

REFINITIV

# DELTA REPORT

## 10-Q

BAND - BANDWIDTH INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 1481

■ CHANGES	191
■ DELETIONS	568
■ ADDITIONS	722

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

**FORM 10-Q**

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

For the quarterly period ended **September 30, 2023** **March 31, 2024**

OR

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: 001-38285

**BANDWIDTH INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

**56-2242657**

(I.R.S. Employer  
Identification Number)

**2230 Bandmate Way  
Raleigh, NC 27607**

(Address of principal executive offices) (Zip Code)

**(800) 808-5150**

(Registrant's telephone number, including area code)

Securities Registered Pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A Common Stock, par value \$0.001 per share	BAND	NASDAQ Global Select Market

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of **October 31, 2023** **May 3, 2024**, **23,683,688** **25,049,689** shares of the registrant's Class A common stock and 1,958,028 shares of registrant's Class B common stock were outstanding.

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### **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"). All statements contained in this Quarterly Report on Form 10-Q, other than statements of historical fact, are forward-looking statements. Forward-looking statements generally can be identified by the words "may," "will," "expect," "believe," "anticipate," "intend," "could," "would," "project," "plan," "estimate," 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:

- our beliefs regarding the impact of macroeconomic conditions, including inflationary and/or recessionary pressures, on our business and financial condition;
- our ability to attract and retain customers, including large enterprises;
- our approach to identifying, attracting and keeping new and existing customers, as well as our expectations regarding customer turnover;
- our beliefs regarding network traffic growth and other trends related to the usage of our products and services;
- the impact of our customers' violation of applicable laws, our policies or other misuse of our platform;

- our ability to successfully defend our network, systems and data against ever-evolving cybersecurity threats, including denial-of-service and ransomware attacks;
- our expectations regarding revenue, costs, expenses, gross margin, dollar based net retention rate, adjusted EBITDA, non-generally accepted accounting principles in the United States of America ("GAAP") net income and capital expenditures;
- our beliefs regarding the growth of our business and how that impacts our liquidity and capital resources requirements;
- our expectations about the impact of public health epidemics, such as COVID-19, or natural disasters on the global economy and our business, results of operations and financial condition;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs;
- our ability to attract, train, and retain qualified employees and key personnel;
- our beliefs regarding the expense and productivity of and competition for our sales force;
- our expectations regarding headcount;
- our ability to maintain and benefit from our corporate culture;
- our plans to further invest in and grow our business, including international offerings, and our ability to effectively manage our growth and associated investments;
- our ability to introduce new products and services and enhance existing products and services;
- our ability to successfully integrate and benefit from any strategic acquisitions, including our acquisition of Voxbone (as defined herein), or future strategic acquisitions or investments;
- our ability to effectively manage our international operations and expansion;
- our ability to compete successfully against current and future competitors;

- the evolution of technology affecting our products, services and markets;
- the impact of certain new accounting standards and guidance, as well as the time and cost of continued compliance with existing rules and standards;
- our beliefs regarding the use of Non-GAAP financial measures;
- our ability to comply with modified or new industry standards, laws and regulations applicable to our products, services and business, including the General Data Protection Regulation ("GDPR"), the California Consumer Privacy Act of 2018 and other privacy regulations that may be implemented in the future, and Secure Telephone Identity Revisited and Signature-based Handling of Asserted Information Using toKENs ("STIR/SHAKEN"), and other robocalling prevention and anti-spam standards and increased costs associated with such compliance;
- our ability to manage fees that have been or may be instituted by network providers that increase our costs;
- our ability to maintain, protect and enhance our intellectual property;
- our expectations regarding litigation and other pending or potential disputes;
- our ability to service the interest on our Convertible Notes (as defined herein) and repay such Convertible Notes, to the extent required; and
- other risks related to our indebtedness.

We caution you that the foregoing list may not contain all 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 the section titled "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.

## PART I - FINANCIAL INFORMATION

### Item 1. Financial Statements

#### BANDWIDTH INC.

#### Condensed Consolidated Balance Sheets

(In thousands) thousands, except share and per share amounts  
(Unaudited)

	As of March 31,		As of March 31,		As of December 31,
	As of September 30, 2023	As of December 31, 2022			
			2024		
			2024		
			2024		2023
<b>Assets</b>	<b>Assets</b>				
Current assets:	Current assets:				
Current assets:					
Current assets:					
Cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents	\$ 107,373	\$ 113,641		
Marketable securities	Marketable securities	31,745	71,231		
Marketable securities					
Marketable securities					
Accounts receivable, net of allowance for doubtful accounts					
Accounts receivable, net of allowance for doubtful accounts					
Accounts receivable, net of allowance for doubtful accounts	Accounts receivable, net of allowance for doubtful accounts	75,046	74,465		
Deferred costs	Deferred costs	4,185	3,566		
Prepaid expenses and other current assets	Prepaid expenses and other current assets	16,037	16,705		
<b>Total current assets</b>					
<b>Total current assets</b>					

Total current assets	Total current assets	234,386	279,608
Property, plant and equipment, net	Property, plant and equipment, net	176,780	99,753
Operating right-of-use asset, net	Operating right-of-use asset, net	161,106	9,993
Intangible assets, net	Intangible assets, net	164,688	177,370
Deferred costs, non-current	Deferred costs, non-current	4,715	4,938
Other long-term assets	Other long-term assets	6,404	31,251
Goodwill	Goodwill	322,003	326,405
<b>Total assets</b>	<b>Total assets</b>	<b>\$1,070,082</b>	<b>\$ 929,318</b>
<b>Total assets</b>			
<b>Total assets</b>			
<b>Liabilities and stockholders' equity</b>	<b>Liabilities and stockholders' equity</b>		
Current liabilities:	Current liabilities:		
Current liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	\$ 31,211	\$ 26,750
Accrued expenses and other current liabilities	Accrued expenses and other current liabilities	60,452	62,577
Current portion of deferred revenue	Current portion of deferred revenue	7,869	7,181
Advanced billings	Advanced billings	4,305	10,049
Operating lease liability, current	Operating lease liability, current	4,766	7,450
<b>Total current liabilities</b>	<b>Total current liabilities</b>	<b>108,603</b>	<b>114,007</b>
<b>Total current liabilities</b>			
<b>Total current liabilities</b>			
Other liabilities	Other liabilities	620	11,176
Operating lease liability, net of current portion	Operating lease liability, net of current portion	222,714	4,640
Deferred revenue, net of current portion	Deferred revenue, net of current portion	8,098	8,306
Deferred revenue, net of current portion			
Deferred revenue, net of current portion			

Deferred tax liability			
Deferred tax liability			
Deferred tax liability	Deferred tax liability	32,018	38,466
Convertible senior notes	Convertible senior notes	418,042	480,546
Total liabilities	Total liabilities	790,095	657,141
Commitments and contingencies (Note 12)			
Commitments and contingencies (Note 12)			
Commitments and contingencies (Note 12)			
Stockholders' equity:	Stockholders' equity:		
Preferred stock: \$0.001 par value; 10,000,000 shares authorized; no shares issued and outstanding		—	—
Class A voting common stock: \$0.001 par value; 100,000,000 shares authorized; 23,682,801 and 23,379,000 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively		24	23
Class B voting common stock: \$0.001 par value; 20,000,000 shares authorized; 1,958,028 and 1,965,170 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively		2	2
Preferred stock: \$0.001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding			
Preferred stock: \$0.001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding			
Preferred stock: \$0.001 par value; 10,000,000 shares authorized; 0 shares issued and outstanding			
Class A voting common stock: \$0.001 par value; 100,000,000 shares authorized; 25,020,677 and 24,206,140 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively			

Class B voting common stock: \$0.001 par value; 20,000,000 shares authorized; 1,958,028 and 1,958,028 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively			
Additional paid-in capital			
Additional paid-in capital			
Additional paid-in capital	Additional paid-in capital	383,013	364,913
Accumulated deficit	Accumulated deficit	(53,956)	(48,547)
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(49,096)	(44,214)
Total stockholders' equity	Total stockholders' equity	279,987	272,177
Total liabilities and stockholders' equity	Total liabilities and stockholders' equity	\$1,070,082	\$ 929,318

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**BANDWIDTH INC.**  
**Condensed Consolidated Statements of Operations**  
(In thousands, except share and per share amounts)  
(Uaudited)

		Three months ended March 31,		Three months ended March 31,		Three months ended March 31,	
		2024		2023		2022	
		Three months ended September 30,				Nine months ended September 30,	
Revenue	Revenue	\$ 152,013	\$ 148,325	\$ 435,731	\$ 416,178		
Cost of revenue	Cost of revenue	92,514	84,861	261,624	241,896		
Cost of revenue							
Cost of revenue							
Gross profit							
Gross profit							

Gross profit	Gross profit	59,499	63,464	174,107	174,282
Operating expenses	Operating expenses				
Operating expenses					
Operating expenses					
Research and development					
Research and development					
Research and development	Research and development	24,792	25,044	75,305	71,735
Sales and marketing	Sales and marketing	25,011	23,184	75,794	69,663
Sales and marketing					
Sales and marketing					
General and administrative					
General and administrative	General and administrative	15,843	16,623	48,430	50,191
Total operating expenses	Total operating expenses	65,646	64,851	199,529	191,589
Total operating expenses					
Operating loss	Operating loss	(6,147)	(1,387)	(25,422)	(17,307)
Other income (expense), net					
Operating loss					
Operating loss					
Other income, net					
Other income, net					
Other income, net					
Net gain on extinguishment of debt	Net gain on extinguishment of debt	—	—	12,767	—
Gain on business interruption insurance recoveries		—	—	4,000	—
Net gain on extinguishment of debt					
Net gain on extinguishment of debt					
Other income (expense), net	Other income (expense), net	798	(338)	52	2,282
Total other income (expense), net		798	(338)	16,819	2,282
Loss before income taxes		(5,349)	(1,725)	(8,603)	(15,025)
Income tax benefit		219	923	3,194	1,161
Net loss	\$	(5,130)	\$	\$	\$
Net loss per share, basic and diluted	\$	(0.20)	\$	\$	\$
Other income (expense), net					
Other income (expense), net					
Total other income, net					
Total other income, net					
Total other income, net					
(Loss) income before income taxes					
(Loss) income before income taxes					
(Loss) income before income taxes					
Income tax benefit					

Income tax benefit				
Income tax benefit				
Net (loss) income				
Net (loss) income				
Net (loss) income				
Weighted average number of common shares outstanding, basic and diluted	25,613,441	25,304,057	25,539,642	25,268,216
Net (loss) income per share:				
Net (loss) income per share:				
Net (loss) income per share:				
Basic				
Basic				
Basic				
Diluted				
Diluted				
Diluted				
Numerator used to compute net (loss) income per share:				
Numerator used to compute net (loss) income per share:				
Numerator used to compute net (loss) income per share:				
Basic				
Basic				
Basic				
Diluted				
Diluted				
Diluted				
Weighted average number of common shares outstanding:				
Weighted average number of common shares outstanding:				
Weighted average number of common shares outstanding:				
Basic				
Basic				
Basic				
Diluted				
Diluted				
Diluted				

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**BANDWIDTH INC.**  
**Condensed Consolidated Statements of Comprehensive Loss (Loss) Income**  
(In thousands)  
(Uaudited)

Three months ended September 30,		Nine months ended September 30,	
2023	2022	2023	2022

Net loss	\$ (5,130)	\$ (802)	\$ (5,409)	\$ (13,864)
Other comprehensive loss				
Unrealized (loss) gain on marketable securities, net of income taxes	(129)	458	(3)	120
Foreign currency translation, net of income taxes	(12,760)	(29,702)	(4,879)	(69,993)
Total other comprehensive loss	(12,889)	(29,244)	(4,882)	(69,873)
Total comprehensive loss	\$ (18,019)	\$ (30,046)	\$ (10,291)	\$ (83,737)

	Three months ended March 31,	
	2024	2023
Net (loss) income	\$ (9,233)	\$ 3,611
Other comprehensive (loss) income		
Unrealized gain on marketable securities, net of income taxes	9	72
Foreign currency translation, net of income taxes	(9,340)	7,647
Total other comprehensive (loss) income	(9,331)	7,719
Total comprehensive (loss) income	\$ (18,564)	\$ 11,330

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

### BANDWIDTH INC.

#### Condensed Consolidated Statements of Changes in Stockholders' Equity

(In thousands, except share amounts)

(Unaudited)

	Shares		Class A voting common stock		Class A voting common stock		Class B voting common stock		Accumulated Additional paid-in comprehensive capital			Accumulated other comprehensive loss deficit			Total Accumulated stockholders' equity			
									Shares	Amount	Shares	Amount	paid-in capital	other comprehensive loss	Accumulated deficit	equity	Shares	Amount
		Shares	Amount	Shares	Amount	Shares	Amount	paid-in capital	other comprehensive loss	Accumulated deficit	equity	Shares	Amount	paid-in capital	other comprehensive loss	Accumulated deficit	equity	
Balance at December 31, 2021		23,177,988	\$ 23	1,965,170	\$ 2	\$ 502,477	\$ (13,040)	\$ (76,867)	\$ 412,595									
Exercises of vested stock options		16,095	—	—	—	125	—	—	—								125	
Vesting of restricted stock units		144,977	—	—	—	—	—	—	—								—	
Equity awards withheld for tax liability		(30,029)	—	—	—	(1,751)	—	—	—								(1,751)	
Adjustment to opening retained earnings due to adoption of ASU 2020-06		—	—	—	—	(156,248)	—	8,750	(147,498)									
Foreign currency translation		—	—	—	—	—	(10,516)	—	(10,516)									
Stock-based compensation		—	—	—	—	5,346	—	—	5,346									
Net loss		—	—	—	—	—	—	(6,814)	(6,814)									
Balance at March 31, 2022		23,309,031	\$ 23	1,965,170	\$ 2	349,949	(23,556)	(74,931)	251,487									

Exercises of vested stock options	4,287	—	—	—	37	—	—	37
Vesting of restricted stock units	28,351	—	—	—	—	—	—	—
Equity awards withheld for tax liability	(7,005)	—	—	—	(145)	—	—	(145)
Unrealized loss on marketable securities	—	—	—	—	—	(338)	—	(338)
Foreign currency translation	—	—	—	—	—	(29,775)	—	(29,775)
Stock-based compensation	—	—	—	—	4,821	—	—	4,821
Net loss	—	—	—	—	—	—	(6,248)	(6,248)
<b>Balance at June 30, 2022</b>	<b>23,334,664</b>	<b>23</b>	<b>1,965,170</b>	<b>2</b>	<b>354,662</b>	<b>(53,669)</b>	<b>(81,179)</b>	<b>219,839</b>
Vesting of restricted stock units	30,395	—	—	—	—	—	—	—
Equity awards withheld for tax liability	(6,856)	—	—	—	(89)	—	—	(89)
Unrealized gain on marketable securities	—	—	—	—	—	458	—	458
Foreign currency translation	—	—	—	—	—	(29,702)	—	(29,702)
Stock-based compensation	—	—	—	—	4,892	—	—	4,892
Net loss	—	—	—	—	—	—	(802)	(802)
<b>Balance at September 30, 2022</b>	<b>23,358,203</b>	<b>23</b>	<b>1,965,170</b>	<b>2</b>	<b>359,465</b>	<b>(82,913)</b>	<b>(81,981)</b>	<b>194,596</b>
<b>Balance at December 31, 2022</b>								
<b>Balance at December 31, 2022</b>								
Exercises of vested stock options	Exercises of vested stock options	86	—	—	—	1	—	—
Vesting of restricted stock units	Vesting of restricted stock units	27,511	—	—	—	—	—	—
Equity awards withheld for tax liability	Equity awards withheld for tax liability	(6,800)	—	—	—	(149)	—	(149)
Unrealized gain on marketable securities	Unrealized gain on marketable securities	—	—	—	—	—	194	—
Unrealized gain on marketable securities	Unrealized gain on marketable securities	—	—	—	—	—	—	194
Foreign currency translation	Foreign currency translation	—	—	—	—	38,138	—	38,138
Unrealized gain on employee benefit pension plan	Unrealized gain on employee benefit pension plan	—	—	—	—	367	—	367
Stock-based compensation	Stock-based compensation	—	—	—	—	—	—	—
Stock-based compensation	Stock-based compensation	—	—	—	—	5,596	—	5,596
Net income	Net income	—	—	—	—	—	33,434	33,434
<b>Balance at December 31, 2022</b>	<b>23,379,000</b>	<b>23</b>	<b>1,965,170</b>	<b>2</b>	<b>364,913</b>	<b>(44,214)</b>	<b>(48,547)</b>	<b>272,177</b>

Balance at March								
31, 2023								
Exercises of vested stock options	Exercises of vested stock options	22,975	—	—	—	155	—	—
Vesting of restricted stock units	Vesting of restricted stock units	171,950	1	—	—	—	—	1
Equity awards withheld for tax liability								
Unrealized gain on marketable securities								
Unrealized gain on marketable securities								
Unrealized gain on marketable securities								
Foreign currency translation								
Stock-based compensation								
Stock-based compensation								
Stock-based compensation								
Net loss								
Balance at June								
30, 2023								
Vesting of restricted stock units								
Vesting of restricted stock units								
Vesting of restricted stock units								
Equity awards withheld for tax liability								
Conversion of Class B voting common stock to Class A voting common stock								
Unrealized loss on marketable securities								
Foreign currency translation								
Stock-based compensation								
Stock-based compensation								
Stock-based compensation								
Net loss								
Balance at September 30, 2023								

Vesting of restricted stock units
Vesting of restricted stock units
Vesting of restricted stock units
Equity awards withheld for tax liability
Unrealized loss on marketable securities
Unrealized loss on marketable securities
Unrealized loss on marketable securities
Foreign currency translation
Unrealized loss on employee benefit pension plan
Stock-based compensation
Net loss
Balance at December 31, 2023
Exercises of vested stock options
Vesting of restricted stock units

**BANDWIDTH INC.**  
**Condensed Consolidated Statements of Changes in Stockholders' Equity**  
(In thousands, except share amounts)  
(Uaudited)

Class A voting common stock		Class B voting common stock		Accumulated							
				Additional paid-in capital	compre hensive loss	Accumulated loss	deficit	Total stockholders' equity			
Shares	Amount	Shares	Amount								
<b>Class A voting common stock</b>											
<b>Class A voting common stock</b>											
<b>Class A voting common stock</b>											
Shares				Additional paid-in capital	compre hensive loss	Accumulated loss	deficit	Total stockholders' equity			
<b>Class B voting common stock</b>											
<b>Class B voting common stock</b>											
				Additional paid-in capital	compre hensive loss	Accumulated loss	deficit	Total stockholders' equity			
Equity awards withheld for tax liability											
Equity awards withheld for tax liability											

Equity awards withheld for tax liability	Equity awards withheld for tax liability	(43,325)	—	—	—	(903)	—	—	(903)
Unrealized gain on marketable securities									
Unrealized gain on marketable securities									
Unrealized gain on marketable securities	Unrealized gain on marketable securities	—	—	—	—	—	72	—	72
Foreign currency translation	Foreign currency translation	—	—	—	—	—	7,647	—	7,647
Stock-based compensation	Stock-based compensation	—	—	—	—	6,649	—	—	6,649
Net income		—	—	—	—	—	3,611	—	3,611
Balance at March 31, 2023		23,530,600	24	1,965,170	2	370,814	(36,495)	(44,936)	289,409
Exercises of vested stock options		38,374	—	—	—	259	—	—	259
Vesting of restricted stock units		58,084	—	—	—	—	—	—	—
Equity awards withheld for tax liability		(2,289)	—	—	—	(30)	—	—	(30)
Unrealized gain on marketable securities		—	—	—	—	—	54	—	54
Foreign currency translation		—	—	—	—	—	234	—	234
Stock-based compensation									
Stock-based compensation	Stock-based compensation	—	—	—	—	5,866	—	—	5,866
Net loss	Net loss	—	—	—	—	—	—	(3,890)	(3,890)
Balance at June 30, 2023		23,624,769	24	1,965,170	2	376,909	(36,207)	(48,826)	291,902
Vesting of restricted stock units		51,132	—	—	—	—	—	—	—
Equity awards withheld for tax liability		(242)	—	—	—	(3)	—	—	(3)
Conversion of Class B voting common stock to Class A voting common stock		7,142	—	(7,142)	—	—	—	—	—
Unrealized loss on marketable securities		—	—	—	—	—	(129)	—	(129)
Foreign currency translation		—	—	—	—	—	(12,760)	—	(12,760)
Stock-based compensation		—	—	—	—	6,107	—	—	6,107
Net loss		—	—	—	—	—	—	(5,130)	(5,130)
Balance at September 30, 2023		23,682,801	\$ 24	1,958,028	\$ 2	\$ 383,013	\$ (49,096)	\$ (53,956)	\$ 279,987
Balance at March 31, 2024									

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

**BANDWIDTH INC.**  
**Condensed Consolidated Statements of Cash Flows**  
 (In thousands)  
 (Unaudited)

**Nine months ended September 30,**

	2023	2022
<b>Cash flows from operating activities</b>		
Net loss	\$ (5,409)	\$ (13,864)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	29,687	26,866
Non-cash reduction to the right-of-use asset	5,227	5,308
Amortization of debt discount and issuance costs	1,995	2,343
Stock-based compensation	22,325	15,059
Deferred taxes and other	(5,902)	(5,496)
Net gain on extinguishment of debt	(12,767)	—
Changes in operating assets and liabilities:		
Accounts receivable, net of allowances	(654)	(18,311)
Prepaid expenses and other assets	2,102	(13,389)
Accounts payable	4,164	14,305
Accrued expenses and other liabilities	(13,031)	17,142
Operating right-of-use liability	(8,004)	(5,623)
Net cash provided by operating activities	<u>19,733</u>	<u>24,340</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(5,287)	(18,669)
Deposits for construction in progress	—	(14,545)
Capitalized software development costs	(8,384)	(2,121)
Purchase of marketable securities	(60,625)	(178,153)
Proceeds from sales and maturities of marketable securities	100,109	33,102
Proceeds from sale of business	1,070	—
Net cash provided by (used in) investing activities	<u>26,883</u>	<u>(180,386)</u>
<b>Cash flows from financing activities</b>		
Payments on finance leases	(124)	(162)
Net cash paid for debt extinguishment	(51,259)	—
Payment of debt issuance costs	(696)	(553)
Proceeds from exercises of stock options	413	162
Value of equity awards withheld for tax liabilities	(1,056)	(2,047)
Net cash used in financing activities	<u>(52,722)</u>	<u>(2,600)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(887)	(6,341)
Net decrease in cash, cash equivalents, and restricted cash	(6,993)	(164,987)
Cash, cash equivalents, and restricted cash, beginning of period	114,622	332,289
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 107,629</u>	<u>\$ 167,302</u>
<b>Reconciliation of cash, cash equivalents, and restricted cash, end of period</b>		
Cash and cash equivalents	\$ 107,373	\$ 166,384
Restricted cash included in prepaid expenses and other current assets	256	918
Total cash, cash equivalents, and restricted cash, end of period	<u>\$ 107,629</u>	<u>\$ 167,302</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash (received from) paid for interest	\$ (814)	\$ 1,328
Cash paid for taxes, net	\$ 5,688	\$ 899
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 155,588	\$ 3,322
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Purchase of property, plant and equipment, accrued but not paid	\$ 3,825	\$ 2,133
Purchase of property and equipment through lease incentive	<u>\$ 57,329</u>	<u>\$ 3,807</u>

Purchase of property and equipment through use of escrow deposits	\$ 20,674	\$ —
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**BANDWIDTH INC.**

**Condensed Consolidated Statements of Cash Flows**

(In thousands)  
(Unaudited)

	Three months ended March 31,	
	2024	2023
<b>Cash flows from operating activities</b>		
Net (loss) income	\$ (9,233)	\$ 3,611
Adjustments to reconcile net (loss) income to net cash provided by (used in) operating activities		
Depreciation and amortization	12,414	8,894
Non-cash reduction to the right-of-use asset	1,141	1,601
Amortization of debt discount and issuance costs	525	1,011
Stock-based compensation	12,339	7,378
Deferred taxes and other	(1,373)	(4,683)
Net gain on extinguishment of debt	—	(12,767)
Changes in operating assets and liabilities:		
Accounts receivable, net of allowances	(11,464)	11,335
Prepaid expenses and other assets	1,230	(1,509)
Accounts payable	(8,640)	(10,707)
Accrued expenses and other liabilities	6,707	(8,619)
Operating right-of-use liability	(1,181)	(1,899)
Net cash provided by (used in) operating activities	<u>2,465</u>	<u>(6,354)</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(3,316)	(2,889)
Capitalized software development costs	(3,556)	(1,657)
Purchase of marketable securities	(21,764)	(10,849)
Proceeds from sales and maturities of marketable securities	1,422	43,938
Proceeds from sale of business	208	418
Net cash (used in) provided by investing activities	<u>(27,006)</u>	<u>28,961</u>
<b>Cash flows from financing activities</b>		
Payments on finance leases	(17)	(55)
Net cash paid for debt extinguishment	—	(51,146)
Proceeds from exercises of stock options	103	155
Value of equity awards withheld for tax liabilities	(1,893)	(1,016)
Net cash used in financing activities	<u>(1,807)</u>	<u>(52,062)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash		
Net decrease in cash, cash equivalents, and restricted cash	(394)	308
Cash, cash equivalents, and restricted cash, beginning of period	(26,742)	(29,147)
Cash, cash equivalents, and restricted cash, end of period	<u>132,307</u>	<u>114,622</u>
<b>Reconciliation of cash, cash equivalents, and restricted cash, end of period</b>	<u>\$ 105,565</u>	<u>\$ 85,475</u>
Cash and cash equivalents	\$ 105,390	\$ 85,298
Restricted cash included in prepaid expenses and other current assets	175	177
Total cash, cash equivalents, and restricted cash, end of period	<u>\$ 105,565</u>	<u>\$ 85,475</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash received from interest	\$ (1,113)	\$ (334)
Cash paid (refunded) for taxes, net	\$ 440	\$ (553)

<b>Supplemental disclosure of noncash investing and financing activities</b>			
Purchase of property, plant and equipment, accrued but not paid	\$ 1,069	\$ 1,348	
Purchase of property and equipment through lease incentive	\$ —	\$ 2,155	

*The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.*

**BANDWIDTH INC.**  
**Notes to Condensed Consolidated Financial Statements**  
**(Unaudited)**

**1. Organization and Description of Business**

Bandwidth Inc. (together with its subsidiaries, "Bandwidth" or the "Company") was founded in July 2000 and incorporated in Delaware on March 29, 2001. The Company's headquarters are located in Raleigh, North Carolina. The Company is **an international** a global cloud-based, software-powered communications platform-as-a-service ("CPaaS") provider that enables enterprises to create, scale and operate voice or messaging communications services across any mobile application or connected device.

**2. Summary of Significant Accounting Policies**

**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 ("GAAP") and applicable rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Certain information and disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K, filed with the SEC on **February 23, 2023** **February 28, 2024**.

The condensed consolidated balance sheet as of **December 31, 2022** **December 31, 2023**, included herein, was derived from the audited financial statements as of that date, but does not include all disclosures, including certain notes required by GAAP on an annual reporting basis.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive **loss** **(loss)** **income** and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year **2023** **2024** or any future period.

**Principles of Consolidation**

The condensed consolidated financial statements include the accounts of Bandwidth Inc. and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

**Use of Estimates**

The preparation of the Company's condensed consolidated financial statements in conformity with GAAP requires the Company to make estimates and judgments that affect the amounts reported in these financial statements and accompanying notes. These estimates in the condensed consolidated financial statements include, but are not limited to, allowance for doubtful accounts, reserve for expected credit losses, reserve for sales credits, recoverability of long lived and intangible assets, fair value of acquired intangible assets and goodwill, discount rates used in the valuation of right-of-use assets and lease liabilities, the fair value of the liability of the Company's Convertible Notes (as defined herein), estimated period of benefit, valuation allowances on deferred tax assets, certain accrued expenses and contingencies, economic and demographic actuarial assumptions related to pension and other postretirement benefit costs and liabilities. Although the Company believes that the estimates it uses are

**Notes to Condensed Consolidated Financial Statements (continued)**

reasonable, due to the inherent uncertainty involved in making these estimates, actual results reported in future periods could differ from those estimates.

## Marketable Securities

The Company classifies marketable securities as available-for-sale at the time of purchase and reevaluates such classification as of each balance sheet date. The Company may sell these securities at any time for use in current operations even if they have not yet reached maturity. As a result, the Company classifies investments with maturities greater than 90 days as marketable securities in the accompanying condensed consolidated balance sheets. The Company evaluates its investments to assess whether the amortized cost basis is in excess of estimated fair value and determines what amount of that difference, if any, is caused by expected credit losses. Allowances for credit losses are recognized as a charge in other income, (expense), net on the condensed consolidated statements of operations, and any remaining unrealized losses are included in accumulated other comprehensive loss on the condensed consolidated balance sheets. Due to the nature and investment grade of the Company's marketable securities, there were no credit losses recorded for the three and nine months ended **September 30, 2023** **March 31, 2024**. There have been no impairment charges for any unrealized losses during the period.

## Accounts Receivable and Current Expected Credit Losses

Accounts receivable are stated at realizable value, net of allowances, which includes an allowance for doubtful accounts and a reserve for expected credit losses. The allowance for doubtful accounts is based on management's assessment of the collectability of its customer accounts. The Company regularly reviews the composition of the accounts receivable aging, historical bad debts, changes in payment patterns, customer creditworthiness, current economic trends, and reasonable and supportable forecasts about the future. Relevant risk characteristics include customer size and historical loss patterns. Management has evaluated the expected credit losses related to trade accounts receivable and determined that an allowance of approximately **\$1.3 million** **\$2.5 million** and **\$1.2 million** **\$1.1 million** for uncollectible accounts and customer balances that are disputed was required as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, respectively. Refer to Note 4, "Financial Statement Components" to these condensed consolidated financial statements, for a rollforward of the components of the allowances for the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**.

The Company includes unbilled receivables in its accounts receivable balance. Generally, these receivables represent earned revenue from services provided to customers, which will be billed in the next billing cycle. All amounts are considered collectible and billable. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, unbilled receivables were **\$39.7 million** **\$47.9 million** and **\$33.9 million** **\$43.6 million**, respectively.

## Concentration of Credit Risk

Financial instruments that are exposed to concentration of credit risk consist primarily of cash and cash equivalents, marketable securities and trade accounts receivable. The Company maintains its cash, cash equivalents and marketable securities with high credit-quality financial institutions. Certain balances held by such financial institutions exceed insured limits.

With regard to customers, credit evaluation and account monitoring procedures are used to minimize the risk of loss. The Company believes that no additional credit risk beyond amounts provided for by the allowance for doubtful accounts are inherent in accounts receivable. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, no individual customer represented more than 10% of the Company's accounts receivable, net of allowance for doubtful accounts.

For the three and nine months ended **September 30, 2023** **March 31, 2024** and **2022, 2023**, no individual customer represented more than 10% of the Company's revenue.

## Notes to Condensed Consolidated Financial Statements (continued)

### Business Interruption Insurance Recovery

Beginning in September 2021, the Company's communications network was subjected to a distributed denial of service attack (the "DDoS Attack") that caused intermittent communications services disruptions affecting certain of its markets and customers. During the period of the DDoS Attack, the Company maintained certain insurance coverage, including business interruption insurance, intended to cover such circumstances. In June 2023, the Company resolved its claim with an insurer, pursuant to which the Company was entitled to receive \$4.0 million in proceeds from business interruption insurance, which was recorded within gain on business interruption insurance recoveries on the Company's condensed consolidated statements of operations in the nine months ended September 30, 2023. The proceeds were received in full in July 2023.

### Recent Accounting Pronouncements Not Yet Adopted

There were no recentIn November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* ("ASU 2023-07"), which requires public entities to disclose information about their reportable segments' significant expenses on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is evaluating the effect of adopting this new accounting pronouncementsguidance on its financial statements, but does not yet adopted during intend to early adopt.

In December 2023, the three FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* ("ASU 2023-09"). The amendments in this update require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and nine months ended September 30, 2023 (2) provide additional information for reconciling items that were significant meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the Company amount computed by multiplying pretax income or loss by the applicable statutory income tax rate). The amendments also require entities on an annual basis to disclose disaggregated amounts of income taxes paid. ASU 2023-09 is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is evaluating the effect of adopting this new accounting guidance on its financial statements, but does not intend to early adopt.

