



Q4 2023 Earnings Results

February 14, 2024





Legal Disclaimer

This presentation and the accompanying conference call contain forward-looking statements within the meaning of the federal securities laws, including statements about our future performance and goals. These statements involve substantial risks and uncertainties, as further described in “Forward-Looking Statements” on slide 16, as well as in our most recent periodic reports filed with the SEC, including our Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, which are available on our website and at [sec.gov](https://www.sec.gov).

This presentation and the accompanying conference call also contain non-GAAP financial measures. The non-GAAP financial measures, including non-GAAP gross profit and non-GAAP gross profit growth, non-GAAP gross margin, non-GAAP operating margin, non-GAAP net income (loss) per share attributable to common stockholders, basic and diluted (which we refer to as non-GAAP diluted earnings per share), non-GAAP income (loss) from operations, organic revenue and organic revenue growth, non-GAAP stock-based compensation expense, and non-GAAP stock-based compensation expense as a percentage of revenue, are presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP. More information about and definitions of our non-GAAP financial measures used in this presentation can be found in “Non-GAAP Financial Measures” on slide 18, and reconciliations of our non-GAAP financial measures to the most directly comparable GAAP measures are included in the appendix.

This presentation and the accompanying conference call also contain operating metrics, including Active Customer Accounts and Dollar-Based Net Expansion Rate. We rely on assumptions to calculate these metrics, they are calculated using internal company data that has not been independently verified, and they are not based on any standardized industry methodology. More information about the operating metrics we use in this presentation can be found in “Operating Metrics” on slide 17.

Financial Overview



Total Company Results Highlights



Metrics	Q4 2023	FY 2023
Total Revenue	\$1,076M	\$4,154M
<i>Y/Y Revenue Growth</i>	<i>5%</i>	<i>9%</i>
Organic Revenue	\$1,076M	\$4,146M
<i>Y/Y Organic Revenue Growth</i>	<i>8%</i>	<i>10%</i>
Non-GAAP Income from Operations	\$173M	\$533M
<i>Non-GAAP Operating Margin</i>	<i>16.0%</i>	<i>12.8%</i>
Dollar-Based Net Expansion Rate	102%	103%
Active Customer Accounts	305,000+	305,000+

Note: Organic revenue, organic revenue growth, non-GAAP income from operations and non-GAAP operating margin are non-GAAP financial measures. Refer to "Non-GAAP Financial Measures" in the appendix for their definitions and a reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.

Note: Numbers are rounded to the nearest million (other than percentages and Active Customer Accounts).

Communications Results Highlights



Metrics	Q3 2023	Q4 2023	FY 2023
Communications Revenue	\$960M	\$1,001M	\$3,859M
<i>Y/Y Communications Revenue Growth</i>	<i>5%</i>	<i>5%</i>	<i>9%</i>
Communications Organic Revenue	\$960M	\$1,001M	\$3,850M
<i>Y/Y Communications Organic Revenue Growth</i>	<i>9%</i>	<i>8%</i>	<i>11%</i>
Communications Non-GAAP Gross Profit	\$497M	\$508M	\$1,957M
<i>Communications Non-GAAP Gross Margin</i>	<i>51.8%</i>	<i>50.7%</i>	<i>50.7%</i>
Communications Non-GAAP Income from Operations	\$221M	\$248M	\$842M
<i>Communications Non-GAAP Operating Margin</i>	<i>23.0%</i>	<i>24.8%</i>	<i>21.8%</i>
Communications Dollar-Based Net Expansion Rate	101%	102%	103%
Communications Active Customer Accounts	298,000+	297,000+	297,000+

Note: In Q4 2023, we moved our Flex and Marketing Campaigns products from our Data & Applications business unit to our Communications business unit. We have also renamed our Data & Applications business unit to Twilio Segment, which includes both our Segment and Engage products. As a result of these changes, all segment-level results and metrics have been recast accordingly. Additionally, because certain Active Customer Accounts were customers of both Communications and Data & Applications in Q3, the increase in Communications customers in Q4 does not equal the decline in Segment customers when comparing to the Q3 reported figures.

Note: Organic revenue, organic revenue growth, non-GAAP gross profit and non-GAAP gross margin for our Communications business are non-GAAP financial measures. Refer to "Non-GAAP Financial Measures" in the appendix for their definitions and a reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.

Note: Numbers are rounded to the nearest million (other than percentages and Active Customer Accounts).

Note: Aggregating Communications Non-GAAP Income from Operations and Segment Non-GAAP Income from Operations will not equate to Total Company Non-GAAP Income from Operations given certain costs are considered corporate costs and are not allocated to either segment.

Segment Results Highlights



Metrics	Q3 2023	Q4 2023	FY 2023
Segment Revenue	\$73M	\$75M	\$295M
<i>Y/Y Segment Revenue Growth</i>	3%	4%	7%
Segment Non-GAAP Gross Profit	\$55M	\$56M	\$227M
<i>Segment Non-GAAP Gross Margin</i>	75.2%	74.4%	76.8%
Segment Non-GAAP Income from Operations	(\$18M)	(\$18M)	(\$72M)
<i>Segment Non-GAAP Operating Margin</i>	(24.2%)	(24.6%)	(24.5%)
Segment Dollar-Based Net Expansion Rate	94%	96%	97%
Segment Active Customer Accounts	8,200+	8,000+	8,000+

Note: In Q4 2023, we moved our Flex and Marketing Campaigns products from our Data & Applications business unit to our Communications business unit. We have also renamed our Data & Applications business unit to Twilio Segment, which includes both our Segment and Engage products. As a result of these changes, all segment-level results and metrics have been recast accordingly. Additionally, because certain Active Customer Accounts were customers of both Communications and Data & Applications in Q3, the increase in Communications customers in Q4 does not equal the decline in Segment customers when comparing to the Q3 reported figures.

Note: Non-GAAP gross profit and non-GAAP gross margin for our Segment business are non-GAAP financial measures. Refer to "Non-GAAP Financial Measures" in the appendix for their definitions and a reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.

Note: Numbers are rounded to the nearest million (other than percentages and Active Customer Accounts).

Note: Aggregating Communications Non-GAAP Income from Operations and Segment Non-GAAP Income from Operations will not equate to Total Company Non-GAAP Income from Operations given certain costs are considered corporate costs and are not allocated to either segment.

