



# Investor Presentation

March 2021

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at [www.sec.gov](http://www.sec.gov). Alternatively, the issuer, any underwriter or any dealer participating in the offering will arrange to send you the prospectus if you request it by calling collect 1-212-834-4533.



# Disclaimer

This presentation contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “can,” “will,” “would,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “forecasts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. You should not rely upon forward-looking statements as predictions of future events.

The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties, and other factors that may cause Twilio's actual results, performance, or achievements to differ materially from those described in the forward-looking statements, including, among other things: adverse changes in general economic or market conditions; changes in the market for communications; the impact of COVID-19 on Twilio and its customers and partners; Twilio's ability to adapt its products to meet evolving market and customer demands and rapid technological change; Twilio's ability to comply with modified or new industry standards, laws and regulations applying to its business; Twilio's ability to generate sufficient revenues to achieve or sustain profitability; Twilio's ability to retain customers and attract new customers; Twilio's ability to effectively manage its growth; Twilio's ability to compete effectively in an intensely competitive market; and Twilio's ability to successfully integrate Segment and risks that the anticipated benefits of the acquisition of Segment may not be fully realized or may take longer to realize than expected.

The forward-looking statements contained in this presentation are also subject to additional risks, uncertainties, and factors, including those more fully described in Twilio's most recent filings with the Securities and Exchange Commission (SEC), including its Form 10-K for the period ended December 31, 2020, and subsequent filings with the SEC. Further information on potential risks that could affect actual results will be included in the subsequent periodic and current reports and other filings that Twilio makes with the Securities and Exchange Commission from time to time. Forward-looking statements represent Twilio's management's beliefs and assumptions only as of the date such statements are made. Twilio undertakes no obligation to update any forward-looking statements made in this presentation to reflect events or circumstances after the date of this presentation or to reflect new information or the occurrence of unanticipated events, except as required by law.

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## Use of Non-GAAP Financial Measures

This presentation includes non-GAAP financial measures to provide recipients with additional information regarding Twilio's results, the following non-GAAP financial measures are disclosed: Non-GAAP Adjusted EBITDA, Non-GAAP Gross Profit, Non-GAAP Gross Margin, Non-GAAP R&D as % of Revenue, Non-GAAP S&M as % of Revenue, Non-GAAP G&A as % of Revenue, Free Cash Flow, Non-GAAP Operating Income, Non-GAAP Gross Profit, Non-GAAP Income (Loss) from Operations and Non-GAAP Operating Margin.

Twilio's management uses the foregoing non-GAAP financial information, collectively, to evaluate its ongoing operations and for internal planning and forecasting purposes. Twilio's management believes that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance, facilitates period-to-period comparisons of results of operations, and assists in comparisons with other companies, many of which use similar non-GAAP financial information to supplement their GAAP results. Non-GAAP financial information is presented for supplemental informational purposes only, should not be considered a substitute for financial information presented in accordance with generally accepted accounting principles, and may be different from similarly-titled non-GAAP measures used by other companies. Whenever Twilio uses a non-GAAP financial measure, a reconciliation is provided to the most closely applicable financial measure stated in accordance with GAAP. You are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

With respect to Twilio's any projected or estimated non-GAAP numbers in this presentation, Twilio has not reconciled its expectations as to non-GAAP income (loss) from operations to GAAP loss from operations or non-GAAP net income (loss) per share to GAAP net loss per share because stock-based compensation expense cannot be reasonably calculated or predicted at this time. Accordingly, a reconciliation is not available without unreasonable effort.



# Today's Presenters

**JEFF LAWSON**

Co-Founder & CEO



**KHOZEMA SHIPCHANDLER**

Chief Financial Officer





# Agenda

## **1. Transaction Summary**

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## **2. Business Overview**

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## **3. Investment Highlights**

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## **4. Financial Overview**

# TRANSACTION SUMMARY

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# Transaction Overview

Sources	(\$M)	Uses	(\$M)
New senior unsecured notes	\$1,000	Cash to balance sheet	\$987
		Estimated fees and expenses	13
<b>Total sources</b>	<b>\$1,000</b>	<b>Total uses</b>	<b>\$1,000</b>

