 230 could be narrowed considerably. The FCC has not released any document describing the rules that would be proposed and no date has been set for a vote on any such proposal. The Democratic Commissioners of the FCC have indicated that they are opposed to the petition and now control the agenda of the FCC. Even if claims asserted against us do not result in liability, we may incur substantial costs in investigating and defending such claims. 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.

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. 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. Moreover, 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 source code for 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 complied with the conditions of one or more of these licenses, 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, could result in customer dissatisfaction and may adversely affect our business, results of operations and financial condition.

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. In particular, the re-adoption of "network neutrality" rules in the United States, which President Biden supported during his campaign, could affect the services used by us and our customers. In addition, the use of the Internet as a business tool could be adversely affected due to 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 "viruses," "worms," and similar malicious programs. 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.

The technology industry is subject to increasing scrutiny that could result in government actions that would negatively affect our business.

The technology industry is subject to intense media, political and regulatory scrutiny, including on issues related to antitrust, privacy, and artificial intelligence, which exposes us to government investigations, legal actions and penalties. For instance, various regulatory agencies, including competition and consumer protection authorities, have active proceedings and investigations concerning multiple technology companies on antitrust and other issues. If we become subject to such investigations, we could be liable for substantial fines and penalties, be required to change our products and services or alter our business operations, receive negative publicity, or be subject to civil litigation, all of which could harm our business. Lawmakers also have proposed new laws and regulations, and modifications to existing laws and regulations, that affect the activities of technology companies such as the recent efforts to eliminate or modify Section 230 of the Communications Decency Act. If such laws and regulations are enacted or modified, they could impact us, even if they are not intended to affect our company. In addition, the introduction of new products and services, expansion of our activities in certain jurisdictions, or other actions that we may take may subject us to additional laws, regulations, and other scrutiny. The increased scrutiny of certain acquisitions in the technology industry also could affect our ability to enter into strategic transactions or to acquire other businesses.

Compliance with new or modified laws and regulations could increase the cost of conducting our business, limit the opportunities to increase our revenues, or prevent us from offering products or services. While we have adopted policies and procedures designed to ensure compliance with applicable laws and regulations, there can be no assurance that our employees, contractors or agents will not violate such laws and regulations. If we are found to have violated laws and regulations, it could materially adversely affect our reputation, financial condition and operating results.

We also could be harmed by government investigations, litigation, or changes in laws and regulations directed at our customers, business partners, or suppliers in the technology industry that have the effect of limiting our ability to do business with those entities. For example, the U.S. government recently has taken action against companies operating in China intended to limit their ability to do business in the U.S. or with U.S. companies. There can be no assurance that our business will not be materially adversely affected, individually or in the aggregate, by the outcomes of such investigations, litigation or changes to laws and regulations in the future.

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

Some of our customers rely on email for commercial solicitation. Other private entities often advocate standards of conduct or practice that significantly exceed current legal requirements and classify certain solicitations that comply with current legal requirements as spam. Some of these entities maintain “blacklists” of companies and individuals, and the websites, inbox service providers and IP addresses associated with those entities or individuals that do not adhere to those standards of conduct or practices for commercial solicitations that the blacklisting entity believes are appropriate. If a company’s IP addresses are listed by a blacklisting entity, emails sent from those addresses may be blocked if they are sent to any internet domain or internet address that subscribes to the blacklisting entity’s service or uses its blacklist.

From time to time, some of our IP addresses have become, and we expect will continue to be, listed with one or more blacklisting entities due to the messaging practices of our customers and other users. We may be at an increased risk of having our IP addresses blacklisted due to our scale and volume of email processed, compared to our smaller competitors. While the overall percentage of such email solicitations that our individual customers send may be at or below reasonable standards, the total aggregate number of all emails that we process on behalf of our customers may trigger increased scrutiny from these blacklisting entities. 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, blacklisting 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.

Additionally, inbox service providers can block emails from reaching their users. While we continually improve our own technology and work closely with inbox service providers to maintain our deliverability rates, 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. In addition, some inbox service providers categorize as “promotional” emails that originate from email service providers and, as a result, direct them to an alternate or “tabbed” section of the recipient’s inbox. If inbox service providers materially limit or halt the delivery of our customers’ emails, or if we fail to deliver our

customers' emails in a manner compatible with inbox service providers' email handling or authentication technologies or other policies, or if the open rates of our customers' emails are negatively impacted by the actions of inbox service providers to 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.

Our global operations subject us to potential liability under trade protection, anti-corruption, and other laws and regulations, including legal liability and reputational damage if we violate applicable U.S. economic trade sanctions or export controls regulations, and such violations could impair our ability to compete in international markets due to licensing requirements and could subject us to liability for compliance violations.

Certain of our products and services may be subject to these types of laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Control. Exports of our products and the provision of our services must be made in compliance with these requirements. Although we take precautions to prevent our products from being provided in violation of such laws, we are aware of previous exports of certain of our products to a small number of persons and organizations that are the subject of U.S. sanctions or located in countries or regions subject to U.S. sanctions. If we fail to comply with these laws and regulations, 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; and, in extreme cases, the incarceration of responsible employees or managers. Obtaining the necessary authorizations, including any required license, for a particular deployment may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. In addition, changes in our products or services, or changes in applicable export or economic sanctions regulations may create delays in the introduction and deployment of our products and services in international markets, or, in some cases, prevent the export of our products or provision of our services to certain countries or end users. Any change in trade protection laws, policies, export, sanctions and other regulatory requirements affecting trade and investments, shift in the enforcement or scope of existing regulations, 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 with international operations. 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.

The Foreign Corrupt Practices Act and other anti-corruption laws and regulations prohibit corrupt payments by our employees and third parties acting on our behalf, and require that we maintain accurate books and records and adequate internal controls. While we have implemented a global compliance program designed to reduce the risk of violations, our employees or third parties acting on our behalf may fail to comply with applicable laws and regulations. Such violations could result in significant fines and penalties, criminal liability for us, our individual officers or employees, prohibitions on our ability to conduct business, and potential reputational damage.

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.

Our reliance on SaaS technologies from third parties may adversely affect our business, results of operations and financial condition.

We rely on hosted SaaS technologies from third parties in order to operate critical internal functions of our business, including enterprise resource planning, customer support and customer relations management services. If these services become unavailable due to extended outages or interruptions, or because they are no longer available on commercially reasonable terms or prices, our expenses could increase. As a result, our ability to manage our operations could be interrupted and our processes for managing our sales process and supporting our customers could be impaired until equivalent services, if available, are identified, obtained and implemented, all of which could adversely affect our business, results of operations and financial condition.

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

Significant judgments and estimates are required in determining our provision for income taxes and other tax liabilities. Our tax expense may be impacted, for example, if tax laws change or are clarified to our detriment or if tax authorities successfully challenge the tax positions that we take, such as, for example, positions relating to the arms-length pricing standards for our intercompany transactions and our indirect tax positions. In determining the adequacy of income taxes, we assess the likelihood of adverse outcomes that could result if our tax positions were challenged by the Internal Revenue Service ("IRS"), and other tax authorities. Should the IRS or other tax authorities assess additional taxes as a result of examinations, we may be required to record charges to operations that could adversely affect our results of operations and financial condition. We are currently in discussions with certain jurisdictions regarding potential sales taxes for prior periods that we may owe. We reserved $26.6 million on our March 31, 2021 balance sheet for these tax payments. The actual exposure could differ materially from our current estimates, and if the actual payments we make to any jurisdiction exceed the accrual in our balance sheet, our results of operations would be harmed. For example, one jurisdiction has assessed us for $38.8 million in taxes, including interest and penalties, which exceeded the $11.5 million we had accrued for that assessment. We believe this assessment is incorrect and have disputed it, paid the full amount as required by law, and are seeking a refund or settlement. The payment made in excess of the accrued amount will be reflected as a deposit on our balance sheet in future periods. If a reasonable settlement cannot be reached in the near future, we will challenge the jurisdiction's assessment in court. However, litigation is uncertain and a ruling against us may adversely affect our financial position and results of operation. Many states are also pursuing legislative expansion of the scope of goods and services that are subject to sales and similar taxes as well as the circumstances in which a vendor of goods and services must collect such taxes. Following the U.S. Supreme Court decision in South Dakota v. Wayfair, Inc., states are now free to levy taxes on sales of goods and services based on an "economic nexus," regardless of whether the seller has a physical presence in the state. Any additional fees and taxes levied on our services by any state may adversely impact our results of operations.

We could be subject to liability for historical and future indirect and similar taxes, which could adversely affect our results of operations.

We conduct operations in many tax jurisdictions throughout the United States and internationally. In many of these jurisdictions, non-income-based taxes, such as sales, VAT, GST, and telecommunications taxes, are assessed on our operations or our sales to customers. We are subject to indirect taxes, and may be subject to certain other taxes, in some of these jurisdictions. Historically, we have not billed or collected taxes in certain jurisdictions and, in accordance with generally accepted accounting principles in the United States ("U.S. 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. 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.

We have been and may continue to be subject to scrutiny from tax authorities in various jurisdictions and may have additional exposure related to our historical operations. Furthermore, certain jurisdictions in which we do not collect such taxes have in the past and may in the future assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect such taxes in the future. Such tax assessments, penalties and interest or future requirements may adversely affect our business, the prices at which we are able to offer our services, our results of operations and financial condition.

Effective March 2017, we began collecting certain telecommunications-based taxes from our customers in certain jurisdictions. Since then, we have added more jurisdictions where we collect these taxes and we expect to continue expanding the number of jurisdictions in which we will collect these taxes in the future. We are also in discussions with certain jurisdictions regarding our potential sales and other taxes for prior periods that we may owe.

In the event 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. Some customers may question the incremental tax charges and some may seek to negotiate lower pricing from us, which could adversely affect our business, results of operations and financial condition.

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 global and U.S. tax legislation may adversely affect our financial condition, operating results, and cash flows.

We are unable to predict what global or U.S. tax reforms may be proposed or enacted in the future or what effects such future changes would have on our business. Any such changes in tax legislation, regulations, policies or practices in the jurisdictions in which we operate could increase the estimated tax liability that we have expensed to date and paid or accrued on our balance sheet; affect our financial position, future operating results, cash flows, and effective tax rates where we have operations; reduce post-tax returns to our stockholders; and increase the complexity, burden, and cost of tax compliance. We are subject to potential changes in relevant tax, accounting, and other laws, regulations, and interpretations, including changes to tax laws applicable to corporate multinationals.

Certain government agencies in jurisdictions where we and our affiliates do business have had an extended focus on issues related to the taxation of multinational companies. In addition, the Organization for Economic Co-operation and Development is conducting a project focused on base erosion and profit shifting in international structures, which seeks to establish certain international standards for taxing the worldwide income of multinational companies. Further, several countries have proposed or enacted taxes applicable to digital services, which could apply to our business. As a result of these developments, the tax laws of certain countries in which we and our affiliates do business could change on a prospective or retroactive basis, and any such changes could increase our liabilities for taxes, interest and penalties, and therefore could harm our business, cash flows, results of operations and financial position.

The governments of countries in which we operate and other governmental bodies could make unprecedented assertions about how taxation is determined in their jurisdictions that are contrary to the way in which we have interpreted and historically applied the rules and regulations in our tax returns filed in such jurisdictions. New laws could significantly increase our tax obligations in the countries in which we do business or require us to change the manner in which we operate our business. As a result of the large and expanding scale of our international business activities, many of these changes to the taxation of our activities could increase our worldwide effective tax rate and harm our financial position, operating results, and cash flows.

If we experience excessive credit card or fraudulent activity, we could incur substantial costs.

Most of our customers authorize us to bill their credit card accounts directly for service fees that we charge. If people pay for our services with stolen credit cards, we could incur substantial third-party vendor costs for which we may not be reimbursed. Further, our customers provide us with credit card billing information online, and we do not review the physical credit cards used in these transactions, which increases our risk of exposure to fraudulent activity. We also incur charges, which we refer to as chargebacks, from the credit card companies from claims that the customer did not authorize the credit card transaction to purchase our services. If the number of unauthorized credit card transactions becomes excessive, we could be assessed substantial fines for excess chargebacks, and we could lose the right to accept credit cards for payment.

Our products may also 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. 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 and use their accounts through fraudulent means. Furthermore, spammers attempt to use our products to send targeted and untargeted spam messages. We cannot be certain that our efforts to defeat spamming attacks will be successful in eliminating all spam messages from being sent using our platform. In addition, a cybersecurity breach of 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.

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 Class A and Class B common stock. Any debt financing that we may secure in the future could involve restrictive covenants relating to our capital raising activities 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. 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 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 political events, including Brexit, trade tariff developments and other geopolitical 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 transacted with customers in the Australian dollar, the Brazilian real, the British pound, the Euro, and the Japanese yen. We expect to significantly 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 local currency for such locations. 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 Class A common stock could be adversely affected.

We intend to implement a program to hedge transactional exposures in foreign currencies and may 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.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

As of December 31, 2020, we had federal, state and foreign net operating loss carryforwards (“NOLs”), of $2.7 billion, $1.8 billion and $27.9 million, respectively. In the years ended December 31, 2020 and 2019, as a result of our Segment and SendGrid acquisitions, respectively, we assumed a $22.3 million and $56.2 million, respectively, deferred tax liability, as described in Note 6 to our consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on February 26, 2021. In general, under Section 382 of the Internal Revenue Code of 1986, as amended (the “Code”), 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 to offset post-change taxable income. Our existing NOLs may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change in the future, our ability to utilize NOLs could be further limited by Section 382 of the Code. Future changes in our stock ownership, some of which may be outside of our control, could result in an ownership change under Section 382 of the Code.

On December 22, 2017, the U.S. government enacted tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code including changes to the uses and limitations of net operating losses. For example, while the Tax Act allows for U.S. federal net operating losses incurred in tax years beginning after December 31, 2017 to be carried forward indefinitely, the Tax Act also imposes an 80% limitation on the use of net operating losses that are generated in tax years beginning after December 31, 2017. Net operating losses generated in tax years beginning prior to December 31, 2017 still have a 20-year carryforward period and are not subject to 80% limitation. The Coronavirus Aid, Relief and Economic Security Act ("CARES Act") enacted on March 27, 2020 permits a full five-year carryback of net operating losses arising in tax years beginning after December 31, 2017 and before January 1, 2021. In addition, at the state level, there may be periods during which the use of net operating loss carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. These provisions do not impact us since we have net operating losses in the applicable tax years. Our ability to utilize net operating loss carryforwards depends on existence of sufficient taxable income of the appropriate character within the carryforward period. Based on all available evidence, other than future taxable income from reversing taxable temporary differences, we have no other sources of taxable income that are objectively verifiable. As such, net operating loss carryforwards generated in tax years beginning before December 31, 2017, could expire unused and net operating losses arising in tax years beginning after December 31, 2017, while able to be carried forward indefinitely, are also not more likely than not to be realized due to lack of taxable income.

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. 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 Part I, Item 2, "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 Class A common stock.

Changes in financial 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.

For example, a new accounting guidance, Accounting Standards Codification ("ASC") 842, *"Leases"*, became effective January 1, 2019. The adoption of this new guidance had a significant impact on our balance sheet as described in detail in Note 2 to our consolidated financial statements included in our Annual Report on Form 10-K filed with the SEC on February 26, 2021. Adoption of these types 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.

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, or 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. 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 Class A 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.

If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.

We review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. As of March 31, 2021, we carried a net $5.6 billion of goodwill and intangible assets. An adverse change in market conditions, particularly if such change has the effect of changing one of our critical assumptions or estimates, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill or intangible assets. Any such charges may adversely affect our results of operations.

Risks Related to Ownership of Our Class A Common Stock

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

Prior to our initial public offering in June 2016, there was no public market for shares of our Class A common stock. On June 23, 2016, we sold shares of our Class A common stock to the public at $15.00 per share. From June 23, 2016, the date that our Class A common stock started trading on the New York Stock Exchange, through March 31, 2021, the trading price of our Class A common stock has ranged from $22.80 per share to $457.30 per share. The trading price of our Class A common stock may continue to fluctuate significantly in response to numerous factors, many of which are beyond our control, 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 Class A common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new products or services;
- 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, GDPR, the California Consumer Privacy Act of 2018 and other privacy regulations that may be implemented in the future, including the Schrems II decision invalidating the EU-U.S. Privacy Shield, SHAKEN/STIR and other robocalling prevention and anti-spam standards and increased costs associated with such compliance, as well as enhanced Know-Your-Client processes that impact our ability to market, sell or deliver our products;

- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- 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;
- announced or completed acquisitions of businesses, products, services or technologies by us or our competitors;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management; and
- general economic conditions 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 Class A common stock could cause the market price of our Class A common stock to decline.

The market price of our Class A common stock could decline as a result of substantial sales of our Class A 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 Class A 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. Certain holders of our Class A common stock have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for our stockholders or ourselves.

The dual class structure of our common stock has the effect of concentrating voting control with those stockholders who held our capital stock prior to the completion of our initial public offering, including our directors, executive officers and their respective affiliates. This limits or precludes your ability to influence corporate matters, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.

Our Class B common stock has 10 votes per share, and our Class A common stock has one vote per share. As of March 31, 2021, our directors, executive officers and their respective affiliates, held in the aggregate 23.3% of the voting power of our capital stock. Because of the 10-to-one voting ratio between our Class B common stock and Class A common stock, the holders of our Class B common stock collectively will continue to control a majority of the combined voting power of our common stock and therefore be able to control all matters submitted to our stockholders for approval until the earlier of (i) June 28, 2023, or (ii) the date the holders of two-thirds of our Class B common stock elect to convert the Class B common stock to Class A common stock. This concentrated control limits or precludes your ability to influence corporate matters for the foreseeable future, including the election of directors, amendments of our organizational documents, and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. In addition, this may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that you may feel are in your best interest as one of our stockholders.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term.

If securities or industry analysts cease publishing research or reports about us, our business or our market, or if they change their recommendations regarding our Class A common stock adversely, the trading price of our Class A common stock and trading volume could decline.

The trading market for our Class A 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 Class A common stock adversely, or provide more favorable relative recommendations about our competitors, the trading price of our Class A 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 Class A common stock or trading volume to decline.

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

Our amended and restated certificate of incorporation, amended and restated 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 amended and restated certificate of incorporation and amended and restated 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 Class A and Class B 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;
- providing for a dual class common stock structure in which holders of our Class B common stock have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the outstanding shares of our Class A and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets;
- providing that our board of directors is classified into three classes of directors with staggered three-year terms;
- prohibit stockholder action by written consent, which requires 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 amended and restated certificate of incorporation, amended and restated 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 Class A common stock.

Our amended and restated certificate of incorporation provides 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 amended and restated certificate of incorporation provides 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.

This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act or any other claim for which the U.S. federal courts have exclusive jurisdiction.

This exclusive-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 this exclusive forum provision in our amended and restated certificate of incorporation 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.

We do not expect to declare any dividends in the foreseeable future.

We have never paid dividends and we do not anticipate declaring any cash dividends to holders of our common stock in the foreseeable future. Consequently, investors may need to rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our Class A common stock.

Risks Related to our Indebtedness

Our indebtedness could adversely affect our financial condition.

As of March 31, 2021, we had $1.3 billion of indebtedness outstanding (excluding intercompany indebtedness). Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring 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, acquisitions and other general corporate purposes;
- increasing our vulnerability to adverse changes in general economic, industry and competitive conditions;
- exposing 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
- increasing our cost of borrowing.

In addition, the indenture 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") and 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 result in the acceleration of substantially all of our indebtedness.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations, including the Notes and our 0.25% convertible senior notes due 2023 (the "Convertible Notes"), depends on our financial condition and results of operations, which in turn are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the Notes and the Convertible Notes.

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, or to sell assets, seek additional capital or restructure or refinance our indebtedness, including the Notes and the Convertible Notes. Our ability to restructure or refinance our debt will depend on, among other things, the condition of the 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. 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.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations.

If we cannot make scheduled payments on our indebtedness, we will be in default and holders of the Notes and other indebtedness could declare all outstanding principal and interest to be due and payable, the lenders under a future revolving credit facility could terminate their commitments to loan money, our secured lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation. If we breach the covenants under our debt instruments, we would be in default under such instruments. The holders of such indebtedness could exercise their rights, as described above, and we could be forced into bankruptcy or liquidation.

The indenture governing the Convertible Notes and the indenture governing the Notes contain cross-default provisions that could result in the acceleration of all of our indebtedness.

A breach of the covenants under the indenture governing the Convertible Notes or the indenture governing the Notes could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related indebtedness and may result in the acceleration of any other indebtedness to which a cross-acceleration or cross-default provision applies. In addition, an event of default under a revolving credit facility may permit the lenders thereunder to terminate commitments to extend further credit under that facility. Furthermore, if we were unable to repay amounts due and payable under a secured credit facility, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event our note holders accelerate the repayment of our borrowings, we and our guarantors may not have sufficient assets to repay that indebtedness. Additionally, we may not be able to borrow money from other lenders to enable us to refinance our indebtedness.

We may not have the ability to raise the funds necessary for cash settlement upon conversion of the Convertible Notes or to repurchase the Convertible Notes for cash upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion of the Convertible Notes or to repurchase the Convertible Notes.

Subject to limited exceptions, holders of the Convertible Notes have the right to require us to repurchase their Convertible Notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the fundamental change repurchase date. In addition, upon conversion of the Convertible Notes, unless we elect to deliver solely shares of our Class A common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the Convertible Notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Convertible Notes surrendered therefor or pay any cash amounts due upon conversion. In addition, our ability to repurchase the Convertible Notes or to pay cash upon conversions of the Convertible Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase Convertible Notes at a time when the repurchase is required by the indenture governing the Convertible Notes (the "Convertible Notes Indenture") or to pay any cash payable on future conversions of the Convertible Notes as required by the Convertible Notes Indenture would constitute a default under the Convertible Notes Indenture. A default under the Convertible Notes Indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Convertible Notes or make cash payments upon conversions thereof.

The triggering of the conditional conversion feature of the Convertible Notes could adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the Convertible Notes is triggered, holders of the Convertible Notes will be entitled to convert the Convertible Notes at any time during specified periods at their option. This conditional conversion feature was triggered during the three months ended March 31, 2021, as the last reported sale price of our Class A common stock was more than or equal to 130% of the conversion price for at least 20 trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on March 31, 2021 (the last trading day of the calendar quarter), and therefore the Convertible Notes are currently convertible, in whole or in part, at the option of the holders between March 31, 2021 through June 30, 2021. Whether the Convertible Notes will be convertible following such period will depend on the continued satisfaction of this condition or another conversion condition in the future. If one or more holders elect to convert their Convertible Notes during a period in which the Convertible Notes are convertible, unless we elect to satisfy our conversion obligation by delivering solely shares of our Class A common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their Convertible Notes, under certain circumstances, such as a fundamental change or default, as described in the Convertible Notes Indenture, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Convertible Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for convertible debt securities that may be settled in cash, such as the Convertible Notes, could have a material effect on our reported financial results.

Under Financial Accounting Standards Board Accounting Standards Codification 470-20, Debt with Conversion and Other Options, which we refer to as ASC 470-20, an entity must separately account for the liability and equity components of convertible debt instruments (such as the Convertible Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. ASC 470-20 requires the value of the conversion option of the Convertible Notes, representing the equity component, to be recorded as additional paid-in capital within stockholders' equity in our consolidated balance sheet and as a discount to the debt component of the Convertible Notes, which reduces their initial debt carrying value reflected as a liability on our balance sheets. The carrying value of the debt component of the Convertible Notes, net of the discount recorded, will be accreted up to the principal amount of the Convertible Notes from the issuance date until maturity, which will result in non-cash charges to interest expense in our consolidated statement of operations. Accordingly, we will report lower net income or higher net loss in our financial results because ASC 470-20 requires interest to include both the current period's accretion of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our Class A common stock and the trading price of the Convertible Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Convertible Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the Convertible Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Convertible Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of Class A common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued.

However, in August 2020, the Financial Accounting Standards Board published accounting standards update ("ASU") 2020-06, "*Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*", which we refer to as ASU 2020-06, which amends these accounting standards by reducing the number of accounting models for convertible instruments and limiting instances of separate accounting for the debt and equity or a derivative component of the convertible debt instruments. ASU 2020-06 will no longer allow the use of the treasury stock method for convertible instruments for purposes of calculating diluted earnings per share and instead require application of the "if-converted" method. Under that method, diluted earnings per share will generally be calculated assuming that all the Convertible Notes were converted solely into shares of Class A common stock at the beginning of the reporting period, unless the result would be anti-dilutive, which could adversely affect our diluted earnings per share. However, if the principal amount of the convertible debt instrument being converted is required to be paid in cash and only the excess is permitted to be settled in shares, the if-converted method will produce a similar result as the treasury stock method prior to the adoption of ASU 2020-06 for such convertible debt instrument. These amendments will be effective for public companies for fiscal years beginning after December 15, 2021, with early adoption permitted, but no earlier than fiscal years beginning after December 15, 2020.

The capped call transactions may affect the value of the Convertible Notes and our Class A common stock.

In connection with the pricing of the Convertible Notes, we entered into privately negotiated capped call transactions with the option counterparties. The capped call transactions are expected generally to reduce the potential dilution to our Class A common stock upon any conversion of the Convertible Notes and/or offset any potential cash payments we are required to make in excess of the principal amount of converted Convertible Notes, as the case may be, with such reduction and/or offset subject to a cap.

In connection with establishing their initial hedges of the capped call transactions, the option counterparties or their respective affiliates entered into various derivative transactions with respect to our Class A common stock and/or purchased shares of our Class A common stock concurrently with or shortly after the pricing of the Convertible Notes.

In addition, the option counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions at any time prior to the maturity of the Convertible Notes (and are likely to do so during any observation period related to a conversion of Convertible Notes). This activity could cause or avoid an increase or a decrease in the market price of our Class A common stock.

We do not make any representation or prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the price of the Convertible Notes or our Class A common stock. In addition, we do not make any representation that the option counterparties will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

We are subject to counterparty risk with respect to the capped call transactions.

The option counterparties are financial institutions, and we will be subject to the risk that any or all of them might default under the capped call transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Past global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the capped call transactions with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our Class A common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our Class A common stock. We can provide no assurances as to the financial stability or viability of the option counterparties.

Risks Related to the Acquisition of Segment

We may not realize potential benefits from the acquisition of Segment (the "Acquisition") because of difficulties related to integration, the achievement of synergies, and other challenges.