Q1 2024 Guidance



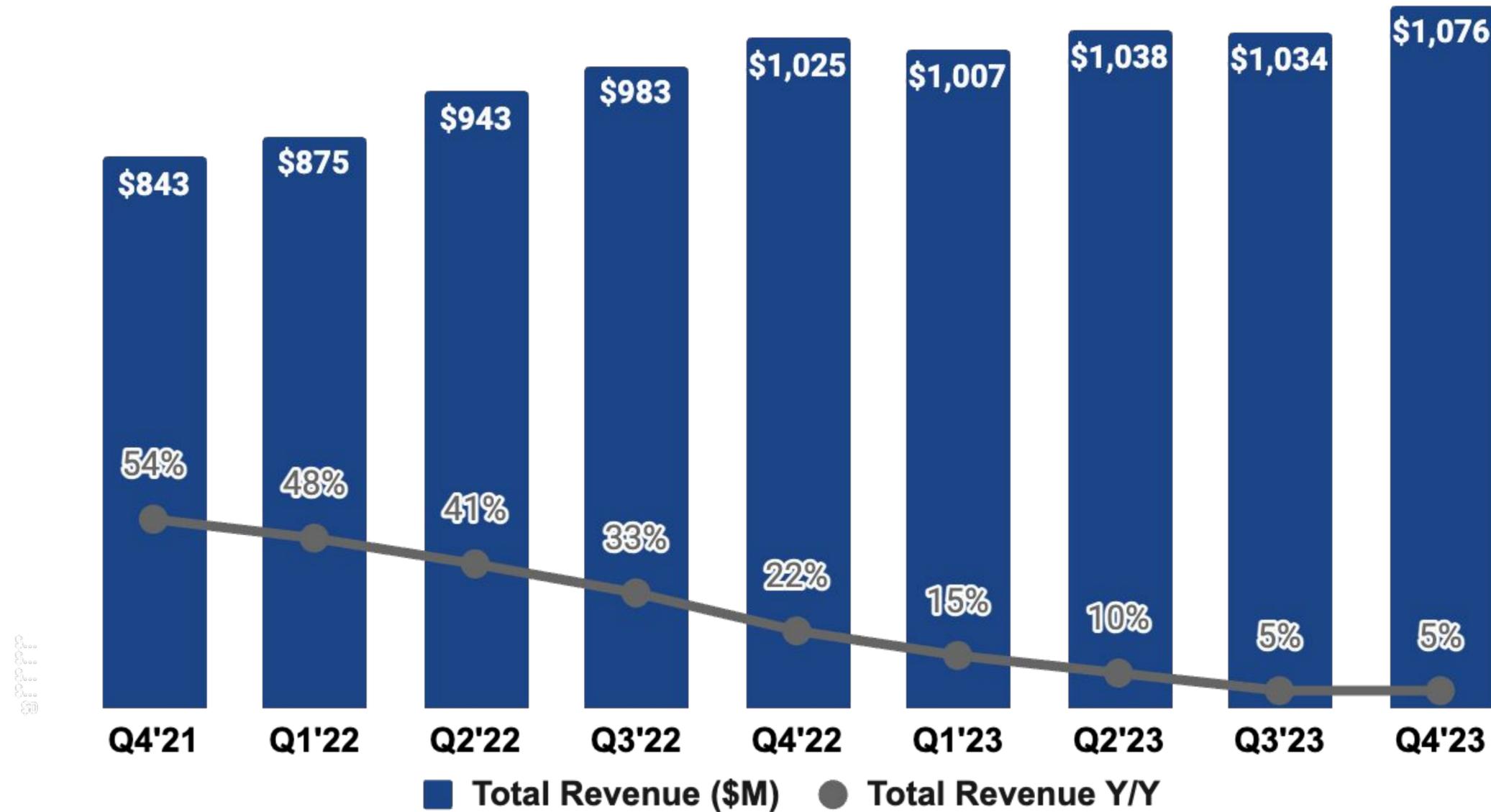
Q1'24 Guidance:

- Total revenue: \$1.025 billion to \$1.035 billion, up 2% to 3% and 5% to 6% year-over-year on a reported and organic basis, respectively
- Non-GAAP income from operations¹: \$120 million to \$130 million
- Non-GAAP diluted earnings per share²: \$0.56 - \$0.60

¹ Includes an estimated \$20 million of incremental expenses associated with a new cash bonus program. This new program will allow us to reduce go-forward equity grants as a proportion of total compensation and is part of our continued efforts to transition employee compensation from equity towards cash in order to reduce stock-based compensation expenses.

² Non-GAAP diluted earnings per share guidance assumes no impact from volatility of foreign exchange rates.

Quarterly Revenue



5%

Q4'23 TOTAL REVENUE GROWTH Y/Y

5%

Q4'23 COMMUNICATIONS REVENUE GROWTH Y/Y

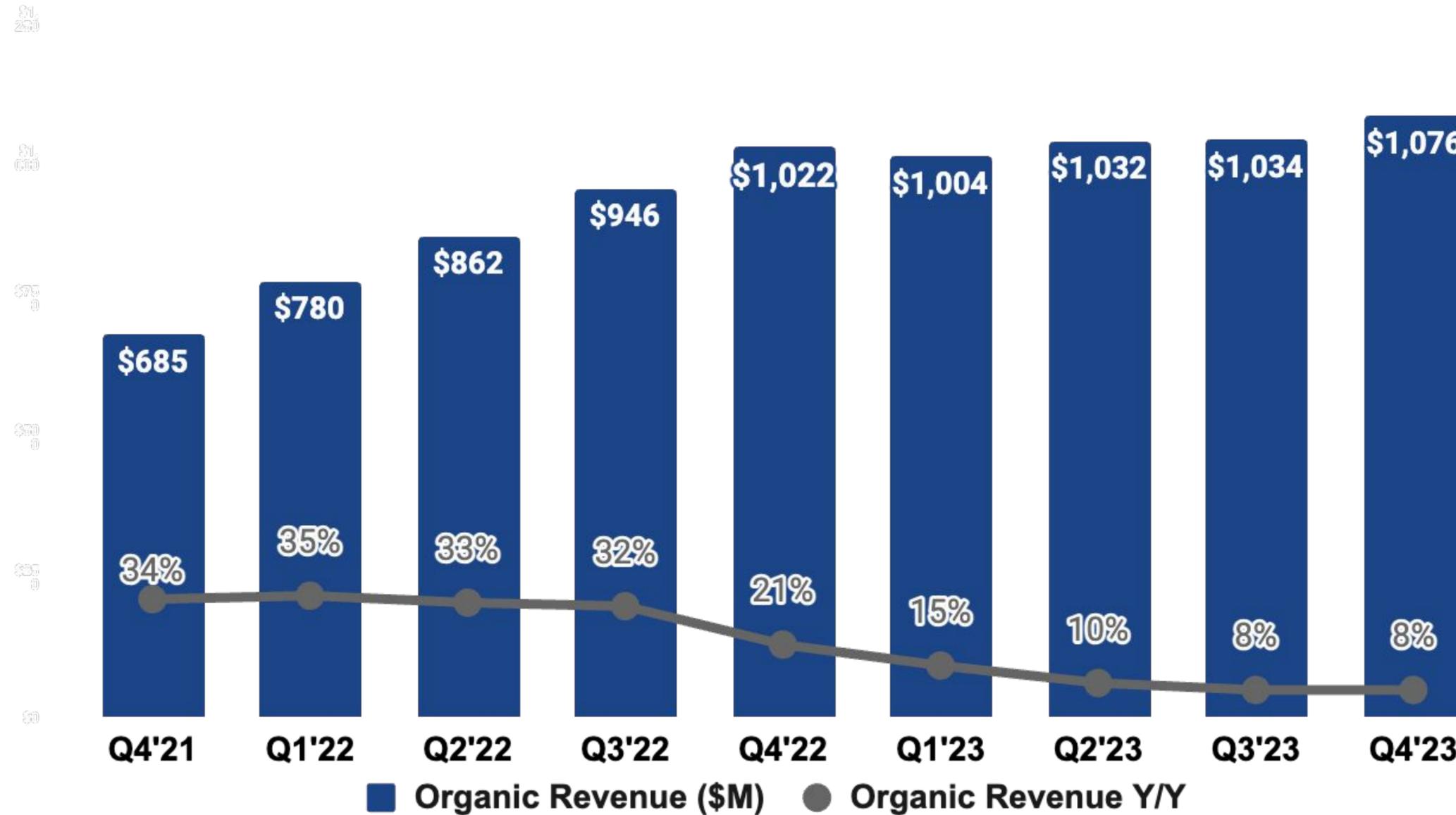
4%

Q4'23 SEGMENT REVENUE GROWTH Y/Y

Note: Numbers are rounded to the nearest million (other than percentages).