(\$M)	As of December 31, 2020					
	Actual		As Adjusted		As Further Adjusted	
	Amount	% of Total Cap.	Amount	% of Total Cap.	Amount	% of Total Cap.
Cash, cash equivalents and investments	\$3,040		\$4,805 <sup>1</sup>		\$5,792	
New senior unsecured notes					1,000	
Convertible notes	344		344		344	
<b>Total Debt</b>	<b>\$344</b>	<b>0.5%</b>	<b>\$344</b>	<b>0.5%</b>	<b>\$1,344</b>	<b>1.8%</b>
<b>Total Net Debt</b>	<b>(\$2,696)</b>		<b>(\$4,461)</b>		<b>\$(4,448)</b>	
Market capitalization <sup>2</sup>	73,356		73,356		73,356	
<b>Total Capitalization<sup>3</sup></b>	<b>\$73,700</b>		<b>\$73,700</b>		<b>\$74,700</b>	

<sup>1</sup> Includes net proceeds from the issuance of 4.2125mm class A common stock with greenshoe on Feb 18, 2021

<sup>2</sup> Fully diluted market capitalization as of 3/2/2021, including net proceeds from the issuance of 4.3125mm of class A common stock with greenshoe on Feb 18, 2021

<sup>3</sup> Total Capitalization equals Total Debt plus Market Capitalization



# Summary Terms and Conditions

<b>Issuer:</b>	Twilio Inc. (the "Issuer")	
<b>Guarantors:</b>	Substantially all existing and future direct and indirect material domestic subsidiaries of the Issuer	
<b>Size:</b>	\$1,000mm	
<b>Use of proceeds:</b>	General corporate purposes, including acquisitions and investments	
<b>Ranking:</b>	Senior unsecured	
<b>Tenor:</b>	8 years	10 years
<b>Call protection:</b>	Non-call 3	Non-call 5
<b>Optional redemption:</b>	<ul style="list-style-type: none"><li>■ Callable at par + 50% of the coupon after 3 years, par + 25% after 4 years and at par after 5 years through maturity</li></ul>	<ul style="list-style-type: none"><li>■ Callable at par + 50% of the coupon after 5 years, par + 33% after 6 years, par + 17% after 7 years, and at par after 8 years through maturity</li></ul>
<b>Issue price:</b>	Par	
<b>Coupon frequency:</b>	Semi-annual	
<b>Distribution:</b>	SEC Registered	
<b>Mandatory redemption:</b>	<ul style="list-style-type: none"><li>■ "Change of Control" put at 101% plus accrued interest</li></ul>	
<b>Key negative covenants:</b>	<p>Investment Grade style covenant package, including:</p> <ul style="list-style-type: none"><li>■ Unlimited unsecured debt</li><li>■ Unlimited restricted payments</li><li>■ Unlimited investments</li><li>■ Ability to incur secured debt up to 4.00x, plus a \$750mm Credit Facility Basket</li></ul>	

# BUSINESS OVERVIEW

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**Day one of disruption in customer engagement and cloud communications**

**Developer first model: frictionless adoption and expansion**

**Leadership with a broad, differentiated portfolio and trust**



# Cloud Platforms Are Reshaping Huge Markets



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COMPUTE  
& STORAGE



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MAPS



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COMMUNICATIONS

**servicenow**

---

IT OPERATIONS

**stripe**

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PAYMENTS



# Our Business

## Developer-first

Low friction and no upfront costs

**10M+**

Registered developer accounts<sup>1</sup>

**65%**

Revenue growth y/y<sup>2</sup>

## Usage-based Model

Share in our customers' success

**221K+**

Active customer Accounts<sup>1</sup>

## Land & Expand

More usage, more products, more applications

**139%**

Dollar-based net expansion rate<sup>3</sup>

## Total Revenue (\$M)



Note: 1Q 2019 results include 2 months of SendGrid financials and results from 2Q 2019 onward include full SendGrid financials. 4Q 2020 results include ~\$23 million from the acquisition of Segment, which closed on November 2, 2020.

<sup>1</sup> As of December 31, 2020

<sup>2</sup> Reported growth for the three months ended December 31, 2020; organic growth of 58% excluding M&A revenue

<sup>3</sup> For the three months ended December 31, 2020. For definition of dollar-based net expansion, refer to the appendix



# Twilio was Built on Three Foundational Capabilities

Twilio's platform enables organizations to reimagine their digital communications



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## Digital Engagement

The digital channels to engage with customers more frequently and on a deeper level



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## Software Agility

Enable organizations to innovate in sprints, quickly reinventing their communications workloads



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## Cloud Scale

Build and deploy cloud communications on an instantaneous, scaled, and global basis