### 3. Fair Value Measurements

The Company uses a three-tier fair value hierarchy to classify and disclose all assets and liabilities measured at fair value on a recurring basis, as well as assets and liabilities measured at fair value on a non-recurring basis, in periods subsequent to their initial measurement. The hierarchy requires use of observable inputs when available, and to minimize the use of unobservable inputs when determining fair value. The three tiers are defined as follows:

- **Level 1.** Observable inputs based on unadjusted quoted prices in active markets for identical assets or liabilities;
- **Level 2.** Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- **Level 3.** Unobservable inputs for which there is little or no market data, which requires the Company to develop its own assumptions.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023** because of the relatively short duration of these instruments. Marketable securities consist of time deposits **corporate debt securities, U.S. treasury securities, and commercial paper** not otherwise classified as cash equivalents. All marketable securities are considered to be available-for-sale and are recorded at their estimated fair values. Unrealized gains and losses for available-for-sale securities are recorded in accumulated other comprehensive loss.

Notes to Condensed Consolidated Financial Statements (continued)

The Company evaluated its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them for each reporting period. The following tables

Notes to Condensed Consolidated Financial Statements (continued)

summarize the Company's financial assets measured at fair value as of **September 30, 2023**, **March 31, 2024** and **December 31, 2022**, **December 31, 2023**.

Amortized cost or carrying value	Fair value measurements on a recurring basis			Fair value measurements on a recurring basis			Fair value measurements on a recurring basis			Fair value measurements on a recurring basis		
	Amortized cost or carrying value	Unrealized gains	Unrealized losses	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
												March 31, 2024
Amortized cost or carrying value												
	Fair value measurements on a recurring basis			Fair value measurements on a recurring basis			Fair value measurements on a recurring basis			Fair value measurements on a recurring basis		
	Amortized cost or carrying value	Unrealized gains	Unrealized losses	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	value			Level 1	2	3	Level 1	2	3	Level 1	2	3
	(In thousands)			(In thousands)			(In thousands)			(In thousands)		
	(In thousands)			(In thousands)			(In thousands)			(In thousands)		
	(In thousands)											

<b>Financial assets:</b>	<b>Financial assets:</b>
Cash and cash equivalents:	Cash and cash equivalents:
Cash and cash equivalents:	Cash and cash equivalents:
Money market account	
Money market account	
Money market account	\$ 67,168 \$ — \$ — \$ 67,168 \$ — \$ — \$ 67,168
Commercial paper	Commercial paper 5,470 — — 5,470 — — 5,470
Commercial paper	
Commercial paper	
Total included in cash and cash equivalents	
Total included in cash and cash equivalents	
Total included in cash and cash equivalents	72,638 — — 72,638 — — 72,638
Marketable securities:	Marketable securities:
Time deposits	Time deposits 20,000 — — 20,000 — — 20,000
Time deposits	
Time deposits	
Corporate debt securities	265 1 — — 266 — 266
Commercial paper	
Commercial paper	
Commercial paper	Commercial paper 11,169 310 — 11,479 — — 11,479
Total marketable securities	Total marketable securities 31,434 311 — 31,479 266 — 31,745
Total financial assets	Total financial assets \$ 104,072 \$ 311 \$ — \$104,117 \$ 266 \$ — \$104,383
Total financial assets	
Total financial assets	

		Amortized cost or carrying value	Unrealized gains	Unrealized losses	Fair value measurements on a recurring basis							
					December 31, 2022							
					Level 1	Level 2	Level 3	Total				
(In thousands)												
<b>Financial assets:</b>												
Cash and cash equivalents:												
Money market account		\$ 36,728	\$ —	\$ —	\$ 36,728	\$ —	\$ —	\$ 36,728				
Commercial paper		28,254	—	—	28,254	—	—	28,254				
Total included in cash and cash equivalents		64,982	—	—	64,982	—	—	64,982				
Marketable securities:												

Time deposits	6,645	—	(15)	6,630	—	—	6,630
U.S. treasury securities	14,718	74	—	14,792	—	—	14,792
Corporate debt securities	23,412	—	(97)	—	23,315	—	23,315
Commercial paper	26,142	352	—	26,494	—	—	26,494
Total marketable securities	70,917	426	(112)	47,916	23,315	—	71,231
Total financial assets	\$ 135,899	\$ 426	\$ (112)	\$ 112,898	\$ 23,315	\$ —	\$ 136,213

**Notes to Condensed Consolidated Financial Statements (continued)**

	Amortized cost or carrying value	Unrealized gains	Unrealized losses	Fair value measurements on a recurring basis						
				December 31, 2023						
				Level 1	Level 2	Level 3	Total			
(In thousands)										
<b>Financial assets:</b>										
Cash and cash equivalents:										
Money market account	\$ 120,724	\$ —	\$ —	\$ 120,724	\$ —	\$ —	\$ 120,724			
Total included in cash and cash equivalents	120,724	—	—	120,724	—	—	120,724			
Marketable securities:										
Time deposits	20,000	—	—	20,000	—	—	20,000			
Commercial paper	1,422	66	—	1,488	—	—	1,488			
Total marketable securities	21,422	66	—	21,488	—	—	21,488			
Total financial assets	\$ 142,146	\$ 66	\$ —	\$ 142,212	\$ —	\$ —	\$ 142,212			

The Company classifies its marketable securities as current assets as they are available for current operating needs. The following table summarizes the contractual maturities of marketable securities as of **September 30, 2023** **March 31, 2024**:

	Amortized cost	Amortized cost		Aggregate fair value			
		Amortized cost	Aggregate fair value				
		(In thousands)	(In thousands)	(In thousands)	(In thousands)	(In thousands)	
<b>Financial assets:</b>							
<b>Financial assets:</b>							
Less than one year							
Less than one year							
Less than one year							
Less than one year	\$ 31,434	\$ 31,745					
Total	Total	\$ 31,434	\$ 31,745				
Total							
Total							

As of **September 30, 2023** **March 31, 2024**, the marketable securities were in an unrealized gain position. 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

**Notes to Condensed Consolidated Financial Statements (continued)**

that it will be required to sell any of these investments before recovery of the entire amortized cost basis. As of **September 30, 2023** **March 31, 2024**, the Company anticipates that it will recover the entire amortized cost basis of its marketable securities before maturity.

During the three and nine months ended **September 30, 2023** **March 31, 2024** and 2023, there were **\$18.9** **\$1.4** million and **\$61.8** **\$26.2** million, respectively, in maturities of marketable securities, respectively. There were no proceeds from sales of marketable securities for the three months ended **September 30, 2023** **March 31, 2024** and **\$38.3** million for the nine months ended **September 30, 2023**. There were **\$33.1** **\$17.7** million in maturities proceeds from sales of marketable securities for the three and nine months ended **September 30, 2022** **March 31, 2023**. The Company determines realized gains and losses on sale of marketable securities using the specific identification method and records such gains and losses in other income, (expense), net on the condensed consolidated statements of operations. Interest earned on marketable securities was **\$0.6** million and **\$1.4** million for the three and nine months ended **September 30, 2023**, respectively, and **\$0.4** million and **\$0.6** **\$0.3** million for the three and nine months ended **September 30, 2022**, **March 31, 2024** and 2023, respectively. The interest is recorded in other income, (expense), net, on the accompanying condensed consolidated statements of operations. Accrued interest receivable is recorded in prepaid expenses and other current assets on the accompanying condensed consolidated balance sheets.

As of **September 30, 2023** **March 31, 2024**, the fair value of the 2026 Convertible Notes and 2028 Convertible Notes, as further described in Note 8, "Debt," to these condensed consolidated financial statements, was approximately **\$137.7** **\$147.4** million and **\$162.5** **\$176.5** million, respectively. As of **December 31, 2022** **December 31, 2023**, the fair value of the 2026 Convertible Notes and the 2028 Convertible Notes was approximately **\$180.9** million **\$145.5** million and **\$156.5** million **\$157.6** million, respectively. The fair value was determined based on the closing price for the Convertible Notes on the last trading day of the reporting period and is considered as Level 2 in the fair value hierarchy.

#### 4. Financial Statement Components

Accounts receivable, net of allowances consist of the following:

	As of March		As of March 31,	As of December 31,		
	31,					
	As of September 30,	As of December 31,				
	2024					
	2024					
	2024		2023			
	2023	2022				
	(In thousands)					
	(In thousands)					
	(In thousands)					
Trade accounts receivable	Trade accounts receivable	\$ 36,477	\$ 40,332			
Unbilled accounts receivable	Unbilled accounts receivable	39,743	33,863			
Allowance for doubtful accounts and reserve for expected credit losses	Allowance for doubtful accounts and reserve for expected credit losses	(1,265)	(1,191)			
Other accounts receivable	Other accounts receivable	91	1,461			

Total accounts receivable, net	Total accounts receivable, net	\$ 75,046	\$ 74,465
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Components of allowance for doubtful accounts and reserve for expected credit losses are as follows:

	Three months ended March 31,	
	2024	2023
	(in thousands)	
Balance, beginning of period	\$ (1,128)	\$ (1,191)
Charged to bad debt expense, net of reversals	(1,457)	(304)
Deductions (1)	60	148
Impact of foreign currency translation	17	(35)
Balance, end of period	\$ (2,508)	\$ (1,382)

(1) Write-off of uncollectible accounts after all collection efforts have been exhausted.

#### Notes to Condensed Consolidated Financial Statements (continued)

Components of allowance for doubtful accounts and reserve for expected credit losses are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
<b>Allowance for doubtful accounts:</b>				
Balance, beginning of period	\$ (1,616)	\$ (945)	\$ (1,191)	\$ (1,661)
Charged to bad debt expense, net of reversals	260	(117)	(465)	64
Deductions (1)	82	236	386	728
Impact of foreign currency translation	9	34	5	77
Balance, end of period	\$ (1,265)	\$ (792)	\$ (1,265)	\$ (792)

(1) Write-off of uncollectible accounts after all collection efforts have been exhausted.

Accrued expenses and other current liabilities consisted of the following:

	As of March 31,		As of March 31,		As of December 31,	
	As of September 30,		As of December 31,			
	2024	2024	2024	2023	2023	2023
(in thousands)						
(in thousands)						
(in thousands)						
Accrued expense	Accrued expense	\$ 37,573	\$ 29,990			
Accrued compensation and benefits	Accrued compensation and benefits	14,688	21,595			

Accrued sales, use, VAT and telecommunications related taxes	Accrued sales, use, VAT and telecommunications related taxes	7,489	7,799
Income tax payable		—	2,235
Other accrued expenses			
Other accrued expenses			
Other accrued expenses	Other accrued expenses	702	958
Total accrued expenses and other current liabilities	Total accrued expenses and other current liabilities	\$ 60,452	\$ 62,577

Other liabilities consisted of the following:

	As of September 30,		As of December 31,	
	2023		2022	
	(in thousands)			
Lease incentive	\$ —		\$ 10,468	
Other liabilities		620		708
Total other liabilities	\$ 620		\$ 11,176	

#### Notes to Condensed Consolidated Financial Statements (continued)

## 5. Leases

The Company primarily leases facilities for office space under non-cancelable operating leases for its U.S. and international locations. As of **September 30, 2023** **March 31, 2024**, non-cancelable leases expire on various dates between **2023** **2024** and 2043, some of which include options to extend the leases for up to 20 years.

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

	Three months ended September 30,		Nine months ended September 30,	
	2023		2022	
	(in thousands)			
Operating lease cost	\$ 5,311		\$ 1,809	\$ 8,798
Sublease income	—		(14)	—
Total net lease cost	\$ 5,311		\$ 1,795	\$ 8,798

is comprised of operating lease costs of \$6.0 million and \$1.7 million for the three months ended March 31, 2024 and 2023, respectively.

Other supplemental information related to operating leases were as follows:

Three months ended March 31, 2024	Three months ended March 31, 2023	Three months ended March 31, 2022

Nine months ended September 30,	2023	2022
--	------	------

Weighted average remaining lease term (in years)  Weighted average remaining lease term (in years)	<b>(In thousands)</b>	
Weighted average remaining lease term (in years) (in years)	Weighted average remaining lease term (in years) (in years)	19.33 2.28
Weighted average discount rate	Weighted average discount rate	8.73 % 4.61 %
Weighted average discount rate		
Weighted average discount rate		

Maturities of operating lease liabilities were as follows:

	As of September 30, 2023
	(In thousands)
2023 (remaining)	\$ 5,029
2024	23,544
2025	22,904
2026	22,365
2027	22,119
Thereafter	401,269
Total lease payments	497,230
Less: imputed interest	(269,750)
Total lease obligations	227,480
Less: current obligations	(4,766)
Long-term lease obligations	\$ 222,714

**New Corporate Headquarters**

On August 1, 2023, the Company commenced a lease for a new corporate headquarters in Raleigh, North Carolina. The lease term will continue for a period of twenty (20) years (the "Initial Term"). The Company has the option to renew the Initial Term for two ten-year periods at a rental rate equal to 100% of the then-prevailing market

**Notes to Condensed Consolidated Financial Statements (continued)**

rental rate for comparable buildings in the Raleigh, North Carolina, market. The Company relocated its corporate headquarters to the leased property during the third quarter **Maturities of 2023**.

Upon commencement of the lease, the Company recognized right-of-use ("ROU") assets of \$156.0 million and operating lease liabilities of \$223.1 million. The operating lease liabilities include \$67.8 million of incentives provided by the landlord throughout development of the new corporate headquarters. Assets obtained through lease incentives are reported in property, plant and equipment, net, on the condensed consolidated balance sheets. Total lease payments over the Initial Term will be approximately \$495.7 million. The Company also has recorded \$2.5 million in security deposits and \$1.0 million in escrow deposits to fund additional improvements. Deposits are reported as a component of other long-term assets on the Company's condensed consolidated balance sheets, follows:

	As of March 31, 2024
	(In thousands)
2024 (remaining)	\$ 17,234
2025	22,275
2026	21,720
2027	22,121
2028	22,462
Thereafter	378,808
Total lease payments	484,620
Less: imputed interest	(259,803)
Total lease obligations	224,817
Less: current obligations	(5,089)
Long-term lease obligations	<u>\$ 219,728</u>

## 6. Property, Plant and Equipment

Property, plant and equipment, net consisted of the following:

	As of September 30,		As of December 31,		Useful Life  2023	
	As of March 31,		2022			
	As of March 31, 2024		2024			
	(In thousands)		(In years)			
	(In thousands)		(In years)			
	(In thousands)		(In years)			
	(In thousands)		(In years)			
Furniture and fixtures						
Furniture and fixtures						
Furniture and fixtures	Furniture and fixtures	\$ 17,204	\$ 16,494	5		
Computer and office equipment	Computer and office equipment	16,215	14,160	2 to 10		
Computer and office equipment						
Computer and office equipment						
Telecommunications equipment						
Telecommunications equipment						
Telecommunications equipment	Telecommunications equipment	79,925	80,251	5 to 7		

Leasehold improvements	Leasehold improvements	79,683	6,410	5 to 20
Leasehold improvements				
Leasehold improvements				
Software				
Software				
Software	Software	10,822	7,051	3
Internal-use software development	Internal-use software development	31,139	23,677	4
Internal-use software development				
Internal-use software development				
Automobile				
Automobile				
Automobile	Automobile	526	665	3
Land	Land	27,636	23,090	Indefinite
Land				
Land				
Land Improvements				
Land Improvements				
Land Improvements	Land Improvements	1,065	—	20
Total cost	Total cost	264,215	171,798	
Total cost				
Total cost				
Less—accumulated depreciation				
Less—accumulated depreciation				
Less—accumulated depreciation	Less—accumulated depreciation	(87,435)	(72,045)	
Total property, plant and equipment, net	Total property, plant and equipment, net	\$ 176,780	\$ 99,753	
Total property, plant and equipment, net				
Total property, plant and equipment, net				

The Company capitalized \$3.4 million and \$8.4 million of software development costs for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$0.9 million and \$2.1 million for the three and nine months ended September 30, 2022, 2023, respectively.

Amortization expense related to capitalized software development costs was \$0.8 million and \$2.2 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and \$0.6 million and \$1.6 million for the three and nine months ended September 30, 2022, respectively. As of September 30, 2023, unamortized implementation costs related to cloud computing arrangements were \$0.2 million, of which \$0.1 million were included in prepaid expenses and other current assets and \$0.1 million were included in other long-term assets.

The Company leases automobiles under leases accounted for as finance leases, which expire on various dates between 2024 and 2026. As of September 30, 2023, cost and accumulated depreciation of the assets under finance leases recorded by the Company were \$0.5 million and \$0.3 million, 2023, respectively.

#### Notes to Condensed Consolidated Financial Statements (continued)

The Company recognized depreciation expense, which includes amortization of capitalized software development costs, as follows:

	Three months ended March 31,	
	Three months ended March 31,	
	Three months ended March 31,	
2024		
	Three months ended September 30,	Nine months ended September 30,

		(In thousands)							
		2023		2022		2023		2022	
		(In thousands)				(In thousands)			
		(In thousands)							
Cost of revenue	Cost of revenue	\$ 4,056	\$ 3,403	\$ 11,790	\$ 10,141				
Research and development	Research and development	1,199	610	2,461	1,767				
Research and development									
Research and development									
Sales and marketing									
Sales and marketing	Sales and marketing	905	346	1,486	1,027				
General and administrative	General and administrative	487	302	990	913				
General and administrative									
General and administrative									
Total depreciation expense	Total depreciation expense	\$ 6,647	\$ 4,661	\$ 16,727	\$ 13,848				
Total depreciation expense									
Total depreciation expense									

## 7. Goodwill and Intangible Assets

### Goodwill

The change in the carrying amounts of goodwill was as follows:

		Total	
		(In thousands)	
Balance as of December 31, 2022	December 31, 2023	\$ 326,405	335,872
Foreign currency translation adjustments		(4,402)	(7,300)
Balance as of September 30, 2023	March 31, 2024	\$ 322,003	328,572

### Intangible Assets

Intangible assets, net consisted of the following:

	As of March 31,			As of December 31,		
	2024			2023		
	Gross Amount	Accumulated Amortization	Net Carrying Value	Gross Amount	Accumulated Amortization	Net Carrying Value
(In thousands)						
Customer relationships	\$ 146,348	\$ (37,768)	\$ 108,580	\$ 147,426	\$ (35,599)	\$ 111,827
Developed technology	77,934	(26,627)	51,307	79,702	(25,239)	54,463
Other, definite lived	2,828	(2,828)	—	2,828	(2,828)	—
Licenses, indefinite lived	624	—	624	624	—	624
Total intangible assets, net	\$ 227,734	\$ (67,223)	\$ 160,511	\$ 230,580	\$ (63,666)	\$ 166,914

The Company recognized amortization expense as of September 30, 2023, follows:

	Gross Amount	Accumulated Amortization	Net Carrying Value

	(In thousands)			
Customer relationships	\$ 142,148	\$ (32,160)	\$	109,988
Developed technology	76,342	(22,266)	54,076	
Other, definite lived	2,828	(2,828)	—	
Licenses, indefinite lived	624	—	624	
<b>Total intangible assets, net</b>	<b>\$ 221,942</b>	<b>\$ (57,254)</b>	<b>\$ 164,688</b>	

Intangible assets, net consisted of the following as of December 31, 2022:

	Gross Amount	Accumulated Amortization	Net Carrying Value
(In thousands)			
Customer relationships	\$ 141,146	\$ (25,037)	\$ 116,109
Developed technology	77,409	(16,772)	60,637
Other, definite lived	2,828	(2,828)	—
Licenses, indefinite lived	624	—	624
<b>Total intangible assets, net</b>	<b>\$ 222,007</b>	<b>\$ (44,637)</b>	<b>\$ 177,370</b>

	Three months ended March 31,	
	2024	
	2023	
(In thousands)		
Cost of revenue	\$ 1,959	\$ 1,945
Sales and marketing	2,402	2,329
<b>Total amortization expense</b>	<b>\$ 4,361</b>	<b>\$ 4,274</b>

#### Notes to Condensed Consolidated Financial Statements (continued)

The Company recognized amortization expense as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023		2023	
	2022		2022	
(In thousands)				
Cost of revenue	\$ 1,959	\$ 1,831	\$ 5,863	\$ 5,797
Sales and marketing	2,389	2,287	7,097	7,221
<b>Total amortization expense</b>	<b>\$ 4,348</b>	<b>\$ 4,118</b>	<b>\$ 12,960</b>	<b>\$ 13,018</b>

The remaining weighted average amortization period for definite lived intangible assets is 10.39.9 years.

Future estimated amortization expense for definite lived intangible assets is as follows:

	As of March 31, 2024	As of March 31, 2024	
	As of September 30, 2023 (In thousands)		

2023 (remaining)	\$ 4,234
2024	16,937
(In thousands)	
2024	(In thousands)
2024 (remaining)	(In thousands)
2025	2025 16,937
2026	2026 16,937
2027	2027 16,937
2028	
Thereafter	Thereafter 92,082
	<u><u>\$ 164,064</u></u>
Thereafter	
Thereafter	<u><u>\$</u></u>

## 8. Debt

### ***Revolving Credit Facility***

On August 1, 2023, the Company entered into a credit agreement (the "Credit Agreement") among the Company, as borrower, the lenders from time to time party thereto, and Bank of America, N.A., as administrative agent, swingline lender and letters of credit issuer. The Credit Agreement provides for a \$50.0 million revolving credit facility (the "Credit Facility"), including a \$15.0 million sublimit for the issuance of letters of credit and a swingline subfacility of up to \$5.0 million. The Credit Facility has an accordion feature that allows for an increase in the total borrowing size up to \$25.0 million, subject to certain conditions. The Credit Facility matures on the earlier of (a) August 1, 2028 or (b) the date that is 91 days prior to the scheduled maturity date or mandatory conversion date of any of the Company's outstanding convertible notes. Interest on borrowings under the Credit Facility accrues at an annual rate tied to a base rate or the Secured Overnight Financing Rate ("SOFR"), at the Company's election. Loans based on SOFR bear interest at a rate equal to term SOFR for the applicable interest period plus 10 basis points plus an applicable margin between 2.25% and 2.75%, and loans based on the base rate bear interest at a rate equal to the base rate plus an applicable margin between 1.25% and 1.75%, in each case of the foregoing, depending upon the Company's consolidated EBITDA for the most recent period of four consecutive fiscal quarters for which financial statements have been delivered under the Credit Agreement. The Company is required to pay a quarterly commitment fee equal to between 0.05% and 0.0625% on the unused portion of the borrowing commitment, depending upon the Company's consolidated EBITDA for the most recent period of four consecutive fiscal quarters for which financial statements have been delivered under the Credit Agreement.

### ***Notes to Condensed Consolidated Financial Statements (continued)***

On March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation as receiver. As a result, SVB ceased normal banking operations for a period of time. Given these circumstances, on March 14, 2023 (the "Notice Date"), the Company gave notice to SVB of its desire and intent to terminate the commitments (the "Termination") under that certain credit agreement, dated as of June 6, 2022, among the Company, as borrower, the lenders from time to time party thereto, and SVB, as administrative agent, issuing lender and swingline lender. As of the Notice Date, there were no outstanding borrowings under this credit agreement. The Termination became effective on March 15, 2023.

As of September 30, 2023 March 31, 2024 and December 31, 2023, unamortized debt issuance costs were \$0.7 million \$0.6 million, of which \$0.2 million \$0.1 million were included in prepaid expenses and other current assets and \$0.5 million were included in other long-term assets. As of December 31, 2022, unamortized debt issuance costs were \$0.4 million, of which \$0.2 million were included in prepaid expenses and other current assets and \$0.2 million were included in other long-term assets.

As of September 30, 2023 March 31, 2024, there were no borrowings under the Credit Facility and the Company was in compliance with all financial and non-financial covenants for all periods presented.

## **Convertible Senior Notes and Capped Call Transactions**

### 2026 Convertible Notes

In February 2020, the Company issued \$400.0 million aggregate principal amount of 0.25% Convertible Notes due 2026 in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act (the "2026 Convertible Notes"). The interest on the 2026 Convertible Notes is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2020. The 2026 Convertible Notes will

### **Notes to Condensed Consolidated Financial Statements (continued)**

mature on March 1, 2026, unless earlier repurchased, redeemed by the Company, or converted pursuant to their terms. The total net proceeds from the 2026 Convertible Notes, after deducting initial purchaser discounts, costs related to the 2026 Capped Calls (as defined herein), and debt issuance costs, paid by the Company, were approximately \$344.7 million. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, was amortized to interest expense at an annual effective interest rate of 0.509% over the contractual terms of the 2026 Convertible Notes.

Each \$1,000 principal amount of the 2026 Convertible Notes is initially convertible into 10.9857 shares of the Company's Class A common stock, par value \$0.001 per share, which is equivalent to an initial conversion price of approximately \$91.03 per share.

During March 2023, the Company entered into separate, privately negotiated repurchase agreements with a limited number of holders of the 2026 Convertible Notes to repurchase (the "Repurchases") approximately \$65.0 million aggregate principal amount of the 2026 Convertible Notes for an aggregate cash price of approximately \$51.3 million. The Repurchases These repurchases closed on March 6, 2023. The Company entered into similar agreements to repurchase approximately \$160.0 million aggregate principal amount of the 2026 Convertible Notes for an aggregate cash price of approximately \$117.2 million that closed in November 2022. Following these repurchases, approximately \$175.0 million principal amount of the 2026 Convertible Notes remain outstanding. The Company had previously entered into capped call transactions with certain financial institutions in connection with the 2026 Convertible Notes. All of these transactions are expected to remain in effect notwithstanding the Repurchases. Following these Repurchases, and the approximate \$160.0 million repurchases that closed in November 2022, approximately \$175.0 million principal amount of the 2026 Convertible Notes remain outstanding. The difference between the consideration used to repurchase the 2026 Convertible Notes and the carrying value of the 2026 Convertible Notes resulted in a gain of \$12.8 million recorded within net gain on extinguishment of debt on the Company's condensed consolidated statements of operations in the nine months ended September 30, 2023. purchases.

### 2028 Convertible Notes

In March 2021, the Company issued \$250.0 million aggregate principal amount of 0.50% Convertible Notes due 2028 in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act (the "2028 Convertible Notes" and, together with the 2026 Convertible Notes, the "Convertible Notes"). The interest on the 2028 Convertible Notes is payable semi-annually in arrears on April 1 and October 1 of each year, beginning on

### **Notes to Condensed Consolidated Financial Statements (continued)**

October 1, 2021. October 1, 2021. The 2028 Convertible Notes will mature on April 1, 2028, unless earlier repurchased, redeemed by the Company, or converted pursuant to their terms. The total net proceeds from the 2028 Convertible Notes, after deducting initial purchaser discounts, costs related to the 2028 Capped Calls (as defined herein), and debt issuance costs, paid by the Company, were approximately \$217.0 million. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, was amortized to interest expense at an annual effective interest rate of 0.442% over the contractual terms of the 2028 Convertible Notes.

Each \$1,000 principal amount of the 2028 Convertible Notes is initially convertible into 5.5781 shares of the Company's Class A common stock, par value \$0.001 per share, which is equivalent to an initial conversion price of approximately \$179.27 per share.

### Other Terms of the Convertible Notes

The Convertible Notes are effectively subordinated to the Company's future senior secured indebtedness to the extent of the value of the collateral securing that indebtedness. The Convertible Notes are the senior, unsecured obligations of the Company and are equal in right of payment with the Company's future senior unsecured indebtedness, if any, senior in right of payment to the Company's existing and future indebtedness that is expressly subordinated to the Convertible Notes and the Convertible Notes will be structurally subordinated to all existing and future indebtedness and other liabilities, including trade payables, and preferred equity, if any, of the Company's subsidiaries. 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 governing the applicable Convertible Notes (each, a "Notes Indenture" and collectively, the "Notes Indentures") or if the Convertible Notes are not freely tradeable as required by the applicable Notes Indenture.

The conversion rate is subject to adjustment upon the occurrence of certain specified events but will not be adjusted for any accrued and unpaid interest. In addition, upon the occurrence of a make-whole fundamental change (which includes the calling of any Convertible Notes for redemption), as defined in the applicable Notes Indenture,

**Notes to Condensed Consolidated Financial Statements (continued)**

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.

The Company may redeem the Convertible Notes, **in whole or in part**, at its option at any time, and from time to time, on or after **(i) March 6, 2023 for the 2026 Convertible Notes, and on or **ii) after April 6, 2025 for the 2028 Convertible Notes, in each case, on or before the fortieth (40<sup>th</sup>) scheduled trading day immediately before the maturity date**, at a cash redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, **subject if any, to, certain conditions**. but excluding the redemption date, if the last reported sale price of the Class A common stock has exceeded 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading date immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading days ending on, and including, the trading date immediately before the date on which the Company provides the related redemption notice. No sinking fund is provided for the Convertible Notes.**

The Convertible Notes will be convertible at certain times and upon the occurrence of certain events in the future. Further, on or after September 1, 2025 for the 2026 Convertible Notes, and on or after October 1, 2027 for the 2028 Convertible Notes, **in each case**, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders of the Convertible Notes may convert all or a portion of their Convertible Notes regardless of these conditions. Upon conversion, the Company will 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 with cash.

During the three **and nine** months ended **September 30, 2023** **March 31, 2024**, the conditions allowing the holders of the 2026 Convertible Notes and the 2028 Convertible Notes to convert were not met. The Convertible Notes may be convertible thereafter if one or more of the conversion conditions specified in each respective Notes Indenture are satisfied during future measurement periods. The Company continues to classify the Convertible Notes as a long-term liability in its condensed consolidated balance sheets as of **September 30, 2023** **March 31, 2024**, based on contractual settlement provisions.

Upon the occurrence of a fundamental change (as defined in the applicable Notes Indenture) prior to the maturity date, holders may require the Company to repurchase all or a portion of the 2026 Convertible Notes or

**Notes to Condensed Consolidated Financial Statements (continued)**

2028 Convertible Notes for cash at a price equal to 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 net carrying amount of the liability components of the Convertible Notes were as follows:

	As of March 31,		As of March 31,		As of March 31,		As of December 31,
	As of September 30,	As of December 31,	As of September 30,	As of December 31,	As of September 30,	As of December 31,	As of December 31,
2024							
2024							
2024							
2023	2023	2022					2023
2026 Convertible Notes:							
2026 Convertible Notes:							

2026	2026		
Convertible Notes:	Convertible Notes:	(In thousands)	(In thousands)
Principal	Principal	\$ 175,000	\$ 240,000
Unamortized debt issuance costs	Unamortized debt issuance costs	(2,108)	(3,805)
Unamortized debt issuance costs	Unamortized debt issuance costs		
2026	2026		
Convertible Notes net carrying amount	Convertible Notes net carrying amount	172,892	236,195
2028	2028		
Convertible Notes:	Convertible Notes:		
Principal	Principal		
Principal	Principal	250,000	250,000
Unamortized debt issuance costs	Unamortized debt issuance costs	(4,850)	(5,649)
Unamortized debt issuance costs	Unamortized debt issuance costs		
2028	2028		
Convertible Notes net carrying amount	Convertible Notes net carrying amount	245,150	244,351
Total net carrying amount	Total net carrying amount	\$ 418,042	\$ 480,546

#### Notes to Condensed Consolidated Financial Statements (continued)

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

Three months ended March 31, 2024

		Three months ended March 31,					
		2024		Three months ended September 30,		Nine months ended September 30,	
		2024	2023	2022	2023	2022	
2026 Convertible Notes:							
2026 Convertible Notes:							
2026 Convertible Notes:	2026 Convertible Notes:	(In thousands)				(In thousands)	
Contractual interest expense	Contractual interest expense	\$109	\$250	\$356	\$750		
Amortization of debt issuance costs	Amortization of debt issuance costs	217	497	723	1,488		
Amortization of debt issuance costs							
Amortization of debt issuance costs	Amortization of debt issuance costs						
Total interest expense related to the 2026 Convertible Notes	Total interest expense related to the 2026 Convertible Notes	326	747	1,079	2,238		
2028 Convertible Notes:	2028 Convertible Notes:						
Contractual interest expense	Contractual interest expense						
Contractual interest expense	Contractual interest expense						
Contractual interest expense	Contractual interest expense	313	313	939	939		
Amortization of debt issuance costs	Amortization of debt issuance costs	267	266	797	796		
Amortization of debt issuance costs							
Amortization of debt issuance costs	Amortization of debt issuance costs						

Total interest expense related to the 2028 Convertible Notes	Total interest expense related to the 2028 Convertible Notes	580	579	1,736	1,735
Total interest expense	Total interest expense	\$906	\$1,326	\$2,815	\$3,973

#### Capped Calls

In connection with the offering of the 2026 Convertible Notes and the 2028 Convertible Notes, the Company entered into privately negotiated capped call transactions with certain counterparties (the "2026 Capped Calls" and the "2028 Capped Calls," respectively and, collectively, the "Capped Calls"). The initial strike price of the Convertible Notes corresponds to the initial conversion price of the 2026 Convertible Notes and the 2028 Convertible Notes. The Capped Calls are generally intended to reduce or offset the potential dilution to the Class A common stock upon any conversion of the 2026 Convertible Notes and 2028 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) March 1, 2026 for the 2026 Capped Calls and April 1, 2028 for the 2028 Capped Calls, 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

#### **Notes to Condensed Consolidated Financial Statements (continued)**

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 to purchase the Capped Calls was recorded as a reduction to additional paid-in capital in the accompanying condensed consolidated balance sheets.