Note: Q2'23 reported revenue includes \$25 million of revenue from our divested ValueFirst and IoT businesses.

Quarterly Organic Revenue



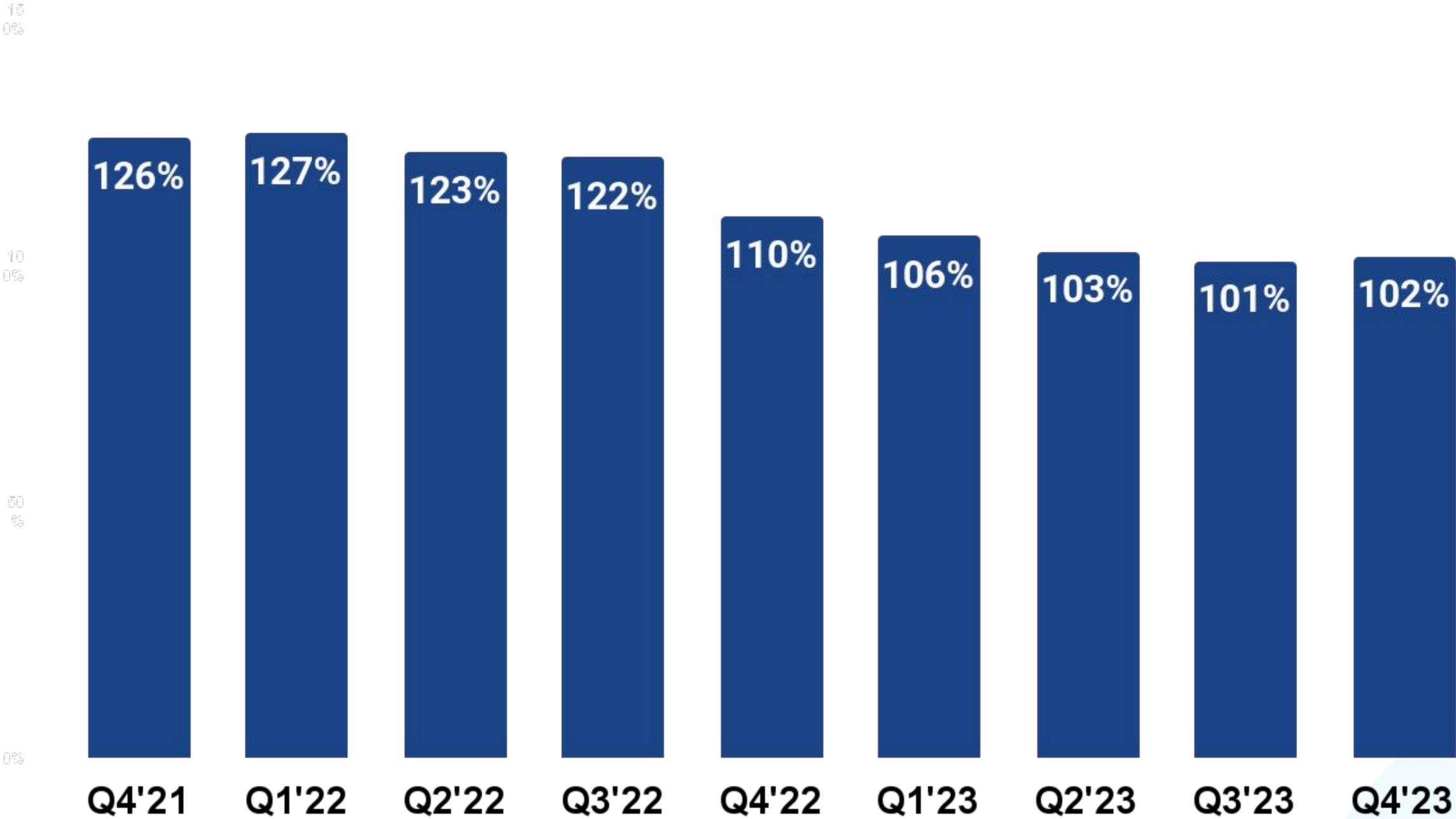
8%
 Q4'23 ORGANIC REVENUE
 GROWTH Y/Y

8%
 Q4'23 COMMUNICATIONS
 ORGANIC REVENUE
 GROWTH Y/Y

Note: Organic revenue and organic revenue growth are non-GAAP financial measures. Refer to "Non-GAAP Financial Measures" in the appendix for their definitions and a reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.

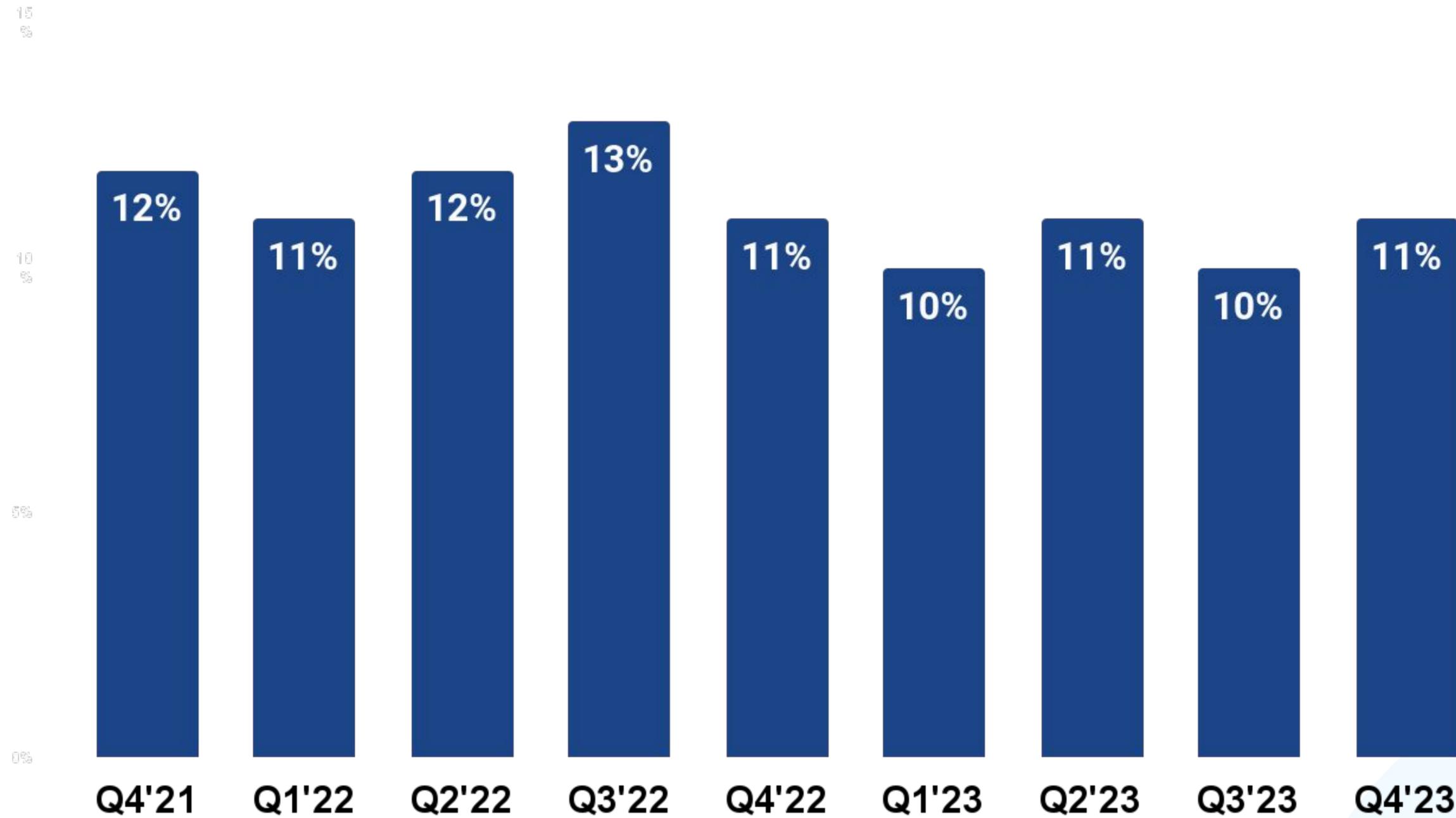
Note: Numbers are rounded to the nearest million (other than percentages).