We acquired Segment on November 2, 2020. Prior to the completion of the Acquisition, we and Segment operated independently, and there can be no assurances that our businesses can be combined in a manner that allows for the achievement of substantial benefits. Any integration process may require significant time and resources, and we may not be able to manage the process successfully as our ability to acquire and integrate larger or more complex companies, products, or technology in a successful manner is unproven. If we are not able to successfully integrate Segment's business with ours or pursue our customer and product strategy successfully, the anticipated benefits of the Acquisition may not be realized fully or may take longer than expected to be realized. Further, it is possible that there could be a loss of our and/or Segment's key employees and customers, disruption of either company's or both companies' ongoing businesses or unexpected issues, higher than expected costs and an overall post-completion process that takes longer than originally anticipated. Specifically, the following issues, among others, must be addressed in combining Segment's operations with ours in order to realize the anticipated benefits of the Acquisition so the combined company performs as the parties anticipate:

- combining the companies' corporate functions;
- combining Segment's business with our business in a manner that permits us to achieve the synergies anticipated to result from the Acquisition, the failure of which would result in the anticipated benefits of the Acquisition 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' administrative and information technology infrastructure;
- developing products and technology that allow value to be unlocked in the future;
- evaluating and forecasting the financial impact of the Acquisition transaction, including accounting charges; and
- effecting potential actions that may be required in connection with obtaining regulatory approvals.

In addition, at times the attention of certain members of our management and resources may be focused on integration of the businesses of the two companies and diverted from day-to-day business operations, which may disrupt our ongoing business and the business of the combined company.

We have incurred, and may continue to incur, significant, nonrecurring costs in connection with the Acquisition and integrating the operations of Twilio and Segment, including costs to maintain employee morale and to retain key employees. Management cannot ensure that the elimination of duplicative costs or the realization of other efficiencies will offset the transaction and integration costs in the near term or at all.

Purchase price accounting in connection with our Acquisition requires estimates that may be subject to change and could impact our consolidated financial statements and future results of operations and financial position.

Pursuant to the acquisition method of accounting, the purchase price we paid for Segment was allocated to the underlying Segment tangible and intangible assets acquired and liabilities assumed based on their respective fair market values with any excess purchase price allocated to goodwill. The acquisition method of accounting is dependent upon certain valuations and other studies that are preliminary. As of March 31, 2021, the areas of purchase price allocation that are not yet finalized due to information that may become available subsequently to the quarter end relate to any and all contingencies, including income and other taxes. We currently anticipate that all the information needed to identify and measure these contingencies will be obtained and finalized during the one year measurement period following the date of completion of the Acquisition. Differences between these preliminary estimates and the final acquisition accounting may occur, and these differences could have a material impact on the consolidated financial statements and the combined company's future results of operations and financial position.

General Risks

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, 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.

Unfavorable conditions in our industry or the global economy or reductions in spending on information technology and communications could adversely affect our business, results of operations and financial condition.

Our results of operations may vary based on the impact of changes in our industry or the global economy on our customers. Our results of operations depend in part on demand for information technology and cloud communications. In addition, our revenue is dependent on the usage of our products, which in turn is influenced by the scale of business that our customers are conducting. To the extent that weak economic conditions, geopolitical developments, such as existing and potential trade wars, and other events outside of our control such as the COVID-19 pandemic, result in a reduced volume of business for, and communications by, our customers and prospective customers, demand for, and use of, our products may decline. Furthermore, weak economic conditions may make it more difficult to collect on outstanding accounts receivable. Additionally, historically, we have generated the substantial majority of our revenue from small and medium-sized businesses, and we expect this to continue for the foreseeable future. Small and medium-sized business may be affected by economic downturns to a greater extent than enterprises, and typically have more limited financial resources, including capital borrowing capacity, than enterprises. If our customers reduce their use of our products, or prospective customers delay adoption or elect not to adopt our products, as a result of a weak economy, this could adversely affect our business, results of operations and financial condition.

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, data security breaches or terrorism.

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. In addition, natural disasters, pandemics and acts of terrorism could cause disruptions in our or our customers' businesses, national economies or the world economy as a whole. For example, the rapid spread of COVID-19 globally has resulted in increased travel restrictions and disruption and shutdown of businesses. Health concerns or political or governmental developments in countries in which we or our customers, partners and service providers operate could result in economic, social or labor instability and could have an adverse effect on our business and our results of operations and financial condition. The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and will include emerging information concerning the severity of COVID-19 and the actions taken by governments and private businesses to attempt to contain COVID-19. Any prolonged contractions in the travel and hospitality industries, along with any effects on supply chain or on other industries in which our customers operate, could adversely impact our business, results of operations and financial condition.

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, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss 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 users may harm our reputation and our ability to retain existing users and attract new users.

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

Unregistered Sales of Equity Securities

None

Item 5. ***Other Information***

None.

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
4.1	Indenture, dated as of March 9, 2021, by and between Twilio Inc. and U.S. Bank National Association, as Trustee	8-K	001-37806	4.1	March 9, 2021
4.2	First Supplemental Indenture, dated as of March 9, 2021, between Twilio Inc. and U.S. Bank National Association, as Trustee	8-K	001-37806	4.2	March 9, 2021
4.3	Form of 2029 Note (included in Exhibit 4.2)	8-K	001-37806	4.3	March 9, 2021
4.4	Form of 2031 Note (included in Exhibit 4.2)	8-K	001-37806	4.4	March 9, 2021
10.1+†	Framework Agreement by and among Twilio Inc., a Delaware corporation, Carlyle Partners V Holdings, L.P., a Delaware limited partnership, and Syniverse Corporation, a Delaware corporation, dated as of February 26, 2021				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)				

+ Schedules (or similar attachments) have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The registrant hereby undertakes to furnish supplemental copies of any of the omitted schedules and other similar attachments upon request by the SEC.

† Certain portions of this exhibit have been omitted because they are not material and they are the type of information that the registrant treats as private or confidential.

* 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.

May 6, 2021	/s/ JEFF LAWSON Jeff Lawson *Director and Chief Executive Officer (Principal Executive Officer)*
May 6, 2021	/s/ KHOZEMA Z. SHIPCHANDLER Khozema Z. Shipchandler *Chief Financial Officer (Principal Accounting and Financial Officer)*

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Exhibit 10.1

FRAMEWORK AGREEMENT

by and among

TWILIO INC.,

CARLYLE PARTNERS V HOLDINGS, L.P.

and

SYNIVERSE CORPORATION

Dated as of February 26, 2021

Table of Contents

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Page

Article 3

Representations and Warranties of Carlyle

Article 4

Representations and Warranties of Investor

Article 5

Certain Covenants

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Page

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Page

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

FRAMEWORK AGREEMENT

This FRAMEWORK AGREEMENT, dated as of February 26, 2021 (this "Agreement"), is made by and among Twilio Inc., a Delaware corporation ("Investor"), Carlyle Partners V Holdings, L.P., a Delaware limited partnership ("Carlyle"), and Syniverse Corporation, a Delaware corporation (the "Company"). Capitalized terms used herein shall have the meanings assigned to such terms in the text of this Agreement or in Section 9.1.

R E C I T A L S:

WHEREAS, Carlyle owns, directly or indirectly, a majority of the issued and outstanding Shares of the Company;

WHEREAS, the Company wishes to issue the New Shares to Investor, and Investor wishes to acquire the New Shares from the Company, on the terms and conditions set forth in this Agreement (the "Investment");

WHEREAS, in connection with the Investment, the Company will pursue a business combination transaction with a SPAC (the "SPAC Merger") to be consummated immediately following the Investment (the "SPAC Transaction"), consistent with the terms and conditions set forth in this Agreement and as otherwise agreed among the Company, Carlyle, Investor, the SPAC and the other parties to the SPAC Transaction;

WHEREAS, in the event of the SPAC Transaction, the parties' intend to utilize the proceeds from the SPAC Transaction (including proceeds from the Investment, proceeds raised in the SPAC's initial public offering, the PIPE Financing and the SPAC Transaction Refinancing) to, among other things, pay transaction fees and expenses and reduce the Company's aggregate indebtedness;

WHEREAS, prior to the consummation of the SPAC Transaction, the Company may in the circumstances described herein, at its election, cause the parties to cease pursuing the SPAC Transaction and instead consummate the Investment without involving a SPAC (the "Alternative Transaction"), on the terms and conditions set forth in this Agreement;

WHEREAS, in the event of the Alternative Transaction, at Investor's election, subject to the terms and conditions herein, the Company will cause the Pre-Closing Steps to be completed prior to the Closing;

WHEREAS, in connection with the Alternative Transaction, the parties' intend to utilize the proceeds from the Alternative Transaction (including proceeds from the Investment, the Third-Party Equity Investment and the Alternative Transaction Refinancing) to, among other things, pay transaction fees and expenses and reduce the Company's aggregate indebtedness;

WHEREAS, in connection with the transactions contemplated hereby, at the Closing the Company or certain of its Subsidiaries, Carlyle and Investor, as applicable, will enter into the Ancillary Agreements, including the Wholesale Agreement;

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

NOW, THEREFORE, in consideration of the premises and the mutual representations, warranties, covenants and agreements contained herein, the parties, intending to be legally bound hereby, do agree as set forth herein:

Article I

Investment; Issuance of New Shares

Section 1.1 Closing. Upon and subject to the terms and conditions of this Agreement, the closing of the sale and purchase of the New Shares (the "Closing") shall take place (a) if an Alternative Transaction Election has not been made, at the location and on the same date as, and in connection with, the consummation of the SPAC Merger (subject to the satisfaction or waiver of the conditions in Article 7 applicable to the SPAC Transaction at such time) or (b) if an Alternative Transaction Election has been made, at the offices of Debevoise & Plimpton LLP, 919 Third Avenue, New York, New York 10022, at 10:00 a.m. on the date that is three (3) Business Days after the conditions set forth in Article 7 applicable to the Alternative Transaction have been satisfied or waived (other than those conditions which by their nature are to be satisfied at the Closing but subject to the satisfaction or waiver of those conditions at such time), unless in each case another time, date or place is agreed to in writing by the parties. The date on which the Closing actually occurs is referred to hereinafter as the "Closing Date". At the Closing:

(a) Issuance of the New Shares. Upon and subject to the terms and conditions of this Agreement, the Company, shall issue and sell to Investor, and Investor shall purchase from the Company, newly issued Shares (the "New Shares") representing a percentage of the aggregate number of (i) issued and outstanding Shares, (ii) Option Shares in respect of issued and outstanding In-the-Money Options and (iii) RSU Shares in respect of issued and outstanding RSUs, in each case, as of immediately prior to the Closing (after taking into account any grants of RSUs in reliance on Item 1 or Item 2 of Section 5.1(u) of the Company Disclosure Letter and the issuance of the New Shares, but (x) before taking into account equity to be newly issued to the SPAC and investors in the PIPE Financing in connection with the SPAC Transaction and (y) excluding warrants issued in connection with the Third-Party Equity Investment, if any, in connection with the Alternative Transaction) equal to the Investment Percentage, free and clear of all Liens, other than Liens arising under this Agreement or under applicable securities Laws or created or imposed by Investor. An illustrative calculation of the number of New Shares to be issued to Investor at the Closing is attached as Schedule 2.

(b) Purchase Price. Investor shall pay the Company, by wire transfer of immediately available funds to such account(s) as the Company shall designate in writing to Investor not less than three (3) Business Days prior to the Closing Date (the "Company Designated Account(s)"), an aggregate amount in cash equal to the Purchase Price.

Section 1.2 Purchase Price

(a) Purchase Price. The aggregate consideration for the New Shares shall be an amount in cash equal to (i) the Investment Amount, minus (ii) the SPAC Reduction Amount (if

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

an Alternative Transaction Election has not been made) or the Alternative Reduction Amount (if an Alternative Transaction Election has been made) (the calculation resulting from clauses (i) and (ii), the "Purchase Price").

(b) Closing Statement. No later than three (3) Business Days prior to the Closing Date, the Company shall provide to Investor a statement (the "Closing Statement") setting forth the Company's good faith calculation of the Purchase Price, the Investment Percentage and the number of New Shares to be issued to Investor pursuant to Section 1.1(a), which shall be based upon (i) the Enterprise Value, (ii) the Net Indebtedness Amount, (iii) the Investment Amount, (iv) the SPAC Reduction Amount or Alternative Reduction Amount, as applicable, if any, and (v) Closing Date Leakage, if any, in the case of clauses (iv) and (v), delivered with reasonable supporting detail with respect to the calculation of such amounts. The Company shall provide Investor and its representatives reasonable access to information and personnel that Investor reasonably requests relating to the Closing Statement and the Company's preparation thereof. The Company shall consider in good faith any changes Investor proposes or requests to the Closing Statement and revise such statement if, based on its good faith assessment, such changes are warranted; provided that (x) in no event shall such obligation require the contemplated Closing Date to be postponed or otherwise delayed and (y) Investor's review and comments on the Closing Statement shall not be deemed a consent by Investor to the Closing Statement or a waiver by Investor of any claim related thereto.

Article 2

Representations and Warranties of the Company

Except as set forth the Company Disclosure Letter (subject to Section 10.12), the Company represents and warrants to Investor as of the date of this Agreement and as of Closing as follows:

Section 2.1 Organization and Power. The Company is a corporation duly organized, validly existing and in good standing under the laws of Delaware and has all requisite corporate power and authority to own, lease and operate its material assets, rights and properties and to carry on its businesses as presently conducted. Each of the Company's Subsidiaries is an entity duly organized, validly existing and in good standing (or the equivalent thereof, where such concept is recognized) under the laws of its jurisdiction of organization and has all requisite corporate, limited liability company or other entity power and authority to own, lease and operate its material assets, rights and properties and to carry on its businesses as presently conducted. Each of the Company and its Subsidiaries is duly qualified or licensed to do business and is in good standing (or the equivalent thereof, where such concept is recognized) in the jurisdictions in which the property and assets owned, leased or operated by the Company or such Subsidiary, or the nature of the business conducted by the Company or such Subsidiary, makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole, or materially impair or materially delay the Company and its applicable Affiliates from consummating the transactions

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

contemplated by this Agreement or the Ancillary Agreements. The Company has made available to Investor true, correct and complete copies of the Organizational Documents of the Company. The Shares have been duly authorized and validly issued and are fully paid and non-assessable and were issued free and clear of any Liens (other than under those applicable securities Laws or created or imposed by Investor) and issued in compliance with all applicable Laws and the Company's Organizational Documents.

Section 2.2 Authorization.

(a) The Company and its Subsidiaries have all requisite corporate, limited liability company or other entity power and authority to execute and deliver this Agreement and the Ancillary Agreements to which the Company or any of its Subsidiaries is a party, as applicable, and to consummate the transactions contemplated hereby and thereby. Except with respect to the agreements to be negotiated and entered into as part of the SPAC Transaction (including the SPAC Definitive Agreements), the execution, performance and delivery of this Agreement and the Ancillary Agreements to which the Company or any of its Subsidiaries is (or will be) a party and the consummation of the transactions contemplated hereby and thereby by the Company or any of its Subsidiaries, as applicable, have been duly authorized by all requisite corporate, limited liability company or other entity power action of the Company and/or any of its applicable Subsidiaries. This Agreement has been (and the execution, performance and delivery of each of the Ancillary Agreements to which the Company or any of its Subsidiaries will be a party will be) duly executed and delivered by the Company (and, in the case of the Ancillary Agreements, by the Company or any of its applicable Subsidiaries) and constitutes (and each such Ancillary Agreement when so executed and delivered by the Company or the applicable Subsidiary of the Company will constitute) a valid, legal and binding agreement of the Company (and in the case of the Ancillary Agreements, the Company or any of its Subsidiaries party thereto) (assuming that this Agreement has been, and the Ancillary Agreements to which the Company or any of its Subsidiaries is a party will be, duly and validly authorized, executed and delivered by the other Persons party thereto), enforceable against the Company (and in the case of the Ancillary Agreements, the Company or any of its Subsidiaries party thereto) in accordance with its terms, except (i) to the extent that enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other Laws affecting the enforcement of creditors' rights generally and (ii) that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding thereof may be brought.

(b) Assuming the truth and accuracy of Carlyle's representations and warranties contained in Section 3.2(b) and Investor's representations and warranties contained in Section 4.2(b), no notices to, filings with or authorizations, registrations, declarations, consents or approvals of any Governmental Authority are necessary for the execution, delivery or performance by the Company or any of its Subsidiaries of this Agreement or the Ancillary Agreements to which the Company or any of its Subsidiaries is a party or the consummation by the Company or any of its Subsidiaries of the transactions contemplated hereby or thereby, except for (i) compliance with and filings under the HSR Act and any other applicable Competition Laws set forth on Section 5.2 of the Company Disclosure Letter, (ii) notices to,

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

filings with or authorizations, registrations, declarations, consents or approvals of any Governmental Authority arising in connection with the SPAC Transaction or the identity of the SPAC or the investors participating in the PIPE Financing, and (iii) those the failure of which to obtain or make would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole.

Section 2.3 Non-Contravention

. The execution and delivery by the Company or any of its Subsidiaries of this Agreement and the Ancillary Agreements to which the Company or any of its Subsidiaries is (or will be) a party and the performance of the Company's or such of its Subsidiaries' obligations hereunder and thereunder (including the consummation of the transactions contemplated hereunder and thereunder) do not (a) conflict with or result in any breach of any provision of the Organizational Documents of the Company or any of its applicable Subsidiaries, (b) assuming compliance with the matters referred to in Section 2.2(b), violate any applicable Law of any Governmental Authority having jurisdiction over the Company or any of its applicable Subsidiaries, (c) require any consent of or other action by any Person under, or result in a violation or breach of or loss of (or adverse impact on) any benefit or right, or constitute (with or without due notice or lapse of time or both) a default or give rise to any right of termination, amendment, alteration, cancellation or acceleration under, any of the terms, conditions or provisions of any Material Contract, (d) result in a violation or revocation of any material Permit or (e) except as contemplated by this Agreement, result in the creation or imposition of any Lien other than Permitted Liens on any assets of the Company or its Subsidiaries, except, in the case of clauses (b), (c), (d) and (e), as would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole, or materially impair or materially delay the Company and its applicable Affiliates from consummating the transactions contemplated by this Agreement or the Ancillary Agreements.

Section 2.4 Capitalization; Title to Company Equity Interests.

(a) As of the date hereof, the authorized capital stock of the Company consists solely of 250,000,000 shares of common stock, with a par value of $0.01 per share (the "Shares"). Section 2.4(a) of the Company Disclosure Letter sets forth as of the date hereof (i) the holders of the outstanding Shares (with the names of non-US employees of the Company and its Subsidiaries redacted) and (ii) the total number of Shares held by each such holder. As of the date hereof, the Company has reserved 23,791,667 Shares for issuance (upon grant, exercise or settlement of equity awards) under the Incentive Plan. Section 2.4(a) of the Company Disclosure Letter sets forth as of the date hereof (A) for the outstanding Options and RSUs, (1) the aggregate number of Shares represented by outstanding unvested Options or RSUs and (2) the aggregate number of Shares represented by outstanding vested Options and (B) with respect to each tranche of outstanding Options, the exercise price and expiration date of such Options.

(b) Other than those described in Section 2.4(a) or as contemplated by this Agreement (including pursuant to the SPAC Transaction and the Alternative Transaction), there are no outstanding (i) equity securities of the Company, (ii) securities of the Company convertible into or exchangeable or exercisable for, or measured by reference to, equity securities of the

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Company, (iii) options, warrants, calls or other rights to acquire from the Company or obligations of the Company to issue, any equity securities or securities convertible into or exchangeable or exercisable for equity securities of the Company, or (iv) restricted equity, equity appreciation, phantom equity, appreciation rights, contingent value rights, profit participation or similar rights with respect to any equity securities of the Company (the items in clauses (i), (ii), (iii) and (iv) being referred to collectively as the "Company Equity Interests").

(c) Other than as contemplated by this Agreement (including the SPAC Transaction and the Alternative Transaction), no Person is party to any right of first refusal, right of first offer, proxy, voting agreement, registration rights agreement, equity holders agreement or any other contract with respect to the sale, issuance, repurchase, redemption, transfer or voting of the Company Equity Interests.

(d) When issued, the New Shares will have been duly authorized, validly issued and fully paid and non-assessable and issued free and clear of any Liens (other than those arising under this Agreement or under applicable securities Laws or created or imposed by Investor) or rights of first refusal, and, assuming the accuracy of the representations of Investor in Article 4 and subject to Section 2.2(b), the New Shares will be issued in compliance with all applicable Laws and the Company's Organizational Documents (as such Organizational Documents are in effect as of such time, including any amendments entered into following the date of this Agreement).

Section 2.5 Subsidiaries; Ownership Interests.

(a) Section 2.5(a) of the Company Disclosure Letter sets forth the Company's direct or indirect ownership interest in each of its Subsidiaries.

(b) Other than those described in Section 2.5(a) or as contemplated by this Agreement (including pursuant to the Pre-Closing Steps), there are no outstanding (i) equity securities of the Company's Subsidiaries, (ii) securities of the Company's Subsidiaries convertible into or exchangeable or exercisable for, or measured by reference to, equity securities of the Company's Subsidiaries, (iii) options, warrants, calls or other rights to acquire from any of the Company's Subsidiaries or obligations of the Company's Subsidiaries to issue, any equity securities or securities convertible into or exchangeable or exercisable for equity securities of any of the Company's Subsidiaries, or (iv) restricted equity, equity appreciation, phantom equity, profit participation or similar rights with respect to any equity securities of the Company's Subsidiaries (the items in clauses (i), (ii), (iii) and (iv) being referred to collectively as the "Subsidiary Equity Interests").

(c) Neither the Company nor any of its Subsidiaries is party to any right of first refusal, right of first offer, proxy, voting agreement, registration rights agreement, equity holders agreement or any other contract with respect to the sale, issuance, repurchase, redemption, transfer or voting of the Subsidiary Equity Interests.

(d) Section 2.5(d) of the Company Disclosure Letter lists all shares of capital stock of or other voting or equity interests in (including any securities exercisable or exchangeable for or

convertible into shares of capital stock of or other voting or equity interests in) any other Person (other than the Company or any of its Subsidiaries) that are owned by the Company or any of its Subsidiaries.

Section 2.6 Financial Statements.

(a) The Company has delivered to Investor true and complete copies of (i) the audited consolidated balance sheet of the Company and its Subsidiaries, taken as a whole, as of December 31, 2018 and December 31, 2019 and the related audited consolidated statements of operations, equity and cash flows for the years ended December 31, 2018 and December 31, 2019 (collectively, the "Audited Financial Statements"), (ii) the unaudited consolidated balance sheet of the Company and its Subsidiaries, taken as a whole, as of November 30, 2020 and the related unaudited consolidated statements of operations, equity and cash flows for the eleven (11) months ended November 30, 2020 and, and (iii) the unaudited consolidated balance sheet of the Company and its Subsidiaries as of January 31, 2021 (the "Balance Sheet Date") and the related unaudited consolidated statement of operations for the two (2) months ended January 31, 2021 (clauses (ii) and (iii), the "Unaudited Financial Statements").

(b) The Audited Financial Statements and the Unaudited Financial Statements (i) have been prepared in accordance with GAAP on a consistent basis (except as may be indicated in the notes thereto) and (ii) fairly present, in all material respects, the financial position and the results of operations at and for the periods then ended (clauses (i) and (ii) subject, in the case of the Unaudited Financial Statements, to the absence of disclosures normally made in footnotes to audited financial statements and normal year-end audit adjustments that will not be material in effect or amount).

(c) Since January 1, 2018, the Company and its Subsidiaries have maintained internal control over financial reporting sufficient to provide reasonable assurance regarding (i) that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP in all material respects, (ii) that receipts and expenditures of the Company and its Subsidiaries are being made in accordance with authorizations of the relevant management and director in all material respects and (iii) prevention or timely detection of unauthorized acquisition, use or disposition of the assets of the Company and its Subsidiaries that could have a material effect on its financial statements.

Section 2.7 Other Liabilities. There are no Liabilities of the Company and its Subsidiaries that would be required under GAAP to be disclosed on a consolidated balance sheet of the Company and its Subsidiaries, except (i) Liabilities disclosed in the Audited Financial Statements or the Unaudited Financial Statements, (ii) Liabilities incurred in the Ordinary Course of Business since the Balance Sheet Date, (iii) executory obligations under Material Contracts that are not the result of any breach thereunder, and (iv) other Liabilities that would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole.

Section 2.8 Absence of Certain Changes . From the Balance Sheet Date through the date of this Agreement, (a) there has not been any event, change, occurrence or circumstance that

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

has had or would reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (b) the business of the Company and its Subsidiaries, taken as a whole, has been conducted in the Ordinary Course of Business and (c) neither the Company nor any of its Subsidiaries has taken any action that, had such action occurred on or after the Balance Sheet Date, would have required Investor's consent pursuant to Section 5.1, except, in each case, as disclosed in Section 2.8 of the Company Disclosure Letter or as otherwise expressly contemplated by this Agreement (including Section 5.6 and Section 5.7).

Section 2.9 Material Contracts.

(a) Section 2.9 of the Company Disclosure Letter lists a true and correct list of the following contracts to which the Company or any of its Subsidiaries is a party as of the date hereof (collectively, the "Material Contracts"):

(i) any agreement relating to any incurrence, assumption or guarantee of indebtedness for borrowed money in excess of $10,000,000 (other than inter-company indebtedness among or between the Company and/or its Subsidiaries);

(ii) any joint venture agreement, strategic alliance agreement or partnership agreement or other similar agreements or arrangements with a third party;

(iii) any agreement or series of related agreements, including any option agreement, relating to the acquisition or disposition of any business, capital stock or other equity securities or assets of any other Person (whether by merger, consolidation or other business combination, sale of stock or other securities, sale of assets or otherwise) under which the Company or any Subsidiary has any material obligations;

(iv) any agreement with a Material Customer in its capacity as a customer;

(v) any agreement with a Material Vendor in its capacity as a vendor;

(vi) except as would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole, any agreement that (A) limits, or purports to limit, the freedom of the Company or any of its affiliates (1) to compete with any Person or in any product line or line of business, (2) to operate or engage in business in any geographic area, or (3) to solicit business from any Person, or (B) obligates, or purports to obligate, the Company or any of its affiliates, (1) to purchase or otherwise obtain any product or service exclusively from a single Person or group of affiliated Persons, (2) to sell or otherwise provide any product or service exclusively to a single Person or group of affiliated Persons, or (3) to provide "most favored nation" terms;

(vii) any (A) agreement pursuant to which the Company or its Subsidiaries receives a license from a third party to any Intellectual Property (other than licenses to commercially available software or licenses granted in connection with the purchase or lease of IT Systems or IT services) or (B) agreement material to the Company and its

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Subsidiaries, taken as a whole, pursuant to which Owned Intellectual Property is licensed to a third party other than non-exclusive licenses granted to customers in the Ordinary Course of Business, including in connection with the sale or licensing of products or services of the Company and its Subsidiaries, in each case of clauses (A) and (B), that involved aggregate payments by or to the Company and its Subsidiaries in excess of $500,000 during the twelve (12) month-period immediately preceding the Balance Sheet Date, or (C) agreement for the escrow of any Owned Intellectual Property material to the Company and its Subsidiaries, taken as a whole;

(viii) any agreement involving the settlement, release, compromise or waiver of any material rights, claims, obligations, duties or liabilities, other than in the Ordinary Course of Business, or that materially restricts or limits the use of any Owned Intellectual Property (including consent to use and co-existence agreements);

(ix) any agreement involving a remaining commitment by the Company or its Subsidiaries to pay capital expenditures in excess of $5,000,000;

(x) any agreement to sell, assign, transfer or otherwise dispose of any assets for a purchase price in excess of $10,000,000;

(xi) any material agreement relating to any interest rate, currency swap, derivatives or hedging transactions;

(xii) any CBA;

(xiii) any agreement under which the Company or any of its Subsidiaries has made, directly or indirectly, any advance, loan or extension of credit (other than extensions of credit to customers in the Ordinary Course of Business) to any Person in excess of $2,000,000;

(xiv) any agreement that is for the employment or engagement of any directors, officers, employees or independent contractors providing for annual base salary in excess of $250,000; and

(xv) any material agreement with a Governmental Authority.