The following table sets forth key terms and costs incurred for the Capped Calls related to the Convertible Notes: Notes as of March 31, 2024:

	2026 Convertible Notes		2028 Convertible Notes
	2026 Convertible Notes	2028 Convertible Notes	
	2026 Convertible Notes	2028 Convertible Notes	
	(In thousands, except share and per share amounts)	(In thousands, except share and per share amounts)	(In thousands, except share and per share amounts)
	(In thousands, except share and per share amounts)	(In thousands, except share and per share amounts)	(In thousands, except share and per share amounts)
Initial approximate strike price per share, subject to certain adjustments	Initial approximate strike price per share, subject to certain adjustments	\$ 91.03	\$ 179.27

Initial cap price per share, subject to certain adjustments	Initial cap price per share, subject to certain adjustments	\$ 137.40	\$ 260.76
Net costs incurred	Net costs incurred	\$ 43,320	\$ 25,500
Class A common stock covered, subject to anti-dilution adjustments	Class A common stock covered, subject to anti-dilution adjustments	4,394,276	1,394,525

All of the Capped Calls were outstanding as of **September 30, 2023** **March 31, 2024**.

#### Notes to Condensed Consolidated Financial Statements (continued)

#### 9. Geographic Information

The Company generates its revenue primarily in North America. Revenue by geographic area is detailed in the table below, which is apportioned based on the destination of the service:

		Three months ended March 31,	Three months ended March 31,	Three months ended March 31,			
		2024			Three months ended September 30,		Nine months ended September 30,
					(In thousands)		
		2023	2022		2023	2022	
		(In thousands)			(In thousands)		
		(In thousands)			(In thousands)		
North America	North America	\$ 130,571	\$ 124,913		\$ 370,737	\$ 350,281	
Rest of World	Rest of World	21,442	23,412		64,994	65,897	
Rest of World							
Rest of World							
Total	Total	\$ 152,013	\$ 148,325		\$ 435,731	\$ 416,178	
Total							
Total							

During the three months ended March 31, 2023, the Company changed its methodology for apportioning the revenue by geographic area, from basing the revenue on the customer billing address to basing the revenue on the destination of the service, in order to provide a more transparent metric and to be consistent with other information provided publicly. Accordingly, all periods presented have been conformed to the updated methodology.

The Company's long-lived assets were primarily held in North America as of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**. As of **September 30, 2023** **March 31, 2024** and **December 31, 2022** **December 31, 2023**, long-lived assets held outside of North America were **\$6.7 million** **\$3.6 million** and **\$10.8 million** **\$4.5 million**, respectively.

#### Notes to Condensed Consolidated Financial Statements (continued)

## 10. Stockholders' Equity

The Company had reserved shares of Class A common stock for issuance under stock-based award agreements as follows:

	As of March 31,		As of March 31,		As of December 31,	
	As of September 30, 2023		As of December 31, 2022			
	2024		2024			
					2023	
Stock options issued and outstanding	Stock options issued and outstanding	98,105	159,741			
Nonvested restricted stock units issued and outstanding	Nonvested restricted stock units issued and outstanding	2,547,955	2,607,106			
Stock-based awards available for grant under the 2017 Plan	Stock-based awards available for grant under the 2017 Plan	5,372,159	1,879,368			
Total	Total	8,018,219	4,646,215			

## 11. Stock-Based Compensation

### Stock Options

The following summarizes the stock option activity for the **nine** months ended **September 30, 2023** **March 31, 2024**:

	Number of options outstanding	Weighted-average exercise price (Per share)	Weighted-average remaining contract life (In years)			Aggregate intrinsic value (In thousands)
			1	2	3	
Outstanding as of December 31, 2022	159,741	\$ 10.42		2.57	\$	2,001
Granted	—	—				
Exercised	(61,349)	6.74				
Forfeited or cancelled	(287)	9.16				
Outstanding as of September 30, 2023	98,105	\$ 12.73		3.22	\$	116
Options vested and exercisable at September 30, 2023	98,105	\$ 12.73		3.22	\$	116
Options vested and expected to vest as of September 30, 2023	98,105	\$ 12.73		3.22	\$	116

No options were granted for the three and nine months ended September 30, 2023.

	Number of options outstanding	Weighted-average exercise price (Per share)	Weighted-average remaining contract life (In years)			Aggregate intrinsic value (In thousands)
			1	2	3	

Outstanding as of December 31, 2023	97,480	\$ 12.75	2.97	\$ 332
Granted	—	—	—	—
Exercised	(10,849)	9.49	—	—
Forfeited or expired	—	—	—	—
Outstanding as of March 31, 2024	<u>86,631</u>	\$ 13.16	2.84	\$ 494
Options vested and exercisable at March 31, 2024	<u>86,631</u>	\$ 13.16	2.84	\$ 494
Options vested and expected to vest as of March 31, 2024	<u>86,631</u>	\$ 13.16	2.84	\$ 494

As of September 30, 2023 March 31, 2024, the Company had no unrecognized compensation cost related to non-vested stock options. All outstanding stock options were fully vested prior to December 31, 2022.

#### Notes to Condensed Consolidated Financial Statements (continued)

##### Restricted Stock Units

The following summarizes the restricted stock unit ("RSU") activity for the nine months ended September 30, 2023 March 31, 2024:

	Number of awards outstanding	Weighted-average grant date fair value (Per share)
Nonvested RSUs as of December 31, 2022	2,607,106	\$ 32.33
Granted	360,927	13.16
Vested	(281,166)	50.45
Forfeited or cancelled	(138,912)	28.76
Nonvested RSUs as of September 30, 2023	<u>2,547,955</u>	\$ 27.81

	Number of awards outstanding	Weighted-average grant date fair value (Per share)
Nonvested RSUs as of December 31, 2023	5,066,159	\$ 18.41
Granted	633,512	20.69
Vested	(920,435)	28.55
Forfeited	(54,133)	17.70
Nonvested RSUs as of March 31, 2024	<u>4,725,103</u>	\$ 16.74

As of September 30, 2023 March 31, 2024, total unrecognized compensation cost related to non-vested RSUs was \$54.1 million \$70.0 million, which will be amortized over a weighted-average period of 2.21 2.14 years.

##### Stock-Based Compensation Expense

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

	Three months ended March 31,	Three months ended March 31,	Three months ended March 31,
2024			
	Three months ended September 30,		Nine months ended September 30,
	(In thousands)		
	2023	2022	2023
	(In thousands)		
			(In thousands)

		(In thousands)					
Cost of revenue	Cost of revenue	\$ 182	\$ 93	\$ 578	\$ 283		
Research and development	Research and development	2,822	1,767	9,278	5,298		
Research and development							
Research and development							
Sales and marketing							
Sales and marketing							
Sales and marketing	Sales and marketing	1,160	593	3,825	2,219		
General and administrative	General and administrative	2,778	2,439	8,644	7,259		
General and administrative							
General and administrative							
Total	Total	\$ 6,942	\$ 4,892	\$ 22,325	\$ 15,059		
Total							
Total							

## 12. Commitments and Contingencies

### Operating Leases

The Company leases office space under non-cancelable operating lease agreements that expire on various dates through **September** **July** 2043. As of **September 30, 2023** **March 31, 2024**, the Company has **\$501.1** **490.1** million in future minimum rent payments for its current office space. See Note 5, "Leases," to the condensed consolidated financial statements, for additional details on the Company's operating lease commitments.

### Contractual Obligations

As of **September 30, 2023** **March 31, 2024**, the Company has **\$12.9** million **\$22.5** million in non-cancellable purchase obligations, consisting of primarily network equipment maintenance and software license contracts, of which **\$9.4** million **\$14.9** million will be fulfilled within one year.

### Notes to Condensed Consolidated Financial Statements (continued)

### Legal Matters

The Company is involved as a defendant in various litigation, including, but not limited to, lawsuits alleging that the Company failed to bill, collect and remit certain taxes and surcharges associated with the provision of 911 services pursuant to applicable laws in various jurisdictions.

The Company intends to vigorously defend these lawsuits and believes that it has meritorious defenses to each. However, litigation is inherently uncertain, and any judgment or injunctive relief entered against the Company or any adverse settlement could adversely affect the Company's business, results of operations and financial condition.

## 13. Income Taxes

At the end of each interim reporting period, the Company determines the income tax provision by using an estimate of the annual effective tax rate, adjusted for discrete items occurring in the quarter. The effective income tax rate reflects the effect of federal, international, and state income taxes and the permanent impacts of differences in book and tax accounting.

The Company's effective tax rate was **4.1%** **2.1%** and **37.1%** **(647.6)%** for the three and nine months ended **September 30, 2023**, respectively, and **53.5%** and **7.7%** for the three and nine months ended **September 30, 2022**, respectively. For the three months ended **September 30, 2023**, **March 31, 2024** and **2023**, respectively. The increase in the effective tax rate decreased from the three months ended **September 30, 2022**, is primarily due to increased operating losses near breakeven pre-tax income in the U.S., where first quarter of 2023 of \$0.5 million in relation to the tax benefits are not recognized due to a valuation allowance. For the nine months ended **September 30, 2023**, the effective tax rate increased benefit resulting from the nine months ended **September 30, 2022**, primarily due to increased operating losses outside of the U.S., where tax benefits are recognized and are not offset by a valuation allowance.

Judgment is required in determining whether deferred tax assets will be realized in full or in part. Management assesses the available positive and negative evidence on a jurisdictional basis to estimate if deferred tax assets will be recognized and when it is more likely than not that all or some deferred tax assets will not be realized, and a valuation allowance must be established. As of **September 30, 2023** **March 31, 2024**, the Company continues to maintain a valuation allowance against its U.S. federal and state net deferred tax assets.

The Company's effective tax rate for the three and nine months ended **September 30, 2023** **March 31, 2024** differed from the federal statutory tax rate of 21% in the U.S. primarily due to differing statutory tax rates in international jurisdictions and the a valuation allowance recorded against its U.S. federal and state net deferred tax assets. Other permanent tax adjustments within the effective tax rates, which are offset by the valuation allowance, include state taxes, federal research credit under Internal Revenue Code Section 41, equity compensation in the U.S. and other U.S. non-deductible expenditures.

#### Notes to Condensed Consolidated Financial Statements (continued)

#### 14. Basic and Diluted Loss (Loss) Income per Common Share

Basic net loss (loss) income per share is computed by dividing net loss (loss) income by the weighted-average number of shares of common stock outstanding during the period. The Company is in a net loss position for the three and nine months ended **September 30, 2023** and **2022** **March 31, 2024**, and therefore diluted shares equals basic shares.

The components of basic and diluted (loss) income per share are as follows:

	Three months ended March 31,	
	2024	2023
	(In thousands, except share and per share amounts)	
<i>Earnings per share</i>		
Net (loss) income attributable to common stockholders	\$ (9,233)	\$ 3,611
Net (loss) income per share:		
Basic	\$ (0.35)	\$ 0.14
Diluted	\$ (0.35)	\$ (0.28)
Numerator used to compute net (loss) income per share:		
Basic	\$ (9,233)	\$ 3,611
Net gain on extinguishment of debt, net of taxes	—	(12,707)
Interest expense on convertible notes, net of taxes	—	1,009
Diluted (1)	\$ (9,233)	\$ (8,087)
Weighted average number of common shares outstanding:		
Basic	26,493,802	25,448,452
Convertible debt conversion	—	3,824,806
Diluted	26,493,802	29,273,258

(1)Net income is adjusted for the reversal of the net gain on extinguishment of debt and add back of interest expense as part of the calculation for diluted Non-GAAP earnings per share.

The following common share equivalents were excluded from the weighted average shares used to calculate net (loss) income per common share because their effects would have been anti-dilutive:

	As of March 31,	
	2024	2023
Stock options issued and outstanding	86,631	136,479
Restricted stock units issued and outstanding	4,725,103	2,475,656
Convertible senior notes	3,317,023	3,824,806
Total	8,128,757	6,436,941

#### Notes to Condensed Consolidated Financial Statements (continued)

**The components of basic and diluted loss per share are as follows: 15. Subsequent Events**

	<i>Three months ended September 30,</i>		<i>Nine months ended September 30,</i>	
	<i>2023</i>	<i>2022</i>	<i>2023</i>	<i>2022</i>
	<i>(In thousands, except share and per share amounts)</i>			
<i>Earnings per share</i>				
Net loss attributable to common stockholders	\$ (5,130)	\$ (802)	\$ (5,409)	\$ (13,864)
Net loss per share, basic and diluted	\$ (0.20)	\$ (0.03)	\$ (0.21)	\$ (0.55)
Weighted average number of common shares outstanding, basic and diluted	25,613,441	25,304,057	25,539,642	25,268,216

**Credit Agreement Amendment**

The following common share equivalents were excluded from On May 1, 2024, the weighted average shares used to calculate net loss per common share because their effects would have been anti-dilutive:

	<i>As of September 30,</i>	
	<i>2023</i>	<i>2022</i>
Stock options issued and outstanding	98,105	159,827
Restricted stock units issued and outstanding	2,547,955	1,018,312
Convertible senior notes	3,484,424	5,788,805
<b>Total</b>	<b>6,130,484</b>	<b>6,966,944</b>

**Management's Discussion and Analysis**

**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 that are included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements 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 "Risk Factors" in this Quarterly Report on Form 10-Q. Our fiscal year ends on December 31.

**Overview**

A global communications transformation is underway, and we believe Bandwidth is at the center. Our mission is to develop and deliver the power to communicate. We enable innovative organizations—from startup app developers to the world's largest enterprises—to engage their end-users and deliver exceptional experiences everywhere people live, learn, work and play. Backed by the Bandwidth Communications Cloud, a global owned-and-operated network spanning more than 60 countries reaching over 90 percent of global gross domestic product, innovative enterprises use Bandwidth's Application Programming Interfaces ("APIs") to easily embed voice, messaging and emergency services capabilities into software and applications. Bandwidth was the first CPaaS provider to offer a robust selection of APIs built on our own cloud platform. Our award-winning support teams help businesses around the world solve complex communications challenges every day.

Bandwidth's business benefits from multiple global megatrends, including the enterprise migration to the cloud, the adoption of Contact Center as a Service platforms, the need to be able to work from anywhere, the reinvention of customer experience and the growth in messaging applications to engage directly with consumers. We believe these megatrends, which have created sizable total addressable markets, are secular, long-lasting and still early in the adoption curve.

With the combination of our software APIs, our global Communications Cloud and our broad range of experience with global regulatory frameworks, we believe Bandwidth is one of the best-positioned providers in our space to deliver business-critical communications for global enterprises. In fact, Bandwidth already powers all the 2022 Gartner® Magic Quadrant Leaders in the key cloud communications categories of Unified Communications as a Service and Contact Center as a Service.

Our long-term vision is to continue strengthening this position as the key enabling platform for communications transformation. We will seek to do this in three ways: (1) by cross-selling and up-selling within our existing customers as they benefit from our global footprint and powerful APIs to automate and scale cloud communications; (2) by focusing on direct-to-enterprise growth to serve Global 2000 enterprises that come directly to Bandwidth to leverage our services to accelerate their digital transformations, and (3) by aiming to be the preferred provider for Software as a Service platforms that use conversational messaging to create digital engagements that enhance the customer experience. These three strategies are the foundation of the durable business we seek to build.

For the three months ended September 30, 2023 and 2022, total revenue was \$152 million and \$148 million, respectively, representing an increase of 2%. For the three months ended September 30, 2023 and 2022, net loss was \$5 million and \$1 million, respectively.

## Management's Discussion and Analysis

### Revolving Credit Facility

On August 1, 2023, we entered into a credit agreement (the (as amended, the "Credit Agreement") among us, the Company, as borrower, certain subsidiaries of the Company, as guarantors, the lenders from time to time party thereto, and Bank of America, N.A., as administrative agent, swingline lender and letters of credit issuer. The issuer, with BofA Securities, Inc. and Wells Fargo Securities, LLC as Joint Lead Arrangers and Joint Bookrunners. Effective as of May 1, 2024, the Credit Agreement provides for a \$50.0 million was amended to:

- increase the aggregate revolving credit facility (the "Credit Facility"), including a \$15.0 million commitments from \$50.0 million to \$100.0 million;
- increase the swingline sublimit for from \$5.0 million to \$10.0 million;
- increase from \$75.0 million to \$82.5 million the issuance minimum liquidity (which includes the amount of letters undrawn borrowing commitments available under the Credit Agreement) the Company is required to maintain, tested (a) as of credit the end of any fiscal quarter and a swingline subfacility (b) as of up to \$5.0 million. The Credit Facility has an accordion feature each incurrence of certain actions in reliance on negative covenant baskets that allows for an increase in the total borrowing size up to \$25.0 million, are subject to certain conditions. The Credit Facility matures on a minimum liquidity condition; and
- extend the maturity date to the earlier of (a) May 1, 2029 (previously August 1, 2028) or (b) the date that is 91 days prior to the scheduled maturity date or mandatory conversion date of any of our the Company's outstanding convertible notes. Interest on borrowings

Except as described above, the terms of any loans under the Credit Facility accrues at an annual rate tied to a base rate or the Secured Overnight Financing Rate ("SOFR"), at our election. Loans based on SOFR bear interest at a rate equal to term SOFR for the applicable interest period plus 10 basis points plus an applicable margin between 2.25% Agreement are unmodified and 2.75%, and loans based on the base rate bear interest at a rate equal to the base rate plus an applicable margin between 1.25% and 1.75%, in each case of the foregoing, depending upon our consolidated EBITDA for the most recent period of four consecutive fiscal quarters for which financial statements have been delivered under the Credit Agreement. We are required to pay a quarterly commitment fee equal to between 0.05% and 0.0625% on the unused portion of the borrowing commitment, depending upon our consolidated EBITDA for the most recent period of four consecutive fiscal quarters for which financial statements have been delivered under the Credit Agreement.

### Business Interruption Insurance Recovery

Beginning in September 2021, our communications network was subjected to a distributed denial of service attack (the "DDoS Attack") that caused intermittent communications services disruptions affecting certain of our markets and customers. During the period of the DDoS Attack, we maintained certain insurance coverage, including business interruption insurance, intended to cover such circumstances. In June 2023, we resolved our claim with an insurer, pursuant to which we received \$4 million in proceeds from business interruption insurance, which was recorded within gain on business interruption insurance recoveries on our condensed consolidated statements of operations in the nine months ended September 30, 2023. The proceeds were received remain in full in July 2023. force and effect.

### Repurchase of 2026 Convertible Notes

During March 2023, we On May 7, 2024, the Company announced that it has entered into separate, privately negotiated repurchase agreements with a limited number of holders of its 0.250% Convertible Senior Notes due 2026 Convertible Notes (the "Repurchases") to repurchase approximately \$65 million aggregate principal amount of the 2026 Convertible Notes for an aggregate cash approximately \$127.5 million, excluding customary transaction fees.

The repurchase price payable by Bandwidth will be paid in cash.

The Company has previously entered into capped call transactions with certain financial institutions in connection with the Notes. All of approximately \$51 million (the "Repurchases").these transactions are expected to remain in effect notwithstanding the Repurchases.

The Repurchases closed are expected to close on March 6, 2023. The difference between May 9, 2024, subject to the consideration used to repurchase the 2026 Convertible Notes and the carrying value satisfaction of the 2026 Convertible Notes resulted in a gain of \$13 million recorded within net gain on extinguishment of debt on our condensed consolidated statements of operations for the nine months ended September 30, 2023.

customary closing conditions. Following these Repurchases and the such closings, approximately \$160 million of repurchases that closed in November 2022, approximately \$175 million \$35.0 million principal amount of the 2026 Convertible Notes will remain outstanding.

## Management's Discussion and Analysis

### 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 that are included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements 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 "Risk Factors" in this Quarterly Report on Form 10-Q. Our fiscal year ends on December 31.

#### Overview

A global communications transformation is underway, and we believe Bandwidth is at the center. Our mission is to develop and deliver the power to communicate. We enable innovative organizations—from startup app developers to the world's largest enterprises—to engage their end-users and deliver exceptional experiences everywhere people live, learn, work and play. Backed by the Bandwidth Communications Cloud, a global owned-and-operated network spanning more than 65 countries reaching over 90 percent of GDP, innovative enterprises use Bandwidth's APIs to easily embed voice, messaging and emergency services capabilities into software and applications. Bandwidth was the first cloud communications provider to offer a robust selection of APIs built on our own cloud platform. Our award-winning support teams help businesses around the world solve complex communications challenges every day.

Bandwidth's business benefits from multiple global megatrends, including enterprise migration to the cloud, adoption of CCaaS platforms, the need to be able to work from anywhere, reinvention of customer experience, growth in messaging applications to engage directly with consumers, and application of AI technologies to cloud communications use cases. We believe these megatrends, which have created sizable total addressable markets, are secular, long-lasting and still early in the adoption curve.

With the combination of our software APIs, our global Communications Cloud and our broad range of experience with global regulatory frameworks, we believe Bandwidth is one of the best-positioned providers in our space to deliver business-critical communications for global enterprises. In fact, Bandwidth already powers all the 2023 Gartner® Magic Quadrant Leaders in the key cloud communications categories of UCaaS and CCaaS.

Our long-term vision is to continue strengthening this position as the key enabling platform for communications transformation. We will seek to do this in three ways: (1) cross-sell and up-sell our existing customers as they benefit from our global footprint and powerful APIs to automate and scale cloud communications; (2) focus on direct-to-enterprise growth to serve Global 2000 enterprises that directly leverage Bandwidth services to accelerate their digital transformations, and (3) aim to be the preferred provider for SaaS platforms that use conversational voice and messaging to create digital engagements that enhance the customer experience. These three strategies are the foundation of the durable business we seek to build.

For the three months ended March 31, 2024 and 2023, total revenue was \$171 million and \$138 million, respectively, representing an increase of 24%. For the three months ended March 31, 2024 and 2023, net loss was \$9 million and net income was \$4 million, respectively.

## Management's Discussion and Analysis

### Key Performance Indicators

We monitor the following key performance indicator ("KPI") to help us evaluate our business, identify trends affecting our business, formulate business plans, and make strategic decisions. We believe the following KPI is useful in evaluating our business:

Three months ended September 30,

	2023	2022
Net retention rate	104 %	109 %
	Three months ended March 31,	
	2024	2023
Net retention rate	107 %	109 %

<sup>(1)</sup> Active customer count has diminished in relevance as we focus on larger customers and has been removed from our KPIs.

#### **Dollar-Based Net Retention Rate**

Our ability to drive growth and generate incremental revenue depends, in part, on our ability to maintain and grow our relationships with our existing customers that generated revenue and seek to increase their use of our platform. We track our performance in this area by measuring the dollar-based net retention rate for our customers who generate revenue. To calculate the dollar-based net retention rate, we first identify the cohort of customers that generated revenue in the same quarter of the prior year. The dollar-based net retention rate is 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. The dollar-based net retention rate reported in a quarter is then obtained by averaging the result from that quarter, by the corresponding results from each of the prior three quarters. Customers of acquired businesses are included in the subsequent year's calendar quarter of acquisition. Our dollar-based net retention rate increases when such customers increase usage of a product, extend usage of a product to new applications or adopt a new product. Our dollar-based net retention rate decreases when such customers cease or reduce usage of a product or when we lower prices on our solutions.

As our customers grow their businesses and increase usage of our platform, they sometimes create multiple customer accounts with us for operational or other reasons. As such, when we identify a significant customer organization (defined as a single customer organization generating more than 1% of revenue in a quarterly reporting period) that has created a new customer, this new customer is tied to, and revenue from this new customer is included with, the original customer for the purposes of calculating this metric.

#### **Key Components of Statements of Operations**

##### **Revenue**

Revenue Cloud communications revenue is derived from (i) reoccurring sources such as per minute voice usage and voice calling, per text message usage and other usage services and fees, and (ii) monthly recurring charges arising from phone number services, 911-enabled phone number services, messaging services and other services. Messaging surcharge revenue is derived from fees imposed by certain carriers within the messaging ecosystem, which are subsequently invoiced and (iii) other various communications services and products, indirect revenue and messaging surcharge revenue, passed through to customers.

For the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, we generated 78% 74% and 79% 72%, respectively, of our revenue from reoccurring sources. For the nine months ended September 30, 2023 and 2022, we generated 77% of our cloud communications revenue from reoccurring sources. The large bulk of our remaining cloud communications revenue is generated from recurring monthly charges.

We recognize accounts receivable at the time the customer is invoiced. Additionally, we record a receivable for unbilled revenue if services have been delivered and are billable in subsequent periods. Unbilled revenue made up 53% 54% and 59% of outstanding accounts receivable, net of allowance for doubtful accounts, as of September 30, 2023 March 31, 2024 and 2022, 2023, respectively.

#### **Management's Discussion and Analysis**

##### **Cost of Revenue and Gross Margin**

Cost of revenue consists of fees paid to other network service providers, network operations costs, personnel costs, allocated costs of facilities and information technology, amortization of acquired technology intangibles and depreciation.

Fees paid to other network service providers arise when we purchase services such as minutes of use, phone numbers, messages, porting of customer numbers and network circuits.

Network operations costs are incurred for web services and cloud infrastructure, capacity planning and management, software licenses, hardware and software maintenance fees, customer support and network-related facility rents.

Personnel costs (including non-cash stock-based compensation expenses) arise for employees who are responsible for the delivery of services and the operations and maintenance of the communications network.

Gross margin is calculated by subtracting cost of revenue from revenue, divided by revenue, expressed as a percentage. Our cost of revenue and gross margin have been, and will continue to be, affected by several factors, including the timing and extent of our investments in our network, our ability to manage off-network minutes of use and messaging costs, changes to the mix or amount of personnel-related costs included in our cost of revenue, the product mix of revenue, the timing of amortization of capitalized software development costs and fluctuations in the price we charge our customers for services.

#### ***Operating Expenses***

The most significant components of operating expenses are personnel costs, which consist of salaries, benefits, bonuses, and stock-based compensation expenses. We also incur other non-personnel costs related to our general overhead expenses, including facility expenses, software licenses, web services, depreciation and amortization of assets unrelated to delivery of our services. We expect that our operating expenses will increase in absolute dollars driven by the growth in our business.

#### *Research and Development*

Research and development expenses consist of salaries and related personnel costs for the design, development, testing and enhancement of our cloud network and software products. Research and development expenses include depreciation and allocated costs of facilities and information technology utilized by our research and development staff.

#### *Sales and Marketing*

Sales and marketing expenses consist of salaries and related personnel costs, commissions, and costs related to advertising, marketing, brand awareness activities, sales support and professional services fees, and customer billing and collections functions. Sales and marketing expenses include depreciation, amortization of acquired customer relationship intangible assets, and allocated costs of facilities and information technology utilized by our sales and marketing staff.

#### *General and Administrative*

General and administrative expenses consist of salaries and related personnel costs for accounting, legal, human resources, corporate, and other administrative and compliance functions. General and administrative expenses include depreciation, expenditures for third party professional services, and allocated costs of facilities and information technology utilized by our corporate and administrative staff.

## **Management's Discussion and Analysis**

#### *Income Taxes*

For the three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**, our effective tax rate was **4.1%** **2.1%** and **53.5%**, respectively. The decrease in our effective tax rate is primarily due to increased operating losses in the U.S., where tax benefits are not recognized due to a valuation allowance.

For the nine months ended **September 30, 2023** and **2022** our effective tax rate was **37.1%** and **7.7%** (**647.6%**) respectively. The increase in our effective tax rate from **2023** to **2024** is primarily due to increased near breakeven pre-tax income in the first quarter of **2023** of less than \$1 million in relation to the tax benefit resulting from operating losses outside of the U.S., where tax benefits are recognized and are not offset by a valuation allowance.

Judgment is required in determining whether deferred tax assets will be realized in full or in part. Management assesses the available positive and negative evidence on a jurisdictional basis to estimate if deferred tax assets will be recognized and when it is more likely than not that all or some deferred tax assets will not be realized, and a valuation allowance must be established. As of **September 30, 2023** **March 31, 2024**, we continue to maintain a valuation allowance against our U.S. federal and state net deferred tax assets.

## **Management's Discussion and Analysis**

## Results of Operations

The following table sets forth the condensed consolidated statements of operations for the periods indicated.

		Three months ended March 31,		Three months ended March 31,		Three months ended March 31,	
		2024		Three months ended September 30,		Nine months ended September 30,	
				(In thousands)			
		2023		2022		2023	
		(In thousands)		(In thousands)		(In thousands)	
Revenue	Revenue	\$ 152,013	\$ 148,325	\$ 435,731	\$ 416,178		
Cost of revenue	Cost of revenue	92,514	84,861	261,624	241,896		
Cost of revenue							
Cost of revenue							
<b>Gross profit</b>	<b>Gross profit</b>	<b>59,499</b>	<b>63,464</b>	<b>174,107</b>	<b>174,282</b>		
Operating expenses	Operating expenses						
Operating expenses							
Research and development							
Research and development							
Research and development	Research and development	24,792	25,044	75,305	71,735		
Sales and marketing	Sales and marketing	25,011	23,184	75,794	69,663		
Sales and marketing							
Sales and marketing							
General and administrative							
General and administrative	General and administrative	15,843	16,623	48,430	50,191		
Total operating expenses	Total operating expenses	65,646	64,851	199,529	191,589		
Total operating expenses							
Total operating expenses							
<b>Operating loss</b>	<b>Operating loss</b>	<b>(6,147)</b>	<b>(1,387)</b>	<b>(25,422)</b>	<b>(17,307)</b>		
Other income (expense), net							
<b>Operating loss</b>							
<b>Operating loss</b>							
Other income, net							
Other income, net							
Other income, net							
Net gain on extinguishment of debt	Net gain on extinguishment of debt	—	—	12,767	—		
Gain on business interruption insurance recoveries		—	—	4,000	—		
Net gain on extinguishment of debt							

Net gain on extinguishment of debt					
Interest income (expense), net	Interest income (expense), net	59	(737)	(1,177)	(2,861)
Interest income (expense), net					
Interest income (expense), net					
Other income, net					
Other income, net					
Other income, net	Other income, net	739	399	1,229	5,143
<b>Total other income (expense), net</b>		<b>798</b>	<b>(338)</b>	<b>16,819</b>	<b>2,282</b>
Loss before income taxes		(5,349)	(1,725)	(8,603)	(15,025)
<b>Total other income, net</b>					
<b>Total other income, net</b>					
<b>Total other income, net</b>					
(Loss) income before income taxes					
(Loss) income before income taxes					
(Loss) income before income taxes					
Income tax benefit					
Income tax benefit					
Income tax benefit	Income tax benefit	219	923	3,194	1,161
<b>Net loss</b>		<b>\$ (5,130)</b>	<b>\$ (802)</b>	<b>\$ (5,409)</b>	<b>\$ (13,864)</b>
<b>Net (loss) income</b>					
<b>Net (loss) income</b>					
<b>Net (loss) income</b>					

The following table sets forth our results of operations as a percentage of our total revenue for the periods presented. \*

	Three months ended September 30,		Nine months ended September 30,						
	2023		2023						
	Three months ended March 31,		Three months ended March 31,						
2024									
Revenue									
Revenue									
Revenue	Revenue	100	%	100	%	100	%		
Cost of revenue	Cost of revenue	61	%	57	%	60	%	58	%
Cost of revenue									
Cost of revenue									
<b>Gross profit</b>									
<b>Gross profit</b>									
<b>Gross profit</b>	<b>Gross profit</b>	39	%	43	%	40	%	42	%
Operating expenses	Operating expenses								
Operating expenses									
Operating expenses									
Research and development									
Research and development									
Research and development	Research and development	16	%	17	%	17	%	17	%
Sales and marketing	Sales and marketing	16	%	16	%	17	%	17	%
Sales and marketing									
Sales and marketing									

General and administrative							
General and administrative							
General and administrative	General and administrative	10	%	11	%	11	%
Total operating expenses	Total operating expenses	43	%	44	%	46	%
Total operating expenses							
Total operating expenses							
<b>Operating loss</b>	<b>Operating loss</b>	(4)	%	(1)	%	(6)	%
Other income (expense), net							
<b>Operating loss</b>							
<b>Operating loss</b>							
Other income, net							
Other income, net							
Other income, net							
Net gain on extinguishment of debt	Net gain on extinguishment of debt	—	%	—	%	3	%
Gain on business interruption insurance recoveries		—	%	—	%	1	%
Net gain on extinguishment of debt							
Net gain on extinguishment of debt							
Interest income (expense), net	Interest income (expense), net	—	%	—	%	—	%
Interest income (expense), net							
Interest income (expense), net							
Interest income (expense), net							
Other income, net	Other income, net	—	%	—	%	—	%
<b>Total other income (expense), net</b>		1	%	—	%	4	%
Loss before income taxes		(4)	%	(1)	%	(2)	%
<b>Total other income, net</b>							
<b>Total other income, net</b>							
<b>Total other income, net</b>							
(Loss) income before income taxes							
(Loss) income before income taxes							
(Loss) income before income taxes							
Income tax benefit							
Income tax benefit							
Income tax benefit	Income tax benefit	—	%	1	%	1	%
<b>Net loss</b>		(3)	%	(1)	%	(1)	%
<b>Net (loss) income</b>							
<b>Net (loss) income</b>							
<b>Net (loss) income</b>							

(\*) Columns may not foot due to rounding.