Dollar-Based Net Expansion Rate



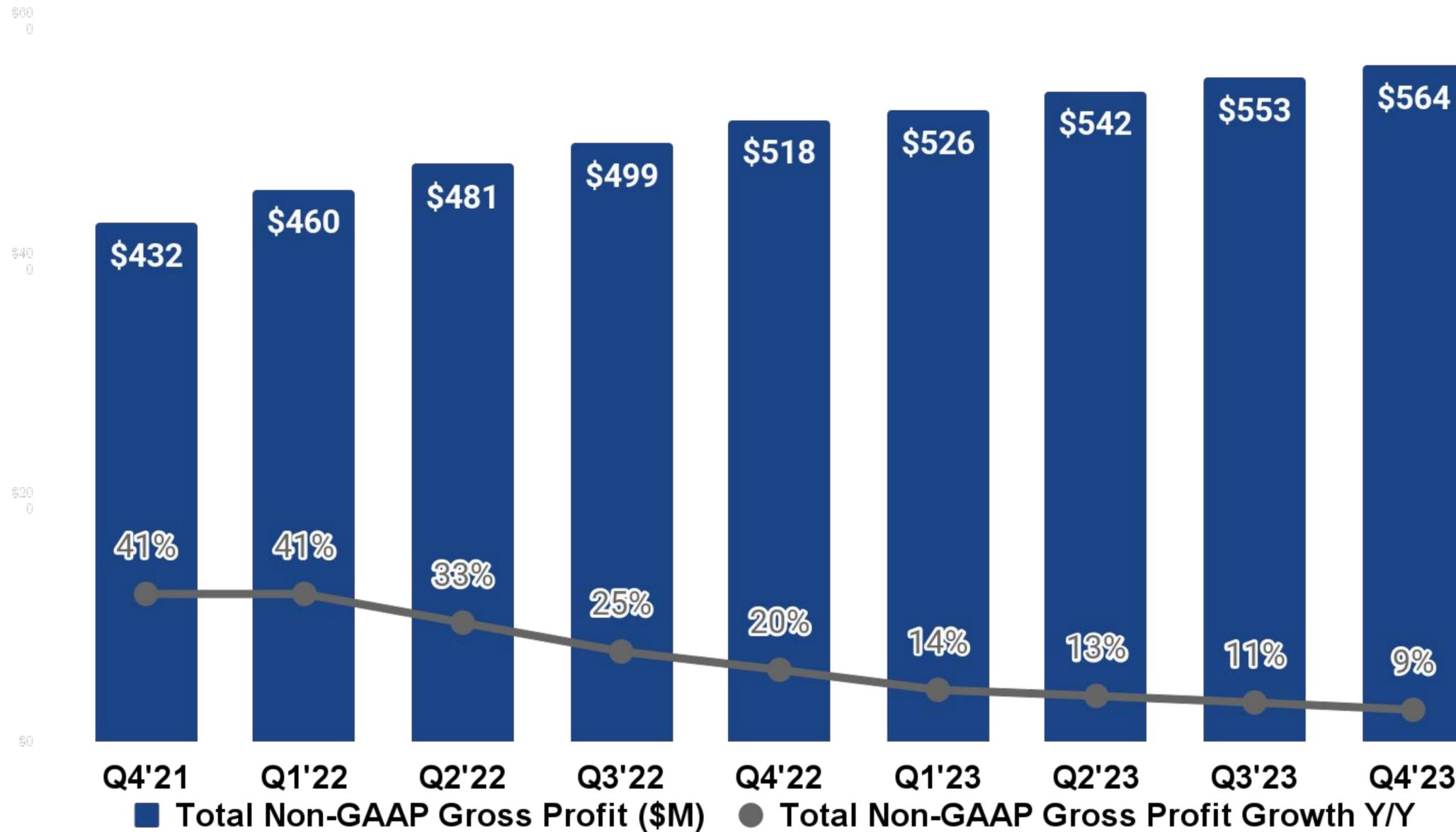
Note: Zipwhip, which was acquired on July 14, 2021, is excluded from the calculation until Q4 2022. Segment, which was acquired on November 2, 2020, is excluded from the calculation until Q1 2022. IoT, which was divested on June 1, 2023, is excluded from the calculation beginning in Q2 2023, and ValueFirst, which was divested on July 3, 2023, is excluded from the calculation beginning in Q3 2023.