(b) Each Material Contract is in full force and effect and is a valid and binding agreement of the Company or its applicable Subsidiary party to such Material Contract, or to the Knowledge of the Company, any other party (except (i) to the extent that enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other Laws affecting the enforcement of creditors' rights generally and (ii) that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding thereof may be brought) and neither the Company nor any of its Subsidiaries that is a party thereto or, to the Knowledge of the Company and as of the date hereof, any other party thereto is in default or breach in any material respect under (or is alleged to be in default or breach in any material respect under) the terms of, or has provided or

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

received any notice of any intention to terminate, any such Material Contract, and no event or circumstance has occurred that, with notice or lapse of time or both, would constitute an event of default thereunder or result in a right of termination thereof or would cause or permit the acceleration or cancellation of or other changes, amendments or alterations of or to any right or obligation or the loss of any benefit thereunder, except, in each case, as would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole, or materially impair or materially delay the Company and its applicable Affiliates from consummating the transactions contemplated by this Agreement or the Ancillary Agreements.

Section 2.10 Properties.

(a) Owned Real Property. Neither the Company nor any of its Subsidiaries owns any real property.

(b) Real Property Leases. Section 2.10(b) of the Company Disclosure Letter sets forth a list of all leases and subleases for any real property pursuant to which the Company or any of its Subsidiaries is a tenant as of the date of this Agreement (each a "Real Property Lease"). Except as would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole, (i) each Real Property Lease is in full force and effect and constitutes a valid and binding agreement of the Company or each of its Subsidiaries party thereto, enforceable in accordance with its terms (subject to proper authorization and execution of such Real Property Lease by the other party thereto and to applicable bankruptcy, insolvency, reorganization, moratorium or other Laws affecting generally the enforcement of creditors' rights and subject to general principles of equity), (ii) neither the Company nor any of its Subsidiaries that is a party thereto nor, to the Knowledge of the Company and as of the date hereof, any other party to the Real Property Lease is in breach or default under such Real Property Lease, and no event or circumstance has occurred that, with notice or lapse of time or both, would constitute an event of default thereunder or result in a right of termination thereof or would cause or permit the modification or acceleration of rent under such Real Property Lease, (iii) neither the Company nor any of its Subsidiaries has subleased, licensed or otherwise granted any Person (other than to the Company or any of its Subsidiaries) the right to use or occupy such Real Property Lease or any portion thereof and (iv) the Real Property Leases comprise all of the Real Property held and used by the Company and its Subsidiaries in the operation of their business.

(c) Personal Property. The Company or its Subsidiaries have good and valid title to, or otherwise have the right to use pursuant to a valid and enforceable lease or similar contractual arrangement, all of their respective tangible assets that are material to the conduct of the business of the Company and its Subsidiaries, taken as a whole, in each case, free and clear of any Liens other than Permitted Liens. Such tangible assets are (i) reasonably maintained in the Ordinary Course of Business and (ii) are in reasonably good operating condition and repair (subject to normal wear and tear).

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Section 2.11 Intellectual Property; IT Systems; Data Privacy and Security.

(a) Section 2.11(a) of the Company Disclosure Letter lists all Intellectual Property registered, issued or the subject of a pending application included in the Owned Intellectual Property. The Intellectual Property set forth in Section 2.11(a) of the Company Disclosure Letter is properly registered and in good standing with the relevant Governmental Authority with which it is registered, issued or pending and, to the Knowledge of the Company, enforceable. The Company or its Subsidiaries exclusively owns and possesses, all right, title and interest in and to, or as a valid and enforceable license to use, all Intellectual Property material to the business of the Company and its Subsidiaries, taken as a whole, that is used in the operation of the business of the Company and its Subsidiaries free and clear of all Liens except for Permitted Liens; provided that the foregoing is not a representation as to infringement, misappropriation or other violation of Intellectual Property, which is the subject of Section 2.11(b).

(b) Since January 1, 2018, neither the Company nor any of its Subsidiaries has received any notice, demand or claim (i) that the Company or any of its Subsidiaries is infringing on or has misappropriated or otherwise violated the Intellectual Property rights of any Person or (ii) challenging the Company's or its Subsidiaries' ownership or use of any Owned Intellectual Property. The operation of the business of the Company and its Subsidiaries does not infringe, misappropriate, or otherwise violate, or, since January 1, 2018, has infringed, misappropriated or otherwise violated, the Intellectual Property of any third Person and, to the Knowledge of the Company, no Person is infringing, misappropriating, or otherwise violating, or, since January 1, 2018, has infringed, misappropriated or otherwise violated, any of the Owned Intellectual Property and none of the Company or any of its Subsidiaries has sent any claim, demand, or notice alleging the same.

(c) The Company and its Subsidiaries have entered into valid and enforceable written agreements with each of its current or former employees, contractors and consultants who have participated in the development of any material Owned Intellectual Property that (i) grants the Company, or one of its Subsidiaries, ownership of the Person's contributions, development or conception (or the Company and its Subsidiaries otherwise owns such Owned Intellectual Property pursuant to applicable Law) and (ii) provides for the non-disclosure by such Persons of all material confidential information of the Company and its Subsidiaries.

(d) The Company and its Subsidiaries have not used Open Source Software or any modification or derivative thereof in a manner that (i) would grant or purport to grant to any Person any rights to any of the Owned Intellectual Property, or (ii) under any license requiring the Company or its Subsidiaries to disclose or distribute the source code to any Owned Intellectual Property, to license or provide the source code to any of the Owned Intellectual Property for the purpose of making derivative works, or to make available for redistribution to any Person the source code to any of the Owned Intellectual Property at no or minimal charge.

(e) The Company, and its Subsidiaries, have taken all actions reasonably necessary and all actions common in the industry to maintain and protect all of the material Owned Intellectual Property, including the confidentiality of any confidential information of the Company and its Subsidiaries and the Company and its Subsidiaries have not disclosed any

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

confidential material Owned Intellectual Property (including the source code to any material Software included within the Owned Intellectual Property) to any third party other than pursuant to a written confidentiality agreement pursuant to which such third party agrees to protect such confidential information.

(f) The Company and its Subsidiaries own and possess all source code for all material Software included within the Owned Intellectual Property. Neither the Company nor any of its Subsidiaries has disclosed, delivered, licensed, granted any right, made available or provided to any Person, or obligated themselves to disclose, deliver or license to any Person (including any escrow agent) or allowed any Person to access or use, any source code for the material Software included within the Owned Intellectual Property, other than employees, contractors and consultants of the Company and its Subsidiaries that have confidentiality obligations to the Company or its Subsidiaries with respect to such source code and no source code has been placed in escrow.

(g) The Company and its Subsidiaries have implemented and maintained commercially reasonable security, disaster recovery and business continuity plans, procedures and facilities, all such plans and procedures have been proven effective upon testing in all material respects, and in the last twelve (12) months, there has not been any material failure with respect to any of the IT Systems. To the Knowledge of the Company, the IT Systems do not contain any virus or malware that would interfere with the conduct of the business of the Company and its Subsidiaries or present a risk of unauthorized access, disclosure, use, corruption, destruction or loss of any Personal Information.

(h) The Company and its Subsidiaries have taken commercially reasonable actions to protect the security and integrity of the IT Systems and the data stored or contained therein or transmitted thereby including by implementing industry standard procedures designed to prevent unauthorized access and the introduction of any virus, worm, Trojan horse or similar disabling code or program, and the taking and storing on-site and off-site of back-up copies of critical data.

(i) The Company and its Subsidiaries are, in all material respects, in compliance with, and have been, since January 1, 2018, in all material respects, in compliance with all Data Security Requirements. Since January 1, 2018, the IT Systems have not suffered any security breach that resulted in authorized access to, or unauthorized use of any IT Systems or the disclosure of Personal Information, nor has the Company or any of its Subsidiaries received any notices relating to Data Security Requirements related to the Company or its Subsidiaries, except, in each case, as would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole.

Section 2.12 Litigation. Within the last three (3) years through the date hereof, (a) there is and has been no Litigation pending or, to the Knowledge of the Company, threatened by or against the Company or its Subsidiaries, (b) there is or has been no outstanding order, writ, judgment, injunction, decision, ruling, award or decree issued against the Company or its Subsidiaries, and (c) to the Knowledge of the Company, there is no investigation by a Governmental Authority that relates to the Company or any of its Subsidiaries, except, in each case of clauses (a), (b) and (c), as would not reasonably be expected to, individually or in the

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

aggregate, be material to the Company and its Subsidiaries, taken as a whole, or materially impair or materially delay the Company and its applicable Affiliates from consummating the transactions contemplated by this Agreement or the Ancillary Agreements.

Section 2.13 Compliance with Laws; Licenses and Permits.

(a) The Company and its Subsidiaries are, and have been since January 1, 2018, operating in all material respects in compliance with applicable Law, except as would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole, or materially impair or materially delay the Company and its applicable Affiliates from consummating the transactions contemplated by this Agreement or the Ancillary Agreements.

(b) The Company and its Subsidiaries hold all licenses, franchises, permits, certificates, consents, approvals or other similar authorizations issued by applicable Governmental Authorities necessary for the lawful conduct of the business of the Company and its Subsidiaries (the "Permits"), except as would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole, or materially impair or materially delay the Company and its applicable Affiliates from consummating the transactions contemplated by this Agreement or the Ancillary Agreements. The Permits are valid and in full force and effect, neither the Company nor any of its applicable Subsidiaries is in default under any condition or provision of any of the Permits and no suspension, revocation, cancellation or material modification of any condition or provision of any Permit is pending or, to the Knowledge of the Company, has been threatened and none of the Permits will be terminated or modified as a result of the transactions contemplated hereby, except, in each case, as would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole, or materially impair or materially delay the Company and its applicable Affiliates from consummating the transactions contemplated by this Agreement or the Ancillary Agreements.

(c) Since January 1, 2018, neither of the Company, nor any of its Subsidiaries, nor any of their respective officers, directors or employees, nor, to the Knowledge of the Company, any agent or representative of the Company or its applicable Subsidiaries has, in connection with or acting on behalf of the Company or its applicable Subsidiaries, (i) received, made or offered any unlawful payment, or offered or promised to make or receive any unlawful payment, or provided or offered or promised to provide or receive anything of value (whether in the form of property or services or in any other form), to or from any foreign or domestic government official or employee, or to any finder, agent, or other party acting on behalf of or under the auspices of any Governmental Authority, for the purpose of (A) influencing any act or decision of a government official in his or her official capacity, (B) inducing a government official to do or omit to do any act in violation of his or her lawful duties or (C) inducing a government official to influence or affect any act or decision of any Governmental Authority, (ii) used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity or (iii) taken any other action or made any omission, in each case, in violation of any Law applicable to the Company or its Subsidiaries governing corrupt practices, money

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

laundering, anti-bribery or anticorruption or that otherwise prohibits payments to any government or public officials, including, if applicable, the Foreign Corrupt Practices Act of 1977, 15 U.S.C. §§ 78dd 1, et seq., the UK Bribery Act 2010 and any Law implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (all such Laws, "Anticorruption Laws"). As of the date hereof and since January 1, 2018, none of the Company or its Subsidiaries has received any written or, to the Knowledge of the Company, oral notice or inquiry alleging any such material violation or conducted any internal investigation or audit with respect to any actual or alleged violation of any Anticorruption Laws.

(d) Each of the Company and its Subsidiaries is, and since January 1, 2018, has been, in compliance with all applicable Laws relating to economic or trade sanctions or embargoes, including all Laws administered and enforced by OFAC ("Sanctions Laws"), Ex-Im Laws, and U.S. anti-boycott Laws (collectively, "Trade Control Laws"). None of the Company or its Subsidiaries is party to any contract or is currently, or has been since January 1, 2018, engaged in any transaction or other business in breach of Trade Control Laws. As of the date hereof and in the last five (5) years, neither the Company nor any of its Subsidiaries has received from any Governmental Authority or any other Person any written or, to the Knowledge of the Company, oral notice or inquiry of any violation or alleged violation of any Trade Control Laws.

(e) Neither the Company nor any of its Subsidiaries, nor any of their respective officers, directors or employees, nor to the Knowledge of the Company, any agent or other third party representative acting on behalf of the Company or any of its Subsidiaries, is currently, or has been in the last five (5) years: (i) a Sanctioned Person, (ii) organized, resident or located in a Sanctioned Country, (iii) engaging in any dealings or transactions with or for the benefit of any Sanctioned Person or Sanctioned Country in violation of Sanctions Laws; or (iv) otherwise in violation of Trade Control Laws.

(f) The Company and its Subsidiaries have implemented and maintain in effect written policies, procedures and internal controls that are reasonably designed to prevent, deter and detect violations of applicable Trade Control Laws and Anti-Corruption Laws.

Section 2.14 Environmental Matters. Except as would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole, (a) the Company and its Subsidiaries are, and since January 1, 2018 have been, in compliance with all applicable Environmental Laws, (b) the Company and its Subsidiaries are in possession of, and in compliance with, all Permits that are required pursuant to applicable Environmental Laws, (c) neither the Company nor any of its Subsidiaries have received from any Governmental Authority any written notice of violation of any Environmental Law, and (d) as of the date hereof, no Litigation is pending or, to the Knowledge of the Company, threatened against the Company or any of its Subsidiaries under any Environmental Law.

Section 2.15 Employees, Labor Matters, etc.

(a) Neither the Company nor any of its Subsidiaries is a party to or is otherwise bound by any CBA, and there are no labor unions or other organizations or groups representing,

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

purporting to represent or attempting to represent any employees of the Company or any of its Subsidiaries, except, in each case, as set forth on Section 2.15 of the Company Disclosure Letter. To the Knowledge of the Company, since January 1, 2018, there have been no actual, pending or threatened labor organizing activities with respect to any employee of the Company or any of its Subsidiaries. Since January 1, 2018, there has been no pending or, to the Knowledge of the Company, threatened strike, slowdown, picketing, work stoppage, lockout, handbilling, unfair labor practice charge, labor grievance, labor arbitration or other similar labor activity or material labor dispute with respect to any employees of the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has any notice or consultation obligations to any labor union, labor organization or works council, which is representing any employee of the Company or any of its Subsidiaries, in connection with the execution of this Agreement or the consummation of the transactions contemplated by this Agreement.

(b) Except as would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole, the Company and each of its Subsidiaries is, and since January 1, 2018 has been, in compliance with all applicable Laws respecting labor, employment, and employment practices, including all Laws respecting terms and conditions of employment, employee and independent contractor classification, wages and hours, health and safety, immigration (including the completion of Forms I-9 for all U.S. employees and the proper confirmation of employee visas), harassment, discrimination or retaliation, whistleblowing, disability rights or benefits, equal opportunity, plant closures and layoffs (including the Worker Adjustment and Retraining Notification Act of 1988, as amended, or any similar Laws), employee trainings and notices, workers' compensation, labor relations, employee leave issues, COVID-19, affirmative action and unemployment insurance.

(c) The Company and each of its Subsidiaries has reasonably investigated all sexual harassment, or other discrimination, retaliation or policy violation allegations of which it is aware. With respect to each such allegation with potential merit, the Company and each of its Subsidiaries (as applicable) has taken prompt corrective action that is reasonably calculated to prevent further improper action.

(d) To the Knowledge of the Company, no current or former employee or independent contractor of the Company or its Subsidiaries is in any material respect in violation of any term of any employment agreement or any fiduciary duty or restrictive covenant or obligation owed to the Company or its Subsidiaries.

Section 2.16 Employee Benefit Plans and Related Matters; ERISA.

(a) Section 2.16(a) of the Company Disclosure Letter lists all material Company Benefit Plans. With respect to each material Company Benefit Plan, the Company has made available to Investor complete and correct copies (to the extent applicable) of (i) the plan and trust documents (or any other funding instruments) and the most recent summary plan description (and any summary of material modifications thereto), (ii) the most recent annual report (Form 5500 series), (iii) the most recent IRS determination letter, and (iv) any non-routine correspondence with any Governmental Authority received in the last 3 years.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(b) No Company Benefit Plan is, and neither the Company nor any of its Subsidiaries has any Liability (including on account of an ERISA Affiliate) with respect to, (i) a Multiemployer Plan, (ii) a plan that is or was subject to Section 302 or Title IV of ERISA or Section 412 of the Code, (iii) a multiple employer plan (as described in Section 413(c) of the Code); or (iv) a "multiple employer welfare arrangement" (as defined in Section 3(40) of ERISA). No Company Benefit Plan provides, and neither the Company nor any of its Subsidiaries has any Liability to provide, retiree or post-termination health or other welfare benefits to former employees of the Company or any of its Subsidiaries or any other Person, other than health continuation coverage pursuant to Section 4980B of the Code.

(c) Each Company Benefit Plan has been established, maintained, funded and administered in all material respects in compliance with its terms, the applicable requirements of ERISA, the Code and any other applicable Law. Each Company Benefit Plan intended to be qualified under Section 401(a) of the Code, and the trust (if any) forming a part thereof, has received a favorable determination letter from the IRS and, to the Knowledge of the Company, there are no existing circumstances or events that could reasonably be expected to result in any revocation of, or a change to, such determination letter or qualified status. Neither the Company nor any of its Subsidiaries has incurred, or could reasonably expect to incur, any material penalty or Tax (whether or not assessed) under Section 4980B, 4980D, 4980H 6721 or 6722 of the Code. With respect to each Company Benefit Plan, the Company and its Subsidiaries have timely made in all material respects all required contributions, reimbursements, premiums and other payments and have properly accrued any amounts not yet due. All options and restricted stock units listed in Section 2.4(a) of the Company Disclosure Letter have been issued under and in compliance in all material respects with the Incentive Plan and all applicable Laws. As of the date hereof, up to 9,000,000 Shares remain available for issuance under the Incentive Plan.

(d) Other than routine claims for benefits, there are no pending or, to the Knowledge of the Company, threatened actions, audits, investigations, proceedings, litigations or claims by or on behalf of any participant in any of the Company Benefit Plans, or otherwise involving any Company Benefit Plan or the assets of any Company Benefit Plan, that could reasonably be expected to result in any material Liability to the Company or any of its Subsidiaries.

(e) Without limiting the generality of the foregoing, with respect to each Company Benefit Plan that is subject to the laws of a jurisdiction other than the United States (a "Foreign Plan"): (i) each Foreign Plan required to be registered has been registered and has been maintained in good standing in all material respects with applicable regulatory authorities; (ii) each Foreign Plan intended to receive favorable tax treatment under applicable tax laws has been qualified or similarly determined to satisfy the requirements of such tax laws; (iii) no Foreign Plan is a defined benefit plan (as defined in ERISA, whether or not subject to ERISA); and (iv) no Foreign Plan has any material unfunded liabilities that are not reflected or reserved against on the Audited Financial Statements or the Unaudited Financial Statements, nor are such unfunded liabilities reasonably expected to arise in connection with the transactions contemplated by this Agreement.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(f) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated by this Agreement would reasonably be expected to, either alone or in combination with any other event, (i) result in any payment becoming due to any employee of the Company or any of its Subsidiaries or pursuant to any Company Benefit Plan, (ii) increase any benefits under any Company Benefit Plan, (iii) result in the acceleration of the time of payment, vesting or funding or increase the amount of, any compensation or benefits due to any employee of the Company or any of its Subsidiaries or under any Company Benefit Plan, (iv) result in any forgiveness of indebtedness of any employee of the Company or any of its Subsidiaries, or (v) result in any payment (whether in cash or property or the vesting of property) to any "disqualified individual" (within the meaning of Section 280G of the Code) that would reasonably be expected to, individually or in combination with any other such payment, constitute an "excess parachute payment" (within the meaning of Section 280G(b)(1) of the Code).

(g) Neither the Company nor any of its Subsidiaries maintains any obligation to gross-up or reimburse any employee of the Company or any of its Subsidiaries for any Tax or related interest or penalties incurred by such individual, including under Section 409A or 4999 of the Code or otherwise.

(h) Each Company Benefit Plan that constitutes in any part a nonqualified deferred compensation plan within the meaning of Section 409A of the Code has been operated and maintained in all material respects in operational and documentary compliance with Section 409A of the Code and applicable guidance thereunder.

Section 2.17 Tax Matters.

(a) Filing and Payment. All income and other material Tax Returns required to be filed by, or with respect to, the Company and its Subsidiaries have been duly and timely filed and are complete and correct in all material respects. All income and other material Taxes required to be paid by, with respect to, or that could give rise to a Lien on the assets of, the Company and its Subsidiaries, have been duly and timely paid. All material Taxes required to be withheld by the Company and its Subsidiaries, have been duly and timely withheld, and such withheld Taxes have been either duly and timely paid to the proper Governmental Authority or properly set aside in accounts for such purpose.

(b) Procedure and Compliance. No written agreement waiving or extending, or having the effect of waiving or extending, the statute of limitations or the period of assessment or collection of any material Taxes of the Company and its Subsidiaries is currently in effect, and no written power of attorney with respect to any such Taxes has been filed or entered into with any Governmental Authority. No material Taxes of the Company and its Subsidiaries are under audit, examination or investigation by any Governmental Authority and no Governmental Authority has asserted or threatened in writing any deficiency, adjustment or claim with respect to material Taxes against the Company and its Subsidiaries with respect to any taxable period for which the period of assessment or collection remains open.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(c) Closing Agreements. None of the Company or its Subsidiaries has received or applied for a material Tax ruling or entered into a material closing agreement pursuant to Section 7121 of the Code (or any predecessor provision or any similar provision of state, local or non-U.S. Law), in either case that would be binding upon such Person after the Closing Date.

(d) Certain Events. None of the Company or its Subsidiaries will be required to include any material item of income in, or exclude any material item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date, as a result of any (i) change in, or use of an improper, method of accounting for a taxable period ending on or prior to the Closing Date under Section 481 of the Code (or any corresponding provision of state, local or non-U.S. Law), (ii) installment sale or open transaction disposition made on or prior to the Closing, (iii) gain recognition agreement entered into prior to Closing, (iv) prepaid amount received or deferred revenue accrued on or prior to the Closing Date, or (v) "closing agreement" as described in Section 7121 of the Code (or any corresponding or similar provision of state, local or non-U.S. law) executed on or prior to the Closing Date. None of the Company or its Subsidiaries will be required to pay any Tax in a taxable period (or portion thereof) after the Closing Date as a result of an election under Section 965(h) of the Code. There are no intercompany transactions or excess loss accounts, in each case described in Treasury Regulations under Section 1502 of the Code, as between the Company and its Subsidiaries that will be taken into account as a result of the Alternative Transaction.

(e) Listed Transactions. Neither the Company nor any of its Subsidiaries that is required to file a U.S. federal income Tax Return has participated within the last five (5) years in a "listed transaction" within the meaning of Treasury Regulations Section 1.6011-4(c) or (ii) any materially equivalent provision of any non-U.S. jurisdiction in which a material portion of the activities of the Company and its Subsidiaries, taken as a whole, is undertaken.

(f) Tax Liens. There are no Liens for material Taxes on any of the assets of the Company and its Subsidiaries, other than for Taxes not yet due and payable or that are not yet delinquent.

(g) Affiliated Group. Neither the Company nor any of its Subsidiaries (i) has been a member of an affiliated group as defined in Section 1504 of the Code or any affiliated, combined, consolidated, aggregate, unitary or other group under state, local or non-U.S. Law (other than such a group that the common parent of which is the Company or one of its Subsidiaries) or (ii) has any material liability for Taxes of any person (other than a member of a group the common parent of which is the Company or one of its Subsidiaries) under Section 1.1502-6 of the Treasury Regulations (or any similar provision of state, local or non-U.S. Law) as a transferee or successor, by contract or otherwise.

(h) Taxing Authorities. No written claims have ever been made by any Governmental Authority where the Company or a Subsidiary of the Company does not file Tax Returns that such Person is or may be subject to material taxation by, or required to file material Tax Returns in, that jurisdiction which claim has not been settled, withdrawn or otherwise resolved. Neither the Company nor any of its Subsidiaries has a permanent establishment

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(within the meaning of an applicable Tax treaty) or otherwise has an office or fixed place of business in a country other than the country in which it was organized or is domiciled for tax purposes.

(i) Tax Agreements. Neither the Company nor any of its Subsidiaries is a party to any material Tax allocation, Tax sharing or Tax indemnity or similar agreements (other than agreements among any of the Company and the Company Subsidiaries and customary commercial agreements entered into in the ordinary course of business that are not primarily related to Taxes).

(j) VAT. To the extent that each of the Company and its Subsidiaries is required to be registered for purposes of any material Tax, including goods and services Taxes and value-added Taxes (including VAT), such Person has made and maintained such registration, and complied with all other material requirements related to such registration, in each relevant jurisdiction.

(k) CARES Act. Each of the Company and its Subsidiaries, to the extent applicable, has (i) properly complied with all legal requirements in order to defer the amount of the employer's share of any "applicable employment taxes" under Section 2302 of the CARES Act (or any similar provision of state, local or non-U.S. Law), (ii) properly complied with all legal requirements and duly accounted for any available Tax credits under Sections 7001 through 7005 of the Families First Act and Section 2301 of the CARES Act, and (iii) not deferred any payroll Tax obligations (including those imposed by Sections 3101(a) and 3201 of the Code) pursuant to or in connection with the Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster, dated August 8, 2020, or any other provision of the CARES Act.

(l) Tax Classification. Schedule 2.17(l) sets forth a list of the entity classification of the Company and each of its Subsidiaries for U.S. federal income Tax purposes.