### Management's Discussion and Analysis

Comparison of the three months ended **September 30, 2023** **March 31, 2024** and **2022** **2023**

## Revenue

	Three months ended September 30,			Change
	2023	2022		
	(In thousands)			
Revenue	\$ 152,013	\$ 148,325	\$ 3,688	2 %

	Three months ended March 31,			Change
	2024	2023		
	(Dollars in thousands)			
Cloud communications	\$ 128,485	\$ 114,434	\$ 14,051	12 %
Messaging surcharges	42,548	23,410	19,138	82 %
Revenue	\$ 171,033	\$ 137,844	\$ 33,189	24 %

For the three months ended **September 30, 2023** **March 31, 2024**, our **total** **cloud communications** revenue increased by **\$414** million, or **212%**, compared with the same period in **2022** **2023**. This growth was primarily the result of **stronger** **higher** sales across all product categories including voice, phone numbers, 911 enabled phone number services, and messaging.

For the three months ended **March 31, 2024**, our revenue from messaging surcharges increased by **\$19** million, or **82%**, compared with the same period in **2023**. This growth was driven by higher overall messaging traffic, campaign related product mix dynamics resulting in **commercial** **messaging**, which **higher** **MMS** traffic and more **than** offset the absence of **cyclical** **campaign** messaging in the prior year, expensive per message **MMS** surcharges, and higher related messaging surcharges **new** fees imposed by certain **carriers** **carriers** for unregistered traffic.

## Cost of Revenue and Gross Margin

Three months ended March 31,			Three months ended September 30,			2024			2024			2023			Change		

		Three months ended September 30,						
		2024						
		2024						
		2023	2022	Change				
		2024			2023			
		(In thousands)						
		(Dollars in thousands)						
		(Dollars in thousands)						
		(Dollars in thousands)						
Research and development	Research and development	\$24,792	\$25,044	\$(252) (1)%	Research and development	\$ 28,912		
Sales and marketing	Sales and marketing	25,011	23,184	1,827 8 %	Sales and marketing	29,139		
General and administrative	General and administrative	15,843	16,623	(780) (5)%	General and administrative	17,849		
Total operating expenses	Total operating expenses	\$65,646	\$64,851	\$ 795 1 %	Total operating expenses	\$ 75,900		

As a percentage of revenue, total operating expenses for the three months ended September 30, 2023 March 31, 2024 and 2022 2023 were 43% 44% and 44%, respectively.

For the three months ended September 30, 2023, research and development expenses decreased by less than \$1 million, or 1% 49%, compared with the same period in 2022. This decrease was primarily due to lower headcount expenses partially offset by higher information technology and facilities expenses.

For the three months ended September 30, 2023, sales and marketing expenses increased by \$2 million, or 8%, compared with the same period in 2022, primarily due to higher information technology and facilities expenses.

## Management's Discussion and Analysis

For the three months ended September 30, 2023 March 31, 2024, research and development expenses increased by \$3 million, or 13%, compared with the same period in 2023. This increase was primarily due to higher facilities and depreciation expenses in support of our expanding research and development capabilities.

For the three months ended March 31, 2024, sales and marketing expenses increased by \$4 million, or 16%, compared with the same period in 2023, primarily due to higher facilities and depreciation expenses in support of our sales force.

For the three months ended March 31, 2024, general and administrative expenses decreased increased by \$1 million, or 5% 7%, compared with the same period in 2022, 2023, driven by higher headcount expenses which were partially offset by lower headcount corporate administrative expenses.

### Interest Income (Expense), Net

For the three months ended September 30, 2023 March 31, 2024, interest expense, income, net of interest income, decreased expense increased by \$1 million, \$2 million, compared with the same period in 2022, 2023, due to lower interest expense of less than \$1 million as a result of the 2026 Convertible Notes repurchases of approximately \$65 million in March 2023 and \$160 million in November 2022 in addition to higher interest income of \$1 million from higher interest rates on invested cash.

### Income Tax Benefit

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 that occurred in the quarter.

For the three months ended September 30, 2023 March 31, 2024, we recognized an income tax benefit of less than \$1 million, a decrease of less than \$13 million, compared with the same period in 2022, 2023. The resulting effective tax rate for the three months quarterly period ended September 30,

2023 March 31, 2024 was 4.1%2.1% compared with 53.5%(647.6)% in 20222023. For the three months quarterly period ended September 30, 2023 March 31, 2024, the change to the effective tax rate was primarily due to increased near breakeven pre-tax income in the first quarter of 2023 of less than \$1 million in relation to the tax benefit resulting from operating losses outside of the U.S., where tax benefits are not recognized due to a valuation allowance.

For the three months ended September 30, 2023 March 31, 2024, the effective tax rate of 2.1% differed from the federal statutory tax rate of 21% in the U.S. primarily due to a valuation allowance recorded against U.S. federal and state net deferred tax assets.

2022 For the three months ended March 31, 2023, the effective tax rates rate of 4.1%(647.6)% and 53.5%, respectively, differed from the federal statutory rate of 21% in the U.S. primarily due to differing statutory near breakeven pre-tax income of less than \$1 million in relation to the tax rates in international jurisdictions and benefit resulting from operating losses outside of the valuation allowance recorded against our U.S. federal and state net deferred tax assets.

Most of the permanent tax adjustments within our effective tax rate are offset by a valuation allowance. These adjustments include state taxes, federal research tax credits under Internal Revenue Code Section 41, equity compensation in the U.S. and other non-deductible expenditures in the U.S. Excluding the impact of the valuation allowance, we realized an estimated state effective tax rate of 4.3%4.4% for the three months quarterly period ended September 30, 2023 March 31, 2024. In addition, exclusive of the valuation allowance, we continue to generate income tax benefits in the current period related to income tax credits recognized for qualified research activities in the U.S. The applicable federal tax laws and regulations define qualified research activities as research and development activities conducted in the U.S. that involve a process of experimentation designed to discover new information intended to develop a new or improved business component. Absent the valuation allowance, equity compensation also impacts the effective tax rate to the extent the income tax deduction exceeds or is below the related book expense, as required under ASC 718-740-35-2. Other U.S. non-deductible expenses that are offset by the valuation allowance consist primarily of non-deductible executive compensation under Internal Revenue Code Section 162(m).

Permanent tax adjustments within our effective tax rate that are not offset by the valuation allowance included minimum include federal and state taxes, tax payable, foreign tax benefits and foreign rate differentials. As we continue to scale our international business, any changes to foreign business activity may impact our effective tax rate in the future.

### Management's Discussion and Analysis

We continue to expect recurring changes to the valuation allowance as deferred tax assets within the U.S. increase or decrease in subsequent periods. We will maintain a valuation allowance against all U.S. federal and state deferred tax assets until it becomes more likely than not that the benefit of our federal and state deferred tax assets will be realized.

### Management's Discussion and Analysis

#### Comparison of the nine months ended September 30, 2023 and 2022

##### Revenue

	Nine months ended September 30,		Change
	2023	2022	
	(In thousands)		
Revenue	\$ 435,731	\$ 416,178	\$ 19,553 5 %

For the nine months ended September 30, 2023, our total revenue increased by \$20 million, or 5%, compared with the same period in 2022. This growth was the result of stronger growth in commercial messaging, which more than offset the absence of cyclical campaign messaging in the prior year, and higher related messaging surcharges imposed by certain carriers. The growth in our core messaging was broad based and driven by customers in a variety of industry verticals.

##### Cost of Revenue and Gross Margin

	Nine months ended September 30,		Change
	2023	2022	

	(In thousands)					
Cost of revenue	\$ 261,624	\$ 241,896	\$ 19,728			8 %
Gross profit	\$ 174,107	\$ 174,282	\$ (175)			— %
Total gross margin	40 %	42 %				

For the nine months ended September 30, 2023, total cost of revenue increased \$20 million, compared with the same period in 2022, driven by higher pass-through messaging surcharges of \$18 million. The combination of changes in total revenue and total cost of revenue yielded gross profit of \$174 million, which decreased by less than \$1 million from the same period in 2022 as higher gross profit from phone numbers was more than offset by higher network costs.

Our total gross margin percentage of 40% for the nine months ended September 30, 2023 declined 2%, compared with the same period in 2022, driven by higher pass-through messaging surcharges within the total revenue mix.

#### **Operating Expenses**

	Nine months ended September 30,			Change
	2023		2022	
	(In thousands)			
Research and development	\$ 75,305	\$ 71,735	\$ 3,570	5 %
Sales and marketing	75,794	69,663	6,131	9 %
General and administrative	48,430	50,191	(1,761)	(4)%
Total operating expenses	\$ 199,529	\$ 191,589	\$ 7,940	4 %

As a percentage of revenue, total operating expenses for the nine months ended September 30, 2023 and 2022 were 46%.

#### **Management's Discussion and Analysis**

For the nine months ended September 30, 2023, research and development expenses increased by approximately \$4 million, or 5%, compared with the same period in 2022. This increase was primarily due to higher facilities and information technology expenses of \$3 million.

For the nine months ended September 30, 2023, sales and marketing expenses increased by \$6 million, or 9%, compared with the same period in 2022, primarily due to an increase in sales personnel costs of \$5 million.

For the nine months ended September 30, 2023, general and administrative expenses decreased by \$2 million, or 4%, compared with the same period in 2022, driven by lower headcount expenses of \$1 million and lower allocated facilities and information technology expenses of \$1 million.

#### **Interest Expense, Net**

For the nine months ended September 30, 2023, interest expense, net of interest income, decreased by \$2 million, compared with the same period in 2022, due to higher interest income of \$1 million primarily from higher interest rates on invested cash and lower interest expense of \$1 million as a result of the 2026 Convertible Notes repurchases of approximately \$65 million in March 2023 and \$160 million in November 2022.

#### **Income Tax Benefit**

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.

For the nine months ended September 30, 2023, we recognized an income tax benefit of \$3 million, an increase of \$2 million compared with the same period in 2022. The resulting effective tax rate for the nine months ended September 30, 2023 was 37.1% compared with 7.7% in 2022. For the nine months ended September 30, 2023, the change to the effective tax rate was primarily due to increased operating losses outside of the U.S., where tax benefits are recognized and are not offset by a valuation allowance.

For the nine months ended September 30, 2023 and 2022, the effective tax rates of 37.1% and 7.7%, respectively, differed from the federal statutory rate of 21% in the U.S. primarily due to differing statutory tax rates in international jurisdictions and the valuation allowance recorded against its U.S. federal and state net deferred tax assets.

Most of the permanent tax adjustments within our effective tax rate are offset by a valuation allowance. These adjustments include state taxes, federal research tax credits under Internal Revenue Code Section 41, equity compensation in the U.S. and other non-deductible expenditures in the U.S. Excluding

the impact of the valuation allowance, we realized an estimated state effective tax rate of 4.3% for the nine months ended September 30, 2023. In addition, exclusive of the valuation allowance, we continue to generate income tax benefits in the current period related to income tax credits recognized for qualified research activities in the U.S. The applicable federal tax law and regulations define qualified research activities as research and development activities conducted in the U.S. that involve a process of experimentation designed to discover new information intended to develop a new or improved business component. Absent the valuation allowance, equity compensation also impacts the effective tax rate to the extent the income tax deduction exceeds or is below the related book expense, as required under ASC 718-740-35-2. Other U.S. non-deductible expenses that are offset by the valuation allowance consist primarily of non-deductible executive compensation under Internal Revenue Code Section 162(m).

Permanent tax adjustments within our effective tax rate that are not offset by the valuation allowance included minimum state taxes, foreign tax benefits and foreign rate differentials. As we continue to scale our international business, any changes to foreign business activity may impact our effective tax rate in the future.

We continue to expect recurring changes to the valuation allowance as deferred tax assets within the U.S. increase or decrease in subsequent periods. We will maintain a valuation allowance against all U.S. federal and state deferred tax assets until it becomes more likely than not that the benefit of our federal and state deferred tax assets will be realized.

### Management's Discussion and Analysis

#### Liquidity and Capital Resources

Our liquidity is provided by our cash flow from operations less expenditures for capital equipment, and supplemented by financing activities from time to time. Our cash flow from operations is driven by monthly payments from customers for communication services consumed during the period. Our primary uses of cash include operating costs, such as fees paid to other network service providers, network operations costs, personnel costs and facility expenses, as well as the purchase of property, plant and equipment to support growth on our communications platform and the purchase of land for our new corporate headquarters platform. As of September 30, 2023 March 31, 2024, we had cash and cash equivalents of \$107.4 million \$105 million and marketable securities of \$31.7 million \$42 million.

On August 1, 2023, we entered into the Credit Agreement, which provides for a \$50.0 million \$50 million Credit Facility, including a \$15.0 million \$15 million sublimit for the issuance of letters of credit and a swingline subfacility of up to \$5.0 million \$5 million. The Credit Facility has an accordion feature that allows for an increase in the total borrowing size up to \$25.0 million \$25 million, subject to certain conditions. See Note 8, "Debt," to the condensed consolidated financial statements and "Overview - Revolving Credit Facility" included elsewhere in this Quarterly Report on Form 10-Q for additional information on the Credit Agreement.

On June 6, 2022, we entered into a credit agreement among us, as borrower, the lenders from time to time party thereto, and Silicon Valley Bank ("SVB"), as administrative agent, issuing lender and swingline lender. This credit agreement provided for a \$50 million revolving credit facility, including a \$20 million sublimit for the issuance of letters of credit and a swingline subfacility of up to \$5 million. On March 10, 2023, SVB was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation as receiver. As a result, SVB ceased normal banking operations for a period of time. Given these circumstances, on March 14, 2023, we gave notice to SVB of our desire and intent to terminate the commitments under this credit agreement. As of the Notice Date, there were no outstanding borrowings under this credit agreement. The Termination became effective on March 15, 2023.

Additionally, in the last three years we have supplemented our liquidity with proceeds from our issuance of the 2026 Convertible Notes in February 2020 and the 2028 Convertible Notes in March 2021. We used a majority of the proceeds from the issuance of our 2026 Convertible Notes to consummate the acquisition of Voxbone. On March 6, 2023 and November 2, 2022, we repurchased \$65 million and \$160 million, respectively, of our 2026 Convertible Notes, as further described in Note 8, "Debt," to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q. We may, at any time and from time to time, seek to retire or purchase our 2026 Convertible Notes or 2028 Convertible Notes through cash purchases and/or exchanges for equity or debt, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will be upon such terms and at such prices as we may determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

We believe that our cash, cash equivalents and marketable securities balances, and 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 the section titled "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.

## Management's Discussion and Analysis

Our principal future commitments consist of (i) an aggregate of \$425 million in Convertible Notes (see Note 8, "Debt," to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a discussion of the 2026 Convertible Notes and the 2028 Convertible Notes), (ii) \$501 million \$490 million in future minimum rent payments for our current office space, including a \$496 million \$482 million non-cancelable lease for our new corporate headquarters, which commenced in the third quarter of 2023 and which will continue for an initial twenty (20) year term (the "Headquarters Lease") (see Note 5, "Leases," to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a discussion of our Headquarters Lease), and (iii) \$13 million \$22 million in non-cancelable purchase obligations and future minimum payments under contracts to various service providers. See providers (see Note 12, "Commitments and Contingencies," to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for additional information on future lease commitments, contractual obligations).

## Management's Discussion and Analysis

### Statement of Cash Flows

The following table summarizes our cash flows for the periods indicated:

		Three months ended March 31,	Three months ended March 31,	Three months ended March 31,
	2024	Nine months ended September 30,		
		(In thousands)		
		2023	2022	
		(In thousands)	(In thousands)	
Net cash provided by operating activities	\$	19,733	\$	24,340
Net cash provided by (used in) investing activities		26,883		(180,386)
Net cash provided by (used in) operating activities				
Net cash (used in) provided by investing activities				
Net cash (used in) provided by investing activities				
Net cash used in financing activities				
Net cash used in financing activities				
Net cash used in financing activities		Net cash used in financing activities	(52,722)	(2,600)
Effect of exchange rate changes on cash, cash equivalents and restricted cash		Effect of exchange rate changes on cash, cash equivalents and restricted cash	(887)	(6,341)
Effect of exchange rate changes on cash, cash equivalents and restricted cash				
Effect of exchange rate changes on cash, cash equivalents and restricted cash				

Net decrease in cash, cash equivalents, and restricted cash	Net decrease in cash, cash equivalents, and restricted cash	\$ (6,993)	\$ (164,987)
Net decrease in cash, cash equivalents, and restricted cash			
Net decrease in cash, cash equivalents, and restricted cash			

#### **Cash Flows from Operating Activities**

For the **nine** three months ended **September 30, 2023** **March 31, 2024**, net cash provided by operating activities was **\$20** **2** million and was generated by our aggregate results of **\$35 million** **\$16 million** during the period, net of (1) non-cash items comprising depreciation and amortization, non-cash reduction to the right-of-use asset, amortization of debt discount and issuance costs, stock-based compensation, deferred taxes and other, and **net gain on extinguishment of debt**, and (2) a **\$17 million** **\$14 million** cash outflow from lower operating liabilities **partially offset by a net cash inflow from** and **higher operating assets** aggregating **\$1 million**. The **net gain on extinguishment of debt** was a result of the repurchase of **\$65 million** aggregate principal amount of the 2026 Convertible Notes in March 2023. **assets**.

Within operating liabilities, the net cash **used** provided as a result of **lower** **higher** accrued expenses and other liabilities of **\$13** **7** million during **2023** **2024** was driven by **the higher general accrued expenses due to timing of incurred expenses and partially offset by lower payment of annual bonuses and less advanced billings from customers utilizing their credit balances for invoice payments**. **billings**. The cash outflow related to the operating right-of-use liability was **\$8 million** **\$1 million**. This was partially offset by cash **provided** **used** by accounts payable of **\$19 million** and was primarily related to the timing and amounts of purchases of both services and tangible goods and their related payment arrangements.

Within operating assets, the net cash **used** as a result of higher accounts receivable of **\$11 million** during **2024** was driven by higher unbilled receivables balances arising from higher usage amounts in the last month of the first quarter. This was partially offset by cash provided as a result of the change in **lower** **prepaid expenses and other assets of \$2 million** was **\$1 million** during **2024** from a result of **lower** **prepaid expenses from timing throughout the year**. **income tax receivable**.

#### **Cash Flows from Investing Activities**

For the **nine** three months ended **September 30, 2023** **March 31, 2024**, net cash provided by **used** in investing activities was **\$27 million**. Cash provided by **used** in investing activities was driven by **proceeds from the sales and maturities of marketable securities of \$100 million to partially fund the repurchase of \$65 million aggregate principal amount of the 2026 Convertible Notes**. This was partially offset by cash used for the purchase of marketable securities of **\$61 million**. **\$22 million** to benefit from the favorable interest rate environment. Additionally, **cash** used for

#### **Management's Discussion and Analysis**

the purchase of property, plant and equipment was **\$5 million** **\$3 million** and cash used for capitalized software development costs was **\$8 million** **\$4 million**, driven by investments in the communications platform.

#### **Cash Flows from Financing Activities**

For the **nine** three months ended **September 30, 2023** **March 31, 2024**, net cash used in financing activities was **\$53** **2** million, consisting primarily of **\$51 million** net cash paid to **repurchase \$65 million aggregate principal amount** **cover tax liabilities of the 2026 Convertible Notes**.

#### **Off-Balance Sheet Arrangements**

With the acquisition of Voxbone, we have off-balance sheet agreements for short-term office leases in the amount of less than \$1 million, ending prior to June 30, 2024. vested company issued equity awards.

#### **Management's Discussion and Analysis**

#### **Non-GAAP Financial Measures**

We use Non-GAAP gross profit, Non-GAAP gross margin, Non-GAAP net income, Adjusted EBITDA and free cash flow for financial and operational decision making and to evaluate period-to-period differences in our performance. Non-GAAP gross profit, Non-GAAP gross margin, Non-GAAP net income, Adjusted EBITDA and free cash flow are non-GAAP financial measures, which we believe are useful for investors in evaluating our overall financial performance. We believe these measures provide useful information about operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to key performance indicators used by management in its financial and operational decision making. See below for a reconciliation of each of the non-GAAP financial measures described below.

#### **Non-GAAP Gross Profit and Non-GAAP Gross Margin**

GAAP defines gross profit as revenue less cost of revenue. Cost of revenue includes all expenses associated with our various service offerings as more fully described under the caption "Key Components of Statements of Operations-Cost of Revenue and Gross Margin." We define Non-GAAP gross profit as gross profit after adding back the following items:

- depreciation and amortization;
- amortization of acquired intangible assets related to acquisitions; and
- stock-based compensation.

We calculate Non-GAAP gross margin by dividing Non-GAAP gross profit by revenue less pass-through messaging surcharges, expressed as a percentage of cloud communications revenue.

In our calculation of Non-GAAP gross profit and Non-GAAP gross margin, we eliminate the impact of depreciation and amortization, amortization of acquired intangible assets related to acquisitions, stock-based compensation, pass-through messaging surcharges, and all non-cash items, because we do not consider them indicative of our core operating performance. The exclusion of these items facilitates comparisons of our operating performance on a period-to-period basis. Management uses Non-GAAP gross profit and Non-GAAP gross margin to evaluate operating performance and to determine resource allocation among our various service offerings. We believe Non-GAAP gross profit and Non-GAAP gross margin provide useful information to investors and others to understand and evaluate our operating results in the same manner as our management and board of directors and allows for better comparison of financial results among our competitors. Non-GAAP gross profit and Non-GAAP gross margin may not be comparable to similarly titled measures of other companies because other companies may not calculate Non-GAAP gross profit and Non-GAAP gross margin or similarly titled measures in the same manner we do.

#### **Management's Discussion and Analysis**

Three months ended March 31,									
Three months ended March 31,									
Three months ended March 31,									
2024									
Three months ended September 30,									
(Dollars in thousands)									
2023									
(Dollars in thousands)									
(In thousands)									
(Dollars in thousands)									
<b>Gross Profit</b>	<b>Gross Profit</b>	\$	59,499	\$	63,464	\$	174,107	\$	174,282
<b>Gross Profit</b>									
<b>Gross Profit</b>									
<b>Gross Profit Margin %</b>									
<b>Gross Profit Margin %</b>									
<b>Gross Profit Margin %</b>	<b>Gross Profit Margin %</b>								
%	%		39	%	43	%	40	%	42
Depreciation	Depreciation		4,056		3,403		11,790		10,141
Depreciation									
Depreciation									
Amortization of acquired intangible assets									

Amortization of acquired intangible assets					
Amortization of acquired intangible assets	Amortization of acquired intangible assets	1,959	1,831	5,863	5,797
Stock-based compensation	Stock-based compensation	182	93	578	283
Stock-based compensation					
Stock-based compensation					
Non-GAAP Gross Profit					
Non-GAAP Gross Profit					
Non-GAAP Gross Profit	Non-GAAP Gross Profit	\$ 65,696	\$ 68,791	\$ 192,338	\$ 190,503
Non-GAAP Gross Margin % <sup>(1)</sup>	Non-GAAP Gross Margin % <sup>(1)</sup>	55 %	57 %	54 %	54 %
Non-GAAP Gross Margin % <sup>(1)</sup>					
Non-GAAP Gross Margin % <sup>(1)</sup>					

<sup>(1)</sup> Calculated by dividing Non-GAAP gross profit by cloud communications revenue less pass-through messaging surcharges of \$32 million \$128 million and \$27 million \$114 million in the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and \$83 million and \$65 million in the nine months ended September 30, 2023 and 2022, 2023, respectively.

#### Non-GAAP Net Income (Loss)

We define Non-GAAP net income (loss) as net income or loss adjusted for certain items affecting period-to-period comparability. Non-GAAP net income (loss) excludes:

- stock-based compensation;
- amortization of acquired intangible assets related to acquisitions;
- amortization of debt discount and issuance costs for convertible debt;
- acquisition related expenses;
- impairment charges of intangibles assets, if any;
- net cost associated with early lease terminations and leases without economic benefit;
- (gain) loss on sale of business;
- net (gain) loss on extinguishment of debt;
- gain on business interruption insurance recoveries;
- non-recurring items not indicative of ongoing operations and other; and
- estimated tax impact of above adjustments, net of valuation allowances allowances.

We calculate Non-GAAP basic and diluted shares by adding the weighted average of outstanding Series A redeemable convertible preferred stock, if any, to the weighted average number of outstanding basic and diluted shares, respectively. The tax-effect of Non-GAAP adjustments is determined by recalculating the tax provision on a Non-GAAP basis. When we have a valuation allowance recorded and no tax benefits will be recognized, the rate is considered to be zero.

We believe Non-GAAP net income (loss) is a meaningful measure because by removing certain non-cash and other expenses, we are able to evaluate our operating results in a manner we believe is more indicative of the current period's performance. We believe the use of Non-GAAP net income (loss) 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 may use similar Non-GAAP financial information to supplement their GAAP results. As a result of the adoption of ASU No. 2020-06 on January 1, 2022, we add back cash interest expense on the Convertible Notes, as if converted at the beginning of the period, if the impact is dilutive for the purposes of calculating diluted Non-GAAP net income or loss per Non-GAAP share.

#### Management's Discussion and Analysis

	Three months ended March 31,		Three months ended March 31,			
	Three months ended March 31,		Three months ended March 31,			
	2024					
	(in thousands, except share and per share amounts)					
	(in thousands, except share and per share amounts)					
	(in thousands, except share and per share amounts)					
<b>Net (loss) income</b>						
Stock-based compensation						
Stock-based compensation						
Stock-based compensation						
Amortization of acquired intangibles						
Amortization of acquired intangibles						
Amortization of acquired intangibles						
Amortization of debt discount and issuance costs for convertible debt						
Amortization of debt discount and issuance costs for convertible debt						
Amortization of debt discount and issuance costs for convertible debt						
	Three months ended September 30,		Nine months ended September 30,			
	2023	2022	2023	2022		
Net cost associated with early lease terminations and leases without economic benefit						
	(in thousands, except share and per share amounts)					
<b>Net loss</b>	\$ (5,130)	\$ (802)	\$ (5,409)	\$ (13,864)		
Stock-based compensation	6,942	4,892	22,325	15,059		
Amortization of acquired intangibles	4,348	4,118	12,960	13,018		
Amortization of debt discount and issuance costs for convertible debt	484	763	1,520	2,284		
Net cost associated with early lease terminations and leases without economic benefit						

Gain on sale of business	—	—	—	(3,777)
Net cost associated with early lease terminations and leases without economic benefit	Net cost associated with early lease terminations and leases without economic benefit	1,175	—	1,175
Net gain on extinguishment of debt	Net gain on extinguishment of debt	—	—	(12,767)
Gain on business interruption insurance recoveries	—	—	(4,000)	—
Net gain on extinguishment of debt	Net gain on extinguishment of debt	—	—	—
Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>	Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>	54	101	793
Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>	Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>	—	—	290
Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>	Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>	—	—	—
Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>	Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>	—	—	—
Estimated tax effects of adjustments <sup>(2)</sup>	Estimated tax effects of adjustments <sup>(2)</sup>	(1,526)	(1,074)	(4,661)
Estimated tax effects of adjustments <sup>(2)</sup>	Estimated tax effects of adjustments <sup>(2)</sup>	(1,526)	(1,074)	(3,360)
<b>Non-GAAP net income</b>	<b>Non-GAAP net income</b>	<b>\$ 6,347</b>	<b>\$ 7,998</b>	<b>\$ 11,936</b>
Interest expense on Convertible Notes <sup>(3)</sup>	Interest expense on Convertible Notes <sup>(3)</sup>	317	563	971
Interest expense on Convertible Notes <sup>(3)</sup>	Interest expense on Convertible Notes <sup>(3)</sup>	317	563	1,688
<b>Numerator used to compute Non-GAAP diluted net income per share</b>	<b>\$ 6,664</b>	<b>\$ 8,561</b>	<b>\$ 12,907</b>	<b>\$ 11,338</b>
<b>Net loss per share, basic and diluted</b>	<b>\$ (0.20)</b>	<b>\$ (0.03)</b>	<b>\$ (0.21)</b>	<b>\$ (0.55)</b>
<b>Non-GAAP net income</b>				
<b>Non-GAAP net income</b>				
Interest expense on Convertible Notes <sup>(3)</sup>	Interest expense on Convertible Notes <sup>(3)</sup>	—	—	—
Interest expense on Convertible Notes <sup>(3)</sup>	Interest expense on Convertible Notes <sup>(3)</sup>	—	—	—
Interest expense on Convertible Notes <sup>(3)</sup>	Interest expense on Convertible Notes <sup>(3)</sup>	—	—	—

<b>Numerator used to compute Non-GAAP diluted net income per share</b>							
<b>Numerator used to compute Non-GAAP diluted net income per share</b>							
<b>Numerator used to compute Non-GAAP diluted net income per share</b>							
<b>Net (loss) income per share</b>							
<b>Net (loss) income per share</b>							
<b>Net (loss) income per share</b>							
Basic							
Basic							
Basic							
Diluted							
Diluted							
Diluted							
<b>Non-GAAP net income per Non-GAAP share</b>							
<b>Non-GAAP net income per Non-GAAP share</b>							
<b>Non-GAAP net income per Non-GAAP share</b>	<b>Non-GAAP net income per Non-GAAP share</b>						
Basic	Basic	\$ 0.25	\$ 0.32	\$ 0.47	\$ 0.38		
Basic							
Basic							
Diluted							
Diluted							
Diluted	Diluted	\$ 0.23	\$ 0.27	\$ 0.44	\$ 0.36		
<i>Weighted average number of shares outstanding</i>	<i>Weighted average number of shares outstanding</i>						
<b>Basic and diluted shares</b>	<b>25,613,441</b>	<b>25,304,057</b>	<b>25,539,642</b>	<b>25,268,216</b>			
<i>Weighted average number of shares outstanding</i>							
<i>Weighted average number of shares outstanding</i>							
Basic							
Basic							
Basic							
Diluted							
Diluted							
Diluted							
<b>Non-GAAP basic shares</b>							
<b>Non-GAAP basic shares</b>							
<b>Non-GAAP basic shares</b>	<b>Non-GAAP basic shares</b>	<b>25,613,441</b>	<b>25,304,057</b>	<b>25,539,642</b>	<b>25,268,216</b>		

Convertible debt conversion	Convertible debt conversion	3,317,023	5,788,805	3,484,424	5,788,805
Convertible debt conversion					
Convertible debt conversion					
Stock options issued and outstanding	Stock options issued and outstanding	20,360	64,905	47,345	107,215
Stock options issued and outstanding					
Stock options issued and outstanding					
Nonvested RSUs outstanding					
Nonvested RSUs outstanding					
Nonvested RSUs outstanding					
Non-GAAP diluted shares	Non-GAAP diluted shares	<u>28,950,824</u>	<u>31,157,767</u>	<u>29,071,411</u>	<u>31,164,236</u>
Non-GAAP diluted shares					
Non-GAAP diluted shares					

(1) Non-recurring items not indicative of ongoing operations and other include (i) \$0.1 million of losses on disposals of property, plant and equipment ~~in~~ during the three months ended ~~September 30, 2023~~ ~~March 31, 2024~~, and ~~2022~~, (ii) \$0.4 million of expense resulting from the early termination of ~~the Company's~~ ~~our~~ undrawn SVB credit facility and ~~\$0.4 million~~ ~~\$0.2 million~~ of losses on disposals of property, plant and equipment ~~for~~ ~~during the nine~~ three months ended ~~September 30, 2023~~ and (iii) \$0.3 million of losses on disposals of property, plant and equipment for the nine months ended ~~September 30, 2022~~ ~~March 31, 2023~~.