Top 10 Customer Accounts by Revenue



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

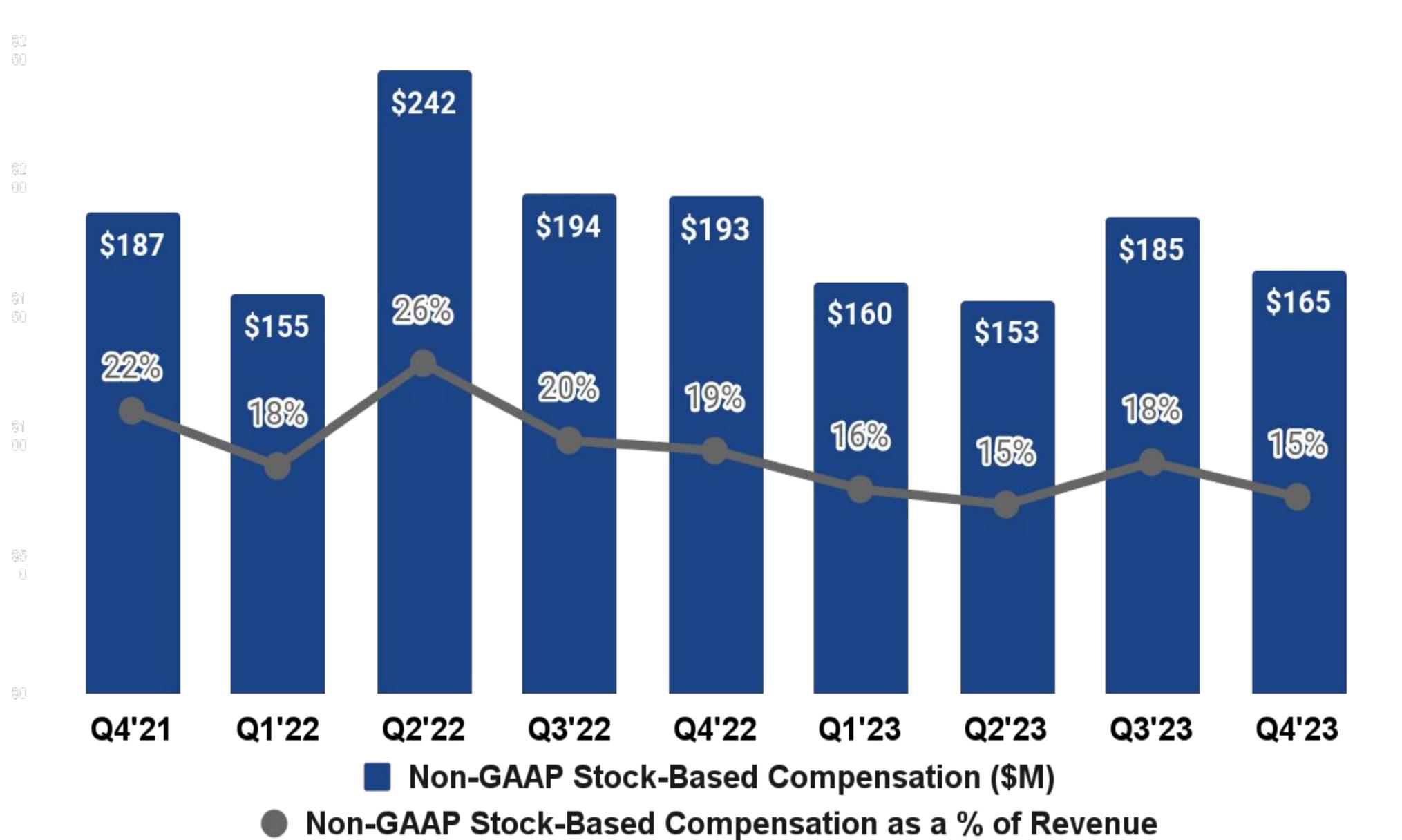
Non-GAAP Gross Profit



9%
Q4'23 NON-GAAP GROSS
PROFIT GROWTH Y/Y

Note: Non-GAAP gross profit and non-GAAP gross profit growth are non-GAAP financial measures. Refer to “Non-GAAP Financial Measures” in the appendix for their definitions and a reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.

Non-GAAP Stock-Based Compensation Expense



15%
 Q4'23 NON-GAAP
 STOCK-BASED
 COMPENSATION AS A
 PERCENT OF REVENUE

Note: Non-GAAP stock-based compensation expense and non-GAAP stock-based compensation expense as a percentage of revenue are non-GAAP financial measures. Refer to “Non-GAAP Financial Measures” in the appendix for their definitions and a reconciliation of each non-GAAP measure to its most directly comparable GAAP measure.



Thank you!

Thanks Thanks
Thanks Thank
Thanks Thank

Appendix



Forward-Looking Statements



This presentation and the accompanying conference call contain forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “can,” “will,” “would,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “forecasts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this presentation and the accompanying conference call include, but are not limited to, statements about: our future financial performance, including our expected financial results and our guidance; our expectations regarding profitability, including when we will become profitable on GAAP and non-GAAP bases; our anticipated strategies and business plans, including future strategic partnerships; our expectations regarding the operational review of Segment; the ongoing effects of our recent workforce reductions and other cost-saving measures; our expectations regarding compensation programs; the reorganization of our business and the shift in our segment reporting structure; our expectations regarding our sales pipeline, the benefits to us of recently signed deals, new product releases, increased investment and go-to-market focus to capture market share, revenue growth, profit potential, anticipated cash flows, and our strategy for streamlining the customer experience, including the effects of registering certain messaging traffic on our results of operations; our ability to develop products related to generative artificial intelligence and machine learning, including CustomerAI and its use cases; our ability to deliver on our product roadmap; our expectations regarding share repurchases; and our expectations regarding the impact of macroeconomic and industry conditions, the impact of such conditions on our customers, and our ability to operate in such conditions. You should not rely upon forward-looking statements as predictions of future events.

The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties, and other factors that may cause our actual results, performance, or achievements to differ materially from those described in the forward-looking statements, including, among other things: our ability to successfully implement our cost-saving initiatives and to capture expected efficiencies; our ability to realize the anticipated benefits of changes to our operating model and organizational structure; the impact of macroeconomic uncertainties and market volatility; our financial performance, including expectations regarding our results of operations and the assumptions underlying such expectations, and ability to achieve and sustain profitability; our ability to attract and retain customers; our ability to compete effectively in an intensely competitive market; our ability to comply with modified or new industry standards, laws and regulations applying to our business, and increased costs associated with regulatory compliance; our ability to manage changes in network service provider fees and optimize our network service provider coverage and connectivity; our ability to form and expand partnerships; and our ability to successfully enter into new markets and manage our international expansion.

The forward-looking statements contained in this presentation and the accompanying conference call are also subject to additional risks, uncertainties, and factors, including those more fully described in our most recent filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q. Should any of these risks materialize, or should our assumptions prove to be incorrect, actual financial results could differ materially from our projections or those implied by these forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment, and new risks and uncertainties may emerge that could have an impact on the forward-looking statements contained in this presentation and the accompanying conference call. Forward-looking statements represent our management’s beliefs and assumptions only as of the date such statements are made. We undertake no obligation to update any forward-looking statements made in this presentation or the accompanying conference call to reflect events or circumstances after the date of this presentation or the accompanying conference call or to reflect new information or the occurrence of unanticipated events, except as required by law.

Operating Metrics



We review the following operating metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans and make strategic decisions. Our metrics are not based on any standardized industry methodology and are not necessarily calculated in the same manner or comparable to similarly titled measures presented by other companies. Similarly, our metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. The numbers that we use to calculate Active Customer Accounts and Dollar-Based Net Expansion Rate are based on internal data. While these numbers are based on what we believe to be reasonable judgments and estimates for the applicable period of measurement, there are inherent challenges in measuring usage. We regularly review and may adjust our processes for calculating our internal metrics to improve their accuracy. If investors or analysts do not perceive our metrics to be accurate representations of our business, or if we discover material inaccuracies in our metrics, our reputation, business, results of operations, and financial condition would be harmed.

Active Customer Accounts. We define an Active Customer Account at the end of any period as an individual account, as identified by a unique account identifier, for which we have recognized at least \$5 of revenue in the last month of the period. A single organization may constitute multiple unique Active Customer Accounts if it has multiple account identifiers, each of which is treated as a separate Active Customer Account. Active Customer Accounts excludes customer accounts from Zipwhip, Inc. Communications Active Customer Accounts and Segment Active Customer Accounts are calculated using the same methodology, but using only revenue recognized from accounts in the respective segment. The number of consolidated and Communications Active Customer Accounts is rounded down to the nearest thousand. The number of Segment Active Customer Accounts is rounded down to the nearest hundred.