# The Companies You Love Rely On Twilio

## Healthcare

Transform the way you care for patients



Powering new native  
telehealth offering



Programmable Video

## E-commerce

Build experiences your customers love



Redefining customer support  
with cloud contact center



Voice



SMS



Twilio Flex

## Retail

Make every customer conversation count



Enabling omni-channel  
digital engagement



Voice



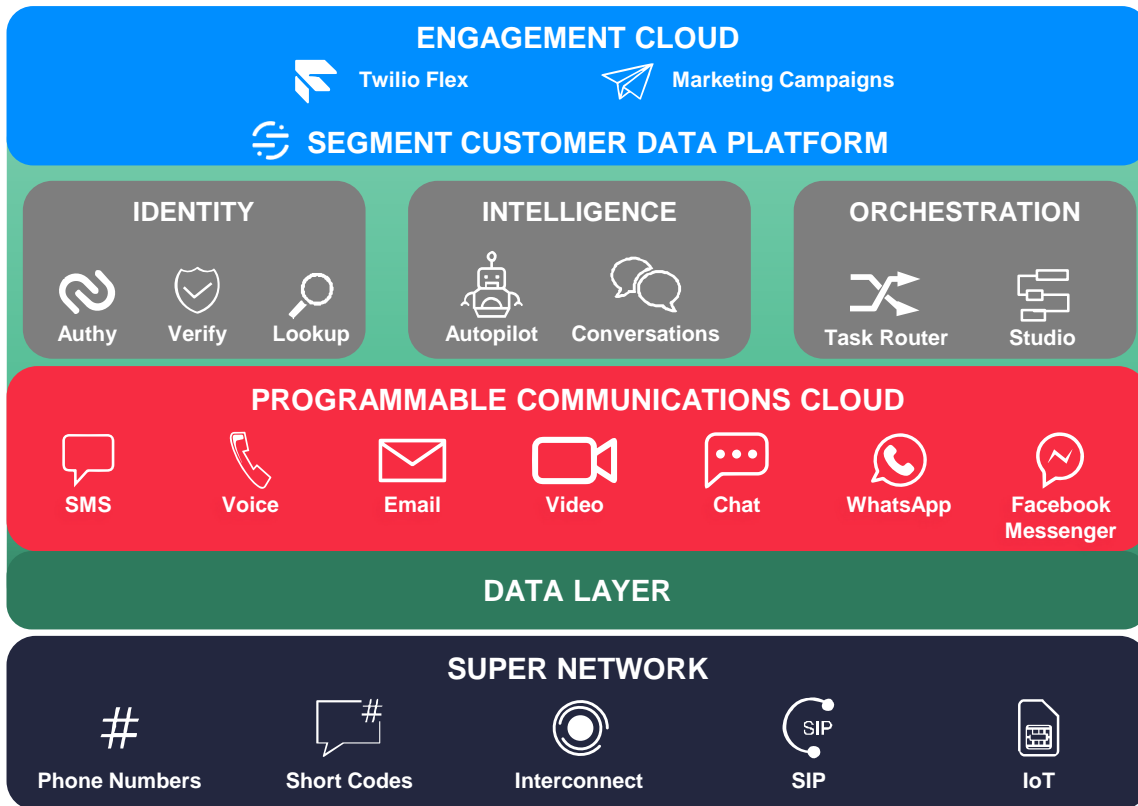
SMS



Email API



# Leading Customer Engagement Platform



**180+**  
Countries

**1T+**  
Human Interactions<sup>1</sup>

**180,000**  
Production  
Deployments<sup>1</sup>

<sup>1</sup> For the period 6/30/2019 - 7/1/2020. Interactions include inbound and outbound messages and voice calls, video minutes, and emails sent.