(2) The estimated tax-effect of adjustments is determined by recalculating the tax provision on a Non-GAAP basis. The Non-GAAP effective income tax rate was ~~11.0%~~ ~~13.0%~~ and ~~18.6%~~ ~~(143.4)%~~ for the ~~nine~~ three months ended ~~September 30, 2023~~ ~~March 31, 2024~~ and ~~2022, 2023~~, respectively. For the ~~nine~~ three months ended ~~September 30, 2023~~ ~~March 31, 2024~~, the Non-GAAP effective income tax rate differed from the federal statutory tax rate of 21% in the U.S. primarily due to the research and development tax credits generated in ~~2023, 2024~~. We analyze the Non-GAAP valuation allowance position on a quarterly basis. In the fourth quarter of 2022, we removed the valuation allowance against all U.S. deferred tax assets for Non-GAAP purposes as a result of cumulative Non-GAAP U.S. income over the past three years and a significant depletion of net operating loss and tax credit carryforwards on a Non-GAAP basis. As of ~~September 30, 2023~~ ~~March 31, 2024~~, we have no valuation allowance against our remaining deferred tax assets for Non-GAAP purposes.

### Management's Discussion and Analysis

(3) Upon the adoption of ASU 2020-06 on January 1, 2022, Non-GAAP net income is increased for interest expense as part of the calculation for diluted Non-GAAP earnings per share.

### Management's Discussion and Analysis

#### Adjusted EBITDA

We define Adjusted EBITDA as net income or losses from continuing operations, adjusted to reflect the addition or elimination of certain income statement items including, but not limited to:

- income tax (benefit) provision;
- interest (income) expense, net;
- depreciation and amortization expense;
- acquisition related expenses;
- stock-based compensation expense;
- impairment of intangible assets, if any;

- (gain) loss on sale of business;
- net cost associated with early lease terminations and leases without economic benefit;
- net (gain) loss on extinguishment of debt;
- gain on business interruption insurance recoveries; and
- non-recurring items not indicative of ongoing operations and other other.

Adjusted EBITDA is a key measure used by management to understand and evaluate our core operating performance and trends, to generate future operating plans and to make strategic decisions regarding the allocation of capital. In particular, the exclusion of certain expenses in calculating Adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis.

		Three months ended March 31,		Three months ended March 31,		Three months ended March 31,	
		2024		Three months ended September 30,		Nine months ended September 30,	
				(In thousands)			
		2023		2022		2023	
		(In thousands)		(In thousands)			
<b>Net loss</b>		\$ (5,130)	\$ (802)	\$ (5,409)	\$ (13,864)		
<b>Net (loss) income</b>							
Income tax benefit							
Income tax benefit							
Income tax benefit		Income tax benefit	(219)	(923)	(3,194)	(1,161)	
Interest (income) expense, net		Interest (income) expense, net	(59)	737	1,177	2,861	
Interest (income) expense, net							
Interest (income) expense, net							
Depreciation	Depreciation	6,647	4,661	16,727	13,848		
Depreciation							
Depreciation							
Amortization							
Amortization		Amortization	4,348	4,118	12,960	13,018	
Stock-based compensation	Stock-based compensation	6,942	4,892	22,325	15,059		
Gain on sale of business		—	—	—	(3,777)		
Stock-based compensation							
Stock-based compensation							
Net cost associated with early lease terminations and leases without economic benefit							
Net cost associated with early lease terminations and leases without economic benefit							
Net cost associated with early lease terminations and leases without economic benefit							
Net cost associated with early lease terminations and leases without economic benefit	Net cost associated with early lease terminations and leases without economic benefit	1,175	—	1,175	—		
Net gain on extinguishment of debt	Net gain on extinguishment of debt	—	—	(12,767)	—		
Gain on business interruption insurance recoveries		—	—	(4,000)	—		
Net gain on extinguishment of debt							

Net gain on extinguishment of debt					
Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>					
Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>					
Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>	Non-recurring items not indicative of ongoing operations and other <sup>(1)</sup>	54	101	391	290
<b>Adjusted EBITDA</b>	<b>Adjusted EBITDA</b>	<b>\$ 13,758</b>	<b>\$ 12,784</b>	<b>\$ 29,385</b>	<b>\$ 26,274</b>
<b>Adjusted EBITDA</b>					
<b>Adjusted EBITDA</b>					

<sup>(1)</sup> Non-recurring items not indicative of ongoing operations and other include \$0.1 million and \$0.2 million of losses on disposals of property, plant and equipment **in** **during** the three months ended **September 30, 2023** **March 31, 2024** and **2022**, and \$0.4 million and \$0.3 million of losses on disposals of property, plant and equipment **in** **the nine months ended September 30, 2023** and **2022, 2023**, respectively.

### Management's Discussion and Analysis

#### Free Cash Flow

Free cash flow represents net cash provided by or used in operating activities less net cash used in the acquisition of property, plant and equipment and capitalized development costs of software for internal use. We believe free cash flow is a useful indicator of liquidity and provides information to management and investors about the amount of cash generated from our core operations that can be used to invest in our business. Free cash flow has certain limitations because it is subject to working capital timing, it does not represent the total increase or decrease in the cash balance for the period, it does not take into consideration investment in long-term securities, nor does it represent residual cash flows available for discretionary expenditures. Therefore, it is important to evaluate free cash flow along with our condensed consolidated statements of cash flows.

Three months ended March 31,					
Three months ended March 31,					
Three months ended March 31,					
<hr/>					
2024					
<hr/>					
Three months ended September 30,					
<hr/>					
(In thousands)					
<hr/>					
2023					
<hr/>					
2022					
<hr/>					
(In thousands)					
<hr/>					
(In thousands)					
<hr/>					
Net cash provided by operating activities	\$ 23,001	\$ 24,016	\$ 19,733	\$ 24,340	
	<hr/>	<hr/>	<hr/>	<hr/>	
Net cash provided by (used in) operating activities					
Net cash used in investing in capital assets <sup>(1)</sup>					
Net cash used in investing in capital assets <sup>(1)</sup>					

Net cash used in investing in capital assets <sup>(1)</sup>	Net cash used in investing in capital assets <sup>(1)</sup>	(4,811)	(10,524)	(13,671)	(20,790)
<b>Free cash flow</b>	<b>Free cash flow</b>	<b>\$ 18,190</b>	<b>\$ 13,492</b>	<b>\$ 6,062</b>	<b>\$ 3,550</b>
<b>Free cash flow</b>					
<b>Free cash flow</b>					

<sup>(1)</sup> Represents the acquisition cost of property, plant and equipment and capitalized development costs for software for internal use.

#### Critical Accounting Policies and Significant Judgments and Estimates

Our unaudited condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, and expenses and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these judgments and estimates under different assumptions or conditions, and any such differences may be material.

There have been no material changes to our critical accounting policies and significant judgments and estimates as compared to the critical accounting policies and significant judgments and estimates disclosed in our Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on **February 23, 2023** **February 28, 2024** (the "Annual Report").

#### Recently Issued Accounting Guidance

See Note 2, "Summary of Significant Accounting Policies," to the condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a summary of recently adopted accounting standards and recent accounting pronouncements not yet adopted, if applicable.

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

We are exposed to certain market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates.

##### Interest Rate Risk

Our primary exposure to market risk relates to interest rate changes. We had cash and cash equivalents of **\$107** **\$105** million and marketable securities of **\$32** **\$42** million as of **September 30, 2023** **March 31, 2024**, which were held for working capital purposes. Our cash and cash equivalents are comprised primarily of interest bearing checking and direct deposit accounts, and money market accounts. Marketable securities consist of **corporate debt securities**, **U.S. treasury securities**, **time deposits** and commercial paper not otherwise classified as cash equivalents.

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 would not have had a material impact on our financial results included elsewhere in this Quarterly Report on Form 10-Q.

On August 1, 2023, we entered into the Credit Agreement, which provides for a **\$50.0 million** **\$50 million** Credit Facility. Interest on borrowings under the Credit Facility accrues at an annual rate tied to a base rate or the SOFR, at our election. Loans based on SOFR bear interest at a rate equal to term SOFR for the applicable interest period plus 10 basis points plus an applicable margin between 2.25% and 2.75%, and loans based on the base rate bear interest at a rate equal to the base rate plus an applicable margin between 1.25% and 1.75%, in each case of the foregoing, depending upon our consolidated EBITDA for the most recent period of four consecutive fiscal quarters for which financial statements have been delivered under the Credit Agreement. As a result, we are exposed to interest rate risk as we make draws on the Credit Facility. As of **September 30, 2023** **March 31, 2024**, there were no outstanding borrowings.

As of **September 30, 2023** **March 31, 2024**, we had a gross carrying amount of \$175 million and \$250 million outstanding from our 2026 Convertible Notes and 2028 Convertible Notes, respectively. As the Convertible Notes have a fixed annual interest rate, we have no financial or economic interest exposure associated with changes in interest rates. However, the fair value of fixed rate debt instruments fluctuates when interest rates change. Additionally,

the fair value can be affected when the market price of our common stock fluctuates. We carry the Convertible Notes at face value less unamortized discount on our balance sheet, and we present the fair value for required disclosure purposes only.

#### **Foreign Currency Risk**

The functional currencies of our foreign subsidiaries are the respective local currencies of the jurisdictions in which they operate, which are primarily the Euro and the British Pound. Approximately 15% 13% and 16% of our total revenue was generated outside North America for the nine months ended September 30, 2023, March 31, 2024 and 2023, respectively. The majority of our revenues and operating expenses are denominated in U.S. dollars, and therefore are not currently subject to significant foreign currency risk. 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. Foreign currency translation adjustments are accounted for as a component of accumulated other comprehensive loss within stockholders' equity. Gains or losses due to transactions in foreign currencies are included in other (expense) income, net in our 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. To the extent the U.S. dollar weakens against foreign currencies, the translation of these foreign currencies result in increased revenue and operating expenses for our rest of world operations. Similarly, our revenue and operating expenses for our rest of world operations decrease if the U.S. dollar strengthens against foreign currencies. A hypothetical 10% adverse change in foreign currency exchange rates would have adversely impacted our net income loss for the nine months quarterly period ended September 30, 2023 March 31, 2024 by approximately \$1.9 million \$0.8 million.

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

##### ***Evaluation of disclosure controls and procedures***

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated 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 that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures are designed at a reasonable assurance level and are 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 SEC 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 disclosure.

##### ***Changes in internal control over financial reporting***

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act during the quarter ended September 30, 2023 March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

##### ***Inherent limitation on the effectiveness of internal control***

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

## **PART II - OTHER INFORMATION**

## Item 1. Legal Proceedings

Phone Recovery Services, LLC and Phone Administrative Services, Inc. acting or purporting to act on behalf of applicable jurisdictions, or the applicable county or city itself, have filed multiple lawsuits against us and/or one of our subsidiaries alleging that we failed to bill, collect and remit certain taxes and surcharges associated with the provision of 911 services.

The following county or municipal governments have named us in lawsuits that remain unresolved and are associated with the collection and remittance of 911 taxes and surcharges: (a) the City and County of San Francisco, California; (b) the following Illinois jurisdictions, collectively: Cook and Kane Counties, Illinois, the City of Chicago, Illinois, and the State of Illinois; and (c) the State of New York. The complaints allege that we failed to bill, collect and remit certain taxes and surcharges associated with 911 services pursuant to applicable laws.

On October 19, 2023, we were named as a defendant in a complaint captioned *Aguilar v. Network Insurance Senior Health Division ALG, LLC, et al.*, pending in the U.S. District Court for the Southern District of Texas, relating to the alleged delivery of unsolicited phone calls to the plaintiff's telephone number.

We intend to vigorously defend these lawsuits and believe we have meritorious defenses to each. However, litigation is inherently uncertain, and any judgment or injunctive relief entered against us or any adverse settlement could negatively affect our business, results of operations and financial condition.

In addition to the litigation discussed above, from time to time, we may be subject to legal actions and claims in the ordinary course of business. We have received, and may in the future continue to receive, claims from third parties relating to number management and *billing, employment-related claims, claims arising from customer misuse of our offerings, and* claims asserting, among other things, infringement of their intellectual property rights. Future litigation may be necessary to defend ourselves, our partners and our customers by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary *rights. rights or to recover amounts owed to us.* 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 us because of defense and settlement costs, diversion of management resources, and other factors.

## 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 the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our 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.*

### Risk Factors Summary

The following is a summary of the principal risks that could adversely affect our business, results of operations and financial condition.

#### Risks Related to Our Business

- Our future growth and the success of our expansion plans depend on a number of factors that are beyond our control.
- Our growth and financial health are subject to a number of economic risks.
- **Nearly all** **Approximately** half of our operating cash is maintained in deposit accounts with various financial institutions and is not insured by the Federal Deposit Insurance Corporation. Corporation ("FDIC").
- The market in which we participate is highly competitive, and we may not compete effectively.
- We may not be able to attract new customers in a cost-effective manner.
- The market for some of our services is new and unproven, and may decline or experience limited growth.
- Our ability to meet our goals for revenue growth, cash flow and operating performance depends on customers increasing their use of our services.
- We may not be able to increase the revenue that we derive from enterprises.
- We may not be able to develop service enhancements or new services that achieve market acceptance.

- We use AI in our business, and challenges with properly managing its use could adversely affect our results of operations.
- As we continue to expand geographically and otherwise, we may experience difficulty maintaining our corporate culture and operational infrastructure.
- We have grown rapidly, and may not be able to manage the growth effectively.
- Our pricing and billing systems are complex, and errors could adversely affect our results of operations.
- We must continue to develop effective systems to support our business.
- We may not be able to maintain and enhance our brand and increase market awareness.
- Failure to deliver high-quality support may adversely affect our customer relationships.
- We operate internationally, which exposes us to significant risks.
- The military conflict between Russia and Ukraine, including an expansion of that conflict to other areas, may adversely affect our business.
- Some of our revenue is concentrated in a limited number of enterprise customers.
- Attacks on or breaches of our networks or systems, or on those of third parties on which we rely, including denial-of-service and other cyberattacks, may result in disruption to our services, which could harm our business.
- We are currently subject to litigation, including litigation related to taxes and charges associated with our provision of 911 services.
- Customer misuse of our services and software could result in litigation and/or regulatory enforcement actions and harm our business, business and reputation.
- We are subject to litigation in the ordinary course of business, which may harm our business.
- The communications industry faces significant regulatory uncertainties.
- The effects of increased regulation of IP-based service providers are unknown.
- Expanded regulatory oversight and enforcement from state and federal agencies may increase compliance and litigation-related risks.
- We must obtain and maintain numerous licenses and permits, in the United States and internationally, to operate our network.
- If we violate regulatory requirements that apply to our operations, we may not be able to conduct our business.
- The FCC's 2018 repeal of its Network Neutrality Rules could harm our business.
- Our business is subject to complex and evolving laws, commercial standards, contractual obligations and other requirements regarding privacy and data protection.
- Our business may be harmed if we cannot obtain, retain and distribute local or toll-free numbers.
- We may be exposed to liabilities under anti-corruption, export control and economic sanction regulations.
- Third party intellectual property rights could prevent us from using technologies needed to provide our services.
- Our use of open source software could negatively affect our ability to sell our services and subject us to litigation.
- Indemnity provisions in various agreements potentially expose us to substantial liability.
- We may fail to protect our internally developed systems, technology and software and our intellectual property.
- We may be liable for the information that content owners or distributors distribute over our network.
- Third parties may use our services to commit fraud or steal our services.
- Our customers may choose to discontinue use of VoIP-based services and revert to traditional network service providers.
- We may lose customers if our platform or network fails or is disrupted.
- Defects or errors in our services could harm our business.
- If our emergency services do not function properly, we may be exposed to significant liability.
- Termination of relationships with key suppliers could cause delay and additional costs.
- Our customer churn rate may increase.
- The prices for some of our services have decreased in the past and may do so again in the future.
- The need to obtain additional IP circuits or interconnect with other networks could increase our costs.
- The loss of any member of our senior management team or key employees could harm our business.
- If we are unable to hire, retain and motivate qualified personnel, our business will suffer.
- We could be subject to additional tax liabilities for historic and future sales, use and similar taxes.
- Our global operations and legal entity structure subject us to potentially adverse income tax consequences.
- Our ability to use our net operating loss and tax credit carryforwards to offset future taxable income may be limited.

- We may be subject to significant tax-related liabilities and indemnity obligations if the Spin-Off (as defined below) is taxable.
- Our estimates or judgments relating to our critical accounting policies may prove to be incorrect.
- We may be unable to maintain an effective system of disclosure controls and internal control over financial reporting.
- If our goodwill or intangible assets become impaired, we may be required to record a significant charge.
- Foreign currency exchange rate fluctuations may harm our business.
- Natural disasters, pandemics, power outages, terrorist attacks, acts of war, civilian unrest and similar events could harm our business.
- We may acquire other businesses, which may divert our management's attention and impact our stock price.

#### **Risks Related to the Convertible Notes**

- Servicing our future indebtedness may require a significant amount of cash, which we may not have.
- We may not have the ability to raise the funds necessary for cash settlement of the Convertible Notes.
- The conditional conversion feature of the Convertible Notes may adversely affect our financial condition and operating results.
- The capped call transactions may affect the value of the Convertible Notes and our Class A common stock.
- We are subject to counterparty risk with respect to the Capped Calls.

#### **Risks Related to Ownership of Our Class A Common Stock**

- The trading price of our Class A common stock may be volatile and you could lose all or part of your investment.
- Substantial future sales of shares of our Class A common stock could cause the price of our Class A to decline.
- Our dual class capital structure concentrates voting control.
- We cannot predict the impact our capital structure may have on our stock price.
- We are effectively controlled by David A. Morken, our Co-Founder and Chief Executive Officer, whose interests may differ from other stockholders.
- Our stock price and trading volume could decline if securities or industry analysts stop covering our Class A Common Stock.
- Anti-takeover provisions in our organizational documents and Delaware law, could impair a takeover attempt.
- Our certificate of incorporation and bylaws include super-majority voting provisions.
- Our bylaws provide that Delaware will be the sole and exclusive forum for certain stockholder litigation.
- We may need additional capital in the future and such capital may be limited or unavailable.
  - We do not intend to pay dividends for the foreseeable future.

**The following is a more complete discussion of the material risks facing our business.**

#### **Risks Related to Our Business**

##### ***Our future growth and the success of our expansion plans depend on a number of factors that are beyond our control.***

We have grown our business considerably over the last several years. We since inception, and cannot guarantee that we will be able to maintain our growth or that we will choose to target the same pace of growth in the future. Our success in achieving continued growth depends upon several factors including:

- our ability to hire and retain qualified and effective personnel, including, but not limited to, those with the expertise required to develop and maintain our service offerings, to sell those offerings and to operate our business effectively;
- the overall economic health of new and existing markets;
- the number and effectiveness of competitors;
- the pricing structure under which we will be able to purchase services required to serve our customers;
- our ability to successfully introduce new service offerings and maintain or enhance existing offerings;
- the availability to us of technologies needed to remain competitive;
- federal, state and international regulatory conditions, including the maintenance of regulation that protects us from unfair business practices by traditional network service providers or others with greater market power who have relationships with us as both competitors and suppliers; and
- changes in industry standards, laws, regulations, or regulatory enforcement in the United States and internationally.

***Our growth and financial health are impacted by a number of risks, including uncertain capital markets, recessionary fears, high rates of inflation and higher interest rates.***

In recent years, the financial markets in the United States have experienced substantial volatility in securities prices, reduced liquidity and credit availability, rating downgrades of certain investments and declining values with respect to others. If capital and credit markets continue to experience uncertainty, we may not be able to obtain debt or equity financing or to refinance our existing indebtedness on favorable terms or at all, which could impair our ability to execute on our strategy, and harm our financial performance. These conditions currently have not precluded us from accessing credit markets or financing our operations, but there can be no assurance that financial markets and confidence in major economies will not deteriorate.

In addition, we are vulnerable to changes in market preferences or other market changes, such as general economic conditions, recession and fears of recession, interest rates, tax rates and policies, and inflation. The U.S. is currently experiencing In recent years, the United States has experienced higher rates of inflation than in previous years, and as a result, we may experience a compression in our gross margins as a result. These inflationary pressures could affect wages, the cost of and our ability to obtain components, the price of our products and services, our ability to meet customer demand, and our gross margins and operating profit. Inflation may further exacerbate other risks discussed in this "Risk Factors" section, such as risks related to our sales and marketing efforts and our ability to attract, motivate and retain sales, engineering and other key personnel. If we are unable to successfully manage the effects of inflation, our business, operating results, cash flows and financial condition may be adversely affected.

In an attempt to temper these higher rates of inflation, beginning in March 2022 the U.S. Federal Reserve steadily raised its benchmark federal funds interest rate, resulting in a commensurate rise in interest rates across numerous borrowing categories. This rise in interest rates may impact our ability to access debt capital on terms acceptable to us, or at all.

The U.S. and global economies have in the past, and will in the future, experience recessionary periods and periods of economic instability. During such periods, our existing and potential customers may choose not to expend the amounts that we anticipate based on our expectations with respect to the addressable market for the services we offer. There could also be a number of other effects from adverse general business and economic conditions on our business, including insolvency of any of our third-party suppliers or contractors, decreased market confidence, decreased interest in communications solutions, decreased discretionary spending and reduced customer demand for the services we offer, any of which could have a material adverse effect on our business, financial condition and results of operations and exacerbate some of the other risk factors contained in this Quarterly Report on Form 10-Q.

Key vendors upon which we rely also could be unwilling or unable to provide us with the materials or services that we need to operate our communications platform or otherwise on a timely basis or on terms that we find acceptable. Our financial counterparties, insurance providers or others also may default on their contractual obligations to us. If any of our key vendors fail, we may not be able to replace them without disruptions to, or deterioration of, our services and we also may incur higher costs associated with new vendors. Transitioning to new vendors also may result in the loss of the value of assets associated with our integration of third-party services into our network or service offerings.

**Nearly all Approximately half of our operating cash is maintained in deposit accounts with various financial institutions and is not insured by the Federal Deposit Insurance Corporation. FDIC.**

Nearly all Approximately half of our operating cash is maintained in deposit accounts at various financial institutions and is not insured by the Federal Deposit Insurance Corporation. FDIC. We believe we employ a reasonable strategy to diversify our cash deposits among financial institutions. However, if any of the institutions into which our funds are deposited experiences limited liquidity or otherwise defaults or does not perform its obligations to depositors, we may not be able to access those funds in a timely manner, or at all, which could adversely affect our business, financial condition or results of operations, and our prospects.

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

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 our suite of service offerings, credibility with enterprises and 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 and customer support, as well as the cost of deploying and using our services. Our competitors fall into two primary categories:

- CPaaS companies that offer software APIs, less robust customer support and fewer other features, while relying on third-party networks and physical infrastructure; and
- network service providers that offer limited developer functionality on top of their own networks and physical infrastructure.

Some of our competitors and potential competitors are larger and have greater name recognition, longer operating histories, more established customer relationships, greater penetration into the enterprise space, a larger global reach, 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 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 services that address one or a limited number of functions at lower prices, with greater depth than our services or in different geographies. Our current and potential competitors may develop and market new services with comparable functionality to our services, and this could lead which may force us to us having to decrease prices compete on price in order to remain competitive. In addition, some of our competitors have lower list prices than us, which may be attractive to certain customers even if those services have different or lesser functionality. If we are unable to maintain our current pricing due to competitive pressures, our revenue and margins will be reduced and our business, results of operations and financial condition would will be adversely affected. Customers utilize our services in many ways and use varying

levels of functionality that our services offer or are capable of supporting or enabling within their applications. Customers that use using only limited functionality may be able to more easily replace our services with competitive offerings. By contrast, customers using many of the features of our services or use using our services to support or enable core functionality for their applications may have difficulty or find it impractical to replace our services with a competitor's services, while customers that use only limited functionality may be able to more easily replace our services with competitive offerings. services.

With the introduction of new services and new market entrants, we expect competition to intensify in the future. In addition, some of our customers choose to use both our services and our competitors' services at the same time in order to provide redundancy in their ability to deliver their own product offerings. Moreover, as we expand the scope of our services, we may face additional competition.

If one or more of our competitors were to merge or partner with another of our competitors, this change in the competitive landscape could further adversely affect our ability to compete effectively. In addition, pricing pressures and increased competition generally could result in reduced revenue, reduced margins, increased losses or the failure of our services to achieve or maintain widespread market acceptance, any of which could harm our business, results of operations and financial condition.

Our current and potential competitors have developed and may develop in the future service offerings that are available internationally, as well as domestically, internationally. To the extent that customers seek service offerings that include support and scaling internationally, they may choose to use other service providers to fill their communication service needs before we can have fully developed expanded and integrated scaled our international offerings. Each of these factors could lead to reduced revenue, slower growth and lower international brand name recognition amongst our industry competitors, any or all of which could harm 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 services and our communications platform, and we periodically adjust the mix of our marketing programs. 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. We cannot assure you that any new investments in sales and marketing, including any increased focus on enterprise sales efforts, will lead to the cost-effective acquisition of additional customers or increased sales or that our sales and marketing efficiency will be consistent with prior periods. If we are unable to maintain effective marketing programs, then our ability to attract new customers could be materially and adversely affected, our advertising and marketing expenses could increase substantially and our results of operations may suffer, affected.

***The market for some of our services is new and unproven, may decline or experience limited growth and is dependent in part on enterprises and developers continuing to adopt our platform and use our services.***

We have been developing and providing a cloud-based platform that enables developers and organizations to integrate voice and messaging communications capabilities into their software applications. This market is relatively new and unproven and is subject to a number of risks and uncertainties. We believe that our future success will depend in large part on the growth, if any, of this market. For example, the utilization of software 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 services and platform. If And even if they do not recognize the need for and benefits of our services and platform, they may decide to adopt alternative services and/or develop the necessary services in-house to satisfy their business needs. In order to grow our business and expand our market position, we intend to focus on educating enterprise customers about the benefits of our services and platform, expanding the functionality of our services, and bringing new technologies to market to increase market acceptance and use of our platform. Our ability to expand the market that our services and platform address depends upon a number of factors, including the cost, performance and perceived value associated with such services and platform. The market for our services and platform could fail to grow significantly or there could be a reduction in demand for our services and platform as a result of a lack of customer acceptance, technological changes or challenges, our inability to successfully introduce new product offerings, competing services and platforms, decreases in spending by current and prospective customers, weakening economic conditions, geopolitical developments, global pandemics, adverse regulatory developments or other causes. If our market does not experience significant growth or demand for our services and platform decreases, then our business, results of operations and financial condition could be adversely affected.

***Our ability to realize our goals for anticipated revenue growth, cash flow and operating performance depends on customers increasing their use of our services, and any loss of customers or decline in their use of our services could materially and adversely affect our business, results of operations and financial condition.***

Customers generally are charged based on the usage of our services. 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 services at any time without penalty or termination charges. We cannot accurately predict customers' usage levels, and the loss of customers or reductions in their usage levels of our services may each have a negative impact on our business, results of operations and financial condition and may cause our dollar-based net retention rate to decline in the future if our customers are not

**satisfied with our services, future.** If a significant number of customers cease using, or reduce their usage of, our services, **then** we may be required to spend significantly more **than planned** on sales and marketing **than we currently plan to spend in order** **efforts** to maintain or increase revenue from customers. Such additional sales and marketing expenditures could adversely affect our business, results of operations and financial condition. More specifically, if:

- we do not maintain or improve our current relationships with existing key customers;
- we are not able to expand the available capacity on our network to meet our customers' demands in a timely manner;
- we do not develop and maintain relationships with new large enterprise customers; or
- our customers choose to obtain these services from **either their own network or from** one of our competitors **or develop similar capabilities in-house,** then we may be unable to increase or maintain our revenue at acceptable margins.

**If we are unable to increase the revenue that we derive from enterprises, our business, results of operations and financial condition may be adversely affected.**

Our ability to expand our sales to enterprise customers will depend, in part, on our ability to effectively organize, focus and train our sales and marketing personnel and to attract and retain sales personnel 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 business requires.** 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 personnel, 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.

**With respect to** The sales cycle for typical enterprise customers **the** **is** **lengthy and complex.** The adoption and implementation of our enterprise service offerings are often considered a strategic purchasing decision, **to adopt our services** **and** may require the approval of multiple executive-level technical and business decision makers, including security, compliance, procurement, operations and IT. In addition, **while** enterprise customers **may quickly deploy our services on a limited basis, before they will commit to deploying our services at scale, they** often require extensive education about our services and significant customer support time, engage in protracted pricing negotiations, and seek to secure readily available development resources. **Enterprise customers may also require deployment of our services on a limited**

**In addition, sales cycles for enterprises are inherently complex and lengthy, and some enterprise customers may not generate revenue that justifies the cost basis prior to obtain such customers. In addition, these** **making a commitment to deploy our services more broadly over a contracted period of time.** These complex and resource-intensive sales efforts could place **additional** **outsized** strain on our limited product and engineering resources.

Further, **enterprises, enterprise customers,** including some of our customers, may choose to develop their own solutions **in-house** that do not include our services. They also may demand reductions in pricing as their usage of our services increases, which could have an adverse impact on our gross margin. **Our efforts to sell to these potential customers** **We** **may not be successful.** **If successful in our efforts to grow our enterprise customer base, and 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 do not develop enhancements to our services and introduce new services 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 services, increase adoption and usage of our services, enhance and improve functionality of our existing services, and introduce new services.** The success of any enhancements or new services depends on several factors, including timely completion, adequate quality testing, actual performance quality, market-accepted pricing levels and overall market acceptance. Enhancements and new services that we develop may not be introduced in a timely or cost-effective manner, may contain errors or defects, may have interoperability difficulties with our communications platform, network or other services, or may not achieve the broad market acceptance necessary to generate significant revenue. We also must integrate with a variety of network, hardware, mobile and software platforms and technologies, which requires us to **enhance and modify our products and adapt our communications platform to adapt** **and product offerings** to changes and innovation in these technologies. Wireline and wireless telephone providers, **as well as** cell-phone operating system providers such as Apple and Google, have developed, and may in the future develop, new applications, functions or technologies intended to filter illegal robocalls or other unwanted phone calls or messages. Such applications, functions or technologies may inadvertently filter legal and desired calls or messages to or from our customers. In certain instances, we may need to update our services and technology to work with these applications, functions or technologies. Any failure to operate effectively with evolving or new technologies could reduce the demand for our services. If we cannot respond to these changes in a cost-effective manner, our services may become less competitive or obsolete, and our business, results of operations and financial condition could be adversely affected. To the extent

that upgrades of existing products, services and technology are required for the introduction of new services, the success of these upgrades also may be dependent on reaching mutually acceptable terms with vendors and on vendors meeting their obligations in a timely manner.

Furthermore, our ability to increase the usage of our services depends, in part, on the development of new use cases for our services, which may be outside of our control. Our ability to generate usage of additional services by our customers may also require increasingly sophisticated and more costly sales efforts and result in a longer sales cycle. If we are unable to successfully enhance our existing services to meet evolving customer requirements, increase adoption and usage of our services or develop new services, or if our efforts to increase the usage of our services are more expensive than we expect, then our business, results of operations and financial condition would be adversely affected.

***We use AI in our business, and challenges with properly managing its use could result in reputational harm, competitive harm, and legal liability, and adversely affect our results of operations.***

We use AI in our business, and we continue to expand our research into and continued development of such capabilities. We offer our customers the ability to integrate certain AI technologies developed by third parties into certain of our offerings, and this integration capability is a prominent feature of our Maestro offering. Certain other features of our products are also supported by third-party AI technologies.

In addition, we are exploring the use of AI to potentially improve our internal functions and operations. Our competitors or other third parties may incorporate AI into their products and offerings, or use AI to gain internal efficiencies, more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our business, reputation and results of operations.