We believe that the number of Active Customer Accounts, on an aggregate basis and at the segment level, is an important indicator of the growth of our business, the market acceptance of our platform and future revenue trends. We believe that use of our platform by customers at or above the \$5 per month threshold is a stronger indicator of potential future engagement than trial usage of our platform or usage at levels below \$5 per month.

Dollar-Based Net Expansion Rate. Twilio's Dollar-Based Net Expansion Rate compares the total revenue from all Active Customer Accounts and customer accounts from Zipwhip, Inc. in a quarter to the same quarter in the prior year. To calculate the Dollar-Based Net Expansion Rate, Twilio first identifies the cohort of Active Customer Accounts and customer accounts from Zipwhip, Inc. that were Active Customer Accounts or customer accounts from Zipwhip, Inc. in the same quarter of the prior year. The Dollar-Based Net Expansion Rate is the quotient obtained by dividing the revenue generated from that cohort in a quarter, by the revenue generated from that same cohort in the corresponding quarter in the prior year. When Twilio calculates Dollar-Based Net Expansion Rate for periods longer than one quarter, it uses the average of the applicable quarterly Dollar-Based Net Expansion Rates for each of the quarters in such period. Revenue from acquisitions does not impact the Dollar-Based Net Expansion Rate calculation until the quarter following the one-year anniversary of the applicable acquisition, unless the acquisition closing date is the first day of a quarter. As a result, for the quarter ended December 31, 2023, our Dollar-Based Net Expansion Rate excludes the contributions from acquisitions made after October 1, 2022. Revenue from divestitures does not impact the Dollar-Based Net Expansion Rate calculation beginning in the quarter the divestiture closed, unless the divestiture closing date is the last day of a quarter. As a result, for the quarter ended December 31, 2023, our Dollar-Based Net Expansion Rate excludes the contributions from divestitures made after December 31, 2022. Communications Dollar-Based Net Expansion Rate and Segment Dollar-Based Net Expansion Rate are calculated using the same methodology, but using only revenue attributable to the respective segment and Active Customer Accounts and customer accounts from Zipwhip, Inc. for that respective segment. Revenue from customer accounts from Zipwhip, Inc., which we acquired on July 14, 2021, has been included in our Dollar-Based Net Expansion Rate beginning in the quarter ended December 31, 2022.

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



Non-GAAP Financial Measures

In addition to financial information presented in accordance with U.S. generally accepted accounting principles (“GAAP”), this presentation and the accompanying conference call include certain non-GAAP financial measures, including non-GAAP gross profit and non-GAAP gross profit growth, non-GAAP gross margin, non-GAAP operating margin, non-GAAP net income (loss) per share attributable to common stockholders, basic and diluted (which we refer to as “non-GAAP diluted earnings per share”), non-GAAP income (loss) from operations, organic revenue and organic revenue growth, non-GAAP stock-based compensation expense, and non-GAAP stock-based compensation expense as a percentage of revenue. We use these non-GAAP financial measures to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that these non-GAAP financial measures may be helpful to investors because they provide consistency and comparability with past financial performance, facilitate period-to-period comparisons of results of operations and assist in comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results. We believe organic revenue, organic revenue growth, Communications organic revenue and Communications organic revenue growth are useful in understanding the ongoing results of our operations on a consolidated basis and at the segment level. These non-GAAP financial measures are presented for supplemental informational purposes only, should not be considered substitutes for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies. A reconciliation of these measures to the most directly comparable GAAP measures is included in the appendix. We have not provided the forward-looking GAAP equivalents for certain forward-looking non-GAAP measures presented in this presentation, or a GAAP reconciliation, as a result of the uncertainty regarding, and the potential variability of, reconciling items such as stock-based compensation expense. Accordingly, a reconciliation of these non-GAAP guidance metrics to their corresponding forward-looking GAAP equivalents is not available without unreasonable effort. However, it is important to note that material changes to reconciling items could have a significant effect on future GAAP results.

Non-GAAP Gross Profit and Non-GAAP Gross Margin. For the periods presented, we define non-GAAP gross profit and non-GAAP gross margin as GAAP gross profit and GAAP gross margin, respectively, adjusted to exclude stock-based compensation, amortization of acquired intangibles and payroll taxes related to stock-based compensation. Segment-level non-GAAP gross profit and non-GAAP gross margin are calculated using the same methodology, but using (and excluding, as applicable) only revenue and expenses attributable to the applicable segment.

Non-GAAP Gross Profit Growth. For the periods presented, we calculate non-GAAP gross profit growth by dividing (i) non-GAAP gross profit for the period presented less non-GAAP gross profit in the comparative period by (ii) non-GAAP gross profit in the comparative period.

Non-GAAP Income (Loss) from Operations and Non-GAAP Operating Margin. For the periods presented, we define non-GAAP income (loss) from operations and non-GAAP operating margin as GAAP loss from operations and GAAP operating margin, respectively, adjusted to exclude, as applicable, stock-based compensation, amortization of acquired intangibles, loss on net assets divested, acquisition and divestiture related expenses, payroll taxes related to stock-based compensation, charitable contributions, restructuring costs, and impairment of long-lived assets. Segment-level non-GAAP income (loss) from operations and non-GAAP operating margin are calculated using the same methodology, but using (and excluding, as applicable) only revenue and expenses attributable to the applicable segment.

Non-GAAP Net Income (Loss) Attributable to Common Stockholders and Non-GAAP Net Income (Loss) Per Share Attributable to Common Stockholders. For the periods presented, we define non-GAAP net income (loss) attributable to common stockholders and non-GAAP net income (loss) per share attributable to common stockholders, diluted (which we refer to as “non-GAAP diluted earnings per share”) as GAAP net loss attributable to common stockholders and GAAP net loss per share attributable to common stockholders, basic and diluted, respectively, adjusted to exclude share-based compensation, amortization of acquired intangibles, loss on net assets divested, acquisition and divestiture related expenses, payroll taxes related to stock-based compensation, amortization of debt discount and issuance costs, income tax benefit related to acquisitions, charitable contributions, share of losses from equity method investment, restructuring costs, impairment of long-lived assets and impairment of strategic investments.

Non-GAAP Stock-Based Compensation Expense and Non-GAAP Stock-Based Compensation Expense as a Percentage of Revenue. For the periods presented, we define non-GAAP stock-based compensation expense as GAAP stock-based compensation expense, adjusted to exclude stock-based compensation reflected in restructuring costs.



Non-GAAP Financial Measures

Organic Revenue. For the periods presented, we define organic revenue as GAAP revenue, excluding (i) revenue from each acquired business and revenue from application-to-person (“A2P”) 10DLC fees imposed by major U.S. carriers on our core messaging business, in each case until the beginning of the first full quarter following the one-year anniversary of the closing date of such acquisition or the initial date such fees were charged and (ii) revenue from each divested business beginning in the quarter of the closing date of such divestiture; provided that (a) if an acquisition closes or such fees are initially charged on the first day of a quarter, such revenue will be included in organic revenue beginning on the one-year anniversary of the closing date of such acquisition or the initial date such fees were charged and (b) if a divestiture closes on the last day of a quarter, such revenue will be included in organic revenue for that quarter. A2P 10DLC fees are fees imposed by U.S. mobile carriers for A2P SMS messages delivered to its subscribers, and we pass these fees to our messaging customers at cost. Communications organic revenue is calculated using the same methodology, but using (and excluding, as applicable) only revenue attributable to the Communications segment.