Section 2.18 Insurance. Section 2.18 of the Company Disclosure Letter sets forth a list of all material insurance policies maintained by (or for the benefit of) the Company and its Subsidiaries as of the date hereof. Except as would not reasonably be expected to, individually or in the aggregate, be material to the Company and its Subsidiaries, taken as a whole, (a) all such insurance policies are in full force and effect and (b) the Company and its Subsidiaries are in compliance with all current property and liability insurance policies covering the Company and its Subsidiaries (and all premiums due and payable thereon have been paid in full on a timely basis), and as of the date hereof no written notice of cancellation, termination or revocation has been received by the Company or its Subsidiaries.

Section 2.19 Finders' Fees. Except for Moelis & Company LLC, whose fees shall be paid by the Company or its Subsidiaries, no broker, finder, financial advisor or investment banker is entitled to any broker's, finder's, financial advisor's or investment banker's fee or commission or similar payment in connection with the transactions contemplated by this

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Agreement based upon arrangements made by or on behalf of the Company or any of its Subsidiaries for which the Company or any of its Subsidiaries may become liable.

Section 2.20 Contracts with Affiliates. Section 2.20 of the Company Disclosure Letter lists all contracts as of the date hereof to which (a) the Company or any of its Subsidiaries, on the one hand, and (b) Carlyle or Carlyle's Affiliates or any of their respective, or the Company's or its Subsidiaries' respective, directors, officers or employees (this clause (b), each a "Company Related Party") (other than any employment, severance, bonus, indemnification and similar arrangements concerning the compensation and indemnification of directors, officers or employees in the Ordinary Course of Business), on the other hand, are parties or are otherwise bound or affected (each such contract, an "Affiliate Contract").

Section 2.21 Customers and Vendors. Section 2.21 of the Company Disclosure Letter sets forth a true, correct and complete list of (a) the fifteen (15) largest customers (each, a "Material Customer") of the Company and its Subsidiaries, taken as a whole, based on amounts invoiced to such customers during the twelve (12) months ended December 31, 2020 and during the twelve (12) months ended December 31, 2019, showing the approximate aggregate amount invoiced to each such Material Customer during each such period and (b) the fifteen (15) largest vendors (each, a "Material Vendor") of the Company and its Subsidiaries, taken as a whole, based on amounts paid by or on behalf of the Company and its Subsidiaries to such vendor (excluding any offsets) during the twelve (12) months ended December 31, 2020 and during the twelve (12) months ended December 31, 2019, showing the approximate aggregate amount paid to each such Material Vendor (excluding any offsets) during each such period. As of the date hereof, since December 31, 2020, no Material Customer or Material Vendor has canceled or otherwise terminated or otherwise materially and adversely modified, or, to the Knowledge of the Company, threatened in writing to cancel or otherwise terminate or otherwise materially and adversely modify, its relationship with the Company and its Subsidiaries.

Section 2.22 Ring-Fencing Sufficiency of Assets. Upon completion of the Pre-Closing Steps (including (a) the receipt of the benefits of the Commingled Contracts and (b) the receipt of any necessary third party consents), the Transferred Assets will include all of the computer and network equipment and information technology infrastructure (including switches, routers and servers), Software and other Intellectual Property (other than Trademarks) reasonably required for the ongoing conduct of the North America Enterprise Business immediately following the Closing in all material respects as the North America Enterprise Business is conducted as of the date of this Agreement, other than (i) generally commercially available third party Software and other generally commercially available information technology assets and (ii) other Software and information technology assets provided to the North America Enterprise Business and/or the Operating Business by the Remaining Business that are utilized in the North America Enterprise Business and/or the Operating Business but with respect to which the North America Enterprise Business and/or the Operating Business, as applicable, could reasonably be expected to obtain or create alternatives to such Software or other assets (with reasonable advance notice) without, individually or in the aggregate, significant disruption to the North America Enterprise Business or incurring costs, together with costs incurred obtaining the Software and other assets described in the foregoing clause (i), in excess of $20 million in the

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

aggregate (clauses (i) and (ii) the "De Minimis Assets"); provided that the foregoing is not a representation or warranty with respect to infringement or misappropriation of the Intellectual Property of any third Person.

Section 2.23 No Other Representations and Warranties. Except for the representations and warranties expressly set forth in this Article 2 and the Ancillary Agreements to be entered into at or prior to the Closing, neither the Company nor any of its Affiliates nor any of their respective directors, officers, employees, stockholders, agents or representatives nor any other Person makes or shall be deemed to make any representation or warranty to Investor, express or implied, at law or in equity, on behalf of the Company or any of its Affiliates, and each of the Company and its Affiliates by this Agreement disclaims any such representation or warranty, whether by the Company, any Affiliate of the Company or any of their respective directors, officers, employees, stockholders, agents or representatives or any other Person, notwithstanding the delivery or disclosure to Investor, or any of its directors, officers, employees, stockholders, agents or representatives or any other Person of any documentation or other information by the Company or any Affiliate of the Company or any of their respective directors, officers, employees, stockholders, agents or representatives or any other Person with respect to any one or more of the foregoing.

Article 3

Representations and Warranties of Carlyle

Carlyle represents and warrants to Investor as of the date of this Agreement and as of Closing as follows:

Section 3.1 Organization and Power. Carlyle is a limited partnership duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite limited partnership power and authority to carry on its business as now conducted.

Section 3.2 Authorization.

(a) Carlyle has all requisite limited partnership power and authority to execute and deliver this Agreement and the Ancillary Agreements to which Carlyle is (or will be) a party and to consummate the transactions contemplated hereby and thereby. Except with respect to the agreements to be negotiated and entered into as part of the SPAC Transaction (including the SPAC Definitive Agreements) and the transactions contemplated thereby, the execution, performance and delivery of this Agreement and the Ancillary Agreements to which Carlyle is (or will be) a party by Carlyle and the consummation of the transactions contemplated hereby and thereby by Carlyle have been duly authorized by all requisite corporate, limited liability company or other entity power action of Carlyle. This Agreement has been (and the execution, performance and delivery of each of the Ancillary Agreements to which Carlyle is a party will be) duly and validly executed and delivered by Carlyle and constitutes (and each such Ancillary Agreement when so executed and delivered by Carlyle will constitute) a valid, legal and binding agreement of Carlyle (assuming this Agreement has been, and the Ancillary Agreements to which Carlyle is a party will be, duly authorized, executed and delivered by the other parties

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

thereto), enforceable against Carlyle in accordance with its terms, except (i) to the extent that enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other Laws affecting the enforcement of creditors' rights generally and (ii) that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding thereof may be brought.

(b) Assuming the truth and accuracy of the Company's representations and warranties contained in Section 2.2(b) and Investor's representations and warranties contained in Section 4.2(b), no material notices to, filings with or authorization, registration, declaration, consent or approval of any Governmental Authority is necessary for the execution, delivery or performance by Carlyle of this Agreement or the Ancillary Agreements to which Carlyle is a party or the consummation by Carlyle of the transactions contemplated hereby or thereby, except for (i) notices to, filings with or authorizations, registrations, declarations, consents or approvals of any Governmental Authority arising in connection with the SPAC Transaction or the identity of the SPAC or the investors participating in the PIPE Financing and (ii) compliance with and filings under the HSR Act and any other applicable Competition Law set forth on Section 5.2 of the Company Disclosure Letter.

Section 3.3 Non-Contravention. The execution and delivery by Carlyle of this Agreement and the Ancillary Agreements to which Carlyle is (or will be) a party and the performance of Carlyle's obligations hereunder and thereunder do not (a) conflict with or result in any violation or breach of any provision of any of the Organizational Documents of Carlyle, (b) assuming compliance with the matters referred to in Section 3.2(b), violate any provision of any applicable Law or (c) require any consent of or other action by any Person under, or result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Carlyle is a party or by which Carlyle or any of its properties or assets may be bound, except in the case of clauses (b) and (c), as would not reasonably be expected to be, individually or in the aggregate, materially adverse to Carlyle's ability to consummate the transactions contemplated hereby.

Section 3.4 Litigation. As of the date hereof, there is no Litigation pending against, or, to the knowledge of Carlyle, threatened against or affecting, Carlyle before any court or arbitrator or any Governmental Authority which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement or the Ancillary Agreements.

Section 3.5 Finders' Fees. Except for Moelis & Company LLC, whose fees shall be paid by the Company or its Subsidiaries, no broker, finder, financial advisor or investment banker is entitled to any broker's, finder's, financial advisor's or investment banker's fee or commission or similar payment in connection with the transactions contemplated by this

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Agreement based upon arrangements made by or on behalf of Carlyle or any Affiliate of Carlyle for which the Company or any of its Subsidiaries may become liable.

Section 3.6 No Other Representations and Warranties. Except for the representations and warranties expressly set forth in this Article 3 and any representations and warranties of Carlyle set forth in the Ancillary Agreements to be entered into at or prior to the Closing, neither Carlyle, its Affiliates or any of Carlyle's and its Affiliates' respective directors, officers, employees, stockholders, agents, representatives or lenders or any other Person makes or shall be deemed to make any representation or warranty to Investor or any of its Affiliates or any of their respective directors, officers, employees, stockholders, agents or representatives, express or implied, at law or in equity, on behalf of Carlyle or any of its Affiliates, and Carlyle, its Affiliates and any of Carlyle's and its Affiliates' respective directors, officers, employees, stockholders, agents, representatives or lenders by this Agreement disclaim any such representation or warranty, whether by Carlyle, its Affiliates or any of Carlyle's and its Affiliates' respective directors, officers, employees, stockholders, agents, representatives or lenders or any other Person, notwithstanding the delivery or disclosure to Investor or any of its Affiliates or any of their respective directors, officers, employees, stockholders, agents or representatives or any other Person of any documentation or other information by Carlyle, its Affiliates or any of Carlyle's and its Affiliates' respective directors, officers, employees, stockholders, agents, representatives or lenders or any other Person with respect to any one or more of the foregoing.

Article 4

Representations and Warranties of Investor

Investor represents and warrants to Carlyle and the Company as of the date of this Agreement and as of Closing as follows:

Section 4.1 Organization and Power. Investor is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all requisite corporate power and authority to carry on its business as now conducted.

Section 4.2 Authorization.

(a) Investor has all requisite corporate power and authority to execute and deliver this Agreement and the Ancillary Agreements to which Investor or any of its Affiliates is (or will be) a party and to consummate the transactions contemplated hereby and thereby. Except with respect to the agreements to be negotiated and entered into as part of the SPAC Transaction (including the SPAC Definitive Agreements), the execution, performance and delivery of this Agreement and the Ancillary Agreements to which Investor or any of its Affiliates is (or will be) a party by Investor or any of its Affiliates and the consummation of the transactions contemplated hereby and thereby by Investor or any Affiliate of Investor, as applicable, have been duly authorized by all requisite corporate, limited liability company or other entity power action of Investor and/or its applicable Affiliates. This Agreement has been (and the execution, performance and delivery of each of the Ancillary Agreements to which Investor or any of its

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Affiliates is a party will be) duly and validly executed and delivered by Investor and/or its applicable Affiliates and constitutes (and each such Ancillary Agreement when so executed and delivered by Investor and/or its applicable Affiliates will constitute) a valid, legal and binding agreement of Investor (and in the case of Ancillary Agreements, Investor or its Affiliates party thereto) (assuming this Agreement has been, and the Ancillary Agreements to which Investor or its applicable Affiliates is a party will be, duly authorized, executed and delivered by the other parties thereto), enforceable against Investor (and in the case of the Ancillary Agreements, Investor or its Affiliates party thereto) in accordance with its terms, except (i) to the extent that enforceability may be limited by applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium or other Laws affecting the enforcement of creditors' rights generally and (ii) that the availability of equitable remedies, including specific performance, is subject to the discretion of the court before which any proceeding thereof may be brought.

(b) Assuming the truth and accuracy of the Company's representations and warranties contained in Section 2.2(b) and Carlyle's representations and warranties contained in Section 3.2(b), no material notices to, filings with or authorization, registration, declaration, consent or approval of any Governmental Authority is necessary for the execution, delivery or performance by Investor or any of its Affiliates of this Agreement or the Ancillary Agreements to which Investor or any of its Affiliates is a party or the consummation by Investor of the transactions contemplated hereby or thereby, except for (i) notices to, filings with or authorizations, registrations, declarations, consents or approvals of any Governmental Authority arising in connection with the SPAC Transaction or the identity of the SPAC or the investors participating in the PIPE Financing and (ii) compliance with and filings under the HSR Act and any other applicable Competition Law set forth on Section 5.2 of the Company Disclosure Letter.

Section 4.3 Non-Contravention. The execution and delivery by Investor and its Affiliates of this Agreement and the Ancillary Agreements to which Investor or any of its Affiliates is (or will be) a party and the performance of Investor's or such of Investor's Affiliate's obligations hereunder and thereunder do not (a) conflict with or result in any violation or breach of any provision of any of the Organizational Documents of Investor or any of its applicable Affiliates, (b) assuming compliance with the matters referred to in Section 4.2(b), violate any provision of any applicable Law or (c) require any consent of or other action by any Person under, or result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default or give rise to any right of termination, cancellation or acceleration under, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, lease, license, contract, agreement or other instrument or obligation to which Investor or any of its Affiliates is a party or by which any of them or any of their respective properties or assets may be bound, except in the case of clauses (b) and (c), as would not reasonably be expected to be, individually or in the aggregate, materially adverse to Investor's and its applicable Affiliates' ability to consummate the transactions contemplated hereby.

Section 4.4 Availability of Funds. Investor has available and will have available at Closing sufficient cash in immediately available funds to pay the Purchase Price and to pay any

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

and all other amounts payable by Investor pursuant to this Agreement and to effect the transactions contemplated hereby.

Section 4.5 Purchase for Investment. Investor is purchasing the New Shares for investment for its own account and not with a view to, or for sale in connection with, any distribution thereof. Investor (either alone or together with its advisors) has sufficient knowledge and experience in financial and business matters so as to be capable of evaluating the merits and risks of its investment in the New Shares and is capable of bearing the economic risks of such investment. Investor acknowledges that the New Shares have not been registered under the Securities Act or any state securities Laws, and agrees that the New Shares may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act, except pursuant to an exemption from such registration available under the Securities Act, and without compliance with foreign securities Laws, in each case, to the extent applicable.

Section 4.6 Litigation. As of the date hereof, there is no Litigation pending against, or, to the knowledge of Investor, threatened against or affecting, Investor before any court or arbitrator or any Governmental Authority which in any manner challenges or seeks to prevent, enjoin, alter or materially delay the transactions contemplated by this Agreement or the Ancillary Agreements.

Section 4.7 Finders' Fees. Except for Centerview Partners LLC, whose fees and expenses will be paid by the Company if the Closing occurs (and otherwise will be paid by Investor), no broker, finder, financial advisor or investment banker is entitled to any brokerage, finder's, financial advisor's or investment banker's fee or commission or similar payment in connection with the transactions contemplated by this Agreement based upon arrangements made by and on behalf of Investor or any of its Affiliates for which Company or Carlyle or any of their respective Affiliates may become liable.

Section 4.8 No Additional Representations and Warranties; Inspection. Investor acknowledges and agrees that it (a) has conducted its own independent review and analysis of, and, based thereon, has formed an independent judgment concerning, the business, assets, condition, operations and prospects of the Company and its Subsidiaries and (b) has been furnished with or given access to such information about the Company and its Subsidiaries and their respective businesses and operations as it has reasonably requested to form such independent judgment. In entering into this Agreement, Investor has relied solely upon its own investigation and analysis and the representations and warranties set forth in Article 2 and Article 3 and in the Ancillary Agreements, and Investor acknowledges that other than the representations and warranties in Article 2 and Article 3 and in the Ancillary Agreements (i) neither the Company, Carlyle or any of their respective Affiliates nor any of their respective directors, officers, employees, stockholders, agents or representatives makes or has made any representation or warranty, either express or implied, at law or in equity, (A) as to the accuracy or completeness of any of the information provided or made available to Investor, its Affiliates or any of Investor's and its Affiliates' respective directors, officers, employees, stockholders, agents, representatives or lenders or any other Person prior to the execution of this Agreement or

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(B) with respect to any projections, forecasts, estimates, plans or budgets of future revenues, expenses or expenditures, future results of operations (or any component thereof), future cash flows (or any component thereof) or future financial condition (or any component thereof) of the Company, the Company's Subsidiaries or their respective businesses heretofore or hereafter delivered to or made available to Investor, its Affiliates or any of Investor's and its Affiliates' respective directors, officers, employees, stockholders, agents, representatives or lenders or any other Person and (ii) Investor has not been induced by or relied upon any representation, warranty or other statement, express or implied, made by the Company, Carlyle or any of their respective Affiliates or any of their respective directors, officers, employees, stockholders, agents or representatives or any other Person, except in the case of this clause (ii) for the representations and warranties set forth in Article 2 and Article 3 and the Ancillary Agreements to be entered into at or prior to the Closing.

Section 4.9 No Other Representations and Warranties. Except for the representations and warranties expressly set forth in this Article 4 and any representations and warranties of Investor set forth in the Ancillary Agreements to be entered into at or prior to the Closing, neither Investor, its Affiliates or any of Investor's and its Affiliates' respective directors, officers, employees, stockholders, agents, representatives or lenders or any other Person makes or shall be deemed to make any representation or warranty to the Company, Carlyle or any of their respective Affiliates or any of their respective directors, officers, employees, stockholders, agents or representatives, express or implied, at law or in equity, on behalf of Investor or any of its Affiliates, and Investor, its Affiliates and any of Investor's and its Affiliates' respective directors, officers, employees, stockholders, agents, representatives or lenders by this Agreement disclaim any such representation or warranty, whether by Investor, its Affiliates or any of Investor's and its Affiliates' respective directors, officers, employees, stockholders, agents, representatives or lenders or any other Person, notwithstanding the delivery or disclosure to the Company, Carlyle or any of their respective Affiliates or any of their respective directors, officers, employees, stockholders, agents or representatives or any other Person of any documentation or other information by Investor, its Affiliates or any of Investor's and its Affiliates' respective directors, officers, employees, stockholders, agents, representatives or lenders or any other Person with respect to any one or more of the foregoing.

Article 5

Certain Covenants

Section 5.1 Conduct of the Business. From the date hereof until the earlier of the Closing or the termination of this Agreement in accordance with its terms, except (i) as required by Law, (ii) pursuant to any COVID-19 Measures, (iii) as expressly set forth in, or required by, this Agreement (including Section 5.5, Section 5.6, Section 5.7, Section 5.8 and Section 5.10) or as set forth in Section 5.1 of the Company Disclosure Letter, (iv) as expressly set forth in the go-forward business plan of the Company and its Subsidiaries upon agreement in writing of such plan by Investor and the Company or (v) as otherwise consented to in writing by Investor, which consent shall not be unreasonably conditioned, withheld or delayed, the Company shall, and shall cause each of its Subsidiaries to, as applicable, (a) use commercially reasonable efforts to cause

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

the business of the Company and its Subsidiaries to be conducted in all material respects in the Ordinary Course of Business, (b) use commercially reasonable efforts to preserve intact the Company's and its Subsidiaries' business operations, business relationships with Material Customers and Material Vendors, and (c) not permit:

(a) the Company to amend its certificate of incorporation or by-laws;

(b) the Company or any of its Subsidiaries to authorize for issuance, issue, pledge, encumber, transfer, sell or grant options, warrants or rights to purchase or subscribe to, or enter into any arrangement or contract with respect to the issuance, pledge, encumbrance, transfer, sale or grant of (i) any Company Equity Interests or Subsidiary Equity Interests or (ii) any security convertible into or exchangeable or exercisable for any Company Equity Interests or Subsidiary Equity Interests, in each case other than, in the Ordinary Course of Business, (A) issuances of Options or RSUs (excluding any performance-based RSUs) to employees, officers or directors (and not including any Person employed or affiliated with Carlyle and its Affiliates) pursuant to the Incentive Plan or other employee stock option, employee stock purchase or similar equity-based plans approved by Investor and the Company's board of directors or (B) issuances of Subsidiary Equity Interests to the Company or any of its Subsidiaries;

(c) the Company or any Subsidiary to redeem, repurchase or otherwise acquire any (i) Company Equity Interests or non-wholly owned Subsidiary Equity Interests (other than, in the Ordinary Course of Business, customary repurchases of management equity at a price no greater than fair market value) or (ii) any indebtedness for borrowed money of the Company or any Subsidiary (other than amortization payments under the Credit Facilities or repayments under the Company's and its Subsidiaries' revolving credit facility under its Credit Facilities);

(d) the Company to appoint or change the Company's independent public accountants or auditors or change any significant accounting policy of the Company (other than as required by any accounting pronouncements or interpretations under GAAP issued from and after the date hereof);

(e) any change to the Company's entity classification in effect as of the date hereof;

(f) any material alteration to the lines of business of the Company and its Subsidiaries;

(g) the Company or any of its Subsidiaries to adopt any plan of liquidation, dissolution or winding up or file any voluntary petition for bankruptcy, receivership or similar proceeding or adopt a plan of reorganization;

(h) the Company or any of its Subsidiaries to incur, create, assume or otherwise become liable for any indebtedness for borrowed money in excess of $10,000,000 (individually or in the aggregate) (other than (x) amounts drawn under the Company's and its Subsidiaries' revolving credit facility under its Credit Facilities up to an amount equal to amounts repaid under

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

such revolving credit facility by the Company and its Subsidiaries after the date hereof and (y) inter-company indebtedness among or between the Company and/or its Subsidiaries);

(i) the Company or any Subsidiary to make, change or revoke any material election concerning Taxes, adopt or change any material accounting method concerning Taxes, change any Tax accounting period, amend any material Tax Return, enter into any material Tax closing agreement, settle or compromise any material Tax proceeding, fail to pay any material Tax when due (including any material estimated Tax payments), surrender any claim for a refund of a material amount of Taxes, waive or extend the statute of limitations in respect of any material amount of Taxes, or prepare any material Tax Return in a manner inconsistent in any material respect with applicable past practices;

(j) the Company or any of its Subsidiaries to enter into any contract that would restrict any equity holder of the Company (or any Affiliate of such equity holder, other the Company and its Subsidiaries) from entering into or continuing to operate any line of business;

(k) the Company or any of its Subsidiaries to enter into any Affiliate Contract, other than commercial agreements between the Company and its Subsidiaries, on the one hand, and portfolio companies of Carlyle and its Affiliates, on the other hand, entered into in the Ordinary Course of Business on an arms' length basis;

(l) the sale, assignment, transfer, conveyance, license, lease or other disposal of any properties, rights or assets of the Company or its Subsidiaries in excess of $10,000,000, in each case other than in the Ordinary Course of Business;

(m) the license of any material Owned Intellectual Property, except for non-exclusive licenses granted to customers in the Ordinary Course of Business;

(n) abandonment or permission to lapse of any material Owned Intellectual Property (other than (i) expiration of patents at the end of their statutory term or (ii) in the Ordinary Course of Business patent or Trademark prosecution), in each case without prior consultation with Investor;

(o) the settlement or compromise of any Litigation (whether or not commenced prior to the date of this Agreement) (i) without prior consultation with Investor, involving the payment of, or an agreement to pay over time, in cash, notes or other property, in the aggregate, an amount in excess of $5,000,000 (in each case, (x) exclusive of costs, interest and attorneys' fees and (y) excluding amounts actually paid by insurance), (ii) which will require Investor to satisfy any non-*de minimis* obligation, (iii) which imposes any equitable or injunctive relief that, if granted, would impose material conditions on or restrict in any material manner Investor or any of its Affiliates or, without prior consultation with Investor, the Company, (iv) without prior consultation with Investor, alleging criminal conduct by the Company or any of its Subsidiaries or any of their respective directors, officers or employees or (v) without prior consultation with Investor, that would reasonably be expected to be material to the Company and its Subsidiaries, taken as a whole;

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(p) the Company or any Subsidiary to acquire by merger, consolidation, acquisition of stock or assets or otherwise, or make any investment in, any assets, Person or business or division thereof, in each case for a purchase price in excess of $10,000,000;

(q) the creation of any Lien upon any Transferred Assets that would prevent the substantial consummation of the Pre-Closing Steps in accordance with the terms hereof with respect to such Transferred Asset in connection with the Closing;

(r) any Leakage;

(s) except as required by applicable Law or the terms of any existing CBA, the Company or any Subsidiary to negotiate, modify, extend, or enter into any CBA or recognize or certify any labor union, labor organization, works council, or group of employees as the bargaining representative for any employees of the Company or its Subsidiaries, in each case without prior consultation with Investor;

(t) the Company or any Subsidiary to implement or announce any employee layoffs, plant closings, reductions in force, furloughs, temporary layoffs, salary or wage reductions, work schedule changes or other such actions that could implicate the WARN Act, in each case without prior consultation with Investor;

(u) except as required by the existing terms of a Company Benefit Plan set forth on Schedule 2.16(a) in effect as of the date hereof, the Company or any of its Subsidiaries to (i) accelerate or commit to accelerate the funding, payment or vesting of, or materially increase or decrease the compensation or benefits payable or to become payable to any current or former officer, director or other member of senior management of the Company and its Subsidiaries, or (ii) establish, adopt, enter into, terminate or materially amend any Company Benefit Plan, in each case without prior consultation with Investor;

(v) (i) the amendment or modification in any material respect or termination (excluding terminations upon expiration of the term thereof in accordance with the terms thereof, so long as the Company or its applicable Subsidiary does not have the unilateral right to renew or extend the term of such Material Contract) of any (A) contract with AT&T, T-Mobile (Sprint) or Verizon that is a Material Contract or Carrier Contract or (B) Material Contract of the type set forth in Section 2.9(a)(vi), or (ii) adoption or entering into a new contract that would have been (A) a contract with AT&T, T-Mobile (Sprint) or Verizon that is a Material Contract or Carrier Contract or (B) a Material Contract of the type set forth in Section 2.9(a)(vi), if adopted or entered into prior to the date hereof, except in the case of each of the foregoing clause (i) and clause (ii), in the Ordinary Course of Business (which shall include renewals consistent with the terms thereof but shall not including Contracts of the type set forth in Section 2.9(a)(vi) to the extent purporting to bind direct or indirect equity holders of the Company); or

(w) any agreement or commitment by the Company or its Subsidiaries to do any of the foregoing.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Section 5.2 Governmental Approvals.