As with many developing technologies, AI presents risks and challenges, and may result in unintended consequences that could affect its further development, adoption, and use, and therefore our business. Deficiencies or other failures of AI systems could subject us to competitive harm, cybersecurity events, regulatory action, penalties, legal liability, or brand or reputational harm. Further, our customers may fail to provide adequate notice, collect consent, or otherwise fail to comply with applicable legal frameworks in their use of our products and services, or integrated AI products and services, which may subject us to regulatory action, private rights of action, legal liability, or brand or reputational harm.

AI is an emerging technology for which the legal and regulatory landscape is not fully developed, including laws and regulations around potential liability for breaching intellectual property or privacy regulations. Laws and regulations applicable to AI are emerging and evolving, and the ultimate legal framework remains uncertain and may be inconsistent from jurisdiction to jurisdiction, including internationally. We may not always be able to anticipate how to respond to these legal frameworks, and our obligation to comply with the laws and regulations could entail significant costs, negatively affect our business, or entirely limit our ability to incorporate certain AI capabilities into our offerings.

***As we continue to expand geographically and otherwise, we may experience difficulties in maintaining our corporate culture, operational infrastructure and management, and our business, results of operations and financial condition could be adversely affected.***

We have experienced substantial expansion in our business, including internationally through our acquisition of Voxbone in late 2020. 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 further expand our business and continue to grow internationally, we may find it difficult to maintain our corporate culture. Any failure to manage 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 personnel, 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, our organizational structure has become more complex. In order to manage these increasing complexities, we will need to continue to scale and adapt the way in which we are organized, our operational, financial and management controls, and 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.

This expansion 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 pricing and billing systems are complex, and errors could adversely affect our results of operations.***

Our pricing and billing systems are complex to develop and challenging to implement. To be profitable, we must have accurate and complete information about the costs associated with voice and messaging, and properly incorporate such information into our pricing model. Our pricing model must also reflect accurate and current information about the market for our services, including the pricing of competitive alternatives for our services, as well as reliable forecasts of traffic volume. We may determine pricing for our services based on data that is outdated or otherwise flawed. Even if we have complete and accurate market information, we may not set prices that optimize both revenue and profitability. If we price our services too high, the amount of traffic that

our customers may route to our network may decrease and accordingly our revenue may decline. If we price our services too low, our margins may be adversely affected, which will reduce our ability to achieve and maintain profitability.

Additionally, we rely on third parties to provide us with key software and services for our billing. If these third parties cease to provide those services to us for any reason, or fail to perform billing services accurately and completely, we may not be able to deliver accurate invoices promptly. Delays in invoicing can lead to delays in revenue recognition, and inaccuracies in our billing could result in lost revenue. If we fail to adapt quickly and effectively to changes affecting our costs, pricing and billing, our profitability and cash flow will be adversely affected.

***We must continue to develop effective business support systems to implement customer orders and to provide and bill our customers for services.***

We depend on our ability to continue to develop effective business support systems. This complicated undertaking requires significant resources and expertise and support from third-party vendors. Following the development of the business support systems, the data migration must be completed for the full benefit of the systems to be realized. Business support systems are needed for:

- quoting, accepting and inputting customer orders for services;
- provisioning, installing and delivering services;
- providing customers with direct access to the information systems included in our communications platform so that they can manage the services they purchase from us, generally through web-based customer portals; and
- billing for services.

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

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

From time to time, our customers we have complained received customer complaints about our services, such as complaints about our including with respect to pricing, and customer support. Additionally, we sometimes experience customer complaints relating to support, and disruption to, or outage of, our services. 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 services. In addition, many of our customers post and discuss on social media has become a widespread method by which consumers communicate about products and services they purchase, including our services and our communications 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 information is important to our services or our communications platform upset these customers, then their online commentary could negatively affect our brand and reputation. Complaints or negative publicity about us, our services or our communications platform could materially and adversely affect 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. 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.

***Any failure to deliver and maintain high-quality customer support may adversely affect our relationships with our customers and prospective customers, and could adversely affect our reputation, business, results of operations and financial condition.***

Many of our customers depend on our customer support team to assist help them in deploying deploy or using use our services effectively, to help them resolve post-deployment issues quickly and to provide ongoing support. If we do not devote sufficient resources to, 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 services.

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 existing customers. Any failure to deliver and maintain high-quality customer support, or a market perception that we do not maintain high-quality customer support, could adversely affect our reputation, business, results of operations and financial condition.

***We operate internationally, which exposes us to significant risks.***

We have expanded our international operations, including through the deployment of data centers in certain European locations and our acquisition of Voxbone in late 2020. As part of our growth strategy, we will continue to evaluate potential opportunities for further international expansion.

Operating in international markets requires significant resources and management attention, and subjects us to legal, regulatory, economic and political risks in addition to those we face in the United States. We have limited experience with international operations, and further international expansion efforts may not be successful.

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

- exposure to international political developments in the United Kingdom ("U.K.") as a result of the January 2020 departure of the U.K. from the European Union ("EU"), which has created an uncertain political and economic environment, that may cause instability for businesses and volatility in global financial markets and the value of foreign currencies, all any of which could disrupt trade and the sale of our services and the mobility of our employees and contractors between the U.K., EU and other jurisdictions; in international markets;
- difficulties in managing and staffing international operations, including difficulties related to the increased operations, travel, infrastructure, employee attrition and legal compliance costs associated with numerous international locations;
- our ability to effectively price our products in competitive international markets;
- new and different sources of competition;
- costs associated with network service providers outside of the United States;
- the need to adapt and localize our products for specific countries;
- challenges in understanding and complying with local laws, regulations and customs in multiple foreign jurisdictions, particularly in the areas of telecommunications and data privacy and security;
- complexities related to differing technical standards, data privacy/certification requirements and telecommunications regulations and certification audit requirements outside the United States, which could prevent customers from deploying our products or limit their usage;
- export controls and economic sanctions administered by the Bureau of Industry and Security of the U.S. Department of Commerce and the Office of Foreign Assets Control of the U.S. Department of the Treasury;
- compliance with various anti-bribery and anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act and U.K. Bribery Act 2010;
- international trade policies, tariffs and other non-tariff barriers, such as quotas;
- more limited protection for intellectual property rights in some countries;
- adverse consequences relating to the complexity of operating in multiple international jurisdictions with differing tax frameworks;
- 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;
- public health epidemics, such as COVID-19, or natural disasters, which could have an adverse impact on our employees, contractors, customers, partners, travel and the global economy; and
- political or social unrest, acts of war 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.

In addition, due to potential costs from our international expansion efforts and network service provider fees outside of the United States, our gross margin for international customers may be lower than our gross margin for domestic customers. As a result, our overall gross margin may fluctuate as we further expand our operations and customer base internationally.

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.

***The military conflict between Russia and Ukraine, and the global response to this conflict, may adversely affect our business and results of operations.***

In response to the military conflict between Russia and Ukraine, the U.S., U.K., EU and others have imposed significant new additional sanctions and export controls against Russia and certain Russian individuals and entities. This conflict has also resulted in significant volatility entities, and disruptions to the global markets. It is not possible to predict the short- or long-term implications of this conflict, which could include but are not limited to further sanctions, uncertainty about economic and political stability, increases in inflation rates and energy prices, supply chain challenges and adverse effects on currency exchange rates and financial markets. In addition, the U.S government has reported that U.S. sanctions against Russia in response to the conflict could lead to an increased threat of cyberattacks against U.S. companies. These increased threats could pose risks to the security of our information technology systems, our network and we terminated our service offerings as well as the confidentiality, availability in Russia and integrity of our data. Belarus.

We have operations, as well as current and potential new customers, in several locations in Europe, including an office in Romania. If the conflict extends beyond Ukraine or further intensifies, it could have an adverse impact on our operations in Romania or other affected areas. Due to the complexity and operational burden required to provide services in compliance with imposed sanctions related to the conflict, we terminated our service offerings in Russia and Belarus. Although neither Russia nor Belarus constituted a material portion of our business, a significant escalation or further expansion of the conflict's current scope or related disruptions to the global markets could have a material adverse effect on our results of operations. And while we do not offer any services in Ukraine, we continue to monitor the situation in that country and globally, and assess the military conflict's potential impact on our business.

***Some of our revenue is concentrated in a limited number of customers.***

A significant portion of our revenue is concentrated among a limited number of customers. If we lost one or more of our top ten customers, or, if one or more of these major customers significantly decreased orders for our services, our business would be materially and adversely affected.

***Attacks on or breaches of our networks or systems, or those of third parties upon which we rely, could degrade our ability to conduct our business, compromise the integrity of our services and our communications platform, result in service degradation or outages, significant data losses, the theft of our intellectual property, investigations by government agencies and damage to our reputation, and could 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 R&D activities to our marketing and sales efforts and communications with our customers and business partners. Cyber-attacks, including through the use of malware, computer viruses, distributed denial of service ("DDoS") attacks, credential harvesting and other means for obtaining unauthorized access to or disrupting the operation of our networks and systems and those of our suppliers, vendors and other service providers, could cause harm to our business, including by misappropriating our proprietary information or that of our customers, employees and business partners or to cause interruptions of our services and our communications platform. Cyber-attacks may cause service degradation or outages, equipment failures, loss of information, including sensitive personal information of customers or employees or valuable technical and marketing information, as well as disruptions to our or our customers' operations. Cyber-attacks against companies have increased in frequency, scope and potential harm in recent years. Further, the perpetrators of cyber-attacks are not restricted to particular groups or persons. These attacks may be committed by company employees or external actors operating in any geography.

including jurisdictions where law enforcement measures to address such attacks are unavailable or ineffective, and may even be launched by or at the behest of nation states.

Despite our efforts to reduce the risks associated with cyber-attacks, including the implementation of a number of defensive measures and protocols designed to protect our systems and networks, there can be no assurance that our cybersecurity risk management program and processes, including our policies, controls or procedures, will be fully implemented, complied with or effective in protecting our systems and information, and such efforts may be insufficient to repel or mitigate the effects of a major cyber-attack. Cybersecurity events, like the DDoS attack we experienced in late 2021, may have cascading effects that unfold over time and result in additional costs, including costs associated with defensive measures, investigations, contractual claims, performance penalties, litigation, the loss of future business and other losses and liabilities that may be difficult to foresee. Any perception by existing and prospective customers that our network and systems are not secure could result in a material loss of business and revenue and damage our reputation. We will continue to deploy security enhancements in an effort to further secure our network.

The techniques used by 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 unable to anticipate these techniques, and we may not become aware in a timely manner of a security breach, which could exacerbate the negative impact of such an event on our business or that of our customers. Additionally, we depend upon our employees and contractors to appropriately handle confidential and sensitive data, including customer data and customer proprietary network information pursuant to applicable federal law, 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. Any data security incidents, including inadvertent disclosure or internal malfeasance by our employees, unauthorized access or usage, virus or similar breach or disruption of us or our services providers, could result in a loss of confidential information, theft of our intellectual property, damage to our reputation, loss of customers, litigation, regulatory investigations, fines, penalties and other liabilities.

Our existing general liability and cyber liability insurance policies may not cover, or may cover only a portion of, any potential claims related to cyber incidents or security breaches that we experience or may not be adequate to indemnify us for all or any portion of liabilities that may be imposed. We also cannot be certain that our existing insurance coverage will continue to be available on acceptable terms or in amounts sufficient to cover the potentially significant losses that may result from a security incident or breach or that the insurer will not deny coverage of any future claim. At least one prominent Many global insurance carrier has announced that, beginning in 2023, it will carriers now exclude from its cyber insurance policies coverage for attacks carried out by nation-states. Many global insurance carriers now exclude from its cyber insurance policies coverage for attacks carried out by nation-states from their cyber insurance policies. Accordingly, if our cybersecurity measures and those of our service providers fail to protect against unauthorized access, attacks (which may include sophisticated cyber-attacks) and the mishandling of data by our employees and contractors, then our reputation, business, results of operations and financial condition could be adversely affected.

**We are currently subject to litigation related to taxes and charges associated with our provision of 911 services, which could divert management's attention and adversely affect our results of operations.**

We, along with many other telecommunications companies and similar service providers, currently are subject to litigation regarding our billing, collection and remittance of non-income-based taxes and other similar charges regarding 911 services alleged to apply in certain states, counties, and municipalities located in California, Illinois and New York. See "Part II, Item 31. Legal Proceedings," in this Quarterly Report on Form 10-Q. We may face similar litigation in other jurisdictions in the future. While we are vigorously defending these lawsuits, litigation is inherently uncertain. Tax assessments, penalties and interest or future requirements arising from these lawsuits, the settlement of any such lawsuit or any other lawsuits that may arise in other jurisdictions, may adversely affect our business, results of operations and financial condition.

**We face a risk of litigation and/or regulatory enforcement actions resulting from customer or end user misuse of our services and software to make or send unauthorized and/or unsolicited calls and/or messages, including those in violation of the Telephone Consumer Protection Act. TCPA, the TSR, and other state and federal laws. Customer or end user misuse of our services and software also could damage our reputation.**

Calls and/or text messages originated or passed to us by our customers may subject us to potential risks, including litigation, civil liability, regulatory enforcement actions, fines, and reputational damage. For example, the Telephone Consumer Protection Act of 1991 (the "TCPA") TCPA restricts telemarketing and the use of technologies that enable automatic calling and/or messaging without proper customer consent. This In addition, the TSR prohibits deceptive and abusive telemarketing practices. The TSR, which is enforced by the FTC, makes it unlawful for any person or entity to "provide substantial assistance or support to any seller or telemarketer when that person knows or consciously avoids knowing that the seller or telemarketer is engaged in any act or practice" that violates the TSR.

The misuse of our offerings by our customers, or customers of our customers, may result in civil claims and/or enforcement actions against us, including those arising due to our customers' use/misuse of our platform or offerings, and requests for information through third-party subpoenas or regulatory investigations. For example, we have received correspondence from the FTC relating to customers using our network to transit "robocall" traffic. We have received similar correspondence from the FCC relating to our role as a gateway provider. Internationally, we also may become subject to similar laws imposing limitations on marketing calls to wireline and wireless numbers. The scope and interpretation of the laws that are or may be applicable to the making and/or

delivery of calls and/or messages 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 taking mandatory actions such as obtaining proper customer consent, we could become subject to lawsuits, fines, civil penalties, potentially significant statutory damages, consent decrees, injunctions, adverse publicity, loss of user confidence in our services, loss of users and other adverse consequences, which could materially harm our business.

Some of our customers, **or customers of our customers**, may use our platform to transmit illegal, offensive, unsolicited and/or unauthorized calls and messages, including spam, phishing scams, and links to harmful applications. Some of our customers also may reproduce and distribute copyrighted material or the trademarks of others without permission. Such actions violate our practices and policies, including our Acceptable Use Policy, which applies to all customers. We generally complete considerable "know-your-customer" reviews before a customer, and in certain jurisdictions, an end user, can use our platform, although we cannot always conduct proactive audits of our customers thereafter to confirm compliance with our practices and policies, including our Acceptable Use Policy. We generally rely on our customers' contractual representations to us that their use of our platform will comply with applicable law and our practices and policies. In cases where our customers are reselling our services, we are relying on a contractual pass-through by our customers of similar contractual representations from their end users. We also generally evaluate complaints that we receive regarding our customers' use of our platform. Our substantial efforts will not prevent all illegal robocalls and other fraudulent activity. The unlawful or fraudulent use of our platform could subject us to claims for damages, copyright or trademark infringement, regulatory enforcement, fraud, or negligence or damage our reputation. Even if claims asserted against us do not result in liability, we may incur substantial costs to investigate and defend such claims. If we are found to be liable for our customers' activities, we could be required to pay fines or penalties, redesign our business methods, limit our provision of certain services or otherwise expend resources to remedy any damages caused by such actions and avoid future liability.

***We are also subject to litigation in the ordinary course of business, and uninsured judgments or a rise in insurance premiums may adversely affect our results of operations.***

In the ordinary course of business, we are subject to various claims and litigation. Any such claims, regardless of merit, could be time-consuming and expensive to defend and could divert management's attention and resources. In accordance with customary practice, we maintain insurance against some, but not all, of these potential claims. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. The levels of insurance we maintain may not be adequate to fully cover any and all losses or liabilities. Further, we may not be able to maintain insurance at commercially acceptable premium levels or at all. If any significant judgment, claim (or a series of claims), a settlement or other event is not fully insured or indemnified against, it could have a material adverse impact on our business, financial condition and results of operations. There can be no assurance as to the actual amount of these liabilities or the timing thereof. We cannot be certain that the outcome of current or future litigation will not have a material adverse impact on our business and results of operations. See "Part II, Item 1. Legal Proceedings," in this Quarterly Report on Form 10-Q.

***The communications industry faces significant regulatory uncertainties and the resolution of these uncertainties could harm our business, results of operations and financial condition.***

If current or future regulations change, the Federal Communications Commission (the "FCC"), state regulators or regulators in other jurisdictions may not grant us required regulatory authorizations or may take action against us if we are found to have provided services without obtaining the necessary authorizations, or to have violated other requirements of their rules and orders. Delays in receiving required regulatory approvals or the enactment of new adverse regulation or regulatory requirements may slow our growth and have a material adverse effect on our business, results of operations and financial condition.

Proceedings before the FCC or regulators from international jurisdictions could limit our access to various network services or further increase the rates we must pay for such services. For example, proceedings before the FCC could result in an increase in the amount we pay to other carriers or a reduction in the revenue we derive from other carriers in, or retroactive liability for, access charges and reciprocal compensation. On December 17, 2019, the FCC issued an order that revised its interpretation of the Voice-over Internet Protocol ("VoIP") symmetry rule. The FCC now concludes that LECs may assess end office switched access charges only if the LEC or its VoIP partner provides a physical connection to the last-mile facilities used to serve an end user. If neither the LEC nor its VoIP partner provides such a physical connection, the LEC may not assess end office switched access charges. The FCC also decided to give its order retroactive effect. We cannot predict the impact this FCC order may have on our business, including whether other carriers will agree with our legal interpretations and treatments, at this time. Other proceedings before the FCC could also result in increases in the cost of regulatory compliance. For example, the FCC continues to examine how to improve the delivery of emergency 911 services and whether to expand requirements to include communications services not currently subject to emergency calling obligations. A number of states also have proceedings pending that could impact our access to and the rates we pay for network services. Other state proceedings could limit our pricing and billing flexibility. Our business would be substantially impaired if the FCC, the courts, **or state commissions, or interconnected carriers** eliminated our access to the facilities and services we use to serve our customers, substantially increased the rates we pay for facilities and services, increased the costs or complexity associated with providing emergency 911 services or adversely affected the revenue we receive from other carriers or our customers. In addition, congressional legislative efforts to rewrite the Telecommunications Act of 1996 or enact other telecommunications legislation such as the **TRACED Act**, as well as various state legislative initiatives, may cause major industry and regulatory changes. We cannot predict the outcome of these proceedings or legislative initiatives or the effects, if any, that these proceedings or legislative initiatives may have on our business and operations.

While we believe we comply in all material respects with all material federal, state, local and international rules and regulations, these regulations are subject to interpretation and the relevant regulators may determine that our application of these rules and regulations is not consistent with their interpretation. Additionally, third parties or government agencies may bring action with federal, state, local or international regulators if they believe a provider has breached applicable rules and regulations.

***The effects of increased regulation of IP-based service providers are unknown.***

While the FCC has generally subjected IP-based service providers in the United States to less stringent regulatory oversight than traditional common carriers, the FCC has imposed certain regulatory obligations on providers of interconnected and non-interconnected VoIP services, including the obligations to contribute to the Universal Service Fund, to provide 911 services, and to comply with the Communications Assistance for Law Enforcement Act. The TRACED Act aims to mitigate illegal robocalls by directing the FCC to conduct certain rulemaking proceedings that include adopting rules that require participation in the technical standard known as STIR/SHAKEN, among other requirements. For large carriers operating in the United States, IP-based network equipment and the IP services that operate on such equipment were required to support the STIR/SHAKEN framework as of June 30, 2021. We previously reported that we had a small subset of services and customer accounts that operated on legacy IP equipment that was not STIR/SHAKEN capable prior to the prescribed deadline; however, that equipment was retired in 2022 and we are currently in compliance with STIR/SHAKEN requirements. While additional countries have adopted or are expected to adopt the STIR/SHAKEN framework, other countries may seek to impose alternative regulatory obligations in an effort to mitigate illegal robocalling.

Noncompliance with applicable FCC, **FTC**, state public utility corporations, or other regulations or requirements could subject us to investigations, sanctions, enforcement actions, fines, consent decrees or other collateral consequences. If any governmental sanctions or fines are imposed, our business, results of operations, and financial condition could be materially adversely affected. In addition, responding to any governmental action will likely result in a diversion of management's attention and resources and an increase in professional fees.

***Our operations are subject to significant regulation and require us to obtain and maintain numerous governmental licenses and permits in the United States and internationally. If we fail to obtain and maintain those licenses and permits, we may not be able to conduct our business. Moreover, changes in regulatory requirements could significantly increase our costs or otherwise adversely affect our operations.***

In the ordinary course of operating our network and providing our services, we must obtain and maintain a variety of telecommunications and other licenses, permits and authorizations. We also must comply with a variety of ongoing regulatory obligations. If we are unable to obtain and maintain the licenses and permits needed to operate and expand our network on acceptable terms and on a timely basis, our business could be materially adversely affected. In addition, the cancellation or non-renewal of the licenses or permits we hold could materially adversely affect our business. Our failure to comply with the obligations imposed upon license and permit holders, including the payment of fees, may cause sanctions or additional costs, including the revocation of authority to provide services.

Our operations are subject to regulation at the country, state and local levels. Changes to existing regulations or rules, or the failure of regulatory agencies to regulate in areas historically regulated on matters such as network neutrality, licensing fees, environmental, health and safety, privacy, intercarrier compensation, emergency services, interconnection, illegal robocalling, extraterritorial use of telephone numbers, and other areas, in general or particular to our industry, may increase uncertainty, increase costs, restrict operations or decrease revenue.

Our inability or failure to comply with telecommunications and other laws and regulations could cause the temporary or permanent suspension of our operations. **For example, we have received correspondence from the FCC relating to traffic transmitted by us as a gateway provider on behalf of overseas providers. Under FCC rules, gateway providers must take reasonable and effective steps to ensure that any foreign originating or intermediate providers are not using a gateway provider to carry or process a high volume of illegal traffic onto U.S. networks. Any failure to abide by these rules may result in enforcement action, up to and including an order from the FCC directing voice providers to block traffic from an identified gateway provider.**

In addition, if we cannot provide emergency calling functionality through our communications platform to meet any applicable federal, state or international requirements, the competitive advantages that we have may not persist, adversely affecting our ability to obtain and to retain enterprise customers which could have an adverse impact on our business.

We are subject to **telecommunications** communications laws and regulations in the non-U.S. countries where we offer our services. Numerous country-specific laws and governmental regulations apply to our business and may increase our costs, impact our products and communications platform or prevent us from offering or providing our products in certain countries. Many existing non-U.S. laws and regulations may not fully contemplate CPaaS solutions and the interpretation and enforcement of non-U.S. laws and regulations may involve significant uncertainties. For example, several European countries have adopted "know your customer" requirements regarding end users and have mandated the real-time provisioning of data to national law enforcement authorities' systems.

***In January 2018, the FCC released an order that repealed its previous Network Neutrality Rules. Our business could suffer with respect to the quality of the services we offer, our ability to maintain our internet-based services and our services offered through our communications platform, a reduction in our profitability or an increase in the price of our services making our offerings less competitive in the marketplace.***

In January 2018, the FCC **adopted** **released** an order largely repealing its network neutrality rules (the "Order"). Among other things, the pre-existing network neutrality rules prevented providers of broadband internet access services—like cable and telephone companies—from blocking, impairing and degrading service offerings from non-affiliated third parties like us. In 2019, the U.S. Court of Appeals for the District of Columbia Circuit largely affirmed the Order, but vacated the portion of the Order that would bar states from imposing any rule or requirement inconsistent with the FCC's order. In April 2022, after losing an appeal before the U.S. Circuit Court of Appeals for the 9th Circuit, California's state law establishing net neutrality went into effect. Since then, a number of states have adopted legislation that results in restoring the pre-existing network neutrality rules. If broadband providers were to block, impair or degrade our internet-based services or services we offer through our communications platform, or were to charge us or our customers to access and use our internet-based services or services offered through our communications platform, we could lose customers and our business could be materially adversely

affected. Most major broadband internet access providers have publicly stated they will not block, impair or degrade third party offerings. We cannot predict the potential impact of any future efforts to restore Net Neutrality at the federal level.

***Our business is subject to complex and evolving laws and regulations, commercial standards, contractual obligations and other requirements related to information collection.***

We are subject to various federal, state, local and foreign laws and regulations, contractual commitments and industry standards that create obligations and impose restrictions with respect to the collection, storage, retention, use, processing, transmission, sharing, disclosure and protection of personal data and other customer data, including "customer proprietary network information" **under** as defined in applicable U.S. laws. We must comply with these obligations and restrictions and may be subject to significant consequences, including penalties and fines, if we fail to comply. These obligations and restrictions continue to develop and evolve rapidly, and it is possible that we may not be, or may not have been, compliant with each such obligation and restriction.

The complexity and evolving nature of these obligations and restrictions subject us to the risk of differing interpretations, inconsistency or conflicts among countries or rules, and creates uncertainty regarding their application to our business. Uncertainty and changes in the requirements of multiple jurisdictions may increase the cost of compliance, delay or reduce demand for our services, restrict our ability to offer services in certain locations, impact our customers' ability to utilize our services in certain jurisdictions, or subject us to sanctions by national data protection regulators, all of which could harm our business, financial condition and results of operations.

These obligations and restrictions may limit our ability to collect, store, process, use, transmit and share data with our customers, employees, consultants and third-party providers, which may result in our inability in certain cases to provide services to our customers or to offer a global customer experience. These obligations may also limit the ability of our customers to collect, store, retain, protect, use, process, transmit, share and disclose data with others through our services. Compliance with, and other burdens imposed by, such obligations and restrictions could increase the cost of our operations and adversely impact our business.

Any failure to comply with these obligations and restrictions or our own posted privacy policies and notices, or any security incident that results in a personal data breach or the unauthorized access to, or the acquisition, release or transfer of, other customer data, could subject us to investigations, proceedings or actions against us by governmental entities or others, lawsuits, fines, criminal penalties, statutory damages, consent decrees, injunctions, adverse publicity, contractual liability, civil liabilities, loss of customer confidence, damage to our brand and reputation or a loss of customers, any of which could materially harm our business.

If we were to suffer or if one of our customers or vendors were to suffer a personal data breach or other security incident, we may be subject to the jurisdiction of a variety of governmental agencies. We may have to comply with a variety of data breach requirements at the national and state levels in the United States and in other countries, comply with any resulting investigations, as well as offer mitigation to customers and potential end users of certain customers to which we provide services. We could also be subject to fines, forfeitures and other penalties that may adversely impact our business.

From time to time, various federal, state and foreign legislative or regulatory bodies may enact new or additional laws and regulations concerning data-protection issues. For example, certain laws or regulations may mandate disclosure of customer information to domestic or international law enforcement bodies, which could adversely impact our business, our brand or our reputation with customers and may not always provide a level of protection for such information that is required by other laws or regulations. In other cases, some countries may limit the transfer of personal data or require that that personal data regarding customers in their country be maintained solely in their country. Having to maintain local data centers and redesign product, service and business operations to limit the processing of personal data to within individual countries could increase our operating costs significantly.

Additionally, some of our third-party vendors may have access to customer, end user or employee data. If these third-party vendors violate obligations and restrictions related to applicable data protection laws or our policies or contractual commitments, such violations may also put us, or data relating to our customers, end users or employees, at risk and could in turn have a material and adverse effect on our business.

***Our business could suffer if we cannot obtain or retain local or toll-free numbers, are prohibited from obtaining local or toll-free numbers, or are limited to distributing local or toll-free numbers to only certain customers.***

Our future success depends on our ability to procure large quantities of local and toll-free numbers to meet customer demands at reasonable cost and without undue restrictions. Our ability to procure and distribute numbers depends on factors outside of our control, such as regulations, the practices of the communications carriers that provide numbers to us in certain jurisdictions, the cost of obtaining and managing numbers and the level of demand for new numbers. Due to their limited availability, there are certain popular area code prefixes and specialized numbers that we may not be able to obtain in desired quantities. Our inability to acquire or retain numbers would make our services, including our communications platform, less attractive to potential customers that desire assignments of particular numbering resources. In addition, future growth of our customer base, together with growth of customer bases of other providers of communications services, has increased, which increases our dependence on needing large quantities of local and toll-free numbers associated with desirable area codes or specific toll-free numbering resources at a reasonable cost and without undue restriction. If we are not able to obtain or retain

adequate local and toll-free numbers, or attractive subsets of such resources, our business, results of operations and financial condition could be materially adversely affected.

In addition, in order to procure, distribute and retain telephone numbers in certain foreign jurisdictions, we will be required to register with the local telecommunications regulatory authorities, some of which have been increasingly monitoring and regulating the categories of phone numbers that are eligible for provisioning to our customers, including geographical, regional, local and toll-free phone numbers. We have obtained licenses or are obtaining licenses in various countries in which we do business, but in some countries, the regulatory regime around provisioning of phone numbers is unclear, subject to change, and may conflict from jurisdiction to jurisdiction. Furthermore, these regulations and governments' approach to their enforcement, as well as our products and services, are evolving and we may be unable to maintain compliance with applicable regulations, or enforce compliance by our customers, on a timely basis or without significant cost. Also, compliance with these regulations may require changes in products or business practices that result in reduced revenue. If we or our customers use or assign phone numbers in these countries in a manner that violates applicable rules and regulations, we may also be subject to significant penalties or governmental action, including government-initiated audits and, in extreme cases, may be precluded from doing business in that particular country. In the event of non-compliance, we may be forced to reclaim phone numbers from our customers, which could result in loss of customers, breach of contract claims, loss of revenue and reputational harm, all of which could have a material adverse effect on our business, results of operations and financial condition.

***We may be exposed to liabilities under anti-corruption, export control and economic sanction regulations, and similar laws and regulations, and any determination that we violated any of these laws or regulations could have a material adverse effect on our business.***

We are subject to the Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act and other laws that prohibit improper payments or offers of payments to foreign governments and their officials, political parties, and/or private parties by persons and entities for the purpose of obtaining or retaining business. Our international activities create the risk of unauthorized payments or offers of payments by one of our employees or consultants, even though these parties are not always subject to our control. Our policies prohibit these practices by our employees and consultants, although our existing safeguards and any future improvements may prove to be less than effective, and our employees or consultants may engage in conduct for which we might be held responsible. Violations of the FCPA, the U.K. Bribery Act or other laws may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results, and financial condition.

Our products and services may be subject to export control and economic sanctions 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. Our products and services must be offered and sold in compliance with these laws and regulations. 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 liability. In addition, changes in our products or services, changes in applicable regulations, or change in the target of such regulations, could also result in decreased use of our products and services, or in our decreased ability to sell our products or provide our services to existing or prospective customers with international operations. Any decreased use of our products and services or limitation on our ability to export our products and provide our services could adversely affect our business, results of operations and financial condition.

***Intellectual property and proprietary rights of others could prevent us from using necessary technology to provide our services or subject us to expensive intellectual property litigation.***

If technology that we require to provide our services, including our communications platform, was determined by a court to infringe a patent held by another entity that will not grant us a license on terms acceptable to us, we could be precluded by a court order from using that technology and we would likely be required to pay significant monetary damages to the patent holder. The successful enforcement of these patents, or our inability to negotiate a license for these patents on acceptable terms, could force us to cease (i) using the relevant technology and (ii) offering services incorporating the technology. If a claim of infringement was brought against us based on the use of our technology or against our customers based on their use of our services for which we are obligated to indemnify, we could be subject to litigation to determine whether such use or sale is, in fact, infringing. This litigation could be expensive and distracting, regardless of the outcome.

While our own limited patent portfolio may deter other operating companies from bringing such actions, patent infringement claims may also be asserted by patent holding companies, which do not use technology and whose sole business is to enforce patents against operators, such as us, for monetary gain. Because such patent holding companies, commonly referred to as patent "trolls," do not provide services or use technology, the assertion of our own patents by way of counter-claim would be largely ineffective.