Organic Revenue Growth. For the periods presented, we calculate organic revenue growth by dividing (i) organic revenue for the period presented less organic revenue in the comparative period by (ii) organic revenue in the comparative period. If revenue from certain acquisitions, divestitures or A2P 10DLC fees is included or excluded in organic revenue in the period presented, then revenue from the same acquisitions, divestitures and A2P 10DLC fees is included or excluded in organic revenue in the comparative period for purposes of the denominator in the organic revenue growth calculation. As a result, the denominator used in this calculation will not always equal the organic revenue reported for the comparative period. Communications organic revenue growth is calculated using the same methodology, but using (and excluding, as applicable) only revenue attributable to the Communications segment.

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)



	Three Months Ended						
	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Non-GAAP gross margin reconciliation							
Revenue	\$ 548,090	\$ 589,988	\$ 668,931	\$ 740,176	\$ 842,744	\$ 875,363	\$ 943,354
GAAP gross profit	\$ 282,121	\$ 298,304	\$ 331,247	\$ 364,615	\$ 396,547	\$ 425,071	\$ 445,289
GAAP gross profit growth (Y/Y)					41 %	42 %	34 %
GAAP gross margin	51 %	51 %	50 %	49 %	47 %	49 %	47 %
Non-GAAP adjustments:							
Stock-based compensation	2,640	2,717	3,024	3,720	4,613	4,521	3,996
Amortization of acquired intangibles	21,885	26,342	26,204	31,558	30,792	30,636	31,236
Payroll taxes related to stock-based compensation	—	—	—	—	—	—	242
Non-GAAP gross profit	\$ 306,646	\$ 327,363	\$ 360,475	\$ 399,893	\$ 431,952	\$ 460,228	\$ 480,763
Non-GAAP gross profit growth (Y/Y)					41 %	41 %	33 %
Non-GAAP gross margin	56 %	55 %	54 %	54 %	51 %	53 %	51 %

	Three Months Ended					
	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
Non-GAAP gross margin reconciliation						
Revenue	\$ 983,030	\$ 1,024,574	\$ 1,006,564	\$ 1,037,761	\$ 1,033,670	\$ 1,075,950
GAAP gross profit	\$ 462,075	\$ 481,142	\$ 490,690	\$ 505,755	\$ 516,319	\$ 531,166
GAAP gross profit growth (Y/Y)	27 %	21 %	15 %	14 %	12 %	10 %
GAAP gross margin	47 %	47 %	49 %	49 %	50 %	49 %
Non-GAAP adjustments:						
Stock-based compensation	6,114	6,505	5,290	6,334	7,053	7,666
Amortization of acquired intangibles	30,729	30,052	29,961	29,669	29,045	24,591
Payroll taxes related to stock-based compensation	215	82	195	123	181	200
Non-GAAP gross profit	\$ 499,133	\$ 517,781	\$ 526,136	\$ 541,881	\$ 552,598	\$ 563,623
Non-GAAP gross profit growth (Y/Y)	25 %	20 %	14 %	13 %	11 %	9 %
Non-GAAP gross margin	51 %	51 %	52 %	52 %	53 %	52 %

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)



	Three Months Ended								
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
Stock-based compensation, net of amounts recognized in restructuring costs									
Revenue	\$ 842,744	\$ 875,363	\$ 943,354	\$ 983,030	\$ 1,024,574	\$ 1,006,564	\$ 1,037,761	\$ 1,033,670	\$ 1,075,950
Stock-based compensation	186,919	155,275	242,090	208,895	192,300	170,799	153,094	185,474	166,490
Stock-based compensation as a percent of revenue	22%	18%	26%	21%	19%	17%	15%	18%	15%
Adjustments:									
Stock-based compensation recognized in restructuring costs	—	—	—	(15,274)	999	(10,333)	(296)	(467)	(1,919)
Stock-based compensation, net of amounts recognized in restructuring costs	\$ 186,919	\$ 155,275	\$ 242,090	\$ 193,621	\$ 193,299	\$ 160,466	\$ 152,798	\$ 185,007	\$ 164,571
Stock-based compensation, net of amounts recognized in restructuring costs as a percent of revenue	22 %	18 %	26 %	20 %	19 %	16 %	15 %	18 %	15 %

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)



	Three Months Ended December 31, 2023	Year Ended December 31, 2023
Non-GAAP operating margin		
Revenue	\$ 1,075,950	\$ 4,153,945
GAAP gross profit	\$ 531,166	\$ 2,043,930
Non-GAAP adjustments:		
Stock-based compensation	7,666	26,343
Amortization of acquired intangibles	24,591	113,266
Payroll taxes related to stock-based compensation	200	699
Non-GAAP gross profit	<u>\$ 563,623</u>	<u>\$ 2,184,238</u>
Non-GAAP gross margin	52.4%	52.6%
GAAP operating expenses	\$ 892,893	\$ 2,920,471
Non-GAAP adjustments:		
Stock-based compensation	(156,905)	(636,499)
Amortization of acquired intangibles	(17,880)	(79,041)
Acquisition and divestiture related expenses	(40)	(5,555)
Loss on divestiture	—	(32,277)
Payroll taxes related to stock-based compensation	(2,046)	(12,286)
Charitable contributions	(13,361)	(17,346)
Restructuring costs	(25,452)	(165,733)
Impairment of long-lived assets	(286,226)	(320,504)
Non-GAAP operating expenses	<u>\$ 390,983</u>	<u>\$ 1,651,230</u>
GAAP loss from operations	\$ (361,727)	\$ (876,541)
GAAP operating margin	(33.6)%	(21.1)%
Non-GAAP adjustments:		
Stock-based compensation	164,571	662,842
Amortization of acquired intangibles	42,471	192,307
Acquisition and divestiture related expenses	40	5,555
Loss on divestiture	—	32,277
Payroll taxes related to stock-based compensation	2,246	12,985
Charitable contributions	13,361	17,346
Restructuring costs	25,452	165,733
Impairment of long-lived assets	286,226	320,504
Non-GAAP income (loss) from operations	<u>\$ 172,640</u>	<u>\$ 533,008</u>
Non-GAAP operating margin	16.0%	12.8%

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)



	Three Months Ended								
	December 31, 2021	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
Organic revenue									
Total Revenue	\$ 842,744	\$ 875,363	\$ 943,354	\$ 983,030	\$ 1,024,574	\$ 1,006,564	\$ 1,037,761	\$ 1,033,670	\$ 1,075,950
Acquisition revenue	(117,297)	(52,983)	(36,571)	(36,913)	(2,152)	(2,088)	—	—	—
Divestiture revenue	—	—	—	—	—	—	(6,142)	—	—
10DLC A2P revenue	(40,522)	(41,890)	(44,448)	—	—	—	—	—	—
Organic revenue	\$ 684,925	\$ 780,490	\$ 862,335	\$ 946,117	\$ 1,022,422	\$ 1,004,476	\$ 1,031,619	\$ 1,033,670	\$ 1,075,950
Revenue growth	54 %	48 %	41 %	33 %	22 %	15 %	10 %	5 %	5 %
Organic revenue growth	34% ¹	35% ²	33% ³	32% ⁴	21% ⁵	15% ⁶	10% ⁷	8% ⁸	8% ⁹

¹ Q4'20 organic revenue, when used as the denominator for Q4'21 Organic Revenue Growth, excludes \$24 million of acquisition revenue and \$14 million of A2P 10DLC fee revenue. Q4'20 revenue was \$548 million.