(a) Subject to the terms and conditions herein provided, each party shall, and Investor and the Company shall cause their respective Affiliates to, use reasonable best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary, proper or advisable to consummate and make effective as promptly as practicable, and in any event prior to the End Date, the transactions contemplated by this Agreement (including the satisfaction, but not waiver, of the conditions precedent set forth in Article 7). Each party shall, and Investor and the Company shall cause their respective Affiliates to, use reasonable best efforts to promptly obtain consents of all Governmental Authorities necessary, proper or advisable to consummate the transactions contemplated by this Agreement and the Ancillary Agreements. Each party shall make or cause to be made as promptly as practicable (and to the extent necessary cause its Affiliates to make) any filings pursuant to the HSR Act and all other filings (or where applicable, drafts thereof) required by applicable Competition Laws for the jurisdictions set forth on Section 5.2 of the Company Disclosure Letter with respect to the transactions contemplated by this Agreement. Without limiting the foregoing: (i) with respect to any initial filings to be made in connection with this Agreement in the jurisdictions set forth on Section 5.2 of the Company Disclosure Letter, the parties shall (x) make such filings as promptly as practicable after the date hereof, and (y) cause such filings to cover to the extent permissible by applicable Law both the potential SPAC Transaction and the potential Alternative Transaction assuming a Purchase Price equal to $750 million and an Investor *pro forma* Company ownership percentage immediately following consummation of the SPAC Transaction or the Alternative Transaction of up to [*]%; (ii) with respect to (x) any filing pursuant to the HSR Act and (y) additional filings (if any) to be made by any of the parties following the signing of SPAC Definitive Agreements, the parties shall make such filings within the timelines agreed in the SPAC Definitive Agreements; and (iii) with respect to additional filings (if any) to be made by any of the parties following the making of an Alternative Transaction Election, as promptly as practicable upon (and with respect to any filing under the HSR Act, in any event within ten (10) Business Days after), delivery of an Alternative Transaction Election Notice. The parties shall resubmit any such filings as soon as is reasonably practicable in the event such filings are rejected for any reason whatsoever by the relevant Governmental Authority. Each party shall make (and to the extent necessary cause its Affiliates to make) an appropriate response as promptly as practicable to any Governmental Authority requests for information and documentary material that may be made in connection with this Agreement and the Ancillary Agreements or the consummation of the transactions contemplated hereby or thereby (including, pursuant to the HSR Act, other Competition Laws or other applicable Laws). Each party and its respective Affiliates shall not extend any waiting period or comparable period under the HSR Act or other Competition Laws or enter into any agreement with any Governmental Authority not to consummate the transactions contemplated hereby, except with the prior written consent of the other parties hereto (which consent shall not be unreasonably withheld, delayed, or conditioned). Each party shall, and Investor and the Company shall cause their respective Affiliates to, take and permit all actions that are necessary or reasonably advisable to (1) satisfy the conditions in Section 7.1, (2) consummate the SPAC Transaction or the Alternative Transaction, as applicable, and (3) in the case of each of clauses (1) and (2), obtain any applicable consents from Governmental Authorities in connection therewith, in each case, as

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

promptly as practicable and in any event before the End Date, so long as any such actions would not constitute a Substantial Detriment. Each party shall, and Investor and the Company shall cause their respective Affiliates to, not take any action that would reasonably be expected to prevent obtaining any applicable consents from Governmental Authorities in connection with the satisfaction of the conditions in Section 7.1.

(b) Each party will promptly notify the other parties hereto of any written communication to or from any Governmental Authority regarding any of the transactions contemplated hereby, and, subject to applicable Law, shall (i) permit the other parties hereto to review in advance any proposed written communication to any such Governmental Authority, and consider in good faith and incorporate the other party's reasonable comments, (ii) not agree to participate in any substantive meeting or discussion with any such Governmental Authority in respect of any filing, investigation or inquiry concerning this Agreement or the transactions contemplated hereby unless it consults with the other party hereto in advance and, to the extent permitted by such Governmental Authority, gives the other party the opportunity to attend, and (iii) furnish the other party with copies of all correspondence, filings and written communications (and summaries of any oral communications in which the other party does not participate) between them and their Affiliates and their respective representatives on one hand and any such Governmental Authority or its respective staff on the other hand, with respect to this Agreement and the transactions contemplated hereby. The parties shall consult with each other prior to taking any material position in discussions with or filings to be submitted to any Governmental Authority. Any information that a party provides to another party pursuant to this Section 5.2(b) may be redacted as necessary to address legal privilege or confidentiality concerns or to comply with applicable Law, and may be designated as "outside antitrust counsel only."

(c) In the event any claim, action, suit, investigation or other proceeding by any Governmental Authority or other Person is commenced which questions the validity or legality of the transactions contemplated hereby or seeks damages in connection therewith, the parties hereto agree to cooperate and use reasonable best efforts to defend against such claim, action, suit, investigation or other proceeding and, if an injunction or other order is issued in any such action, suit or other proceeding, to use reasonable best efforts to have such injunction or other order lifted, and to cooperate reasonably regarding any other impediment to the consummation of the transactions contemplated hereby, in each case, in order to permit the consummation of the transactions contemplated hereby to occur as promptly as practicable (and in any event prior to the End Date).

(d) Without limiting in any respect Investor's obligations under this Section 5.2, Investor shall have the right to direct, devise and implement the strategy for obtaining all consents of Governmental Authorities necessary, proper or advisable to consummate the transactions contemplated by this Agreement and the Ancillary Agreements as promptly as practicable, including (i) responding to any request from, or inquiry or investigation by, any Governmental Authority pursuant to any Competition Law (including directing the timing, nature and substance of all such responses), (ii) leading all meetings and communications (including any negotiations) with any such Governmental Authority, (iii) determining when (if at

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

all, but subject to Investor's obligations in this Agreement, including the last two sentences of Section 5.2(a)) to discuss, offer, or agree to any divestiture, sale, licensing, holding separate or other disposition of any asset or business, or any behavioral or conduct restriction or other alteration to the business or operations of Investor, the Company, or any of their respective Affiliates, (iv) controlling the defense and settlement of any litigation, action, suit, investigation or proceeding brought by or before any Governmental Authority pursuant to any Competition Law and (v) Investor entering into any voluntary agreement with any Governmental Authority (subject to Investor's obligations in this Agreement, including the last two sentences of Section 5.2(a)); provided that (x) Investor shall consult with the Company and Carlyle in a reasonable manner and consider in good faith the views and comments of the Company and Carlyle in connection with the foregoing and (y) notwithstanding the foregoing, the parties shall have joint decision making authority with respect to the remedies contemplated in clauses (a) and (c) of the definition of Substantial Detriment.

(e) Carlyle shall not Transfer, prior to the earlier of the Closing and the termination of this Agreement in accordance with its terms, any Company Equity Interest, other than to one or more of its Affiliates that, in the case of a direct Transfer of Company Equity Interests, agrees in writing to be to be bound by this Agreement and, if applicable, any Ancillary Agreement as if an original party hereto and thereto; provided that such Transfer shall not relieve Carlyle of its obligations pursuant to this Agreement. For the avoidance of doubt, from and following the Closing, Carlyle's and Investor's respective rights to Transfer Company Equity Interests shall be as set forth in, and subject to, the terms of the Stockholders Agreement.

Section 5.3 Public Announcements. Neither Investor, Carlyle nor the Company shall make, or permit any of their respective Affiliates or representatives to make, any public announcement in respect of this Agreement, the Ancillary Agreements or the transactions contemplated hereby or thereby without the prior written consent of the other party (which consent shall not be unreasonably withheld, conditioned or delayed), except as may be required (a) to obtain consents and approvals, and to provide such notices and make such filings, as necessary, proper or reasonably advisable to consummate the transactions contemplated by this Agreement and the Ancillary Agreements, (b) by Law, rule (including rules of any applicable stock exchange) or regulation applicable to Investor, Carlyle or the Company or any of their respective Affiliates (and only to the extent so required) or (c) in the case of the Company, pursuant to internal announcements to employees; provided, in the case of this clause (c), that any such disclosure is generally consistent with the parties' prior public disclosures regarding the transactions contemplated hereby. It is understood that the foregoing shall not restrict (i) the Company or its Affiliates from making disclosure as they deem reasonably appropriate (A) in discussions with counterparties or potential counterparties to any aspect of the SPAC Transaction or the Alternative Transaction in connection with effectuating the transactions contemplated by this Agreement and the Ancillary Agreements, (B) to counterparties on a confidential basis in connection with matters contemplated by Item 1 of Section 5.1 of the Company Disclosure Letter or (C) pursuant to their reporting obligations under the Credit Facilities or the terms of any other indebtedness of the Company or its Affiliates or (ii) Carlyle and its Affiliates and affiliated funds and management entities from providing information (customary in manner and scope) to their

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

respective current or prospective investors, limited partners and financing sources (and their respective advisors).

Section 5.4 Access to Information; Confidentiality.

(a) From the date hereof until the earlier of the Closing Date or the termination of this Agreement in accordance with its terms, upon reasonable notice, the Company shall provide to Investor and its authorized representatives during normal business hours reasonable access to all books and records, facilities and employees of the Company and its Subsidiaries; provided that any such access shall be conducted at Investor's expense, in accordance with applicable Law (including any applicable Law relating to antitrust, competition, employment or privacy issues) and any COVID-19 Measures, under the supervision of the Company's or its Subsidiaries' personnel and in such a manner as to maintain confidentiality and not to unreasonably interfere with the normal operations of the Company and its Subsidiaries and their businesses.

(b) Notwithstanding anything to the contrary in Section 5.4(a), the Company may withhold any document (or portions thereof) or information (i) that is subject to the terms of a non-disclosure agreement with a third party, (ii) that may constitute privileged attorney-client communications or attorney work product and the transfer of which, or the provision of access to which, as reasonably determined by such party's counsel, constitutes a waiver of any such privilege, (iii) if the provision of access to such document (or portion thereof) or information, as reasonably determined by such party's counsel, would reasonably be expected to conflict with applicable Laws or (iv) relating to the sale process regarding the Enterprise Business or any alternative transaction with respect to all or a portion of the Enterprise Business, bids received from others in connection with such sale process or alternative transactions and information and analysis (including financial analysis) relating to such bids or alternative transactions; provided, however, that, with respect to clauses (i), (ii), and (iii), to the extent permitted by Law and reasonably practicable, the Company shall inform Investor of the general nature of the information being withheld and, upon Investor's request, reasonably cooperate with Investor to provide such information in a manner that would not violate such contracts, fiduciary duty or Law or result in a loss of privilege.

(c) All information provided to Investor pursuant to this Section 5.4 shall be held by Investor as confidential under the terms of the Confidentiality Agreement and shall be subject to the Confidentiality Agreement, the applicable terms of which are incorporated herein by reference.

Section 5.5 Affiliate Agreements. The Company shall cause all Affiliate Contracts to be settled or terminated prior to the Closing without any Liability on the part of the Company or any of its Affiliates (including Liability arising from such termination), except for this Agreement, the Ancillary Agreements, as contemplated by Section 5.6, Section 5.7, Section 5.8 or Section 5.10, and those contracts or other transactions set forth on Section 5.5 of the Company Disclosure Letter. If an Alternative Transaction Election has been made, at Carlyle's option in lieu of termination, Carlyle and the Company will cause, with effect from the Closing Date, (a) the "Annual Consulting Fee" under and as defined in the Amended and Restated Consulting

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Services Agreement, dated February 22, 2021 (the "Management Agreement"), by and among Syniverse Holdings, Inc., TC Group V, L.L.C. and Carlyle Investment Management L.L.C., to be shared on a *pro rata* basis between an Affiliate of Carlyle and Investor, based on their respective equity ownership of the Company and (b) the Management Agreement to be otherwise amended (i) to delete Section 3(b) of the Management Agreement in its entirety and (ii) as contemplated by the proviso to Item 1 of Section 5.5 of the Company Disclosure Letter.

Section 5.6 SPAC Transaction.

(a) The Company, Investor and Carlyle shall use their reasonable best efforts, acting reasonably and in good faith, to:

(i) identify and select a SPAC with which to enter into definitive negotiations with respect to the SPAC Transaction (the "SPAC Selection");

(ii) together with the selected SPAC, identify one or more investors acceptable to each of the Company, Investor and Carlyle, to provide incremental common equity financing (the "PIPE Financing") such that the SPAC will have no less than $250 million in such committed common equity financing with respect to the PIPE Financing; provided that Investor shall not unreasonably withhold, delay or condition its consent to any such investor;

(iii) negotiate and enter into definitive transaction documents (the "SPAC Definitive Agreements") with respect to (A) the SPAC Merger, on terms (x) consistent with those in Section 5.6(b), (y) that include a Company enterprise value of at least $[*] (or such lower valuation as, notwithstanding any other provision hereof, may be agreed by the Company and Carlyle in their sole discretion) and (z) otherwise acceptable to the Company, Carlyle and Investor (including with respect to Tax and structuring-related matters), (B) the post-SPAC Merger equity governance arrangements, on terms consistent with those indicated in the Stockholders Agreement and otherwise acceptable to the Company, Carlyle and Investor, (C) the PIPE Financing, on terms acceptable to the Company, Carlyle and Investor, and (D) the SPAC Transaction Debt Financing Commitments, on terms consistent with Section 5.10 and otherwise acceptable to the Company, Carlyle and Investor; provided that (1) Investor shall not unreasonably withhold, delay or condition its consent to the terms of the PIPE Financing or the SPAC Transaction Refinancing (including the SPAC Transaction Debt Financing Commitments) and (2) notwithstanding anything to the contrary set forth herein, in connection with the SPAC Transaction and SPAC Definitive Agreements, the parties may by mutual agreement determine that the Investment by Investor contemplated hereby should instead be in respect of equity interests in the SPAC or in a new holding company formed for the purpose of becoming the resulting public parent company in the SPAC Transaction, and the terms of this Agreement shall be deemed to be modified (and shall be interpreted) accordingly, *mutatis mutandis*; and

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(iv) prior to Closing, finalize any remaining agreements contemplated by or in connection with the SPAC Transaction (including with respect to the SPAC Transaction Refinancing) and at the Closing, and subject to the conditions set forth in Article 7, consummate the SPAC Transaction.

(b) The Company, Investor and Carlyle shall use their reasonable best efforts, acting reasonably and in good faith, to cause the definitive agreements with respect to the SPAC Merger to provide for the following use of SPAC Transaction Proceeds and the Investment Amount:

(i) first, to pay, or reimburse, the Company, Carlyle, Investor and the SPAC for their respective reasonable and documented expenses incurred in connection with the transactions contemplated by this Agreement (including the SPAC Transaction and the Alternative Transaction);

(ii) second, to repay an amount equal to (A) the Company's outstanding indebtedness under the Credit Facilities, minus (B) the net proceeds from the SPAC Transaction Refinancing (the amount in this clause (ii), together with the amount in clause (i), the "Minimum Total Cash Amount");

(iii) third, but only to the extent the SPAC Transaction Proceeds exceed $250 million, at Investor's election, to reduce the Investment Amount by up to an amount equal to the lesser of (A) such excess and (B) $250 million; and

(iv) fourth, any remaining amounts, at the Company's election, (A) to the Company's balance sheet for general corporate purposes and/or (B) to, on a *pro rata* basis in proportion to their relative post-Closing *pro forma* equity interests in the Company (prior to the application of proceeds pursuant to this clause (iv)), (1) further reduce the Investment Amount (the actual amount of any such reduction to the Investment Amount pursuant to clause (iii) and this clause (iv), the "SPAC Reduction Amount") and (2) repurchase or otherwise redeem equity of the Company from the pre-Closing shareholders of the Company.

(c) In connection with the entry into a SPAC Transaction (including with respect to the SPAC Selection, the PIPE Financing and the SPAC Definitive Agreements), the parties' duties to use their reasonable best efforts, and to act reasonably and in good faith, shall not require Investor or Carlyle to agree to any term or condition that would have a material disproportionate adverse effect on such party relative to the other such party taking into account the terms and conditions of this Agreement, the Stockholders Agreement and the Wholesale Agreement.

Section 5.7 Alternative Transaction; Pre-Closing Steps

.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(a) Notwithstanding anything to the contrary in this Agreement (including Section 5.6), in the event of the occurrence of any of the following events, the Company may, in its sole discretion by providing written notice to Investor (the "Alternative Transaction Election Notice"), elect to cause the parties to cease pursuing the SPAC Transaction and instead consummate the Alternative Transaction (an "Alternative Transaction Election") on the terms and conditions set forth in this Agreement (including this Section 5.7), in each case provided that the Company and Carlyle have complied in all material respects with their respective obligations pursuant to Section 5.6:

(i) the Company and Investor have not completed the SPAC Selection within six (6) weeks of the date of this Agreement;

(ii) the SPAC Definitive Agreements have not been entered into within six (6) weeks following the date of the SPAC Selection; or

(iii) the SPAC Definitive Agreements are terminated prior to consummation of the SPAC Transaction.

(b) Upon an Alternative Transaction Election, the Company will (and will cause its Subsidiaries to):

(i) if Investor delivers to the Company a written request (a "Ring-Fencing Election") within ten (10) Business Days following the delivery of an Alternative Transaction Election Notice, take all actions reasonably necessary to effect and carry out the steps (and comply with the covenants and obligations set forth in) set forth in Exhibit A (such steps set forth in Exhibit A, the "Pre-Closing Steps"), to separate (A) the business of the Company and its Subsidiaries consisting of the Enterprise Transferred Assets and the Enterprise Assumed Liabilities (the "North America Enterprise Business") and the business of the Company and its Subsidiaries consisting of the Operating Transferred Assets and the Operating Assumed Liabilities (the "Operating Business") from (B) the business of the Company and its Subsidiaries consisting of the Excluded Assets and the Retained Liabilities (the "Remaining Business");

(ii) use reasonable best efforts to identify and negotiate and enter into definitive transaction documents with one or more investors to provide preferred non-convertible equity financing to the Company (the "Third-Party Equity Investment") on terms no less favorable to the Company than those set forth on Part I of Schedule 1 (unless otherwise agreed by the Company and Investor) and otherwise acceptable to the Company and in no less than an amount equal to (A) the sum of the amounts in Section 5.7(c)(i) and Section 5.7(c)(ii), *minus* (B) $750 million, *minus* (C) an amount equal to the greater of (1) (x) cash available on the Company's balance sheet, *minus* (y) $50 million and (2) $0 (such amount, the "Necessary Amount"); provided that without Investor's consent the Third-Party Equity Investment shall not be provided by any Person listed on Part II of Schedule 1 or any activist investor listed, at the time of entry into such definitive transaction documents, on the SharkWatch 50 (or any successor list thereto); and

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(iii) use reasonable best efforts to negotiate and enter into definitive transaction documents with respect to the Alternative Transaction Refinancing, on terms consistent with Section 5.10 and acceptable to the Company.

(c) The proceeds from the Third-Party Equity Investment and the Investment Amount shall be applied at the Closing of the Alternative Transaction in the following order:

(i) first, to pay, or reimburse, the Company, Carlyle and Investor for their respective reasonable and documented expenses incurred in connection with the transactions contemplated by this Agreement (including the Alternative Transaction);

(ii) second, to repay an amount equal to (A) the Company's outstanding indebtedness under the Credit Facilities, minus (B) the net proceeds from the Alternative Transaction Refinancing; and

(iii) third, to the Company's balance sheet for general corporate purposes;

provided that, in the event the Company elects, in its discretion, to accept proceeds from the Third-Party Equity Investment in excess of the Necessary Amount, at Investor's election, (x) up to 100% (as determined by Investor) of any proceeds from the Third-Party Equity Investment in excess of the Necessary Amount shall reduce the Investment Amount (provided, further, that any such reduction pursuant to this clause (x) shall not exceed $250 million) (the amount of such reduction pursuant to this clause (x), the "Alternative Reduction Amount") and (y) the remaining portion of such proceeds from the Third-Party Equity Investment (after giving effect to clause (x)) shall be used to further repay or redeem the Company's outstanding indebtedness.

(d) Investor acknowledges and agrees that none of the representations and warranties in Article 2 shall be deemed to have been breached solely as a result of any of the actions contemplated by the Pre-Closing Steps.

Section 5.8 Third-Party Consents; Commingled Contracts; Wrong-Pockets.

(a) Third Party Consents. Notwithstanding anything to the contrary in this Agreement (including Section 5.7(b) or this Section 5.8), if any third-party consent, approval or other action (other than any consent, approval or action from any Governmental Authority) necessary for the consummation of the transactions contemplated hereby (including, if applicable, the consummation of the Pre-Closing Steps) is not obtained or does not occur, as the case may be, prior to the Closing or the transfer of any Transferred Assets or Excluded Assets pursuant to the Pre-Closing Steps cannot be completed due to the fact that such transfer would violate applicable Law (including with respect to any Commingled Contract), the Closing shall (subject to the satisfaction or waiver of the conditions set forth in Article 7) nonetheless take place on the terms set forth herein and, thereafter until such consent, approval or other action is obtained or occurs, as the case may be, or such transfer would no longer violate applicable Law, (i) the Company shall, and shall cause each of its Subsidiaries to use its reasonable best efforts to obtain or effect, as the case may be, such consent, approval or other action or effectuate such

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

transfer in compliance with applicable Law, as promptly as practicable and (ii) the Company shall, and shall cause its Subsidiaries to, enter into alternative arrangements (which may include a subcontract, sublicense, back-to-back agreement or arrangement, nominee and holdback agreement or arrangement or similar arrangement) under which (A) the North America Enterprise Business, the Operating Business or the Remaining Business, as applicable, shall obtain the economic claims, rights and benefits under any Transferred Asset or Excluded Asset, as applicable, with respect to which such consent has not been obtained and (B) the North America Enterprise Business, the Operating Business or the Remaining Business, as applicable, shall assume any related economic burden with respect such Transferred Asset or Excluded Assets, including any Taxes. Notwithstanding any other provisions of this Section 5.8, any efforts referred to in this Section 5.8 shall not require the payment of any consideration (monetary or otherwise) or the concession or provision of any material right or the incurrence of any material Tax cost, other than the payment of *de minimis* costs and expenses, in connection with obtaining or seeking to obtain any consent, approval or other action required to transfer any Transferred Asset or Excluded Asset.

(b) Commingled Contracts. The Company and Investor acknowledge that the Company and its Affiliates are parties to contracts a portion of the rights and obligations of which relate to the North America Enterprise Business and/or the Operating Business and a portion of the rights and obligations of which relate to the Remaining Business (each such contract, a "Commingled Contract"). The Company shall, and shall cause its Subsidiaries to, (i) notify the third party that is the counterparty to each Commingled Contract, (ii) use their respective reasonable best efforts to cause the applicable Commingled Contract to be apportioned (including by obtaining the consent of such counterparty to enter into a new contract or amendment, splitting or assigning in relevant part such Commingled Contract) between (A) the North America Enterprise Business or, with respect to the Operating Transferred Business Contracts, the Operating Business, and (B) the Remaining Business, pursuant to which (1) the North America Enterprise Business will assume all of the rights and obligations under such Commingled Contract that relate to the North America Enterprise Business, (2) the Operating Business will assume all of the rights and obligations under the Operating Transferred Business Contracts that relate to the Operating Business, and (3) the Remaining Business will assume all of the rights and obligations under such Commingled Contract that relate to the Remaining Business, and (iii) use their respective reasonable best efforts to cause the applicable counterparty to release (A) the North America Enterprise Business and/or the Operating Business from the obligations of the Remaining Business under the portion of the Commingled Contract apportioned to the Remaining Business and (B) the Remaining Business from the obligations of the North America Enterprise Business and/or the Operating Business under the portion of the Commingled Contract apportioned to the North America Enterprise Business and/or the Operating Business. For the avoidance of doubt, this clause (b) shall only apply if an Alternative Transaction Election has been made and Investor has made a Ring-Fencing Election in accordance with Section 5.7(b)(i).

(c) Wrong-Pockets.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(i) If, following Closing, (i) the Company or any of its Subsidiaries (excluding the Transferred Entities) receives a payment with respect to any Transferred Asset or (ii) the Company or its Subsidiaries (including the Transferred Entities) or Investor becomes aware that any Transferred Asset remains with, or has been transferred to, the Company or any of its Subsidiaries (excluding the Transferred Entities), the Company shall (A) reimburse, or cause the relevant Subsidiary of the Company (excluding the Transferred Entities) to reimburse the relevant Transferred Entity (or such other Transferred Entity nominated by the Company) the amount referred to in clause (i) above or (B) promptly execute and/or cause the relevant Subsidiary of the Company (including the Transferred Entities) to execute, such documents as may be reasonably necessary to procure the transfer of any such Transferred Asset from the Company or its Subsidiary (excluding the Transferred Entities) to a Transferred Entity nominated by the Company.

(ii) If, following Closing, (i) any Transferred Entity receives a payment with respect to an Excluded Asset or (ii) the Company or its Subsidiaries (including the Transferred Entities) becomes aware that any Excluded Asset has been transferred to, or remains with, the Transferred Entities, the Company shall (A) cause the relevant Transferred Entity to reimburse the Company or the relevant Subsidiary of the Company (excluding the Transferred Entities) the amount referred to in clause (i) above or (B) promptly execute and/or cause the relevant Subsidiary of the Company (including the Transferred Entities) to execute such documents as may be reasonably necessary to procure the transfer of any such Excluded Asset from the Transferred Entity to the Company or a Subsidiary of the Company nominated by the Company (other than the Transferred Entities).

(iii) For the avoidance of doubt, this clause (c) shall only apply if an Alternative Transaction Election has been made and Investor has made a Ring-Fencing Election in accordance with Section 5.7(b)(i).

Section 5.9 Ancillary Agreements. The Company, Carlyle and Investor shall, or the Company and Investor shall cause their respective Affiliates to, as applicable, at or prior to the Closing enter into the Ancillary Agreements, it being understood and agreed that in the event that a Ring-Fencing Election in accordance with Section 5.7(b)(i) has been made, the entity that shall enter into the Wholesale Agreement on behalf of the Company and its Affiliates shall be an entity that is not a member of the Remaining Business that is selected by the Company in good faith and with the prior consent of Investor (such consent not to be unreasonably withheld, delayed or conditioned). (a) If an Alternative Transaction Election has been made, then at or prior to the Closing the parties shall cause the amendments to the Company's certificate of incorporation contemplated by the Organizational Document Amendments to be filed with the State of Delaware (and shall cause the by-laws of the Company to be amended as contemplated by the Organization Document Amendments), and (b) if an Alternative Transaction Election has not been made, then the parties shall use reasonable best efforts to cause the SPAC Definitive Agreements to provide for, in connection with the Closing, the filing of an amendment to the SPAC's certificate of incorporation with the State of Delaware containing, among other matters,

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

the amendments contemplated by the Organizational Document Amendments (and for, in connection with the Closing, the amendment of the by-laws of the SPAC as contemplated by the Organization Document Amendments).

Section 5.10 Debt Financing.