# Continuous Innovation



## Twilio Conversations

Cross-channel conversation orchestration



## Frontline

Empower frontline workers to securely connect with customers everywhere



## Internet of Things (IoT)

Global connectivity for IoT devices



## Twilio Flex

Cloud contact center platform



## HIPAA Compliance

Enabling the healthcare industry



## Twilio Autopilot

Conversational AI bot



# Our Go-to-market Strategy



## Developers

**Developer-driven acquisition model**  
10M+ developers as of FY20



## Enterprise

**Driving highly strategic engagements**  
368 G2K Customers as of FY20



## International

**Expanding geographic coverage**  
27% of revenue as of FY20



## Partners

**Growing Twilio Build partner program**  
300+ partners (incl. Deloitte Digital)

## Developer Model Fuels Our Highly Efficient Motion

**24%**

2020 Non-GAAP S&M % of revenue

**137%**

2020 Dollar-based Net Expansion





# Experienced Management Team



Jeff Lawson  
Co-founder and CEO



Khozema Shipchandler  
Chief Financial Officer



Chee Chew  
Chief Product Officer



Lybra Clemons  
Chief Diversity, Inclusion  
and Belonging Officer



Michelle Grover  
Chief Information Officer



George Hu  
Chief Operating Officer



Christy Lake  
Chief People Officer



Steve Pugh  
Chief Security Officer



Erin Reilly  
Chief Social Impact Officer



Karyn Smith  
General Counsel



Peter Reinhardt  
CEO of Segment



Sara Varni  
Chief Marketing Officer



Glenn Weinstein  
Chief Customer Officer



Jeremiah Brazeau  
Chief Technology Officer



# INVESTMENT HIGHLIGHTS

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# Twilio Represents A Highly Compelling Credit Story

## INDUSTRY LEADER

- Leading customer engagement platform enabling developers to build real-time communications into software applications
- Omni-channel platform addressing multiple use cases, enabling digital communications across the entire customer journey

## GENERATIONAL OPPORTUNITY

- Generational opportunity in customer engagement in early stages of disruption
- Massive and accelerating addressable market with multiple secular tailwinds - \$79bn+ total addressable market

## SCALED AND DIVERSE BUSINESS

- 10 million+ developer accounts and 221K+ customer accounts diversified across sizes, geographies, and industry verticals<sup>1</sup>
- Successfully executing on Enterprise go-to-market strategy driving more strategic engagements

## HIGHLY EFFICIENT MODEL

- Highly predictable usage-based model drives growth by sharing in our customer success
- Developer first go-to-market enables low friction adoption and efficient acquisition – 24% non-GAAP S&M as % of revenue in 2020
- Land and expand model proven by 137% dollar-based net expansion rate in 2020
- High growth at scale (\$1.8bn revenue in 2020, +55% y/y<sup>2</sup>) with positive adj. EBITDA
- Model efficiency and operating leverage provide a clear path to significant FCF generation
- Strong liquidity position with pro-forma total liquidity of ~\$5.8B<sup>3</sup>

## COMPELLING FINANCIAL PROFILE

## DISCIPLINED MANAGEMENT TEAM

- Founder-led management team with constant focus on innovation and a strong history of execution
- Proven track record as experienced, responsible stewards of capital and disciplined approach to platform expansion via M&A

<sup>1</sup> As of Dec 31, 2020

<sup>2</sup> Reported growth of 55% and organic growth of 51% based on 2019 revenue of \$1,134mm including 11 months of SendGrid and 2020 revenue of \$1,718mm excluding January SendGrid revenue to align with 2019 ownership period and excluding Segment revenue contribution from November 2, 2020, to December 31, 2020

<sup>3</sup> Pro-forma cash, cash equivalents and investments



# Strong Financial Profile With Exceptional Unit Economics

## SCALE



**\$1.8bn**

2020 revenue

## HIGH GROWTH



**55%**

2020 growth<sup>1</sup>

## LAND AND EXPAND



**137%**

2020 net expansion

## EFFICIENT REVENUE ACQUISITION



**24%**

2020 non-GAAP S&M as % of revenue

## PROFITABILITY



**\$101mm**

2020 adj. EBITDA

## STRONG LIQUIDITY



**~\$5.8bn**

pro-forma total liquidity

## LOAN COVERAGE



**~1.5%**

loan-to-value<sup>2</sup>

See Appendix for GAAP financial measures and reconciliations and the definition of dollar-based net expansion rate.