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

Our services, including our communications platform, incorporate open source software, and we expect to continue to incorporate open source software in our services 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 services, including our communications platform. Moreover, although we have implemented policies to regulate the use and incorporation of open source software into our services, we cannot be certain that we have not incorporated open source software in our services 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 services 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 services that contained the open source software and required to comply with onerous conditions or restrictions on these services. In any of these events, we and our customers could be required to seek licenses from third parties in order to continue offering our services and to re-engineer our services or discontinue offering our services to customers in the event re-engineering cannot be accomplished on a timely basis. Any of the foregoing could require us to devote additional

R&D resources to re-engineer our services, could result in customer dissatisfaction and may adversely affect our 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 are otherwise liable to them for losses suffered or incurred as a result of claims of intellectual property infringement, damages caused by us to property or persons or other liabilities relating to or arising from our services 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 we normally 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, reduce demand for our services and adversely affect our business, results of operations and financial condition.

***If we fail to protect our internally developed systems, technology and software and our patents and trademarks, we may become involved in costly litigation or our business or brand may be harmed.***

Our ability to compete effectively is dependent in large part upon the maintenance and protection of systems and software that we have developed internally, including some systems and software based on open standards. We cannot patent much of the technology that is important to our business. In addition, any pending patent applications may not be granted, and any issued patent that we own may be challenged, narrowed, invalidated or circumvented. To date, we have relied on patent, copyright and trade secret laws, as well as confidentiality procedures and licensing arrangements, to establish and protect our rights to our technology. While we typically enter into confidentiality agreements with our employees, consultants, customers, and vendors in an effort to control access to and distribution of technology, software, documentation and other information, these agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use our technology without authorization. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any rights against such party. Policing unauthorized use of our technology is difficult. The steps we take may not prevent misappropriation of the technology we rely on. In addition, effective protection may be unavailable or limited in some jurisdictions outside the United States. Litigation may be necessary in the future to enforce or protect our rights or to determine the validity and scope of the rights of others. That litigation could cause us to incur substantial costs and divert resources away from our daily business, which in turn could adversely affect our business, results of operations and financial condition.

The unlicensed use of our brands by third parties could harm our reputation, cause confusion among our customers or impair our ability to market our services. Accordingly, we have registered trademarks and service marks and have applied for registration of our trademarks and service marks in the United States and certain jurisdictions outside the United States to establish and protect our brand names as part of our intellectual property strategy. 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. Our exposure to unauthorized copying, transfer and use of our proprietary technology or information may increase as we expand our international operations. We cannot assure you that our pending or future trademark applications will be approved. Although we anticipate that we would be given an opportunity to respond to any such rejections, we may be unable to overcome any such rejections. In addition, in proceedings before the U.S. Patent and Trademark Office third parties are given an opportunity to oppose pending trademark applications and seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. In the event that our trademarks are successfully challenged, we could be forced to rebrand our services, which could result in loss of brand name recognition. Moreover, successful opposition to our applications might encourage third

parties to make additional oppositions or commence trademark infringement proceedings against us, which could be costly and time consuming to defend against. If we decide to take limited or no action to protect our trademarks, our trademark rights may be diluted and subject to challenge or invalidation, which could materially and adversely affect our brand in the marketplace. Certain of the trademarks we may use may become so well known by the public that their use becomes generic and they lose trademark protection. Over the long term, if we are unable to establish name recognition based on our trademark and tradenames, then we may not be able to compete effectively and our business may be adversely affected. Further, we cannot assure you that competitors will not infringe our trademarks or that we will have adequate resources to enforce our trademarks.

***We may be liable for the information that content owners or distributors distribute over our network.***

The law relating to the liability of private network operators for information carried on or disseminated through their networks remains unsettled. While we disclaim any liability for third-party content in our services agreements, we may become subject to legal claims relating to the content disseminated on our network, even though such content is owned or distributed by our customers or a customer of our customers. For example, lawsuits may be brought against us claiming that material distributed using our network was inaccurate, offensive or violated the law or the rights of others. Claims could also involve matters such as defamation, invasion of privacy and copyright infringement. In addition, the law remains unclear over whether content may be distributed from one jurisdiction, where the content is legal, into another jurisdiction, where it is not. Companies operating private networks have been sued in the past, sometimes successfully, based on the nature of material distributed, even if the content is not owned by the network operator and the network operator has no knowledge of the content or its legality. It is not practical for us to monitor all of the content distributed using our network. We may need to take costly measures to reduce our exposure to these risks or to defend ourselves against such claims, which could adversely affect our results of operations and financial condition.

***Third parties may fraudulently use our name to obtain access to customer accounts and other personal information, use our services to commit fraud or steal our services, which could damage our reputation, limit our growth or cause us to incur additional expenses.***

Our customers may have been subject to "phishing," which occurs when a third party calls or sends an email or pop-up message to a customer that claims to be from a business or organization that provides services to the customer. The purpose of the inquiry is typically to encourage the customer to visit a bogus website designed to look like a website operated by the legitimate business or organization or provide information to the operator. At the bogus website, the operator attempts to trick the customer into divulging customer account or other personal information such as credit card information or to introduce viruses through "Trojan horse" programs to the customers' computers. This could result in identity theft from our customers and the unauthorized use of our services. Third parties also have used our communications services to commit fraud. If we are unable to detect and prevent "phishing" and other similar methods, use of our services for fraud and similar activities, our brand reputation and growth may suffer and we may incur additional costs, including costs to increase security, or be required to credit significant amounts to customers.

Third parties also have used our communications services without paying, including by submitting fraudulent credit information and fraudulent credit card information. This has resulted in our incurring the cost of providing the services, including incurring call termination fees, without any corresponding revenue. We have implemented anti-fraud procedures in order to limit the expenses resulting from theft of service. If our procedures are not effective, theft of service could significantly increase our expenses and adversely affect our business, results of operations and financial condition.

***If our customers or their end users do not accept the differences between our service and traditional telephone service, they may choose to remain with their current telephone service provider or may choose to return to service provided by traditional network service providers.***

Aspects of our services based on VoIP, including our communications platform, are not the same as traditional network service providers. Our continued growth is dependent on the adoption of our services by mainstream customers and their end users, so these differences are important. For example:

- Our 911 calling and other emergency calling services are different, in significant respects, from the 911 and other emergency calling services associated with traditional wireline and wireless telephone providers and, in certain cases, with other VoIP providers.
- In the event of a power loss or Internet access interruption experienced by a customer, our service may be interrupted.
- Our customers' end users may experience lower call quality than they are used to from traditional wireline or wireless telephone companies, including static, echoes and delays in transmissions.

  

- Our customers' end users may not be able to call premium-rate telephone numbers such as 1-900 numbers and 976 numbers.

**We may lose customers if we experience failures of our system or communications platform that significantly disrupt the availability and quality of the services that we provide. Such failures may also cause interruptions to service delivery and the completion of other corporate functions.**

Our operations depend on our ability to limit and mitigate interruptions or degradation in service for customers. Interruptions in service or performance problems, for whatever reason, could undermine our customers' confidence in our services and cause us to lose customers or make it more difficult to attract new ones. Because many of our services are critical to the businesses or daily lives of many of our customers or our customers' end users, any significant interruption or degradation in service also could result in lost profits or other losses to customers. Although our service agreements generally limit our liability for service failures and generally exclude any liability for "consequential" damages such as lost profits, a court might not enforce these limitations on liability, which could expose us to financial loss. We also sometimes provide our customers with committed service levels. If we fail to meet these committed service levels, we could be required to provide service credits or other compensation to our customers, which could adversely affect our results of operations.

The failure of any equipment or facility on our network, including our network operations control centers and network data storage locations, could interrupt customer service and other corporate functions until we complete necessary repairs or install replacement equipment. Our business continuity plans also may be inadequate to address a particular failure that we experience. Delays, errors or network equipment or facility failures could result from natural disasters, pandemics, such as COVID-19, disease, accidents, terrorist acts, acts of war, power losses, security breaches, vandalism or other illegal acts, computer viruses or other causes. These delays, errors or failures could significantly impair our business due to:

- service interruptions;
- malfunction of our communications platform on which our enterprise users rely for voice, messaging or emergency service functionality;
- exposure to customer liability;
- the inability to install new service;
- the unavailability of employees necessary to provide services;
- the delay in the completion of other corporate functions such as issuing bills and the preparation of financial statements; or
- the need for expensive modifications to our systems and infrastructure.

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

Our customers use our services for important aspects of their businesses, and any errors, defects or disruptions to our services and any other performance problems with our services could damage our customers' businesses and, in turn, hurt our brand and reputation. We provide regular updates to our services, 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 services 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 services. As a result, our brand and reputation could be harmed, and our business, results of operations and financial condition may be adversely affected.

**If our emergency services do not function properly, we may be exposed to significant liability from our users.**

Certain of our IP telephony offerings, as well as the 911 and other emergency services solutions that we offer are subject to FCC and other rules governing the delivery of emergency calling services. The rules and laws that govern emergency calling services are subject to change as communications technologies and consumer use cases evolve. Similar providers of IP telephony services, our 911 and other emergency services are different from those associated with traditional local telecommunications services. These differences may lead to an inability to make and complete calls that would not occur for users of traditional telephony services. For example, to provide the emergency calling services required by the FCC's rules to our IP telephony consumers, we may use components of both the wireline and wireless infrastructure in unique ways that can result in failed connections and calls routed to incorrect emergency call centers. Routing emergency calls through the Internet may be adversely affected by power outages and network congestion that may not occur for users of traditional telephony services. Emergency call centers may not be equipped with appropriate hardware or software to accurately process and respond to emergency calls initiated by consumers of our IP telephony services, and calls routed to the incorrect emergency call center can significantly delay response times for first responders. Users of our interconnected VoIP telephony services from a fixed address in the United States are required to manually update their location information for use when calling 911, and failure to do so may result in dispatching assistance to the wrong location. Even manual updates require a certain amount of time before the updated address appears in the relevant databases which could result in misrouting emergency calls to the wrong emergency calling center, dispatching first responders to the wrong address, or both. Similar requirements and delays applicable to relevant databases also apply to local emergency services provided outside the United States. Moreover, the relevant rules with respect to what address information

should be provided to emergency call centers when the call originates from a mobile application are unsettled and evolving. As a result, we could be subject to enforcement action by the FCC or other entities — possibly exposing us to significant monetary penalties, cease and desist orders, civil liability, loss of user confidence in our services, loss of users, and other adverse consequences, which could materially harm our business. The FCC's rules, and some states, also impose other obligations, such as properly recording our customers' registered locations, obtaining affirmative acknowledgement from customers that they are aware of the differences between emergency calling services associated with IP telephony as compared with traditional telecommunications services, and distribution of appropriate warning labels to place on or near hardware used to place IP telephony calls. Similar obligations apply to local emergency services provided outside the United States. Failure to comply with these requirements, or failure of our communications platform such that 911 and other emergency calls did not complete or were misrouted, may result in FCC, foreign regulatory or other enforcement action, state attorneys' general investigations, potential exposure to significant monetary penalties, cease and desist orders, civil liability to our users and their customers, loss of user confidence in our services, loss of users, and other adverse consequences, which could materially harm our business.

National regulations, including the FCC's rules, also require that we timely report certain 911 and other emergency service outages. The FCC or other applicable regulatory authorities may make inquiries regarding matters related to any reported 911 or other emergency service outage. Any inquiry could result in regulatory enforcement action, potential monetary penalties and other adverse consequences.

***Any disruption to or termination of arrangements with key suppliers could cause delay and additional costs and could harm our relationships with current and prospective customers.***

Our business is dependent on third-party suppliers for fiber, computers, software, transmission electronics and related network components, as well as providers of network colocation facilities that are integrated into our network, some of which are critical to the operation of our business. If any of these critical relationships is terminated, a supplier either exits or curtails its business as a result of economic conditions, a supplier fails to provide critical services or equipment, or the supplier is forced to stop providing equipment or services due to supply chain issues or legal constraints, such as patent infringement, and we are unable to reach suitable alternative arrangements quickly, we may experience significant additional costs or we may not be able to provide certain services to customers. If that happens, our business, results of operations and financial condition could be materially adversely affected. There can be no assurance that alternative components or equipment will be available when required or on terms that are commercially reasonable, which could extend our lead times, increase the cost of maintaining our network, result in service outages and otherwise harm our business, operating results and financial condition. We may not be able to continue to procure components at reasonable prices, which may require us to enter into longer-term contracts with component suppliers to obtain components at competitive prices. Any of the foregoing disruptions could exacerbate other risk factors and increase our costs and decrease our gross margins, harming our business, operating results and financial condition.

Many of our third-party suppliers do not have long-term committed contracts with us and may interrupt services or terminate their agreements with us without notice or by providing 30 days prior written notice. Although we expect that we could receive similar services from other third-party suppliers, if any of our arrangements with our third-party suppliers are terminated or interrupted, we could experience interruptions in our ability to make our services available to customers, as well as delays and additional expenses in arranging alternative providers. If a significant portion of our third-party suppliers fail to provide these services to us on a cost-effective basis or otherwise terminate or interrupt these services, the delay caused by qualifying and switching to other providers could be time consuming and costly and could adversely affect our business, results of operations and financial condition.

***Our customer churn rate may increase.***

Customer churn occurs when a customer reduces usage or discontinues service with us, whether voluntarily or involuntarily, such as a customer switching some or all of its usage to a competitor or going out of business. Changes in the economy, increased competition from other providers, cyber incidents such as the DDoS attack we experienced in late 2021, or issues with the quality of service we deliver can impact our customer churn rate. We cannot predict future pricing by our competitors, but we anticipate that price competition will continue. Lower prices offered by our competitors could contribute to an increase in customer churn. We cannot predict the timing, duration or magnitude of any deteriorated economic conditions or its impact on our target of customers. Higher customer churn rates could adversely affect our revenue growth. Higher customer churn rates could cause our **dollar-based** net retention rate to decline. A sustained and significant growth in the churn rate could have a material adverse effect on our business.

***The market prices for certain of our services have decreased in the past and may decrease in the future, resulting in lower revenue than we anticipate.***

Market prices for certain of our services have decreased over recent years. These decreases resulted from downward market pressure and other factors including:

- technological changes and network expansions, which have resulted in increased transmission capacity available for sale by us and by our competitors; and
- some of our competitors have been willing to accept smaller operating margins in the short term in an attempt to increase long-term revenue.

To retain customers and revenue, we must sometimes reduce prices in response to market conditions and trends. We cannot predict to what extent we may need to reduce our prices to remain competitive or whether we will be able to sustain future pricing levels as our competitors introduce competing services or similar services at lower prices. Our ability to meet price competition may depend on our ability to operate at costs equal to or lower than our competitors or potential competitors. As our prices for some of our services decrease, our operating results may suffer unless we are able to either reduce our operating expenses or increase traffic volume from which we can derive additional revenue.

***The need to obtain additional IP circuits from other providers increases our costs. In addition, the need to interconnect our network to networks that are controlled by others could increase our costs and adversely impact our business.***

We lease all of our IP circuits from third parties. We could incur material expenses if we were required to locate alternative IP circuits. We may not be able to obtain reasonable alternative IP circuits if needed. Failure to obtain usage of alternative IP circuits, if necessary, could have a material adverse effect on our ability to carry on business operations. In addition, some of our agreements with other providers require the payment of amounts for services whether or not those services are used. Our reliance on third-party providers may reduce our operating flexibility, ability to make timely service changes and ability to control quality of service.

In the normal course of business, we need to enter into interconnection agreements with many local telephone companies, as well as the owners of networks that our customers desire to access to deliver their services. We are not always able to secure these interconnection agreements on favorable terms. In some jurisdictions, we rely on third party access and networks for local connectivity. We are not always able to secure this access and local connectivity on favorable terms. Costs of obtaining service from other communications carriers comprise a significant proportion of the operating expenses of long distance carriers. Changes in regulation, particularly the regulation of telecommunication carriers and local access network owners, could indirectly, but significantly, affect our competitive position. These changes could increase or decrease the costs of providing our services. Further, if problems occur with our third-party providers or local telephone companies, it may cause errors or poor quality communications, and we could encounter difficulties identifying the source of the problem. The occurrence of errors or poor quality communications on our services, whether caused by our platform or a third-party provider, may result in the loss of our existing customers or the delay of adoption of our services by potential customers and may adversely affect our business, results of operations and financial condition.

Network providers also may institute additional fees due to regulatory, competitive or other industry-related changes that increase our costs. For example, the major U.S. cellular carriers and their intermediaries have added a variety of fees that are applied to A2P messages delivered to their subscribers. While we may be able to negotiate with network providers, absorb the increased costs, or charge these costs to our customers, we cannot assure you that we will be able to do so. In the case of new A2P fees, we currently pass, and expect to continue to pass, these fees on to our customers who send A2P messages to the carrier's subscribers. This is expected to increase our revenue and cost of goods sold, but is not expected to impact the gross profit received for sending these messages. However, these changes may still have a negative impact on our gross margins mathematically. We also may not be able to effectively respond to any new fees if all network 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 market conditions limit our ability to increase the prices we charge our customers.

In connection with the delivery of text messages to customers of mobile carriers in the U.S., and in certain other instances, our customers' traffic must be routed through intermediaries who have direct access to network service providers. Although we are seeking direct connections with network service providers in a number of countries, we expect that we will continue to rely on intermediaries for these services for some period of time. 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 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 platform, to deliver our services to customers, to attract and retain customers and to identify and pursue opportunities. The loss of services of senior management or other key employees, such as those who develop and maintain our service offerings, 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 Chief Executive Officer, David A. Morken. The replacement of any of our senior management personnel or other key employees can 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 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 personnel, our business will suffer.**

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel, and our inability to do so could adversely affect our business, results of operations and financial condition. Competition for talent in the technology industry has become increasingly intense, and the market to recruit, retain and motivate talent has become even more competitive. Many key individual contributors, particularly in software development, sales and cloud computing and telecommunications infrastructure, are critical to our success and can attract very significant compensation packages. In addition, we believe that there is, and will continue to be, intense competition for highly skilled management, technical, sales and other personnel with experience in our industry in the Raleigh, North Carolina area, where our corporate headquarters are located, and in other geographic locations where we maintain offices.

We have experienced and may continue to experience difficulties attracting, hiring and retaining highly-skilled personnel with appropriate qualifications, and may not be able to fill positions in desired geographic areas or at all. These difficulties may be exacerbated by the reactions of employees and prospective employees to our policies related to remote working flexibility. As a result, we have also experienced and may continue to experience increased compensation and training costs that may not be offset by either improved productivity or higher sales, which could reduce our profitability.

We seek to 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 personnel to fill key positions, we may be unable to manage our business effectively, including the development, marketing and sale of our services, which could adversely affect our business, results of operations and financial condition. To the extent we hire personnel from competitors, we also may be subject to allegations that they have been improperly solicited or hired, or that they divulged proprietary or other confidential information.

Volatility or declines in our stock price may also affect our ability to attract and retain key personnel. Employees may be more likely to terminate their employment with us if the shares they own or the shares underlying any restricted stock units have not significantly appreciated in value, or if the value of the shares underlying restricted stock units they hold has depreciated significantly. If we are unable to retain our employees, our business, results of operations and financial condition could be adversely affected.

In addition, we believe our corporate culture has been a key contributor to our success to date. We, along with many companies in the technology industry, experienced higher than average attrition in the “great resignation,” in which the technology industry saw a dramatic increase in workers leaving their positions in 2020 and 2021 during the COVID-19 pandemic. As we continue to grow and expand globally and navigate shifting workforce priorities, including the desire of many of our employees and prospective employees for a hybrid work model with the ability to work remotely for part of the week, and the increasing demand of employees and prospective employees for fully remote work, we may find it difficult to maintain important aspects of our corporate culture. This could negatively affect our ability to retain and recruit personnel who are essential to our future success, and could ultimately have a negative impact on our ability to innovate our technology and our business. **Since 2020, we have experienced and may continue to face higher than usual employee turnover rates, and as of December 31, 2022, approximately 24.8% of our employees have been employed by us for a year or less. As a result, we must be able to effectively integrate, develop and motivate a large number of new employees, while maintaining the effectiveness of our business execution and the beneficial aspects of our corporate culture.**

**We could be subject to additional tax liabilities for historic and future sales, use 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, use and telecommunications taxes, including those associated with (or potentially associated with) VoIP telephony services or 911 services, are or may be assessed on our operations. We also face exposure to other non-income-based international taxes such as value added taxes that are or may be assessed on our operations. The systems and procedures necessary to comply in these jurisdictions are complex to develop and challenging to implement. Additionally, we rely heavily on third parties to provide us with key software and services for compliance. If these third parties cease to provide those services to us for any reason, or fail to perform services accurately and completely, we may not be able to accurately bill, collect or remit applicable non-income-based taxes. Historically, we have not billed or collected certain of these taxes and, in accordance with GAAP, we have recorded a provision for our tax exposure in these jurisdictions when it is both probable that a liability has been incurred and the amount of the exposure can be reasonably estimated. These estimates include several key assumptions including, but not limited to, the taxability of our services, the jurisdictions in which we believe we have nexus, and the sourcing of revenue to those jurisdictions. In the event these jurisdictions challenge our assumptions and analysis, our actual exposure could differ materially from our current estimates.

Taxing authorities also may periodically perform audits to verify compliance and include all periods that remain open under applicable law, which customarily range from three to four years. At any point in time, we may undergo audits that could result in significant assessments of past taxes, fines and interest if we were found to be non-compliant. During the course of an audit, a taxing authority may, as a matter of policy, question our interpretation and/or application of their rules in a manner that, if we were not successful in substantiating our position, could potentially result in a significant financial impact to us.

Furthermore, certain jurisdictions in which we do not collect sales, use and similar taxes may 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, results of operations and financial condition.

**Our global operations and legal entity structure subject us to potentially adverse income tax consequences.**

We conduct our international operations through subsidiaries and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. 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 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 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 additional tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations.

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 results of operations, 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. For example, the Organisation for Economic Co-operation and Development (the "OECD") 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. In addition, the OECD is working on a "BEPS 2.0" initiative, which is aimed at (i) shifting taxing rights to the jurisdiction of the consumer and (ii) ensuring all companies pay a global minimum tax. On October 8, 2021, the OECD announced an agreement by members of the Inclusive Framework delineating an implementation plan, and on December 20, 2021, the OECD released model rules for the domestic implementation of a 15% global minimum tax. 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 way 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 adversely impact our worldwide effective tax rate and harm our financial position, results of operations, and cash flows.

***Our ability to use our net operating loss and tax credit carryforwards to offset future taxable income may be subject to certain limitations.***

The future utilization of our net operating loss and tax credit carryforwards (collectively, "Tax Attributes") may be limited due to changes in ownership as defined under Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). In general, if we experience a greater than 50% aggregate change in ownership of certain significant stockholders or groups over a three-year period, utilization of our pre-change Tax Attributes is subject to an annual limitation under Section 382 of the Code (and similar state laws). The annual limitation generally is determined by multiplying the value of our stock at the time of such ownership change (subject to certain adjustments) by the applicable long-term tax-exempt rate. Such limitations may result in expiration of a portion of the pre-change Tax Attributes before utilization and may be substantial. In the past we may have experienced, and in the future may experience, ownership changes as a result of subsequent shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre-change Tax Attributes to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us.

***We may be subject to significant U.S. federal income tax-related liabilities and indemnity obligations if there is a determination that the Spin-Off is taxable for U.S. federal income tax purposes.***

We may be subject to significant U.S. federal income tax-related liabilities with respect to our prior distribution of all of the issued and outstanding shares of the common stock of Relay, Inc. (f/k/a Republic Wireless,

Inc.) ("Relay"), our former subsidiary, to our stockholders as of and on November 30, 2016 (the "Spin-Off"), if there is a determination that the Spin-Off is taxable for U.S. federal income tax purposes. In that regard, even if the Spin-Off otherwise qualified as a tax-free transaction to us and our stockholders under Section 355, Section 368(a)(1)(D) and related provisions of the U.S. Internal Revenue Code of 1986, as amended (the "Code") at the time of the Spin-Off, we would be subject to corporate-level taxable gain under Section 355(e) of the Code ("Section 355(e)") if there was a 50% or greater change in ownership, by vote or value, of shares of our stock or Relay's stock that occurred after the Spin-Off as part of a plan or series of related transactions that included the Spin-Off. For purposes of Section 355(e), any acquisitions or issuances of our stock, including pursuant to our initial public offering and pursuant to the reorganizations undertaken and arrangements entered into in connection with our initial public offering, or Relay's stock, in each case, that occurred within two years after the Spin-Off are generally presumed to be part of a plan or series of related transactions with respect to the Spin-Off.

In connection with the Spin-Off, we received an opinion from Skadden, Arps, Slate, Meagher & Flom LLP substantially to the effect that, among other things, the Spin-Off should qualify as a tax-free transaction for U.S. federal income tax purposes under Section 355 and Section 368(a)(1)(D) of the Code. In

addition, in light of the implications that would arise for us if Section 355(e) applied to the Spin-Off, we received an opinion from Kilpatrick Townsend & Stockton LLP in connection with our initial public offering substantially to the effect that (i) as of the date of the initial public offering, we would not be required to recognize gain with respect to the Spin-Off pursuant to Section 355(e), and (ii) any increases in voting power attributable to conversions of our Class B

common stock to Class A common stock by those who held our Class B common stock as of the date of the initial public offering would not cause us to recognize gain with respect to the Spin-Off pursuant to Section 355(e) (together with the opinion from Skadden, Arps, Slate, Meagher & Flom LLP with respect to the Spin-Off, the "Tax Opinions"). Neither of the Tax Opinions is binding on the Internal Revenue Service (the "IRS") or the courts, however, and the IRS or the courts may not agree with the conclusions reached in the Tax Opinions. Moreover, the Tax Opinions were based upon, among other things, the laws in effect at the time of each of the Tax Opinions and certain assumptions and representations as to factual matters made by us. Any change in applicable law, which may be retroactive, or the failure of any such assumptions or representations to be true, could adversely affect the validity of the conclusions reached in the Tax Opinions.

If the conclusions of the Tax Opinions are not correct, or if the Spin-Off is otherwise ultimately determined to be a taxable transaction, we would be liable for significant U.S. federal income tax related liabilities. In addition, pursuant to the Tax Sharing Agreement, dated November 30, 2016, between us and Relay (the "Tax Sharing Agreement"), we must generally indemnify Relay for any taxes or losses incurred by it (or its respective subsidiaries) resulting from the Spin-Off failing to qualify as a tax-free transaction for U.S. federal income tax purposes (including due to the application of Section 355(e)) as a result of subsequent actions we take or fail to take. The amount of any indemnity obligations we may have under the Tax Sharing Agreement in such case may be material.

Even if Section 355(e) does not apply to the Spin-Off as of the date of our initial public offering or as a result of an increase in voting power attributable to conversions of our Class B common stock by those who held such stock as of our initial public offering, subsequent acquisitions or issuances of our stock could be treated as part of a plan or series of related transactions with respect to the Spin-Off. Accordingly, in light of the requirements of Section 355(e), we might forego share repurchases, stock issuances and other strategic transactions. Notwithstanding the foregoing, it is possible that we, Relay or the holders of our respective stock might inadvertently cause, permit or otherwise not prevent a change in the ownership of our stock or Relay's stock to occur, which would cause Section 355(e) to apply to the Spin-Off, thereby triggering significant U.S. federal income tax-related liabilities and indemnity obligations under the Tax Sharing Agreement of approximately \$50 million. This approximation is based on our current expectations and the tax laws in effect as of our initial public offering. However, we cannot provide any assurance that this estimate will prove to be accurate in the event that Section 355(e) were to apply.

***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 GAAP requires management to make estimates and assumptions that affect the amounts reported in the **condensed** consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our **condensed** consolidated financial statements include those related to revenue recognition, capitalized internal-use software costs, other non-income taxes, business combination and valuation of goodwill and purchased intangible assets and share-based compensation. 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.

***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.***

We are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), and the rules and regulations of the applicable listing standards of the NASDAQ Global Select Market. We expect that the requirements of these rules and regulations will

continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. Our disclosure controls and other procedures are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers, and we continue to evaluate how to improve controls. We are also continuing to improve our internal control over financial reporting. In order to develop, maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

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 consolidated financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also 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. 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, which would likely have a negative effect on 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 NASDAQ Global Select Market.

Our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting. Our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting 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.

***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. 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.

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

We face exposure to the effects of fluctuations in currency exchange rates. While historically we have primarily transacted in U.S. dollars, we generally have transacted with customers and partners in Europe in British Pounds and Euros. We expect to expand the number of transactions with customers and partners 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 in local currency. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in an increase to the U.S. dollar equivalent of such expenses.

In addition, our international subsidiaries maintain net assets denominated in currencies other than the functional operating currencies of these entities. As we expand our international operations, we will 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 may affect our results of operations due to transactional and translational re-measurements. Such foreign currency exchange rate fluctuations could make it more difficult to detect underlying trends in our business and results of operations. The trading price of our Class A common stock also could be adversely affected if 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.

We do not currently maintain a program to hedge transactional exposures in foreign currencies. However, in the future, we 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.

**Earthquakes, hurricanes, fires, floods, pandemics, power outages, terrorist attacks, acts of war, civilian unrest and other significant events could disrupt our business and ability to serve our clients.**

A significant event, such as an earthquake, hurricane, a fire, a flood, a pandemic, such as COVID-19, a power outage, terrorist attack, act of war, such as the ongoing Russia-Ukraine conflict or the Israel-Hamas conflict, or civilian unrest could have a material adverse effect on our business, results of operations or financial condition. For example, the rapid and global spread of COVID-19 disrupted businesses and increased travel restrictions globally. Health concerns or governmental, legal, political or regulatory developments in the United States or other countries in which we or our customers, partners and service providers operate could cause economic, labor or social instability and could materially adversely affect our business and our results of operations and financial condition. Future developments, which are very uncertain, include evolving responses by governments and businesses. These future developments could materially adversely affect our business and our results of operations and financial condition. Our IP network is designed to be redundant and to offer seamless backup support in an emergency. While our network is designed to withstand the loss of any one data center at any point in time, the simultaneous failure of multiple data centers could disrupt our ability to serve our clients. Additionally,

certain of our capabilities cannot be made redundant feasibly or cost-effectively. Acts of physical or cyber terrorism or other geopolitical unrest, including acts of war, also could cause disruptions in our business. The adverse impacts of these risks may increase if our disaster recovery plans prove to be inadequate.

**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 not be able to efficiently and effectively integrate acquired operations, and thus may not fully realize the anticipated benefits from such acquisitions.**

We may evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products and other assets in the future. We may also 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.

Achieving the anticipated benefits of any acquisitions depends in part upon whether we can integrate new businesses in an efficient and effective manner. The integration of any acquired businesses involves a number of risks, including, but not limited to:

- demands on management related to any significant increase in size after the acquisition;
- the disruption of ongoing business and the diversion of management's attention from the management of daily operations to management of integration activities;
- failure to fully achieve expected synergies and costs savings;
- unanticipated impediments in the integration of departments, systems, including accounting systems, technologies, books and records and procedures, as well as in maintaining uniform standards, controls, including internal control over financial reporting required by the Sarbanes-Oxley Act, procedures and policies;
- difficulty establishing and maintaining appropriate governance, reporting relationships, policies, controls, and procedures for the acquired business, particularly if it is based in a country or region where we did not previously operate;
- new or more stringent regulatory compliance obligations and costs by virtue of the acquisition, including risks related to international acquisitions that may operate in new jurisdictions or geographic areas where we may have no or limited experience;
- loss of customers or the failure of customers to order incremental services that we expect them to order;
- difficulty and delays in integrating the products, technology platforms, operations, systems, and personnel of the acquired business with our own, particularly if the acquired business is outside of our core competencies and current geographic markets;
- failure to provision services that are ordered by customers during the integration period;
- higher integration costs than anticipated;
- difficulties in the assimilation and retention of highly qualified, experienced employees, many of whom may be geographically dispersed;

- litigation, investigations, proceedings, fines, or penalties arising from or relating to the transaction or the acquired business, and any resulting liabilities may exceed our forecasts;
- acquisition of businesses with different revenue models, different contractual relationships, and increased customer concentration risks;

- assumption of long-term contractual obligations, commitments, or liabilities (for example, the costs associated with leased facilities), which could adversely impact our efforts to achieve and maintain profitability and impair our cash flow;
- failure to successfully evaluate or utilize the acquired business' technology and accurately forecast the financial impact of an acquisition, including accounting charges; and
- drag on our overall revenue growth rate or an increase of our net loss, which could cause analysts and investors to reduce their valuation of our company.

Successful integration of any acquired businesses or operations will depend on our ability to manage these operations, realize opportunities for revenue growth presented by strengthened service offerings and expanded geographic market coverage, obtain better terms from our vendors due to increased buying power, and eliminate redundant and excess costs to fully realize the expected synergies. Because of difficulties in combining geographically distant operations and systems which may not be fully compatible, we may not be able to achieve the financial strength and growth we anticipate from the acquisitions.