(a) In connection with the SPAC Transaction, the Company shall use reasonable best efforts to obtain, concurrently with the entry into the other SPAC Definitive Agreements, debt financing commitments (such commitments, the "SPAC Transaction Debt Financing Commitments"), the proceeds of which will be used to (x) refinance a portion of the outstanding indebtedness of the Company and its Subsidiaries under the Credit Facilities in an amount necessary to achieve the applicable ratio as described below, (y) pay fees, closing payments and expenses related to the SPAC Transaction and the financing contemplated by the SPAC Transaction Debt Financing Commitments and (z) fund the working capital requirements and other general corporate purposes (including acquisitions and investments) of the Company and its Subsidiaries (the "SPAC Transaction Refinancing"). The terms of the SPAC Transaction Refinancing shall (i) be consistent with then-existing market terms for debt commitments for companies in a similar business to the Company and its Subsidiaries and with substantially similar credit ratings to the Company and its Subsidiaries on a *pro forma* basis after giving effect to the SPAC Transaction (including the SPAC Transaction Refinancing), (ii) provide for debt financing in an aggregate amount such that the Consolidated Total Debt Ratio of the borrower and its restricted subsidiaries under the SPAC Transaction Refinancing on a Pro Forma Basis (as defined in the First Lien Credit Agreement) after giving effect to the SPAC Transaction (including the SPAC Transaction Refinancing and the PIPE Financing) is equal to or less than [*] times and (iii) be acceptable to the Company, Carlyle and Investor; provided that Investor shall not unreasonably withhold, delay or condition its consent to the terms of the SPAC Transaction Refinancing. In connection with the SPAC Transaction, the Company shall use its reasonable best efforts to consummate on or prior to the Closing Date the SPAC Transaction Refinancing on terms no less favorable to the Company than those set forth in the SPAC Transaction Debt Financing Commitments, except as agreed by the Company, Carlyle and Investor; provided that Investor shall not unreasonably withhold, delay or condition its consent.

(b) In connection with the Alternative Transaction, the Company shall use reasonable best efforts to consummate, on or prior to the Closing Date, a refinancing of the Credit Facilities, the proceeds of which will be used to (x) refinance a portion of the outstanding indebtedness of the Company and its Subsidiaries under the Credit Facilities in an amount necessary to achieve the applicable ratio as described below, (y) pay fees, closing payments and expenses related to the Alternative Transaction and such refinancing and (z) fund the working capital requirements and other general corporate purposes (including acquisitions and investments) of the Company and its Subsidiaries (the "Alternative Transaction Refinancing"). The terms of the Alternative Transaction Refinancing shall (i) be consistent with then-existing market terms for similar transactions for companies in a similar business and with substantially similar credit ratings to (A) in the event that a Ring-Fencing Election in accordance with Section 5.7(b)(i) has been made, the Remaining Business after giving *pro forma* effect to the Pre-Closing Steps (except as otherwise provided in clause (ii)(B) below) or (B) in the event that a Ring-Fencing Election in

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

accordance with Section 5.7(b)(i) has not been made, the Company and its Subsidiaries, (ii) in the event that a Ring-Fencing Election in accordance with Section 5.7(b)(i) has been made, (A) provide for debt financing in an aggregate amount such that the Consolidated Total Debt Ratio (as defined in the First Lien Credit Agreement) of the Remaining Business borrower under the Alternative Transaction Refinancing on a Pro Forma Basis (as defined in the First Lien Credit Agreement) after giving effect to the Alternative Transaction (including the Alternative Transaction Refinancing and the Third-Party Equity Investment) is equal to approximately [*] times, (B) include a revolving credit facility for the North America Enterprise Business and the Operating Business on terms consistent with then-existing market terms for similar transactions for companies in a similar business and with substantially similar credit ratings to the North America Enterprise Business and the Operating Business, taken as a whole, after giving *pro forma* effect to the Pre-Closing Steps, and (C) other than with respect to the revolving credit facility referred to in clause (ii)(B) directly above, shall only include the entities comprising the Remaining Business (and not the North America Enterprise Business or the Operating Business (including any of the Transferred Entities), the Company or any Subsidiary of the Company directly or indirectly owning any portion of any Transferred Entity) as obligors, pledgers (other than with respect to equity of any of the entities comprising the Remaining Business) or guarantors, (iii) in the event that a Ring-Fencing Election in accordance with Section 5.7(b)(i) has not been made, provide for debt financing in an aggregate amount such that the Consolidated Total Debt Ratio of the borrower and its restricted subsidiaries under the Alternative Transaction Refinancing on a Pro Forma Basis (as defined in the First Lien Credit Agreement) after giving effect to the Alternative Transaction (including the Alternative Transaction Refinancing and the Third-Party Equity Investment) is equal to or less than [*] times, (iv) other than with respect to any revolving credit facilities, include a final maturity no less than five (5) years following the entry into and execution of the definitive documentation for such Alternative Transaction Refinancing and (v) be on terms acceptable to the Company.

(c) Investor and Carlyle shall each provide or use reasonable best efforts to cause to be provided such cooperation to the Company as may reasonably be requested by the Company in connection with obtaining the SPAC Transaction Refinancing or the Alternative Transaction Refinancing necessary to complete the transactions contemplated hereby, and at the Company's sole expense (and the Company shall indemnify Investor and Carlyle and their respective Affiliates and representatives for any Losses in connection therewith).

Section 5.11 R&W Insurance. At its election, on or prior to the Closing, Investor may procure a buyer-side representation and warranty insurance policy (the "R&W Insurance Policy") at its sole cost and expense. Any such R&W Insurance Policy shall include a provision whereby the insurer under the R&W Insurance Policy expressly waives, and agrees not to pursue, directly or indirectly, any subrogation rights against the Company, Carlyle or their respective Affiliates or any former or current equity holder(s), managers, members, directors, officers, employees, agents or representatives of the Company, Carlyle or their respective Affiliates in connection with this Agreement and the transactions contemplated hereby with respect to any claim made by an insured thereunder, except in the case of Fraud by any such Person in connection with this Agreement. Investor shall not waive, amend or modify such subrogation provision, or allow such subrogation provision to be waived, amended or modified,

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

without the prior written consent of Carlyle. The Company and Carlyle will provide to Investor prior to the Closing, commercially reasonable assistance (at Investor's expense) with respect to satisfying the insurer's diligence requests as is reasonably required so as to permit the issuance of the R&W Policy at or prior to the Closing.

Section 5.12 Required Information. Following the date of this Agreement, the Company shall, as promptly as reasonably practicable, use its reasonable best efforts to prepare the financial statements or similar reports of the Company and its Subsidiaries required to be included in the proxy statement or any other filings to be made with the Securities and Exchange Commission in connection with the SPAC Transaction (the financial statements described in this sentence, which the parties acknowledge shall, with respect to historical financial statements, consist of audited financial statements as of and for the fiscal year ended November 30, 2020 and such other fiscal years ending in 2019 and 2018 as required to be included in the proxy statement or any other filings to be made with the Securities and Exchange Commission in connection with the SPAC Transaction, along with unaudited financial statements as of and for the applicable quarterly interim periods thereafter, the "SPAC Transaction Financial Statements"). The SPAC Transaction Financial Statements, when delivered following the date of this Agreement, (i) will be prepared in accordance with GAAP applied on a consistent basis (except as may be indicated in the notes thereto, none of which is expected to be, individually or in the aggregate, material), (ii) will fairly present, in all material respects, the financial position, results of operations, stockholders' deficit and cash flows of the Company as at the date thereof and for the period indicated therein (subject to, in the case of any unaudited financial statements, normal year end audit adjustments (none of which is expected to be, individually or in the aggregate, material)), (iii) in the case of any audited financial statements, will be audited in accordance with the standards of the PCAOB and will contain an unqualified report of the Company's auditors (it being acknowledged that an unqualified report may include explanatory language) and (iv) will comply in all material respects with the applicable accounting requirements and with the rules and regulations of the Securities and Exchange Commission, the Securities Exchange Act of 1934, as amended, and the Securities Act of 1933, as amended (including Regulation S-X or Regulation S-K, as applicable). Following the date of this Agreement, Investor shall, as promptly as reasonably practicable, use its reasonable best efforts to provide or cause its applicable Affiliate to provide such information reasonably requested by the Company and Carlyle to the extent required for inclusion in the proxy statement or any other filings required to be made with the Securities and Exchange Commission in connection with the SPAC Transaction.

Section 5.13 Code Section 280G. If reasonably requested by the Investor and an Alternative Transaction Election has not been made, prior to the Closing Date, the Company shall (a) use its commercially reasonable efforts to secure from any Person who (i) is a "disqualified individual" (as defined in Section 280G of the Code) and (ii) has a right or potential right to any payments and/or benefits in connection with the SPAC Merger that could be deemed to constitute "parachute payments" pursuant to Section 280G of the Code, a waiver of all or a portion of such Person's rights to any such payments and/or benefits, such that all remaining payments and/or benefits applicable to such Person shall not be deemed to be "parachute payments" pursuant to Section 280G of the Code (the "Waived 280G Benefits"), and (b) for all

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

such obtained waivers, submit for approval by the Company's stockholders the Waived 280G Benefits, to the extent and in the manner required under Sections 280G(b)(5)(A)(ii) and 280G(b)(5)(B) of the Code. If applicable (including because an Alternative Transaction Election has not been made), (A) the Company shall not pay or provide any of the Waived 280G Benefits, if such Waived 280G Benefits are not approved by the Company's stockholders as contemplated above, (B) no later than five (5) Business Days before the Closing Date, the Company shall provide to Investor or its counsel drafts of the consent, waiver, disclosure statement and calculations necessary to effectuate the approval process and shall consider in good faith Investor's reasonable comments, and (C) prior to the Closing Date, the Company shall deliver to Investor evidence reasonably satisfactory to Investor that (1) a vote of the Company's stockholders was received in accordance with Section 280G of the Code and the regulations thereunder, or (2) such requisite Company stockholder approval has not been obtained with respect to the Waived 280G Benefits, and, as a consequence, the Waived 280G Benefits have not been and shall not be paid or provided.

Section 5.14 Further Assurances. Each party hereto shall, and Investor and the Company shall cause their respective Affiliates and their and their Affiliates' representatives to, and Carlyle shall cause its representatives to, execute and deliver such additional instruments, documents, conveyances or assurances and take such other actions as shall be necessary, or otherwise reasonably be requested by the other parties, to confirm and assure the rights and obligations provided for in this Agreement and the other Ancillary Agreements and render effective the consummation of the transactions contemplated hereby and thereby, and otherwise to carry out the intent and purposes of this Agreement. Without limiting the foregoing, but subject to the limitations in Section 5.2(a), if an Alternative Transaction Election has been made, Investor and Carlyle each shall, and Investor shall cause its Affiliates and its and its Affiliates' representatives to, and Carlyle shall cause its representatives to, cooperate and take all actions reasonably requested of such parties by the Company to facilitate as promptly as practicable the Closing of the Alternative Transaction and the transactions contemplated thereby on terms consistent with this Agreement; provided that neither such party nor its Affiliates (other than, in the case of Carlyle, the Company and its Subsidiaries) shall be required in connection with the Alternative Transaction Refinancing to make any additional cash contributions to the Company or provide guarantees in respect of the indebtedness of the Company or its Subsidiaries.

Section 5.15 Exclusivity. During the period from the date hereof until the earlier of the Closing and the termination of this Agreement in accordance with its terms, neither Carlyle nor the Company shall, and shall cause their respective Representatives not to, solicit, engage in discussions or negotiations with, or provide any information to or enter into any agreement with any Person (other than Investor and/or its Affiliates, as permitted pursuant to clause (i)(A) of the last sentence of Section 5.3 or otherwise in connection with the transactions contemplated hereby, including the SPAC Transaction and the Alternative Transaction) concerning any sale of any of the Company's Shares or, except as permitted by Section 5.1 (including Section 5.1 of the Company Disclosure Letter) other equity securities or any equity securities of any Subsidiary of the Company, any merger of the Company or direct or indirect sale of a majority of the consolidated assets of the Company, the Remaining Business or the Enterprise Business or similar transaction involving the Company or any of its Subsidiaries, other than assets sold in the

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Ordinary Course of Business or to the extent permitted by Section 5.1 (including Section 5.1 of the Company Disclosure Letter) (each such acquisition transaction, an "Acquisition Transaction"). The Company and Carlyle shall, and shall cause their respective Representatives to, (a) immediately cease and cause to be terminated any and all discussions and negotiations with any such Person other than (i) Investor and its Representatives, (ii) as permitted pursuant to clause (i)(A) of the last sentence of Section 5.3 or (iii) otherwise in connection with the transactions contemplated hereby (including the SPAC Transaction and the Alternative Transaction), regarding any Acquisition Transaction, (b) promptly request any such Person to promptly return or destroy all confidential information concerning the Company and its Subsidiaries, and (c) promptly terminate all access previously granted to such Persons to any physical or electronic data room. Carlyle and the Company will promptly inform Investor of the details of any proposals or offer to engage in any negotiations or discussions, in each case, made after the date hereof from a third party concerning an Acquisition Transaction.

Article 6

Tax Matters

Section 6.1 Cooperation. Investor and the Company shall (and shall cause their respective Affiliates to) (a) provide the other party and its Affiliates with such information and ministerial assistance as may be reasonably requested in connection with the preparation of any Tax Return or any audit or other examination by any taxing authority or any judicial or administrative proceeding to the extent arising from or relating to Taxes with respect to the transactions contemplated by this Agreement and (b) retain (and provide the other party and its Affiliates with reasonable access to) all records or information which are required in order to prepare any such Tax Return, or to defend any such audit, examination or proceeding in accordance with such party's records retention policy; provided that (i) the foregoing shall be done in a manner so as not to interfere unreasonably with the conduct of the business of the parties and (ii) no party hereto shall be required to provide any information or assistance it is not legally entitled to give or that would waive such Person's legal privilege; provided, further, that no party (other than the Company and its Subsidiaries) shall be required to provide any information relating to its Tax Returns or the Tax Returns of its Affiliates.

Section 6.2 Transfer Taxes. All transfer, documentary, sales, use, stamp, registration, value added and other such Taxes and fees (including any penalties and interest) incurred in connection with the transactions contemplated by this Agreement (including any real property transfer Tax and any similar Tax) shall be paid by the Company when due, and the Company will, at its own expense, file all necessary Tax Returns and other documentation with respect to all such Taxes and fees, and, if required by applicable Law, the Investor will, and will cause its Affiliates to, join in the execution of any such Tax Returns and other documentation.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Article 7

Conditions Precedent

Section 7.1 Conditions to Obligations of the Company, Carlyle and Investor. The obligations of the Company, Carlyle and Investor to consummate the transactions contemplated hereby shall be subject to the fulfillment, at or prior to the Closing, of the following conditions:

(a) Competition Laws. Any applicable waiting period under the HSR Act relating to the transactions contemplated by this Agreement and the Ancillary Agreements shall have expired or been terminated, the parties shall have obtained all consents, waivers, clearances and approvals required under any applicable Competition Laws for the jurisdictions set forth on Section 5.2 of the Company Disclosure Letter, and no voluntary agreement between Investor and any Governmental Authority prohibiting the consummation of the transactions contemplated by this Agreement or the Ancillary Agreements shall be in effect.

(b) No Injunction, etc. No statute, rule, regulation, executive order, decree, temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other Governmental Authority or other legal restraint or prohibition preventing or making unlawful the consummation of the transactions contemplated by this Agreement or the Ancillary Agreements shall be in effect.

(c) SPAC Transaction. Solely if an Alternative Transaction Election has not been made, (i) the satisfaction or waiver of the conditions to the consummation of the SPAC Definitive Agreements (other than those conditions which by their nature are to be satisfied at the closing of the SPAC Merger, the PIPE Financing and the SPAC Transaction Refinancing, each of which is capable of being satisfied as of the Closing), (ii) the consummation of the SPAC Merger, the PIPE Financing and the SPAC Transaction Refinancing are scheduled to (and shall) occur substantially concurrently with the Closing, and (iii) the sum of the SPAC Transaction Proceeds, plus the Purchase Price is equal to or greater than the Minimum Total Cash Amount.

(d) Alternative Transaction. Solely if an Alternative Transaction Election has been made, the consummation of the Alternative Transaction Refinancing and Third-Party Equity Investment substantially concurrent with the Closing.

Section 7.2 Conditions to Obligations of Investor. The obligation of Investor to consummate (x) the SPAC Transaction if an Alternative Transaction Election has not been made or (y) the Alternative Transaction if an Alternative Transaction Election has been made, shall be subject to the fulfillment at or prior to the Closing, or, if permitted by applicable Law, waiver by Investor, of all of the following additional conditions:

(a) Representations and Warranties. (i) The representations and warranties of the Company contained in Article 2, other than the Company Fundamental Representations and the representations and warranties contained in clause (a) of Section 2.8 (without giving effect to any limitations as to "materiality" or "Material Adverse Effect" set forth therein), shall be true and correct at and as of the date of this Agreement and the Closing with the same effect as though

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

made at and as of such time (except for representations and warranties that are as of a specific date, which representations and warranties shall be true and correct as of such date), except where the failure of such representations and warranties to be so true and correct would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect, (ii) each of the Company Fundamental Representations, other than the representations and warranties in Section 2.4 (without giving effect to any limitations as to "materiality" or "Material Adverse Effect" set forth therein), shall be true and correct in all material respects at and as of the date of this Agreement and the Closing with the same effect as though made at and as of such time (except for representations and warranties that are as of a specific date, which representations and warranties shall be true and correct in all material respects as of such date), (iii) the representations and warranties in clause (a) of Section 2.8 shall be true and correct in all respects at and as of the date of this Agreement and the Closing and (iv) the representations and warranties in Section 2.4 shall be true and correct in all respects at and as of the date of this Agreement and the Closing (except for representations and warranties that are as of a specific date, which representations and warranties shall be true and correct as of such date), except for *de minimis* inaccuracies.

(b) The representations and warranties of Carlyle contained in Article 3 shall be true and correct in all material respects at and as of the date of this Agreement and the Closing with the same effect as though made at and as of such time (except for representations and warranties that are as of a specific date, which representations and warranties shall be true and correct in all material respects as of such date), except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of Carlyle to consummate any of the transactions contemplated hereby in connection with (i) if an Alternative Transaction Election has not been made, a SPAC Transaction and (ii) if an Alternative Transaction Election has been made, an Alternative Transaction, or, in each case, by the Ancillary Agreements.

(c) Covenants and Agreements. The Company shall have performed and complied in all material respects with all covenants required by this Agreement to be performed or complied with by the Company at or prior to the Closing.

(d) Covenants and Agreements. Carlyle shall have performed and complied in all material respects with all covenants required by this Agreement to be performed or complied with by Carlyle at or prior to the Closing.

(e) No Material Adverse Effect. Between the date of this Agreement and the Closing Date, no Material Adverse Effect shall have occurred.

(f) Company Officer's Certificate. The Company shall have delivered to Investor a certificate, dated as of the Closing Date, signed by a duly authorized officer of the Company stating that the conditions specified in Section 7.2(a), Section 7.2(c) and Section 7.2(e) have been satisfied.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(g) Carlyle Officer's Certificate. Carlyle shall have delivered to Investor a certificate, dated as of the Closing Date, signed by a duly authorized officer of Carlyle stating that the conditions specified in Section 7.2(b) and Section 7.2(d) have been satisfied.

(h) Pre-Closing Steps. If the Investor has made a Ring-Fencing Election in compliance with Section 5.7, each of the Pre-Closing Steps shall have been completed (subject to Section 5.8(a)) substantially in the manner set forth on Exhibit A.

(i) Ancillary Agreements. The Company (or its applicable Subsidiaries) and Carlyle shall have executed and delivered to Investor each of the Ancillary Agreements to which the Company or its applicable Subsidiaries or Carlyle, as applicable, will be a party.

Section 7.3 Conditions to Obligations of the Company and Carlyle. The obligation of the Company and Carlyle to consummate (x) the SPAC Transaction if an Alternative Transaction Election has not been made, shall be subject to the fulfillment at or prior to the Closing or (y) the Alternative Transaction if an Alternative Transaction Election has been made, shall be subject to the fulfillment at or prior to the Closing, or, if permitted by applicable Law, waiver by the Company and Carlyle, of the following additional conditions:

(a) Representations and Warranties. The representations and warranties of Investor contained in Article 4 shall be true and correct in all material respects at and as of the date of this Agreement and the Closing with the same effect as though made at and as of such time (except for representations and warranties that are as of a specific date, which representations and warranties shall be true and correct in all material respects as of such date), except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on the ability of Investor to consummate any of the transactions contemplated hereby connection with (i) if an Alternative Transaction Election has not been made, a SPAC Transaction and (ii) if an Alternative Transaction Election has been made, an Alternative Transaction, or, in each case, by the Ancillary Agreements.

(b) Covenants and Agreements. Investor shall have performed and complied in all material respects with all covenants required by this Agreement to be performed or complied with by Investor at or prior to the Closing.

(c) Officer's Certificate. Investor shall have delivered to the Company and Carlyle a certificate, dated as of the Closing Date, signed by a duly authorized officer of Investor stating that the conditions specified in Section 7.3(a) and Section 7.3(b) have been satisfied.

(d) Ancillary Agreements. Investor (or its applicable Affiliates) shall have executed and delivered to the Company and Carlyle each of the Ancillary Agreements to which Investor or its applicable Affiliates will be a party.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Section 7.4 Frustration of Closing Conditions. No party hereto may rely on the failure of any condition set forth in this Article 7 to be satisfied if such failure was primarily caused by such party's material breach of its obligations hereunder.

Article 8

Termination

Section 8.1 Termination. This Agreement may be terminated at any time prior to the Closing Date:

(a) by the mutual written agreement of the Company, Carlyle and Investor;

(b) by Investor, Carlyle or the Company by notice to the other parties, if:

(i) the Closing shall not have been consummated on or before the close of business on the earlier of (x) the date that is nine (9) months following the date of the SPAC Definitive Agreements or (y) if an Alternative Transaction Election has been made, the date that is nine (9) months following the date of the Alternative Transaction Election (clause (x) or (y), as applicable, the "Initial End Date"); provided that if on the Initial End Date any of the conditions set forth in Section 7.1(a) or Section 7.1(b) (but for the purposes of Section 7.1(b), only to the extent related to any Competition Law) shall not have been satisfied but all other conditions set forth in Article 7 shall have been satisfied or waived or shall then be capable of being satisfied, then the Initial End Date shall be automatically extended to the date that is three (3) months following the Initial End Date (the "Second End Date"). As used in this Agreement, the term "End Date" shall mean the Initial End Date, unless extended pursuant to the foregoing sentence, in which case, the term "End Date" shall mean the Second End Date. Notwithstanding the foregoing, the right to terminate this Agreement pursuant to this Section 8.1(b)(i) shall not be available to (x) Investor, if Investor's material breach or violation of any covenant or obligation contained in this Agreement is the primary cause of the failure of the Closing to be consummated by the End Date or (y) Carlyle or the Company, if Carlyle's or the Company's material breach or violation of any covenant or obligation contained in this Agreement is the primary cause of the failure of the Closing to be consummated by the End Date; or

(ii) any injunction, order or decree of any Governmental Authority having competent jurisdiction permanently enjoining the Company, Carlyle or Investor from consummating the Closing is entered and such injunction, order or decree shall have become final and nonappealable; provided that the party hereto seeking to terminate this Agreement pursuant to this Section 8.1(b)(ii)(B) shall have used reasonable best efforts to remove such injunction, order or decree in accordance with Section 5.2(b);

(c) by Investor, upon two (2) days prior written notice to the Company and Carlyle, if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company or Carlyle set forth in this Agreement shall have occurred that would

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

cause a condition set forth in Section 7.2(a), (b), (c), or (d) not to be satisfied, and such breach is incapable of being cured or is not cured prior to the earlier of (i) the Business Day prior to the End Date or (ii) the date that is thirty (30) days from the date that the Company and Carlyle are notified in writing by Investor of such breach or failure to perform; provided that Investor shall not have the right to terminate this Agreement pursuant to this Section 8.1(c) if Investor is then in material breach or violation of its representations, warranties or covenants contained in this Agreement; or

(d) by the Company or Carlyle, upon two (2) days prior written notice to Investor, if a breach of any representation or warranty or failure to perform any covenant or agreement on the part of Investor set forth in this Agreement shall have occurred that would cause a condition set forth in Section 7.3(a) or Section 7.3(b) not to be satisfied, and such breach is incapable of being cured or is not cured prior to the earlier of (i) the Business Day prior to the End Date or (ii) the date that is thirty (30) days from the date that Investor is notified in writing by the Company or Carlyle, as applicable, of such breach or failure to perform; provided that neither the Company nor Carlyle shall have the right to terminate this Agreement pursuant to this Section 8.1(d) if either the Company or Carlyle is then in material breach or violation of its representations, warranties or covenants contained in this Agreement;

(e) by Investor, if all of the conditions set forth in Section 7.1 and Section 7.3 have been satisfied or waived (other than those conditions which by their nature cannot be satisfied until the Closing, but which conditions at the time of termination shall be capable of being satisfied) and the Company and Carlyle fail to consummate the Closing within five (5) Business Days following the date on which the Closing should have occurred pursuant to Section 1.1; or

(f) by the Company or Carlyle, if all of the conditions set forth in Section 7.1 and Section 7.2 have been satisfied or waived (other than those conditions which by their nature cannot be satisfied until the Closing, but which conditions at the time of termination shall be capable of being satisfied) and Investor fails to consummate the Closing within five (5) Business Days following the date on which the Closing should have occurred pursuant to Section 1.1.

Section 8.2 Effect of Termination. If this Agreement is terminated pursuant to Section 8.1, this Agreement shall become void and of no effect without Liability of any party (or any of its directors, officers, employees, stockholders, Affiliates, agents, successors or assigns) to any other party except as provided in this Section 8.2; provided that no such termination (nor any provision of this Agreement) shall relieve any party from Liability for any damages for Willful Breach of this Agreement prior to such termination (which, for the avoidance of doubt, shall be deemed to include the failure by Investor to consummate the Closing if it is obligated to do so hereunder following the satisfaction or waiver of all of the conditions set forth in Section 7.1

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

and Section 7.2). The provisions of this Section 8.2, Article 9, Section 10.1 and Section 10.4 and the Confidentiality Agreement shall survive any termination hereof pursuant to Section 8.1.

Article 9

Definitions

Section 9.1 Certain Terms. The following terms have the respective meanings given to them below:

"10 DLC Non-Consumer Messaging Business" means the Company and its Subsidiaries' business that provides 10 DLC Services.

"10 DLC Services" means the provision of a hosted network service that supports the two-way delivery of mobile-originated and mobile-terminated SMS and MMS messages between Non-Consumers and Consumers using traditional 10-digit telephone numbers.