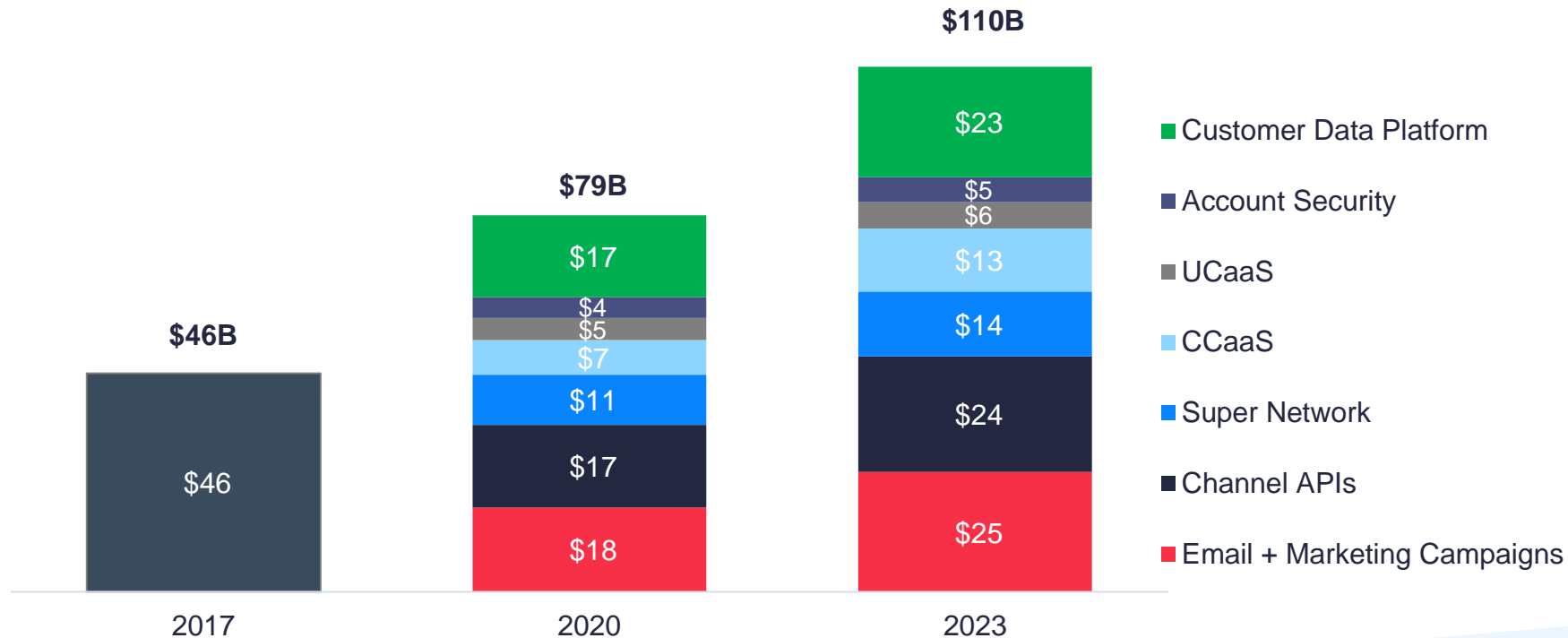
Adj. EBITDA defined as Non-GAAP operating income + Depreciation & Amortization – Amortization of acquired intangibles + change in deferred revenue and customer deposits

<sup>1</sup> Reported growth of 55% and organic growth of 51% based on 2019 revenue of \$1,134mm including 11 months of SendGrid and 2020 revenue of \$1,718mm excluding January SendGrid revenue to align with 2019 ownership period and excluding Segment revenue contribution from November 2, 2020, to December 31, 2020

<sup>2</sup> Loan-to-value is calculated as total pro-forma debt divided by total capitalization



# We Are Addressing a Large and Fast Growing Market



*Note: Numbers are rounded to the nearest whole number. 2017 data from Twilio's S-1 filing. 2020 and 2023 data, except "Email and Marketing Campaigns" are based on industry analysts estimates. Email and Marketing Campaigns data are based on company estimates. Customer data platform data estimated based on addressable SMB and Enterprise companies multiplied by respective Segment ASPs*



# COVID-19 Has Accelerated Digital Communications

## Secular tailwinds are accelerating

**97%**

Of companies said their digital communications strategy accelerated by an average of 6 years

**95%**

Seeking new ways to engage with customers

**1 in 3**

Companies are using live chat and IVR channels for the first time

## Twilio enables new forms of engagement



**Mass notifications**



**Telehealth**



**Remote contact centers**



**Contactless delivery**



**Distance learning**



**Contact tracing**



**Self-serve**



**Philanthropy**

*Note: Statistics are as a result of COVID-19.*

*Source: Twilio "COVID-19 Digital Engagement Report" July 2020.*



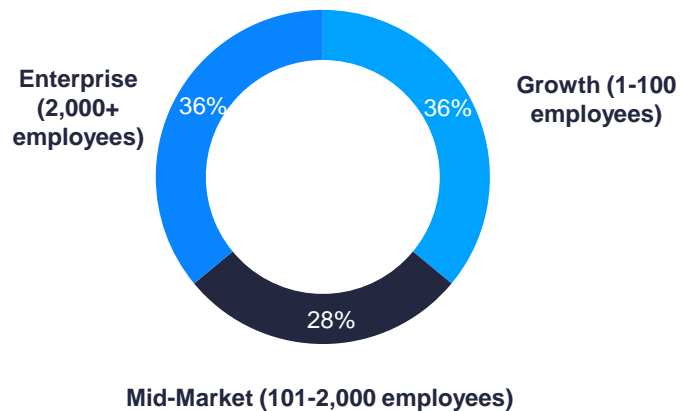
# Diverse Customer Base

	Consumer Retail	E-Commerce	Education	Financial Services	Healthcare	Technology	Travel & Hospitality
Domestic							
							