We may not realize our anticipated benefits from our acquisitions, if any, or may be unable to efficiently and effectively integrate acquired operations as planned. If we fail to integrate acquired businesses and operations efficiently and effectively or fail to realize the benefits we anticipate, we would be likely to experience material adverse effects on our business, financial condition, results of operations and future prospects.

Acquisitions or investments may also require us to issue debt or equity securities, use our cash resources, incur debt or contingent liabilities, amortize intangibles, or write-off acquisition-related expenses. In addition, we cannot predict market reactions to any acquisitions we may make or to any failure to announce any future acquisitions.

While we would conduct due diligence in connection with any acquisition opportunities, there may be risks or liabilities that such due diligence efforts fail to discover, that are not disclosed to us or that we inadequately assess. The failure to timely identify any material liabilities associated with any acquisitions could adversely affect our business, results of operations, and financial condition.

We have incurred, and may continue to incur, significant, non-recurring costs in connection with the acquisition and integrating our operations with those of Voxbone, including costs to consolidate business support systems and service offerings. We 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.

#### **Risks Related to the Convertible Notes**

##### ***Servicing our debt requires a significant amount of cash, and our business may not generate sufficient cash flow to repay our indebtedness.***

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance the Convertible Notes depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, any of our future debt agreements may contain restrictive covenants that may prohibit us from adopting any of these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our indebtedness.

##### ***We may incur substantially more debt or take other actions which would intensify the risks discussed above.***

We and our subsidiaries may be able to incur substantial additional debt in the future, some of which may be secured debt. We will not be restricted under the terms of the indentures governing the Convertible Notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or

taking a number of other actions that are not limited by the terms of the indentures governing the Convertible Notes that could have the effect of diminishing our ability to make payments on the Convertible Notes when due.

***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 following 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 cash repurchase price generally 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 the 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 applicable law, by regulatory authorities or by agreements governing our future indebtedness. Our failure to repurchase the Convertible Notes at a time when such repurchase is required by the indentures governing the Convertible Notes or to pay the cash amounts due upon future conversions of the Convertible Notes as required by such indentures would constitute a default under such indentures. A default under the indentures governing the Convertible Notes or the fundamental change itself may also lead to a default under agreements governing our existing or future indebtedness, which may result in such existing or future indebtedness becoming immediately payable in full. We may not have sufficient funds to satisfy all amounts due under such existing or future indebtedness and repurchase the Convertible Notes or make cash payments upon conversions thereof.

***The conditional conversion feature of the Convertible Notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion feature of the Convertible Notes is triggered, holders of Convertible Notes will be entitled to convert the Convertible Notes at any time during specified periods at their option as described in the indentures governing the Convertible Notes. If one or more holders elect to convert their Convertible Notes, 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, 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 Capped Calls may affect the value of the Convertible Notes and our Class A common stock.***

In connection with the pricing of our 0.25% Convertible Notes due March 1, 2026 (the "2026 Convertible Notes") and 0.50% Convertible Notes due April 1, 2028 (the "2028 Convertible Notes" and, together with the 2026 Convertible Notes, the "Convertible Notes"), we entered into privately negotiated capped call transactions (the "2026 Capped Calls" and the "2028 Capped Calls," respectively and, collectively, the "Capped Calls") with certain financial institutions (the "option counterparties"). The Capped Calls are expected generally to reduce the potential dilution upon any conversion of the Convertible Notes and/or offset any 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.

We have been advised that, in connection with establishing their initial hedges of the Capped Calls, the option counterparties or their respective affiliates entered into various derivative transactions with respect to our Class A common stock concurrently with or shortly after the pricing of the Convertible Notes.

In addition, the option counterparties 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 from time to 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 also cause or avoid an increase or a decrease in the market price of our Class A common stock or the Convertible Notes, which could affect your ability to convert the Convertible Notes and, to the extent the activity occurs during any observation period related to a conversion of

Convertible Notes, it could affect the number of shares and value of the consideration that you will receive upon conversion of such Convertible Notes.

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 Calls.***

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 Calls. 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 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 Ownership of Our Class A Common Stock**

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

Prior to our initial public offering, there was no public market for shares of our Class A common stock. On November 10, 2017, we sold shares of our Class A common stock to the public at \$20.00 per share. From November 10, 2017, the date that our Class A common stock began trading on the NASDAQ Global Select Market, through **September 30, 2023** **March 31, 2024**, the trading price of our Class A common stock has ranged from **\$9.35** **\$9.20** per share to \$198.61 per share. The trading price of our Class A common stock may continue to be volatile and could fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- general market volatility caused by epidemics, endemics and pandemics such as COVID-19, acts of war, or other significant domestic or international events;
- price and volume fluctuations in the overall stock market from time to time;
- volatility in the trading prices and trading volumes of technology stocks;
- volatility in the trading volumes of our Class A common stock;
- 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;
- 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;
- regulatory actions or developments affecting our operations, those of our competitors or our industry more broadly;
- 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;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- new rules adopted by certain index providers, such as S&P Dow Jones, that limit or preclude inclusion of companies with multi-class capital structures in certain of their indices;
- any significant change in our management; and
- general economic conditions and slow or negative growth of our markets.

In addition, in the past, securities class action litigation has often been instituted following periods of volatility in the overall market and the market price of a particular company's securities. 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, we rely on equity-based compensation as an important tool in attracting, retaining and motivating our employees. Shares of Class A common stock issued upon the exercise of outstanding options and upon the vesting of 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 and will result in dilution to existing holders of our Class A common stock. 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. This may limit or preclude stockholders' ability to influence corporate matters, including the election of directors, amendments to 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 A common stock has one vote per share, and our Class B common stock has ten votes per share. Substantially all of our Class B common stock continues to be held by our current Chairman and CEO, David Morken, and our co-Founder Henry Kaestner. Because of the ten-to-one voting ratio between our Class B and Class A common stock, these holders of our Class B common stock collectively control approximately 46% of the combined voting power of our common stock and therefore would be able to exert significant influence over all matters submitted to our stockholders for approval. This concentrated voting control limits or precludes stockholders' ability to influence corporate matters for the foreseeable future, including the election of directors, amendments to 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 stockholders may feel are in their 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.

***We cannot predict the impact our capital structure may have on our stock price.***

In July 2017, S&P Dow Jones, a provider of widely followed stock indices, announced that companies with multiple share classes, such as ours, will not be eligible for inclusion in certain of their indices. As a result, our Class A common stock will likely not be eligible for these stock indices. Many investment funds are precluded from investing in companies that are not included in such indices, and these funds would be unable to purchase our Class A common stock if we were not included in such indices. We cannot assure you that other stock indices will not take a similar approach to S&P Dow Jones in the future.

Exclusion from indices could make our Class A common stock less attractive to investors and, as a result, the market price of our Class A common stock could be adversely affected.

In addition, several stockholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our common stock may cause stockholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. Any actions or publications by stockholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A common stock.

***We are effectively controlled by David A. Morken, our Co-Founder and Chief Executive Officer, whose interests may differ from other stockholders.***

Mr. Morken has the ability to effectively control the appointment of our management, the entering into of mergers, sales of substantially all or all of our assets and other extraordinary transactions and influence amendments to our certificate of incorporation and bylaws. In any of these matters, the interests of Mr. Morken may differ from or conflict with your interests. Moreover, this concentration of ownership may also adversely affect the trading price for our Class A common stock to the extent investors perceive disadvantages in owning stock of a company with a controlling stockholder.

***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 may cover us change their recommendation regarding our Class A common stock in an adverse manner, or provide more favorable recommendations about our competitors relative to us, 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 second amended and restated certificate of incorporation and third amended and restated bylaws, as well as provisions of Delaware law, could impair a takeover attempt.***

Our second amended and restated certificate of incorporation, third 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 second amended and restated certificate of incorporation and third 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;
- prohibiting stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders;
- requiring super-majority voting to amend some provisions in our second amended and restated certificate of incorporation and third amended and restated bylaws;
- 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; and
- controlling the procedures for the conduct and scheduling of board of directors and stockholder meetings.

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 second amended and restated certificate of incorporation, third 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 Class A common stock and could also affect the price that some investors are willing to pay for our Class A common stock.

***Our second amended and restated certificate of incorporation and our third amended and restated bylaws include super-majority voting provisions that will limit your ability to influence corporate matters.***

Our second amended and restated certificate of incorporation and our third amended and restated bylaws include provisions that require the affirmative vote of two-thirds of all of the outstanding shares of our capital stock entitled to vote to effect certain changes. These changes include amending or repealing our third amended and restated bylaws or second amended and restated certificate of incorporation or removing a director from office for cause. If all or substantially all of the holders of our Class B common stock convert their shares into Class A common stock voluntarily or otherwise, Mr. Morken may control the majority of the voting power of our outstanding capital stock, and therefore he may have the ability to prevent any such changes, which will limit a stockholder's ability to influence corporate matters.

***Our third amended and restated bylaws provide, subject to certain exceptions, that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for certain stockholder litigation matters, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or stockholders.***

Our third amended and restated bylaws provide, subject to limited exceptions, that the Court of Chancery of the State of Delaware will, to the fullest extent permitted by law, be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or stockholder to us or our stockholders; (iii) any action asserting a claim against us that is governed by the internal affairs doctrine; or (iv) any action arising pursuant to any provision of the Delaware General Corporation Law, our second amended and restated certificate of incorporation or our third amended and restated bylaws. This exclusive forum provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act, which provides for exclusive jurisdiction of the federal courts. It could apply, however, to a suit that asserts claims under the Securities Act and falls within one or more of the categories enumerated in our choice of forum provision, inasmuch as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. There is uncertainty as to whether a court would enforce such provision with respect to claims under the Securities Act, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

Our choice of 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 any of our directors, officers, other employees or stockholders, which may discourage lawsuits with respect to such claims. While Delaware courts have determined that choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than that designated in our exclusive forum provision. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provision of our third amended and restated bylaws. Alternatively, if a court were to find the choice of forum provision contained in our third amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations.

***We may need additional capital in the future and such capital may be limited or unavailable. Failure to raise capital when needed could prevent us from growing in accordance with our plans.***

We may require more capital in the future from equity or debt financings to fund our operations, finance investments in equipment and infrastructure, acquire complementary businesses and technologies, and respond to competitive pressures and potential strategic opportunities. If we are required to raise additional funds through further issuances of equity or other securities convertible into equity, our existing stockholders could suffer significant dilution, and any new shares we issue could have rights, preferences or privileges senior to those of the holders of our Class A common stock. The additional capital we may seek may not be available on favorable terms or at all. If we are unable to obtain capital on favorable terms or at all, we may have to reduce our operations or forego opportunities, and this may have a material adverse effect on our business, financial condition and results of operations.

***We do not intend to pay dividends for the foreseeable future.***

We have never declared or paid any cash dividends on our Class A common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any

determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must 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 investments.

**If a large number of shares of our Class A common stock is sold in the public market, the sales could reduce the trading price of our Class A common stock and impede our ability to raise future capital.**

We cannot predict what effect, if any, future issuances by us of our Class A common stock will have on the market price of our Class A common stock. In addition, shares of our Class A common stock that we issue in connection with an acquisition may not be subject to resale restrictions. The market price of our Class A common stock could drop significantly if certain large holders of our Class A common stock, or recipients of our Class A common stock in connection with an acquisition, sell all or a significant portion of their shares of Class A common stock or are perceived by the market as intending to sell these shares other than in an orderly manner. In addition, these sales could impair our ability to raise capital through the sale of additional Class A common stock in the capital markets.

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

None.

## Item 5. Other Information

**No** The following table describes any contracts, instructions or written plans for the sale or purchase of our securities **were adopted amended or terminated** by our directors or executive officers during the **three**six months ended **September 30, 2023****March 31, 2024**, each of which is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c).

Name and Title	Date of Adoption of Rule 10b5-1 Trading Plan	Scheduled Expiration Date of Rule 10b5-1 Trading Plan	Aggregate Number of Securities to be Purchased or Sold
David A. Morken <i>Chairman and Chief Executive Officer</i>	a. 3/14/2024 b. 3/14/2024	a. 3/31/2025 b. 3/1/2025	a. Covers the sale of up to 1,793 shares of Class A common stock, and up to 55,597 shares of Class B common stock, at a price of \$75.00 per share. b. Covers the sale of up to 787,698 shares of Class B common stock held by Hazel-Rah III, LLC at prices ranging from \$75.00 to \$125.00 per share.
Kade Ross <i>Chief Information Officer</i>	12/7/2023	10/28/2024	Covers the sale of up to 17,000 shares of Class A common stock.

## Item 6. Exhibits

### Exhibit Index

Exhibit number	Exhibit number	Description of Exhibit	File Form No.	Exhibit Filing Date	Exhibit number	Description of Exhibit	Form	File No.	Exhibit	Filing Date
3.1										
3.1										
3.1	3.1	Second Amended and Restated Certificate of Incorporation.	10-001-Q	3.1 12/14/2017	3.1	Second Amended and Restated Certificate of Incorporation.	10-001-Q	38285	3.1	12/14/2017



32.1*	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 2002.	Furnished 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 2002.	Furnished herewith
101.INS	101.INS			
101.INS	101.INS 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	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	101.SCH XBRL Taxonomy Schema Document.	Filed herewith	101.SCH	Filed herewith
101.CAL	101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith	101.CAL	Filed herewith
101.DEF	101.DEF XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith	101.DEF XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith
101.LAB	101.LAB XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith	101.LAB	Filed herewith

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith	101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith
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- \* 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 the Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

BANDWIDTH INC.

Date: <b>November 2, 2023</b> <b>May 7, 2024</b>	By: <b>/s/ David A. Morken</b> David A. Morken Chief Executive Officer (Principal Executive Officer)
Date: <b>November 2, 2023</b> <b>May 7, 2024</b>	By: <b>/s/ Daryl E. Raiford</b> Daryl E. Raiford Chief Financial Officer (Principal Financial Officer)
Date: <b>November 2, 2023</b> <b>May 7, 2024</b>	By: <b>/s/ Devin M. Krupka</b> Devin M. Krupka Senior Vice President, Corporate Controller (Principal Accounting Officer)

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**EXHIBIT 10.1**

## FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT (this "Amendment"), dated as of May 1, 2024 (the "First Amendment Effective Date"), is entered into by and among Bandwidth Inc., a Delaware corporation (the "Borrower"), the Guarantors party hereto, the Lenders party hereto, and Bank of America, N.A., as Administrative Agent, Swingline Lender and L/C Issuer.

### RECITALS

WHEREAS, the Borrower, the Guarantors from time to time party thereto, the Lenders from time to time party thereto and the Administrative Agent entered into that certain Credit Agreement, dated as of August 1, 2023 (as amended, restated, modified, supplemented or extended from time to time prior to

the First Amendment Effective Date, the "Credit Agreement");

WHEREAS, the Borrower has requested an increase of \$50,000,000 in the Aggregate Revolving Commitments (the "Additional Revolving Commitments"), and the Increasing Lenders (as defined below) have agreed to provide such Additional Revolving Commitments on the terms, and subject to the conditions, set forth in this Amendment;

WHEREAS, the Borrower has requested that the Lenders amend the Credit Agreement to give effect to the Additional Revolving Commitments and to make certain other modifications to the terms and provisions thereof, as more particularly described in Section 3 below; and

WHEREAS, the Lenders have agreed to make such amendments and other modifications to the terms and provisions of the Credit Agreement, on the terms, and subject to the conditions, set forth in this Amendment;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Introductory Paragraph and Recitals; Definitions. The above introductory paragraph and recitals of this Amendment are incorporated herein by reference as if fully set forth herein. All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement (as amended by this Amendment or as in effect immediately prior to the effectiveness of this Amendment, as the context may require).

2. Additional Revolving Commitments and Master Reallocation.

(a) The Lenders identified on Schedule A attached hereto (such Lenders, the "Increasing Lenders") agree to provide the Additional Revolving Commitments on the First Amendment Effective Date such that (x) each Increasing Lender's Additional Revolving Commitment shall be the amount set forth opposite such Lender's name on Schedule A attached hereto and (y) each Lender's Revolving Commitment after giving effect to this Amendment shall be the amount set forth opposite such Lender's name on Schedule 2.01 attached hereto. For the avoidance of doubt, and notwithstanding anything to the contrary contained herein or in the Credit Agreement, (i) the Additional Revolving Commitments shall be deemed to be "Revolving Commitments" as defined in the Credit Agreement for all purposes of the Credit Agreement and the other Loan Documents, having the same terms and provisions as those applicable to the

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existing Revolving Commitments and (ii) the Additional Revolving Commitments shall not constitute "Incremental Revolving Commitments" as defined in the Credit Agreement. Upon the effectiveness of this Amendment, the amount of the Aggregate Revolving Commitments shall be \$100,000,000.

(b) After giving effect to this Amendment, the Revolving Commitment of each Lender shall be deemed to be as set forth on Schedule 2.01 attached hereto, with a reallocation of Revolving Loans outstanding under the Revolving Commitments as they existed immediately prior to the First Amendment Effective Date occurring automatically to the extent necessary such that, after giving effect to such reallocation, each Lender will hold its Applicable Percentage of the outstanding Revolving Loans. The parties hereto agree that the Loan Parties, the Lenders and the Administrative Agent shall give effect to such reallocations, if any, pursuant to the terms of this Amendment without the necessity of any Assignment and Assumption or any other action of any Person to effectuate such reallocation. Each Lender with a Revolving Commitment agrees to make such Revolving Loans as may be requested by the Administrative Agent to give effect to the reallocation, if any, under this clause (b). For the avoidance of doubt, all assignments made pursuant to this clause (b), if any, shall not be subject to the requirements set forth in Section 11.06 of the Credit Agreement.

(c) To the extent that any transaction contemplated by Section 2 of this Amendment would require (i) delivery by the Borrower of a Loan Notice pursuant to Section 2.02(a) of the Credit Agreement or a Notice of Loan Prepayment pursuant to Section 2.05(a)(i) of the Credit Agreement, (ii) compliance with the minimum amounts set forth in Section 2.02(a) of the Credit Agreement and/or (iii) compliance with the timing requirements set forth in Section 2.02(a) of the Credit Agreement, the Administrative Agent and the Lenders hereby waive all such requirements. This waiver is a one-time waiver and shall not be construed to be a waiver of, or in any way obligate the Administrative Agent or any Lender to waive, Section 2.02(a) or 2.05(a)(i) of the Credit Agreement in any other circumstance.

(d) Each Lender hereby waives the application of Section 3.05 of the Credit Agreement with respect to any prepayment (or deemed prepayment) that occurs in connection with the reallocation contemplated by Section 2(b) to occur on the First Amendment Effective Date. This waiver is a one-time waiver and shall not be construed to be a waiver of, or in any way obligate any Lender to waive, compensation otherwise payable to such Lender under Section 3.05 of the Credit Agreement in any other circumstance.

(e) With respect to any Revolving Loan that is outstanding immediately prior to the effectiveness of this Amendment and is a Term SOFR Loan, to the extent any new Revolving Loan is made or deemed made on the First Amendment Effective Date as a result of the operation of this Section 2, such new Revolving Loan shall be made as a Term SOFR Loan with an interest period ending on the same date as the last day of the interest period of such outstanding Term SOFR Loan as in effect immediately prior to giving effect to this Amendment.

### 3. Amendments to Credit Agreement.

(a) Section 1.01 of the Credit Agreement is hereby amended by adding the following definitions in the appropriate alphabetical order to read, in their respective entirieties, as follows:

"First Amendment Effective Date" means May 1, 2024.

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"First Amendment Fee Letter" means that certain letter agreement, dated as of April 30, 2024, by and among the Borrower, the Administrative Agent and BofA Securities, Inc. (which amended and restated that certain letter agreement, dated as of April 23, 2024, between the same parties).

(b) The definition of "Aggregate Revolving Commitments" in Section 1.01 of the Credit Agreement is hereby amended and restated to read, in its entirety, as follows:

"Aggregate Revolving Commitments" means the Revolving Commitments of all the Lenders. The amount of the Aggregate Revolving Commitments on the First Amendment Effective Date is One-Hundred Million Dollars (\$100,000,000) (as increased on the First Amendment Effective Date from Fifty Million Dollars (\$50,000,000)).

(c) The definition of "Loan Documents" in Section 1.01 of the Credit Agreement is hereby amended by replacing the text "the Fee Letter and any amendments" with the text "the Fee Letter, the First Amendment Fee Letter and any amendments".

(d) The definition of "Maturity Date" in Section 1.01 of the Credit Agreement is hereby amended by replacing the date "August 1, 2028" with the date "May 1, 2029".

(e) The definition of "Swingline Sublimit" in Section 1.01 of the Credit Agreement is hereby amended by replacing the amount "\$5,000,000" with the amount "\$10,000,000".

(f) Section 6.12 of the Credit Agreement is hereby amended and restated to read, in its entirety, as follows:

### 6.12 Use of Proceeds.

Use the proceeds of the Credit Extensions for ongoing working capital, for other general corporate purposes, to fund transactions (including Permitted Acquisitions) and to make payments and prepayments with respect to any Permitted Convertible Indebtedness to the extent permitted pursuant to Section 7.10(g), in each case, not in contravention of any Law or of any Loan Document; provided, that, (a) the Borrower and its Subsidiaries shall not use the proceeds of any Credit Extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose, (b) the Borrower and its Subsidiaries shall not, directly or indirectly, use any Credit Extension or the proceeds of any Credit Extension in violation of the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act 2010 and other anti-corruption legislation in other jurisdictions and (c) the Borrower and its Subsidiaries shall not,

directly or indirectly, use any Credit Extension or the proceeds of any Credit Extension, or lend, contribute or otherwise make available such Credit Extension or the proceeds of any Credit Extension to any Person, to fund any activities of or business with any Person, that, at the time of such funding, is the subject or target of Sanctions, or in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as Lender, Arranger, Administrative Agent, L/C Issuer, Swingline Lender, or otherwise) of Sanctions.

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- (g) Section 7.01(b) of the Credit Agreement is hereby amended by replacing the amount "\$75,000,000" with the amount "\$82,500,000".
- (h) Section 7.06(c) of the Credit Agreement is hereby amended by replacing the amount "\$75,000,000" with the amount "\$82,500,000".
- (i) Section 7.06(j) of the Credit Agreement is hereby amended by replacing the amount "\$75,000,000" with the amount "\$82,500,000".
- (j) Section 7.08(j) of the Credit Agreement is hereby amended by replacing the amount "\$75,000,000" with the amount "\$82,500,000".
- (k) Section 7.08(o)(viii) of the Credit Agreement is hereby amended by replacing the amount "\$75,000,000" with the amount "\$82,500,000".
- (l) Section 7.10(b) of the Credit Agreement is hereby amended by replacing the amount "\$75,000,000" with the amount "\$82,500,000".
- (m) Section 11.01(b)(iv) of the Credit Agreement is hereby amended and restated to read, in its entirety, as follows:
  - (iv) the Fee Letter and the First Amendment Fee Letter may be amended, or rights or privileges thereunder waived, in a writing executed only by the parties thereto, as applicable.
- (n) Schedule 2.01 of the Credit Agreement is hereby amended and restated to read, in its entirety, in the form of Schedule 2.01 attached hereto.

4. Conditions Precedent. This Amendment shall be effective upon satisfaction of the following conditions precedent:

- (a) Execution of Amendment. The Administrative Agent shall have received counterparts of this Amendment properly executed by a Responsible Officer of the signing Loan Party, by each Increasing Lender and by each Lender.
- (b) Organization Documents; Resolutions, Etc. The Administrative Agent shall have received a certificate of a Responsible Officer of each Loan Party, dated as of the First Amendment Effective Date, certifying (i) that there has been no change to the Organization Documents of such Loan Party since the Closing Date (except as may be detailed in such certificate, and, in the event of any such change(s), such certificate shall attach a copy of such changed Organization Document(s) (which, to the extent filed with a Governmental Authority, shall be certified as of a recent date acceptable to the Administrative Agent by such Governmental Authority)), (ii) as to the resolutions of the governing body of such Loan Party and (iii) if the Administrative Agent has not already received an incumbency (including specimen signatures) of the Responsible Officers of such Loan Party, as to the incumbency (including specimen signatures) of the Responsible Officers of such Loan Party. The Administrative Agent shall also have received such documents and certifications as the Administrative Agent may reasonably require to evidence that each Loan Party is duly organized or formed, and is validly existing, in good standing and qualified to engage in business in its state of organization or formation.
- (c) UCC Searches. The Administrative Agent shall have received copies of UCC lien search results in form and substance reasonably satisfactory to the Administrative Agent in the jurisdiction of incorporation or formation, as the case may be, of each Loan Party, indicating that there

are no Liens on any of the Collateral other than Liens permitted to continue in existence after the First Amendment Effective Date pursuant to Section 7.03 of the Credit Agreement.

(d) Solvency Certificate. The Administrative Agent shall have received a solvency certificate signed by a Responsible Officer of the Borrower as to the financial condition, solvency and related matters of the Borrower and its Subsidiaries, after giving effect to the transactions contemplated hereby.

(e) Consents. The Administrative Agent shall have received evidence that all members, boards of directors, governmental, shareholder and material third party consents and approvals necessary in connection with the entering into of this Amendment have been obtained, and all applicable waiting periods shall have expired without any action being taken by any authority that could restrain, prevent or impose any material adverse condition on the Borrower and its Subsidiaries, or that could seek or threaten any of the foregoing.

(f) KYC Information; Beneficial Ownership. (i) Upon the reasonable request of any Lender at least seven (7) Business Days prior to the First Amendment Effective Date, the Loan Parties shall have provided to such Lender at least three (3) Business Days prior to the First Amendment Effective Date the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the Patriot Act; and (ii) at least three (3) Business Days prior to the First Amendment Effective Date, to the extent that the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, the Borrower shall have delivered to each Lender that so requests, a Beneficial Ownership Certification in relation to it.

(g) Fees and Expenses. The Administrative Agent, the Arrangers and the Lenders shall have received all fees, if any, owing pursuant to the First Amendment Fee Letter or Section 2.09 of the Credit Agreement and required to be paid on or prior to the First Amendment Effective Date, and all reasonable and reasonably documented out-of-pocket fees and expenses to the extent invoiced to the Loan Parties at least two (2) Business Days prior to the First Amendment Effective Date.

## 5. Miscellaneous.

(a) Each of the Loan Parties hereby (i) acknowledges and consents to all of the terms and conditions of this Amendment, (ii) ratifies and affirms its obligations under the Loan Documents, (iii) agrees that (A) except to the extent expressly set forth herein, all of the terms and conditions of each of the Loan Documents to which it is party and its obligations thereunder shall remain unchanged and in full force and effect according to the terms thereof and (B) this Amendment and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Credit Agreement or any other Loan Document and (iv) affirms the Liens created and granted in the Loan Documents in favor of the Administrative Agent for the benefit of the Secured Parties and agrees that this Amendment does not adversely affect or impair such Liens and security interests in any manner.

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(b) Upon the effectiveness hereof, all references to the Credit Agreement set forth in any other agreement or instrument shall, unless otherwise specifically provided, be references to the Credit Agreement as amended hereby.

(c) Each of the Loan Parties hereby represents and warrants to the Administrative Agent and the Lenders that (i) such Loan Party has taken all necessary action to authorize the execution, delivery and performance of this Amendment, (ii) the execution, delivery and performance by such Loan Party of this Amendment is within its corporate or limited liability powers, as applicable, (iii) this Amendment has been duly executed and delivered by such Loan Party and constitutes such Loan Party's legally valid and binding obligations, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law), (iv) no material consent, approval, authorization or order of, or filing, registration or qualification with, any court or Governmental Authority or third party is required in connection with the execution, delivery or performance by such Loan Party of this Amendment, except for those that have been obtained or made, as applicable, and remain in full force and effect as of the First Amendment Effective Date, (v) the execution, delivery and performance by such Loan Party of this Amendment do not violate any Requirement of Law or any material Contractual Obligation of such Loan Party or any of its Subsidiaries and will not result in, or require, the creation or imposition of any Lien on any of their respective properties or revenues pursuant to any Requirement of Law or any such material Contractual Obligation (other than the Liens created by the Collateral Documents), (vi) the representations and warranties of the Loan Parties set forth in Article V of the Credit Agreement and in each other Loan Document are (A) with respect to representations and warranties

that contain a materiality qualification, true and correct, and (B) with respect to representations and warranties that do not contain a materiality qualification, true and correct in all material respects, in each case, on and as of the First Amendment Effective Date, except to the extent any such representation and warranty expressly relates to an earlier date, in which case such representation and warranty was true and correct in all material respects (or all respects, as applicable) as of such earlier date and (vii) as of the date hereof, no event has occurred and is continuing which constitutes a Default or an Event of Default and no Default or Event of Default will exist after giving effect to this Amendment.

(d) This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. The terms of Section 11.18 of the Credit Agreement are incorporated herein by reference, *mutatis mutandis*.

(e) This Amendment shall be deemed to be, and is, a "Loan Document".

(f) THIS AMENDMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AMENDMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

[Signature pages follow]

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

**BORROWER:** **BANDWIDTH INC.**  
a Delaware corporation

By: /s/ Daryl E. Raiford  
Name: Daryl E. Raiford  
Title: Chief Financial Officer

**GUARANTORS:** **BROADBAND, LLC,**  
a Delaware limited liability company

By: /s/ Daryl E. Raiford  
Name: Daryl E. Raiford  
Title: Chief Financial Officer

**IP SPECTRUM SOLUTIONS, LLC,**  
a Delaware limited liability company

By: /s/ Daryl E. Raiford  
Name: Daryl E. Raiford  
Title: Chief Financial Officer

**BANDWIDTH.COM CLEC, LLC,**  
a Delaware limited liability company

By: /s/ Daryl E. Raiford  
Name: Daryl E. Raiford  
Title: Chief Financial Officer

**VOXBONE US LLC,**

a Delaware limited liability company

By: /s/ Daryl E. Raiford

Name: Daryl E. Raiford

Title: Chief Financial Officer

**OHANA CHILD DEVELOPMENT, LLC,**

a Delaware limited liability company

By: /s/ Daryl E. Raiford

Name: Daryl E. Raiford

Title: Chief Financial Officer

FIRST AMENDMENT TO CREDIT AGREEMENT

BANDWIDTH

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**ADMINISTRATIVE AGENT:** **BANK OF AMERICA, N.A.,**

as Administrative Agent

By: /s/ Dianna Benner

Name: Dianna Benner

Title: Assistant Vice President

FIRST AMENDMENT TO CREDIT AGREEMENT

BANDWIDTH

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**LENDERS:** **BANK OF AMERICA, N.A.,**

as a Lender, Increasing Lender, L/C Issuer and Swingline Lender

By: /s/ Nathan Muller

Name: Nathan Muller

Title: Senior Vice President

FIRST AMENDMENT TO CREDIT AGREEMENT

BANDWIDTH

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**WELLS FARGO BANK, NATIONAL ASSOCIATION,**

as a Lender and Increasing Lender

By: /s/ Matt O'Brien

Name: Matt O'Brien

## SCHEDULE A

Additional Revolving Commitments

Lender	Additional Revolving Commitment
Bank of America, N.A.	\$25,000,000.00
Wells Fargo Bank, National Association	\$25,000,000.00
<b>Total:</b>	<b>\$50,000,000.00</b>

## SCHEDULE 2.01

Initial Commitments and Applicable Percentages

Lender	Revolving Commitment	Applicable Percentage (Revolving Facility)
Bank of America, N.A.	\$50,000,000.00	50.000000000%
Wells Fargo Bank, National Association	\$50,000,000.00	50.000000000%
<b>Total:</b>	<b>\$100,000,000.00</b>	<b>100.000000000%</b>

Swingline Lender
Bank of America, N.A.

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, David A. Morken, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bandwidth 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: **November 2, 2023** **May 7, 2024**

/s/ David A. Morken

David A. Morken

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, Daryl E. Raiford certify that:

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

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: November 2, 2023 May 7, 2024

/s/ Daryl E. Raiford

Daryl E. Raiford

Chief Financial Officer

(*Principal 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), David A. Morken, Chief Executive Officer of Bandwidth Inc. (the "Company"), and Daryl E. Raiford, 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 quarterly period ended September 30, 2023 March 31, 2024, 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: November 2, 2023 May 7, 2024

/s/ David A. Morken

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David A. Morken

Chief Executive Officer

*(Principal Executive Officer)*

/s/ Daryl E. Raiford

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Daryl E. Raiford

Chief Financial Officer

*(Principal Financial Officer)*

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