"A2P Messaging Business" means the Company's and its Subsidiaries' business that (i) within the United States and Canada provides a hosted network service that supports the use of Short Codes for one-way and two-way delivery of mobile-originated and mobile-terminated SMS and MMS messages to the Company- and its Subsidiaries-supported MNOs for delivery to subscriber wireless devices and (ii) outside North America provides a hosted network service that supports one-way and two-way delivery of mobile-originated and mobile-terminated Long Code SMS and MMS messages to the Company- and its Subsidiaries -supported MNOs for delivery to subscriber wireless devices using connections designated as A2P connections by such MNOs.

"Acquisition Transaction" has the meaning set forth in Section 5.15.

"Affiliate" means, with respect to any Person, any other Person who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. The term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlled" and "controlling" have meanings correlative thereto. Notwithstanding the foregoing, for purposes of this Agreement, (a) neither the Investor nor Carlyle nor any of their respective Affiliates (other than the Company and its Subsidiaries) shall be deemed Affiliates of the Company and its Subsidiaries and (b) neither the Company nor any of its Subsidiaries shall be deemed Affiliates of Investor or Carlyle.

"Affiliate Contract" has the meaning set forth in Section 2.20.

"Agreement" has the meaning set forth in the Preamble.

"Alternative Reduction Amount" has the meaning set forth in Section 5.7(c).

"Alternative Transaction" has the meaning set forth in the Recitals.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"Alternative Transaction Election" has the meaning set forth in Section 5.7(a).

"Alternative Transaction Election Notice" has the meaning set forth in Section 5.7(a).

"Alternative Transaction Refinancing" has the meaning set forth in Section 5.10(b).

"Ancillary Agreements" means the Wholesale Agreement and the Stockholders Agreement.

"Anticorruption Laws" has the meaning set forth in Section 2.13(c).

"Assumed Liabilities" has the meaning set forth in Exhibit A.

"Assumed Transferred Entity Employee Liabilities" has the meaning set forth in Exhibit A.

"Audited Financial Statements" has the meaning set forth in Section 2.6(a).

"Balance Sheet Date" has the meaning set forth in Section 2.6(a).

"Barracuda" has the meaning set forth in Exhibit A.

"Business Day" means any day that is not (a) a Saturday, (b) a Sunday or (c) any other day on which commercial banks are authorized or required by law to be closed in the City of New York.

"Business Enterprise Messaging Business" means the Company and its Subsidiaries' business that provides a white-label managed solution to enable its customers to provide network based messaging services to their enterprise customers through the Company's and its Subsidiaries' multi-channel SMS notification and mobile application offerings.

"CARES Act" means the Coronavirus Aid, Relief and Economic Security Act, as signed into law by the President of the United States on March 27, 2020 and any administrative or other guidance published with respect thereto by any Governmental Authority (including IRS Notices 2020-22 and 2020-65), or any other Law or executive order or executive memorandum (including the Memorandum on Deferring Payroll Tax Obligations in Light of the Ongoing COVID-19 Disaster, dated August 8, 2020) intended to address the consequences of COVID-19 (in each case, including any comparable provisions of state, local or non-U.S. Law and including any related or similar orders or declarations from any Governmental Authority) and (ii) any extension of, amendment, supplement, correction, revision or similar treatment to any provision of the CARES Act contained in the Consolidated Appropriations Act, 2021, H.R. 133.

"Carlyle" has the meaning set forth in the Preamble.

"Carlyle Investment Fund" means any investment vehicle or account managed or advised by Carlyle.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"Carriers" has the meaning set forth in Exhibit A.

"Carrier Contracts" has the meaning set forth in Exhibit A.

"CBA" means any collective bargaining agreement or other contract with any labor union, works council or labor organization.

"CIM" means Carlyle Investment Management L.L.C. together with its Affiliates (including Carlyle). The term "CIM" shall be deemed not to include any portfolio company of any Carlyle Investment Fund (including the Company and its Subsidiaries).

"Clayton Act" means the Clayton Antitrust Act of 1914, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"Closing" has the meaning set forth in Section 1.1.

"Closing Date" has the meaning set forth in Section 1.1.

"Closing Date Leakage" means the amount of any Leakage that has occurred after November 30, 2020 and through immediately prior to the Closing.

"Closing Statement" has the meaning set forth in Section 1.2(b).

"Code" means the Internal Revenue Code of 1986, as amended.

"Commingled Contract" has the meaning set forth in Section 5.8(b).

"Company" has the meaning set forth in the preamble.

"Company Benefit Plan" means each benefit or compensation plan, scheme, program, policy, arrangement and contract (including any "employee benefit plan," as defined in Section 3(3) of ERISA, whether or not subject to ERISA), and any bonus, deferred compensation, stock bonus, stock ownership, stock purchase, restricted stock, stock option, phantom stock or other equity or equity-based arrangement, and any employment, termination, retention, incentive, bonus, change in control or severance plan, program, policy, arrangement or contract that is sponsored, maintained or contributed to by the Company or any of its Subsidiaries for the benefit of any current or former officer, employee or director of the Company or any of its Subsidiaries, or with respect to which the Company or any of its Subsidiaries has or could reasonably expect to have any Liability (including on account of an ERISA Affiliate), but shall exclude any such plan, program, policy, agreement or other arrangement required by applicable Law that is sponsored or maintained by a Governmental Authority or that is a Multiemployer Plan.

"Company Designated Accounts" has the meaning set forth in Section 1.1(b).

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"Company Disclosure Letter" means the letter, dated as of the date hereof, delivered by the Company to Investor prior to the execution of this Agreement and identified as the Company Disclosure Letter.

"Company Equity Interests" has the meaning set forth in Section 2.4(b).

"Company Fundamental Representations" means the first sentence of Section 2.1, Section 2.2(a), Section 2.4, Section 2.5(a) and Section 2.19.

"Company Related Party" has the meaning set forth in Section 2.20.

"Company-Side Party" has meaning set forth in Section 10.11.

"Competition Laws" means the HSR Act (and any similar Law regarding pre-acquisition notifications for the purpose of competition reviews), the Sherman Act, as amended, the Clayton Act, as amended, the Federal Trade Commission Act, as amended, and all other Laws that are designed or intended to prohibit, restrict or regulate actions or transactions having the purpose or effect of monopolization or restraint of trade or lessening of competition through merger or acquisition or effectuating foreign investment.

"Confidentiality Agreement" means that certain Confidentiality Agreement, dated as of July 15, 2020, by and between Investor and Syniverse Technologies, LLC.

"Consolidated Total Debt Ratio" means, as of any date of determination, the ratio of (a)(i) Consolidated Total Indebtedness (as defined in the First Lien Credit Agreement) of (A) in the event that an Alternative Transaction Election has been made and Investor has made a Ring-Fencing Election in accordance with Section 5.7(b)(i), the Remaining Business after giving pro forma effect to the Pre-Closing Steps and the incurrence of indebtedness referred to in Section 5.10(b) or (B) in any other event, the Company and its Subsidiaries; minus (ii) the amount of unrestricted cash and Cash Equivalents (as defined in the First Lien Credit Agreement) that would be stated on the balance sheet of and held by the Remaining Business or the Company and its Subsidiaries, as applicable, as of such date of determination to (b) the consolidated EBITDA (as defined in the First Lien Credit Agreement) of the Remaining Business or the Company and its Subsidiaries, as applicable, for the most recently ended twelve fiscal months (or, in the case of any period ending after November 30, 2021, for the most recently ended four (4) full fiscal quarters) for which internal financial statements are available (or, if earlier, were required to be delivered pursuant to the Credit Facilities) immediately preceding the date of determination.

"Consumer" means an individual person who subscribes to a wireless messaging service or messaging application.

"Covered Person" means any former, current or future Affiliate of a Person and any Person's and its Affiliates' respective former, current or future officers, directors, shareholders, general or limited partners, members, employees, representatives or agents (in each case, other than the foregoing that is also a party to this Agreement).

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"COVID-19" means SARS-CoV-2 (severe acute respiratory syndrome coronavirus 2), coronavirus disease, or COVID-19, and any evolutions or mutations thereof or related or associated epidemics, pandemic or disease outbreaks.

"COVID-19 Measures" means, in response to COVID-19, any workforce reduction or the compliance with any quarantine, "shelter in place," "stay at home," social distancing, shut down, closure, sequester, safety or similar Law, directive, guidelines or recommendations promulgated by any industry group or any Governmental Authority, including the Centers for Disease Control and Prevention and the World Health Organization, in each case, in connection with, related to or in response to COVID-19, including the CARES Act and Families First Act or any disaster plan of such Person or any change in applicable Laws related to, in connection with or in response to COVID-19.

"Credit Facilities" means (a) the Credit Agreement, dated as of April 23, 2012, as amended by the Incremental Commitment Amendment, dated as of June 28, 2013, as further amended by the Second Amendment, dated as of September 23, 2013, as further amended by the Third Amendment, dated as of March 6, 2015, as further amended by the Fourth Amendment, dated as of April 10, 2017, as further amended by the Fifth Amendment, dated as of March 9, 2018, as further amended by the Sixth Amendment, dated as of December 8, 2020 and as further amended, amended and restated, supplemented or otherwise modified from time to time, by and among Syniverse Holdings, Inc. (the "Borrower"), Buccaneer Holdings, LLC ("Holdings"), the lenders from time to time party thereto and Barclays Bank PLC ("Barclays") as administrative agent (the "First Lien Credit Agreement") and (b) the Second Lien Credit Agreement, dated as of March 9, 2018, as amended by the First Amendment, dated as of December 8, 2020 and as further amended, amended and restated, supplemented or otherwise modified from time to time, by and among the Borrower, Holdings, the lenders from time to time party thereto and Barclays as administrative agent.

"Data Security Requirements" means, collectively, all of the following to the extent relating to data treatment or otherwise relating to privacy, security, or security breach notification requirements and applicable to the Company or any of its Subsidiaries or to any of the IT Systems or any business data of the Company and its Subsidiaries: (i) the Company's and its Subsidiaries' own rules, policies, and procedures; (ii) all applicable laws, rules and regulations (including, as applicable, the General Data Protection Regulation (GDPR) (EU) 2016/679); (iii) industry standards applicable to the industry in which the Company and its Subsidiaries operate (including, if applicable, the Payment Card Industry Data Security Standard (PCI DSS)); and (iv) contracts into which the Company and its Subsidiaries have entered or by which are otherwise bound.

"De Minimis Assets" has the meaning set forth in Section 2.22.

"Debevoise" has the meaning set forth in Section 10.11.

"End Date" has the meaning set forth in Section 8.1(b)(i).

"Enterprise Assumed Liabilities" has the meaning set forth in Exhibit A.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"Enterprise Business" means the Company and its Subsidiaries' enterprise messaging business, which consists of the Company and its Subsidiaries' (i) A2P Messaging Business, (ii) XMS-IP Messaging Business, (iii) 10 DLC Non-Consumer Messaging Business, (iv) Business Enterprise Messaging Business, (v) Mobile Engagement Business and (vi) Phone Number Verification Business.

"Enterprise Transferred Assets" has the meaning set forth in Exhibit A.

"Enterprise Transferred Business Contracts" has the meaning set forth in Exhibit A.

"Enterprise Transferred Entities" has the meaning set forth in Exhibit A.

"Enterprise Transferred Intellectual Property" has the meaning set forth in Exhibit A.

"Enterprise Value" means (a) if an Alternative Transaction Election has not been made, the lesser of (i) $[*] and (ii) the enterprise value of the Company agreed to in the SPAC Definitive Agreements with respect to the SPAC Merger, and (b) if an Alternative Transaction Election has been made, $[*].

"Environmental Law" means all Laws in effect as of the Closing Date concerning pollution or protection of the environment, natural resources or human health as it relates to exposure to Hazardous Substances.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means each Person that could be treated at a relevant time as a single employer with the Company or any of its Subsidiaries (including any Transferred Entity) pursuant to Section 4001(b) of ERISA or Section 414(b), (c), (m) or (o) of the Code.

"Ex-Im Laws" means all U.S. and non-U.S. Laws relating to export, reexport, transfer, and import controls, including the Export Administration Regulations, the customs and import Laws administered by U.S. Customs and Border Protection, and the EU Dual Use Regulation.

"Excluded Intellectual Property" means all Intellectual Property owned by the Company or its Subsidiaries that is not Transferred Intellectual Property.

"Families First Act" means the Families First Coronavirus Response Act, as signed into law by the President of the United States on March 18, 2020.

"Fraud" means an actual and intentional misrepresentation of a material fact with respect to the making of the representations and warranties (and, for the avoidance of doubt, not constructive fraud, equitable fraud or negligent misrepresentation or omission) (i) in the case of the Company, in Article 2 above, (ii) in the case of Carlyle, in Article 3 above, and (ii) in the case of Investor, in Article 4 above.

"GAAP" means United States generally accepted accounting principles.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"Governmental Authority" means any United States or foreign (a) federal, state, local, municipal or other government, (b) governmental or quasi-governmental entity of any nature (including any governmental agency, branch, department, official, or entity and any court or other tribunal) or (c) body exercising, or entitled to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature, including any public or private arbitral tribunal.

"Hazardous Substance" means any substance or material that is listed, classified or regulated as a "toxic substance," "hazardous substance," "hazardous waste" or words of similar meaning or effect under any Environmental Law, including asbestos, asbestos-containing materials, polychlorinated biphenyls, petroleum and petroleum by-products.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder, as the same may be amended from time to time.

"In-the-Money Option" means any Option (other than any performance-based Option, unless such performance-based Option becomes vested pursuant to its terms at the Closing if the transaction consummated at the Closing constitutes a "Change in Control" for purposes of the special executive award agreement pursuant to which such performance-based Option was granted) that has an exercise price equal to or less than the Per Share Valuation Amount; provided that, with respect to any Option that has an exercise price of $6.50 that will take effect on December 31, 2021, the exercise price of such Option for purposes of this determination shall be deemed to be $6.50.

"Incentive Plan" means the Company's 2011 Equity Incentive Plan, as it may be amended from time to time as approved by the Company's board of directors.

"Initial End Date" has the meaning set forth in Section 8.1(b)(i).

"Intellectual Property" means all intellectual property and proprietary rights throughout the world, including: all rights in patents and patent applications (including any continuations, divisionals, continuations-in-part, provisional applications, renewals, reissues, and re-examinations); trademarks and service marks, domain names and all other identifiers of source or origin (including all goodwill associated therewith and all registrations and applications therefor) ("Trademarks"); works of authorship; copyrights (and all registrations and applications therefor); rights of privacy and publicity; moral rights; Software and all rights therein; and trade secrets, industrial designs, data, confidential or proprietary information.

"Investment" has the meaning set forth in the Recitals.

"Investment Amount" means $750 million.

"Investment Percentage" means (a) the Purchase Price, divided by (b) an amount equal to (i) the Enterprise Value, minus (ii) the Net Indebtedness Amount, plus (iii) the Purchase Price, minus (iv) Closing Date Leakage, plus (v) the Option Exercise Amount.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"Investor" has the meaning set forth in the Preamble.

"IRS" means the Internal Revenue Service.

"IT Systems" means the hardware, software, data, databases, data communication lines, network and telecommunications equipment, Internet-related information technology infrastructure, wide area network and other information technology equipment, owned or leased by or licensed to the Company or its Subsidiaries.

"Knowledge of the Company" means, as of the date of this agreement, the actual knowledge, without independent investigation (and shall in no event encompass constructively imputed or similar concepts of knowledge) of the individuals set forth on Section 9.1(a) of the Company Disclosure Letter.

"Law" means a law, act, code, statute, order, ordinance, rule, ruling, regulation, judgment, injunction, award, writ, order or decree.

"Leakage" means, other than as constitutes Permitted Leakage, the aggregate value, without duplication, of any (a) cash or noncash payment, dividend or distribution declared, paid or made in respect of (i) any Subsidiary Equity Interests to a Company Related Party or (ii) any Company Equity Interest, (b) cash or noncash payment made or agreed to be made by the Company for the purchase, redemption, repurchase, repayment or acquisition of (i) any Subsidiary Equity Interests to a Company Related Party or (ii) any Company Equity Interest (in each case other than redemptions or repurchases of Option Shares or RSU Shares in the Ordinary Course of Business), (c) transfer, sale, lease or exclusive license of assets, properties or rights of the Company or its Subsidiaries to, or for the benefit of, any Company Related Party (in each case other than commercial agreements between the Company and its Subsidiaries, on the one hand, and portfolio companies of Carlyle and its Affiliates, on the other hand, entered into in the Ordinary Course of Business on an arms' length basis), (d) any loan, advance or capital contribution to or investment in or for the benefit of any Company Related Party (in each case (x) to the extent not repaid prior to the Closing and (y) other than advances to employees or officers for expenses or to customers in the Ordinary Course of Business and on arms' length terms), (e) any liabilities or obligations assumed, indemnified or incurred for the benefit of any Company Related Party and any guarantees entered into for the benefit of any Company Related Party, in each case other than (x) pursuant to existing agreements or arrangements in place as of the date hereof and set forth on Section 2.20 of the Company Disclosure Letter or (y) any indemnities provided to customers on arms' length terms or customary director and officer (including employees) indemnification agreements or arrangements, in each case of clause (y), entered into in the Ordinary Course of Business following the date hereof, (f) any payment (or, without duplication, any agreement or commitment to pay, but excluding any grants of RSUs) by the Company or any of its Subsidiaries of transaction bonuses or similar payments to employees in connection with the Closing or otherwise in connection with the transactions contemplated hereby, including any such payments, agreements or commitments made in reliance on Item 1 of Section 5.1(u) of the Company Disclosure Letter, (g) any payment (or, without duplication, any agreement or commitment to pay, but excluding any grants of RSUs) by the Company or any of its Subsidiaries of discretionary bonuses to employees of the Company and its Subsidiaries in

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

respect of 2020 performance, including any such payments, agreements or commitments made in reliance on Item 2 of Section 5.1(u) of the Company Disclosure Letter, or (h) fees, costs, Tax or other amount paid or agreed or required to be paid by the Company or its Subsidiaries as a result of any of the matters referred to in clauses (a) through (g) of this definition.

"Liability" means any direct or indirect liability, indebtedness, claim, loss, Tax, damage, deficiency, obligation or responsibility, fixed or unfixed, choate or inchoate, liquidated or unliquidated, secured or unsecured, accrued, absolute, known or unknown, contingent or otherwise.

"Lien" means, with respect to any property or asset, any mortgage, lien, license, pledge, charge, security interest, lease or encumbrance.

"Litigation" means any action, claim, charge, complaint, audit, investigation, cease and desist letter, demand, suit, arbitration proceeding, administrative or regulatory proceeding, citation, summons or subpoena of any nature, civil, criminal, regulatory or otherwise, in law or in equity.

"Long Code" means a combination of digits to which SMS and MMS messages can be sent and received, that is equivalent to the number of digits found in a nationally defined telephony numbering plan and in fact is part of the nationally defined telephony numbering plan.

"Losses" means any and all Liabilities of any kind, interest and expenses (including reasonable fees and expenses of attorneys, consultants, accountants or other advisors).

"Management Agreement" has the meaning set forth in Section 5.5.

"Material Adverse Effect" means any change, effect, event or occurrence that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect on, the assets, financial condition or results of operations of the Company and its Subsidiaries, taken as a whole; provided that any such change, effect, event or occurrence resulting from any of the following shall not be considered when determining whether a Material Adverse Effect has occurred: (a) conditions generally affecting the economy or credit, capital and financial markets in the United States or elsewhere in the world, including changes in interest or exchange rates, (b) any general change in or general effect on the industry or in the geographies in which the Company and its Subsidiaries operate, (c) any change in Laws, GAAP, or the enforcement or interpretation thereof, (d) political conditions, including hostilities, acts of war (whether declared or undeclared), cyber-attacks, sabotage, terrorism or military actions, or any escalation or worsening of any of the foregoing, (e) any change resulting from the negotiation, execution, announcement or consummation of the transactions contemplated by this Agreement or the Ancillary Agreements, including any such change relating to the identity of, or facts and circumstances relating to, Investor and including any actions taken by any customers, suppliers or personnel of the Company and its Subsidiaries resulting from the foregoing (provided that this clause (e) shall not apply to any representation or warranty in Section 2.3 to the extent that the purpose of such representation or warranty is to address the consequences resulting from the negotiation, execution, announcement or consummation of the transactions

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

contemplated by this Agreement or the Ancillary Agreements), (f) any hurricane, flood, tornado, earthquake or other natural disaster, (g) any actions expressly required to be taken or omitted pursuant to this Agreement or the Ancillary Agreements, (h) the failure of the Company and its Subsidiaries to achieve any financial projections or forecasts or revenue or earnings predictions (it being understood that for purposes of this clause (h), the changes or effects giving rise to such failure that are not otherwise excluded from the definition of "Material Adverse Effect" may be taken into account in determining whether there has been a Material Adverse Effect) or (i) COVID-19 or any other epidemic or pandemic; provided, however, that any change or effect referred to in clause (a), (b), (c), (d) or (f) immediately above may be taken into account in determining whether a Material Adverse Effect has occurred or would reasonably be expected to occur to the extent that such change, effect, event or occurrence has a disproportionate effect (but then only to the extent of such disproportionate effect) on the Company and its Subsidiaries relative to other companies in the industries or markets in which the Company and its Subsidiaries operate.

"Material Contracts" has the meaning set forth in Section 2.9(a).

"Material Customer" has the meaning set forth in Section 2.21.

"Material Vendor" has the meaning set forth in Section 2.21.

"Message Transport and Delivery" has the meaning set forth in Exhibit A.

"Metcalf" has the meaning set forth in Exhibit A.

"Minimum Total Cash Amount" has the meaning set forth in Section 5.6(b)(ii).

"MMS" means Multimedia Message Service, which supports the delivery of two-way messages containing more than one type of media including text, video or pictures.

"MMS-IP Messaging Business" means the Company's and its Subsidiaries' business that provides a hosted network service that supports the two-way delivery of mobile-originated and mobile-terminated MMS messages between businesses and/or customers of businesses that are not MNOs and subscribers of MNOs using traditional Long Codes.

"MNO" means a mobile network operator that has purchased spectrum and built a network to support cellular service.

"Mobile Engagement Business" means the Company's and its Subsidiaries' business that provides a mobile marketing and management service through a cloud-based mobile marketing software platform that enables licensees to launch a wide range of mobile solutions leveraging SMS, MMS, QR codes, mobile web, Push and integration with social platforms.

"MSISDN" means a Mobile Station International Directory Number.

"Multiemployer Plan" means a "multiemployer plan" within the meaning of Section 3(37) or 4001(a)(3) of ERISA.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"Necessary Amount" has the meaning set forth in Section 5.7(b)(ii).

"Net Indebtedness Amount" means $[*].

"New Shares" has the meaning set forth in Section 1.1(a).

"Non-Consumer" means a Person other than an individual person, which such Person desires to send or receive an MMS or SMS message to a Consumer using a traditional 10-digit telephone number and includes large and small businesses, financial institutions, schools, medical practices, customer services entities, nonprofit organizations and political campaigns.

"North America Enterprise Business" has the meaning set forth in Section 5.7(b)(i).

"OFAC" means the Office of Foreign Assets Control of the United States Department of the Treasury.

"Open Source Software" means open source, free software, copyleft or community source code license (including any library or code licensed under the GNU General Public License, GNU Lesser General Public License, GNU Affero GPL (AGPL), Apache Software License, or any other public source code license arrangement).

"Operating Assumed Liabilities" has the meaning set forth in Exhibit A.

"Operating Business" has the meaning set forth in Section 5.7(b)(i).

"Operating Transferred Assets" has the meaning set forth in Exhibit A.

"Operating Transferred Business Contracts" has the meaning set forth in Exhibit A.

"Operating Transferred Entities" has the meaning set forth in Exhibit A.

"Operating Transferred Intellectual Property" has the meaning set forth in Exhibit A.

"Options" means options to purchase Shares granted under the Incentive Plan that are issued and outstanding immediately prior to the Closing.

"Option Exercise Amount" means the aggregate exercise price of all In-the-Money Options outstanding as of immediately prior to the Closing; provided that, with respect to any Option that has an exercise price of $6.50 that will take effect on December 31, 2021, the exercise price of such Option for purposes of the Option Exercise Amount calculation shall be deemed to be $6.50.

"Option Shares" means, in respect of the In-the-Money Options, the aggregate Shares issuable (without regard to whether such Option is vested or unvested) upon exercise thereof in full immediately prior to the Closing.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"Ordinary Course of Business" means, with respect to any Person, in the ordinary course of business of such Person, subject to any COVID-19 Measures impacting or taken by the relevant Person.

"Organizational Documents" means the articles of incorporation, certificate of incorporation, charter, by-laws, articles of formation, certificate of formation, regulations, operating agreement, certificate of limited partnership, partnership agreement and all other similar documents, instruments or certificates executed, adopted or filed in connection with the creation, formation or organization of a Person, including any amendments thereto.

"Organizational Document Amendments" means (a) if an Alternative Transaction Election has been made, the amendments to the Company's certificate of incorporation and by-laws to implement the changes to such Organizational Documents expressly indicated in the footnotes of the form of the Stockholders Agreement attached as Exhibit B, and (b) if an Alternative Transaction Election has not been made, the amendments to the SPAC's certificate of incorporation and by-laws to implement the changes to such Organizational Documents expressly indicated in the footnotes of, and that are applicable following a SPAC Transaction under, the form of the Stockholders Agreement attached as Exhibit B (but, in the case of this clause (b), as revised as contemplated by Exhibit C).

"Owned Intellectual Property" means the Intellectual Property owned by the Company and its Subsidiaries.

"PCAOB" means the Public Company Accounting Oversight Board.

"Per Share Valuation Amount" means an amount equal to (a) the sum of (i) the Enterprise Value, minus (ii) the Net Indebtedness Amount, minus (iii) Closing Date Leakage, plus (iv) the Option Exercise Amount, divided by (b) the aggregate number of (i) issued and outstanding Shares, (ii) Option Shares in respect of issued and outstanding In-the-Money Options and (iii) RSU Shares in respect of issued and outstanding RSUs, in each case, as of immediately prior to the Closing (after taking into account any grants of RSUs in reliance on Item 1 or Item 2 of Section 5.1(u) of the Company Disclosure Letter, but excluding, for the avoidance of doubt, (x) the New Shares and any equity to be newly issued to the SPAC and investors in the PIPE Financing in connection with the SPAC Transaction and (y) warrants issued in connection with the Third Party Equity Investment, if any, in connection with the Alternative Transaction).

"Permits" has the meaning set forth in Section 2.13(b).