² Q1'21 organic revenue, when used as the denominator for Q1'22 Organic Revenue Growth, excludes \$2 million of acquisition revenue and \$11 million of A2P 10DLC fee revenue. Q1'21 revenue was \$590 million.

³ Q2'21 organic revenue, when used as the denominator for Q2'22 Organic Revenue Growth, excludes \$20 million of A2P 10DLC fee revenue. Q2'21 revenue was \$669 million.

⁴ Q3'21 organic revenue, when used as the denominator for Q3'22 Organic Revenue Growth, excludes \$24 million of acquisition revenue. Q3'21 revenue was \$740 million.

⁵ Q4'21 organic revenue, when used as the denominator for Q4'22 Organic Revenue Growth, is equal to reported revenue.

⁶ Q1'22 organic revenue, when used as the denominator for Q1'23 Organic Revenue Growth, excludes \$1 million of acquisition revenue.

⁷ Q2'22 organic revenue, when used as the denominator for Q2'23 Organic Revenue Growth, excludes \$7 million of divestiture revenue.

⁸ Q3'22 organic revenue, when used as the denominator for Q3'23 Organic Revenue Growth, excludes \$28 million of divestiture revenue.

⁹ Q4'22 organic revenue, when used as the denominator for Q4'23 Organic Revenue Growth, excludes \$30 million of divestiture revenue.

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)



	Year Ended December 31, 2023
Organic revenue	
Total Revenue	\$ 4,153,945
Acquisition revenue	(2,088)
Divestiture revenue	(6,142)
10DLC A2P revenue	—
Organic revenue	<u>\$ 4,145,715</u>
Revenue growth	9 %
Organic revenue growth	10% ¹

¹ FY'22 organic revenue, when used as the denominator for FY'23 Organic Revenue Growth, excludes \$1 million of acquisition revenue and \$66 million of divestiture revenue. FY'22 revenue was \$3,826 million.

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)



	Three Months Ended		Year Ended
	September 30, 2023	December 31, 2023	December 31, 2023
Communications organic revenue			
Communications revenue	\$ 960,289	\$ 1,000,920	\$ 3,858,693
Acquisition revenue	—	—	(2,088)
Divestiture revenue	—	—	(6,142)
Communications organic revenue	<u>\$ 960,289</u>	<u>\$ 1,000,920</u>	<u>\$ 3,850,463</u>
Communications revenue growth	5 %	5 %	9 %
Communications organic revenue growth	9% ¹	8% ²	11% ³

¹ Q3'22 Communications organic revenue, when used as the denominator for Q3'23 Communications Organic Revenue Growth, excludes \$28 million of divestiture revenue. Q3'22 Communications revenue was \$912 million.

² Q4'22 Communications organic revenue, when used as the denominator for Q4'23 Communications Organic Revenue Growth, excludes \$30 million of divestiture revenue. Q4'22 Communications revenue was \$953 million.

³ FY'22 Communications organic revenue, when used as the denominator for FY'23 Communications Organic Revenue Growth, excludes \$1 million of acquisition revenue and \$66 million of divestiture revenue. FY'22 Communications revenue was \$3,550 million.

Non-GAAP Financial Measures Reconciliation

(in thousands, unaudited)



	Three Months Ended		Year Ended
	September 30, 2023	December 31, 2023	December 31, 2023
Communications Non-GAAP gross profit and gross margin			
Revenue	\$ 960,289	\$ 1,000,920	\$ 3,858,693
Communications GAAP gross profit	476,972	486,464	1,874,840
Communications GAAP gross margin	49.7%	48.6%	48.6%
Non-GAAP adjustments:			
Stock-based compensation	5,212	6,040	19,974
Amortization of acquired intangibles	15,117	15,117	62,006
Payroll taxes related to stock-based compensation	135	176	599
Communications Non-GAAP gross profit	\$ 497,436	\$ 507,797	\$ 1,957,419
Communications Non-GAAP gross margin	51.8%	50.7%	50.7%

	Three Months Ended		Year Ended
	September 30, 2023	December 31, 2023	December 31, 2023
Segment Non-GAAP gross profit and gross margin			
Revenue	\$ 73,381	\$ 75,030	\$ 295,252
Segment GAAP gross profit	39,347	44,702	169,090
Segment GAAP gross margin	53.6%	59.6%	57.3%
Non-GAAP adjustments:			
Stock-based compensation	1,841	1,626	6,369
Amortization of acquired intangibles	13,928	9,474	51,260
Payroll taxes related to stock-based compensation	46	24	100
Segment Non-GAAP gross profit	\$ 55,162	\$ 55,826	\$ 226,819
Segment Non-GAAP gross margin	75.2%	74.4%	76.8%

Segment Operating Results

(in thousands, unaudited)



	Three Months Ended		Year Ended
	September 30, 2023	December 31, 2023	December 31, 2023
Revenue:			
Communications	\$ 960,289	\$ 1,000,920	\$ 3,858,693
Segment	73,381	75,030	295,252
Total	<u>\$ 1,033,670</u>	<u>\$ 1,075,950</u>	<u>\$ 4,153,945</u>
Non-GAAP income (loss) from operations:			
Communications	\$ 220,610	\$ 248,391	\$ 841,990
Segment	(17,740)	(18,493)	(72,430)
Corporate costs	(66,436)	(57,258)	(236,552)
Total	<u>\$ 136,434</u>	<u>\$ 172,640</u>	<u>\$ 533,008</u>
Non-GAAP operating margin:			
Communications	23.0%	24.8%	21.8%
Segment	(24.2)%	(24.6)%	(24.5)%
Reconciliation of non-GAAP income (loss) from operations to loss from operations:			
Total non-GAAP income (loss) from operations	\$ 136,434	\$ 172,640	\$ 533,008
Stock-based compensation	(185,007)	(164,571)	(662,842)
Amortization of acquired intangibles	(48,872)	(42,471)	(192,307)
Acquisition and divestiture related expenses	(183)	(40)	(5,555)
Loss on net assets divested	—	—	(32,277)
Payroll taxes related to stock-based compensation	(3,337)	(2,246)	(12,985)
Charitable contributions	(1,339)	(13,361)	(17,346)
Restructuring costs	(3,437)	(25,452)	(165,733)
Impairment of long-lived assets	(3,162)	(286,226)	(320,504)
Loss from operations	<u>(108,903)</u>	<u>(361,727)</u>	<u>(876,541)</u>
Other (income) expenses, net	(31,057)	2,073	(120,188)
Loss before provision for income taxes	<u>\$ (139,960)</u>	<u>\$ (359,654)</u>	<u>\$ (996,729)</u>