"Permitted Leakage" means, notwithstanding the definition of Leakage, (a) any payments or benefits (including any applicable Tax thereon) expressly contemplated by this Agreement, (b) any payments or benefits between the Company and one or more of the Company Subsidiaries, (c) fees and reimbursable expenses due and payable under the Management Agreement, (d) payments or benefits pursuant to any employment, severance, bonus, indemnification or similar arrangements concerning the compensation or indemnification of employees, officers or directors made in the Ordinary Course of Business, (e) the fees payable to Affiliates of Carlyle contemplated by Section 2.19 of the Company Disclosure Letter and (f) any payments approved

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

in writing by Investor. Notwithstanding the foregoing, for the avoidance of doubt, any Leakage covered by clauses (g) and (f) of the definition thereof shall not be Permitted Leakage (regardless whether such Leakage is contemplated by or set forth on the Company Disclosure Letter).

"Permitted Liens" means (a) Liens for Taxes not yet due and payable or due and payable but not delinquent or the amount or validity of which is being contested in good faith by appropriate proceedings and, in each such case, for which appropriate reserves have been established in accordance with GAAP, (b) mechanics', materialmen's, carriers', workers', repairers' and other Liens arising or incurred in the Ordinary Course of Business or in connection with construction contracts for amounts that are not yet delinquent or are being contested in good faith, (c) zoning, entitlement, building codes and other land use regulations, ordinances or legal requirements imposed by any Governmental Authorities having jurisdiction over the Real Property, (d) all rights relating to the construction and maintenance in connection with any public utility of wires, poles, pipes, conduits and appurtenances thereto, on, under or above the Real Property, (e) title exceptions disclosed by any title insurance commitment or title insurance policy for any such Real Property issued by a title company and delivered or otherwise made available to Investor prior to the date hereof, (f) other encumbrances, defects, irregularities or imperfections of title, encroachments, easements, servitudes, permits, rights of way, flowage rights, restrictions, leases, licenses, covenants, sidetrack agreements and oil, gas, mineral and mining reservations, rights, licenses and leases, which, in each case, do not materially impair the present use or occupancy of the Real Property, (g) statutory Liens in favor of lessors arising in connection with any property leased to the Company or any of its Subsidiaries, (h) Liens securing the obligations under the Credit Facilities (or any replacement to the Credit Facilities, including Liens granted to any lender at the Closing in connection with the SPAC Transaction Refinancing or the Alternative Transaction Refinancing), and (i) non-exclusive licenses of Intellectual Property granted in the Ordinary Course of Business in connection with the sale or marketing of products or services of the Company or its Subsidiaries.

"Person" means an individual, corporation, partnership, limited liability company, association, trust or other entity or organization (whether or not a legal entity), including a government or political subdivision or an agency or instrumentality thereof.

"Personal Information" means any information that identifies a particular individual and, when referring to a Law concerning the privacy or security of Personal Information, has the same meaning as the similar or equivalent term defined under such Law.

"Phone Number Verification Business" means the Company's and its Subsidiaries' business that provides a service that allows a customer to request information with respect the most recently available identity attributes of an MSISDN (such as carrier name, carrier ID, country, mobile country code, mobile network code and number type) to allow, among other things, the customer to make more efficient message-routing decisions.

"PIPE Financing" has the meaning set forth in Section 5.6(a)(ii).

"Pre-Closing Steps" has the meaning set forth in Section 5.7(b)(i).

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"Purchase Price" has the meaning set forth in Section 1.2(a).

"R&W Insurance Policy" has the meaning set forth in Section 5.11.

"Real Property" means any owned real property and any leased real property of the Company or any of its Subsidiaries.

"Real Property Lease" has the meaning set forth in Section 2.10(b).

"Release" means disposing, discharging, injecting, spilling, leaking, pumping, pouring, leaching, migration, emitting, escaping or emptying into or upon the environment, including any soil, sediment, subsurface strata, surface water, wetland or groundwater.

"Remaining Business" has the meaning set forth in Section 5.7(b)(i).

"Representatives" means, with respect to any Person, such Person's Affiliates and its and its Affiliates' respective directors, officers, employees, members, owners, partners, accountants, consultants, advisors, attorneys, agents and other representatives.

"Retained Liabilities" has the meaning set forth in Exhibit A.

"Ring-Fencing Election" has the meaning set forth in Section 5.7(b)(i).

"RSUs" means restricted stock units in respect of Shares granted under the Incentive Plan.

"RSU Shares" means, in the case of any RSU, the number of Shares issuable upon the settlement of such RSU in full immediately prior to the Closing (but including, for this purpose, only any such performance-based RSU that becomes eligible pursuant to its terms for settlement into a number of Shares greater than zero if the transaction consummated at the Closing constitutes a "Change in Control" for purposes of the special executive award agreement pursuant to which such performance-based RSU was granted).

"Sanctioned Country" means any country or region or government thereof that is, or has been in the last five years, the subject or target of a comprehensive embargo under Trade Control Laws (including Cuba, Iran, North Korea, Sudan, Syria, Venezuela, and the Crimea region of Ukraine).

"Sanctioned Person" means any Person that is the subject or target of sanctions or restrictions under Trade Control Laws including: (i) any Person listed on any U.S. or non-U.S. sanctions- or export-related restricted party list, including the OFAC List of Specially Designated Nationals and Blocked Persons, or any other OFAC, U.S. Department of Commerce Bureau of Industry and Security, or U.S. Department of State sanctions- or export-related restricted party list; (ii) any Person that is, in the aggregate, 50 percent or greater owned, directly or indirectly, or otherwise controlled by a Person or Persons described in clause (i); or (iii) any national of a Sanctioned Country.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"Second End Date" has the meaning set forth in Section 8.1(b)(i).

"Seller Transferee" has the meaning set forth in Exhibit A.

"Seller Transferor" has the meaning set forth in Exhibit A.

"Shares" has the meaning set forth in Section 2.4(a).

"Short Code" means a combination of digits to which SMS or MMS messages can be sent and received, that is less than the number of digits found in a nationally defined telephone numbering plan.

"SMS" means Short Message Service, which supports the delivery of two-way text messages to the wireless devices of subscribers of MNOs.

"SMS-IP Messaging Business" means Company's and its Subsidiaries' business that provides a hosted network service that supports the two-way delivery of mobile-originated and mobile-terminated SMS messages between businesses and/or customers of businesses that are not MNOs and subscribers of MNOs using traditional Long Codes.

"Software" means all software of any type (and in any form, including source code, object code or executable code) and all databases or collections of data, including computer programs, applications, tools, utilities, mobile applications, web applications, firmware, middleware, interfaces, and software implementations of algorithms, models and methodologies, in each case together with all related documentation (including user documentation and manuals) and descriptions, schematics, specifications, flow charts and other work product used to design, plan, organize and develop any of the foregoing.

"SPAC" means a special purpose acquisition company that has raised capital in an initial public offering with the purpose of using the proceeds to acquire one or more unspecified businesses or assets to be identified after the initial public offering.

"SPAC Definitive Agreements" has the meaning set forth in Section 5.6(a)(iii).

"SPAC Merger" has the meaning set forth in the Recitals.

"SPAC Reduction Amount" has the meaning set forth in Section 5.6(b)(iv).

"SPAC Selection" has the meaning set forth in Section 5.6(a)(i).

"SPAC Transaction" has the meaning set forth in the Recitals.

"SPAC Transaction Debt Financing Commitments" has the meaning set forth in Section 5.10(a).

"SPAC Transaction Financial Statements" as the meaning set forth in Section 5.12.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"SPAC Transaction Proceeds" means, in connection with the SPAC Transaction, the sum of (a) the net proceeds received from the SPAC's trust account (after giving effect to pre-Closing redemptions by pre-Closing SPAC shareholders), plus (b) the net proceeds received from the PIPE Financing.

"SPAC Transaction Refinancing" has the meaning set forth in Section 5.10(a).

"Stockholders Agreement" means the stockholders agreement of the Company substantially in the form (a) if an Alternative Transaction Election has been made, attached as Exhibit B and (b) if an Alternative Transaction Election has not been made, attached as Exhibit B, but as revised as contemplated by Exhibit C, in each case, to be entered into on or prior to the Closing Date.

"Subsidiary" means, with respect to any Person, any entity of which securities or other ownership interests (a) having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions or (b) representing more than fifty percent (50%) of such securities or ownership interests are at the time directly or indirectly owned by such Person. The term "Subsidiary" shall include all Subsidiaries of a Subsidiary.

"Subsidiary Equity Interests" has the meaning set forth in Section 2.5(b).

"Substantial Detriment" means any divestiture, sale, licensing, holding separate or other disposition of any asset or business, or any behavioral or conduct restriction or other alteration to the business or operations of Investor, the Company, Carlyle, or any of their respective Affiliates, or any agreement or commitment to effect any of the foregoing, other than: (a) restrictions on the sharing of competitively sensitive information as between employees of the Company and its Subsidiaries and employees of Investor and its Subsidiaries; (b) a requirement for Investor and its Subsidiaries to provide, and offer to provide, the services as set forth on Section 9.1(d) of the Company Disclosure Letter; or (c) any other actions by Investor or its Affiliates to the extent such actions, individually or in the aggregate, would not be reasonably expected to materially and adversely impact the benefit of the SPAC Transaction (or, if applicable, the Alternative Transaction) and the Ancillary Agreements to Investor and its Subsidiaries, taken as a whole.

"Tax" means (a) any federal, state, local or non-U.S. income, alternative, minimum (including Taxes under Section 59A of the Code), accumulated earnings, personal holding company, franchise, capital stock, profits, windfall profits, gross receipts, sales, use, value added, transfer, registration, stamp, premium, excise, customs duties, severance, environmental, real property, escheat and unclaimed property, personal property, ad valorem, occupancy, license, occupation, employment, payroll, social security, disability, unemployment, workers' compensation, withholding, estimated or other tax, duty, fee, assessment or other governmental charge or deficiencies thereof of any kind whatsoever in the nature of a tax (including all interest and penalties thereon (or in lieu thereof) and any additions thereto), whether disputed or not and (b) any liability for any of the foregoing arising as a result of Section 1.1502-6 of the Treasury Regulations or similar or analogous provision of state, local or non-U.S. Law, indemnification obligations, or as a successor, by Contract, by Law or otherwise.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

"Tax Return" means any federal, state, local or non-U.S. tax return, declaration, statement, report, schedule, election, form or information return or any attachments thereto or amendment to any of the foregoing relating to Taxes.

"Third-Party Equity Investment" has the meaning set forth in Section 5.7(b)(ii).

"Transfer" or "Transferred" means any direct or indirect sale, assignment, mortgage, transfer, pledge, hypothecation or other disposal (including (a) any transfer by operation of Law, including by way of merger, amalgamation, consolidation, spin-off or other business combination or any transfer of assets or (b) or any transaction which has the effect of transferring the economic rights or benefits of an ownership interest in the Company to a third party), the act of effecting any of the foregoing or any of the foregoing having been effected, as the context requires; provided that no direct or indirect Transfer of (i) any interest in any Carlyle Investment Fund by (A) any limited partner or similar non-controlling investors not Affiliated with CIM in such Carlyle Investment Fund or (B) any partner (with "partner" being a reference to the title of an individual person) or employee of CIM or its Affiliates holding in their capacity as an individual (and excluding, for clarity, any aggregator limited partner through which such partners or employees may collectively hold such interests) or (ii) any publicly traded equity interest of CIM shall be considered a "Transfer" of any interests in the Company or any of its Subsidiaries. For the avoidance of doubt, but subject to the foregoing proviso, a Transfer of equity interests in Carlyle or in any direct or indirect parent of Carlyle shall be considered a Transfer for all purposes of this Agreement.

"Transferred Assets" has the meaning set forth in Exhibit A.

"Transferred Benefit Plan Assets" has the meaning set forth in Exhibit A.

"Transferred Business Contracts" has the meaning set forth in Exhibit A.

"Transferred Business Employees" has the meaning set forth in Exhibit A.

"Transferred Business Employee Records" has the meaning set forth in Exhibit A.

"Transferred Entity" or "Transferred Entities" has the meaning set forth in Exhibit A.

"Transferred Entity Transferee" has the meaning set forth in Exhibit A.

"Transferred Entity Transferor" has the meaning set forth in Exhibit A.

"Transferred Intellectual Property" has the meaning set forth in Exhibit A.

"Treasury Regulations" means the regulations prescribed under the Code.

"Unaudited Financial Statements" has the meaning set forth in Section 2.6(a).

"VAT" means (a) any Tax chargeable under or imposed pursuant to or in compliance with the EC Directive 2006/112/EC (as amended from time to time) and any other Tax of a

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

similar nature whether imposed in any member state of the European Union in substitution for, or levied in addition to, such Taxes, or any similar or comparable Tax imposed elsewhere, and (b) any Indian goods and services Tax.

"Waived 280G Benefits" has the meaning set forth in Section 5.13.

"Wholesale Agreement" means the wholesale agreement substantially in the form attached as Exhibit D to be entered into on or prior to the Closing Date.

"Willful Breach" means, with respect to any agreement or covenant, a material breach that is the consequence of an action or omission by the breaching party with actual knowledge (which shall be deemed to include knowledge of facts that a Person acting reasonably should have, based on reasonable due inquiry) that such action or omission is, or would reasonably be expected to be or result in, a breach of such agreement or covenant.

"XMS-IP Messaging Business" means the Company's and its Subsidiaries' (a) SMS-IP Messaging Business and (b) MMS-IP Messaging Business.

Section 9.2 Construction. The words "hereof", "herein" and "hereunder" and words of like import used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The words "party" or "parties" shall refer to parties to this Agreement. References to "Affiliate" or "Affiliates" of a party shall, except as otherwise expressly provided in this Agreement, only be deemed to include any Person so long as such Person remains an Affiliate of such party. The captions herein are included for convenience of reference only and shall be ignored in the construction or interpretation hereof. References to Articles, Sections, Schedules, Exhibits and Annexes are to Articles, Section, Schedules, Exhibits and Annexes of this Agreement unless otherwise specified. Any capitalized term used in any Exhibit or the Company Disclosure Letter but not otherwise defined therein shall have the meaning given to such term in this Agreement. Any singular term in this Agreement shall be deemed to include the plural, and any plural term the singular. Whenever the words "include", "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation", whether or not they are in fact followed by those words or words of like import. The word "or" shall not be exclusive. "Writing", "written" and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References to any Person include the successors and permitted assigns of that Person. References from or through any date mean, unless otherwise specified, from and including or through and including that date, respectively. Any reference to "days" means calendar days unless Business Days are expressly specified. If any action under this Agreement is required to be done or taken on a day that is not a Business Day, then such action shall be required to be done or taken not on such day but on the first succeeding Business Day thereafter.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Article 10

Miscellaneous

Section 10.1 Notices. All notices, requests, claims, demands and other communications hereunder shall be in writing and shall be given by delivery in person, electronic mail or by certified mail to the other party hereto as follows:

if to Investor,

Twilio Inc.
101 Spear Street, First Floor
San Francisco, CA 94105
Attention: General Counsel
Email: legalnotices@twilio.com

with a copy (which shall not constitute notice) to:

Kirkland & Ellis LLP
3330 Hillview Avenue
Palo Alto, CA 94304
United States
Attention: Adam D. Phillips, P.C.; Jonathan Manor
Email: adam.phillips@kirkland.com;
jonathan.manor@kirkland.com

and:

Kirkland & Ellis LLP
601 Lexington Avenue
New York, New York 10022
Attention: Edward J. Lee, P.C.; Carlo Zenkner
Email: edward.lee@kirkland.com; carlo.zenkner@kirkland.com

if to the Company,

Syniverse Corporation
8125 Highwoods Palm Way
Tampa, FL 33647
Attention: Laura Binion
Email: laura.binion@syniverse.com

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

with a copy (which shall not constitute notice) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attention: Jonathan E. Levitsky; Christopher Anthony
Email: jelevitsky@debevoise.com; canthony@debevoise.com

if to Carlyle,

Carlyle Partners V Holdings, L.P.
c/o The Carlyle Group
One Vanderbilt Avenue
New York, New York 10017
Attention: James Attwood; Josh Pincus
Email: james.attwood@carlyle.com; josh.pincus@carlyle.com

with a copy (which shall not constitute notice) to:

Debevoise & Plimpton LLP
919 Third Avenue
New York, New York 10022
Attention: Jonathan E. Levitsky; Christopher Anthony
Email: jelevitsky@debevoise.com; canthony@debevoise.com

or such other address or Email as such party may hereafter specify for the purpose by notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of receipt by the recipient thereof if received prior to 5:00 p.m. on a Business Day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed to have been received on the next succeeding Business Day in the place of receipt.

Section 10.2 Amendment; Waivers, etc. No amendment, modification or discharge of this Agreement, and no waiver hereunder, shall be valid or binding unless set forth in writing and duly executed by the party against whom enforcement of the amendment, modification, discharge or waiver is sought. Any such waiver shall constitute a waiver only with respect to the specific matter described in such writing and shall in no way impair the rights of the party granting such waiver in any other respect or at any other time. Neither the waiver by any of the parties hereto of a breach of or a default under any of the provisions of this Agreement, nor the failure by any of the parties, on one or more occasions, to enforce any of the provisions of this Agreement or to exercise any right or privilege hereunder, shall be construed as a waiver of any other breach or default of a similar nature, or as a waiver of any of such provisions, rights or privileges hereunder. The rights and remedies herein provided are cumulative and none is exclusive of any other or of any rights or remedies that any party may otherwise have at law or in equity.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Section 10.3 Expenses. Except as otherwise set forth in this Agreement, whether or not the transactions contemplated by this Agreement are consummated, all fees and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement, including the fees and disbursements of counsel, financial advisors and accountants, shall be paid by the party hereto incurring such fees or expenses; provided that in the event that the Closing occurs, the Company shall pay, or reimburse, Carlyle and Investor for their respective reasonable and documented fees and expenses incurred in connection with the transactions contemplated by this Agreement (excluding any costs or expenses of obtaining the R&W Insurance Policy, which costs and expenses shall be borne solely by Investor).

Section 10.4 Governing Law, etc.

(a) This Agreement shall be governed in all respects, including as to validity, interpretation and effect, by the Laws of the State of Delaware, without giving effect to its principles or rules of conflict of laws, to the extent such principles or rules are not mandatorily applicable by statute and would permit or require the application of the Laws of another jurisdiction. Each of the parties hereto (i) submits to the exclusive jurisdiction of the Chancery Court of the State of Delaware and the federal court sitting in the State of Delaware in any action or proceeding arising out of or relating to this Agreement and (ii) (A) agrees to bring all claims under any theory of liability in respect of such action or proceeding exclusively in any such court and (B) agrees not to bring any action or proceeding arising out of or relating to this Agreement in any other court. Each of the parties hereto waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety or other security that might be required of any other party with respect thereto. Each party hereto agrees that service of summons and complaint or any other process that might be served in any action or proceeding may be made on such party by sending or delivering a copy of the process to the party to be served at the address of the party and in the manner provided for the giving of notices in Section 10.1. Nothing in this Section 10.4, however, shall affect the right of any party to serve legal process in any other manner permitted by Law. Each party hereto agrees that a final, non-appealable judgment in any action or proceeding so brought shall be conclusive and may be enforced by suit on the judgment or in any other manner provided by Law.

(b) Each party to this Agreement hereby waives, to the fullest extent permitted by Law, any right to trial by jury of any claim, demand, action, or cause of action (i) arising under this Agreement or (ii) in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement or any of the transactions related hereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity, or otherwise. Each party to this Agreement hereby agrees and consents that any such claim, demand, action or cause of action shall be decided by court trial without a jury and that the parties to this Agreement may file an original counterpart of a copy of this Agreement with any court as written evidence of the consent of the parties hereto to the waiver of their right to trial by jury.

Section 10.5 Successors and Assigns. This Agreement and the Ancillary Agreements shall be binding upon and inure to the benefit of the parties and their respective heirs, successors and permitted assigns; provided that this Agreement shall not be assigned by any party hereto

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

(whether by operation of Law or otherwise) without the prior written consent of the other party, except (x) by Carlyle pursuant to Section 5.2(e) or (y) by Investor to any controlled Affiliate of Investor (provided that any such assignment will not relieve Carlyle or Investor, respectively, of any of its obligations hereunder). Any attempted assignment of this Agreement not in accordance with the terms of this Section 10.5 shall be void.

Section 10.6 Entire Agreement. This Agreement, the Ancillary Agreements (when executed and delivered) and the Confidentiality Agreement constitute the entire agreement of the parties with respect to the matters covered hereby and thereby and supersede all prior agreements, understandings and representations, both written and oral, between the parties with respect to the subject matter hereof and thereof.

Section 10.7 Severability. If any term or other provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, all other provisions of this Agreement shall remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon any such determination, the parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

Section 10.8 Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall together constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or scanned pages shall be effective as delivery of a manually executed counterpart to this Agreement.

Section 10.9 Specific Performance. Each party acknowledges and agrees that the other party would be damaged irreparably in the event that any provision of this Agreement is not performed in accordance with its specific terms or otherwise breached, so that, in addition to any other remedy that a party may have under law or equity, a party shall be entitled to injunctive relief to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof. Each party acknowledges and agrees that monetary damages would be inadequate in the event of any such failure to perform or breach and waives any equitable defense to the granting of specific performance or other injunctive relief available to such party. Any party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement shall not be required to provide any bond or other security in connection with any such order or injunction. Notwithstanding anything to the contrary in this Agreement, the parties hereby irrevocably waive any right of rescission they may otherwise have or to which they may become entitled.

Section 10.10 Parties in Interest. This Agreement shall be binding upon and inure solely to the benefit of each party and its successors and permitted assigns and nothing in this

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

Agreement, express or implied, is intended to or shall confer upon any other Person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement.

Section 10.11 Representation of the Company and its Affiliates. Investor on its own behalf and on behalf of its Affiliates and its and its Affiliates' directors, shareholders, members, partners, officers, employees and Affiliates, hereby agrees that, in the event that a dispute arises after the Closing arising from the transactions contemplated by this Agreement between Investor or any of its Affiliates, on the one hand, and the Company, Carlyle or any of their respective Affiliates or their or their Affiliates' respective directors, shareholders, members, partners, officers or employees (any of the foregoing, a "Company-Side Party"), on the other hand, Debevoise & Plimpton LLP ("Debevoise") may represent the Company-Side Party in such dispute even though the interests of the Company-Side Party may be directly adverse to Investor. Investor further agrees that, as to all communications prior to Closing among Debevoise and any of the Company-Side Parties that relate in any way to the transactions contemplated by this Agreement, the attorney-client privilege and the expectation of client confidence belongs to the Company and/or Carlyle (on behalf of the Company-Side Parties) and may be controlled by the Company or Carlyle, as applicable, and shall not pass to or be claimed by Investor.

Section 10.12 Exhibits and Schedules. The Company Disclosure Letter and all exhibits or other documents expressly incorporated into this Agreement are hereby incorporated into this Agreement and are hereby made a part hereof as if set out in full in this Agreement. Without limiting the terms of the Company Disclosure Letter, any fact or item disclosed in the Company Disclosure Letter referenced with respect to a representation in Article 2 or Article 3 shall be deemed to have been disclosed with respect to every other section in Article 2 or Article 3 if the relevance of such disclosure to such other section is reasonably apparent on its face. The specification of any dollar amount in the representations or warranties contained in this Agreement or the inclusion of any specific item in the Company Disclosure Letter is not intended to imply that such amounts, or higher or lower amounts or the items so included or other items, are or are not material, and no party shall use the fact of the setting of such amounts or the inclusion of any such item in any dispute or controversy as to whether any obligation, items or matter not described herein or included in the Company Disclosure Letter is or is not material for purposes of this Agreement. The Company Disclosure Letter and the information and statements contained therein are not intended to constitute, and shall not be construed as constituting, representations or warranties of the Company, Carlyle or their respective Affiliates except as and to the extent expressly provided in this Agreement.

Section 10.13 Survival. Except in the case of Fraud, none of the representations and warranties made in this Agreement, or in any certificate delivered pursuant to Section 7.2(f) or Section 7.3(c), shall survive the Closing Date. All covenants and agreements of the Company, Carlyle and Investor contained in this Agreement shall survive the Closing Date in accordance with their respective terms, but not to exceed the applicable statute of limitations in the event of a breach of such covenant; provided that all covenants and agreements of the parties contained in this Agreement which by their terms are to be performed at or prior to the Closing Date shall not survive the Closing; provided, however, that the Company's covenants and agreements with respect to Closing Date Leakage and Leakage in Section 1.2 and Section 5.1(r), respectively,

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

shall (solely to the extent actual Closing Date Leakage exceeds the amount taken into account in calculating the Investment Percentage) survive the Closing for a period of twelve (12) months following the Closing (and Investor shall be entitled to bring claims against the Company with respect thereto prior to such expiration).

Section 10.14 No Recourse. Notwithstanding anything that may be expressed or implied in this Agreement, each party hereto covenants, agrees and acknowledges that no recourse under this Agreement shall be had against any Covered Person, whether by the enforcement of any assessment or by any legal or equitable proceeding, or by virtue of any statute, regulation or other applicable Law, it being expressly agreed and acknowledged that no personal liability whatsoever shall attach to, be imposed on or otherwise be incurred by any Covered Person for any obligation of any party to this Agreement for any claim based on, in respect of or by reason of such obligations or their creation.

[Remainder of page left intentionally blank; signature pages follow.]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted because it is both (i) not material and (ii) is the type that the registrant treats as private or confidential.

IN WITNESS WHEREOF, the parties have duly executed this Agreement as of the date first above written.

SYNIVERSE CORPORATION

By: /s/ James Attwood Jr.
Name: James Attwood Jr.
Title: Chairman

[*Signature Page to Framework Agreement*]

Carlyle Partners V Holdings, L.P.
By: TC Group V, L.P. its general partner
By: TC Group V, L.L.C., its general partner

By: /s/ James Attwood Jr.
Name: James Attwood Jr.
Title: Authorized Person

[*Signature Page to Framework Agreement*]

TWILIO INC.

By: /s/ Khozema Shipchandler
Name: Khozema Shipchandler
Title: Chief Financial Officer

[*Signature Page to Framework Agreement*]

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, Jeff Lawson, 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: May 6, 2021

/s/ JEFF LAWSON

Jeff Lawson

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, Khozema 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: May 6, 2021

/s/ KHOZEMA Z. SHIPCHANDLER

Khozema Z. Shipchandler

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), Jeff Lawson, Chief Executive Officer of Twilio Inc. (the "Company"), and Khozema Shipchandler, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021, 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: May 6, 2021

/s/ JEFF LAWSON
Jeff Lawson
Chief Executive Officer (Principal Executive Officer)

/s/ KHOZEMA Z. SHIPCHANDLER
Khozema Z. Shipchandler
Chief Financial Officer (Principal Accounting and Financial Officer)