							
							
							
International							
							

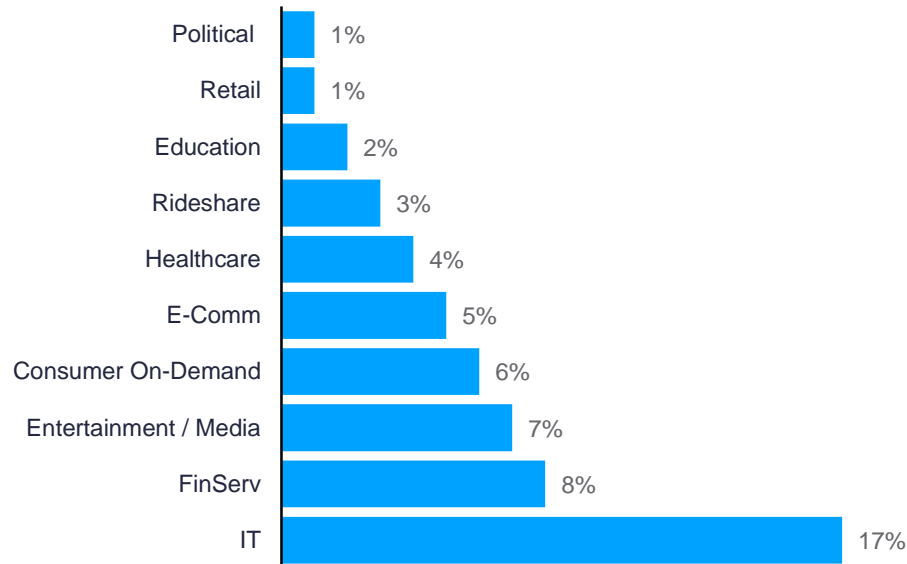


# Our Business Is Diversified

Q2'20 Revenue Mix by Customer Size<sup>1</sup>



Q2'20 Revenue Mix by Industry<sup>2</sup>



<sup>1</sup> Data does not include revenue from Twilio SendGrid, BeepSend, Teravox, Electric Imp and Segment acquisitions.

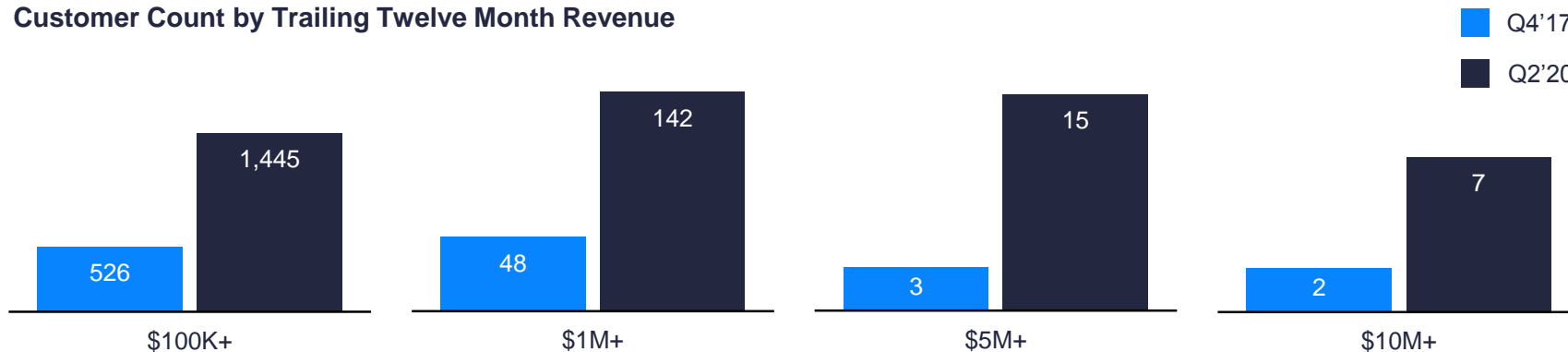
<sup>2</sup> Data is for selected industries only and does not include revenue from Twilio SendGrid and Segment. Percentages are rounded to the nearest whole number



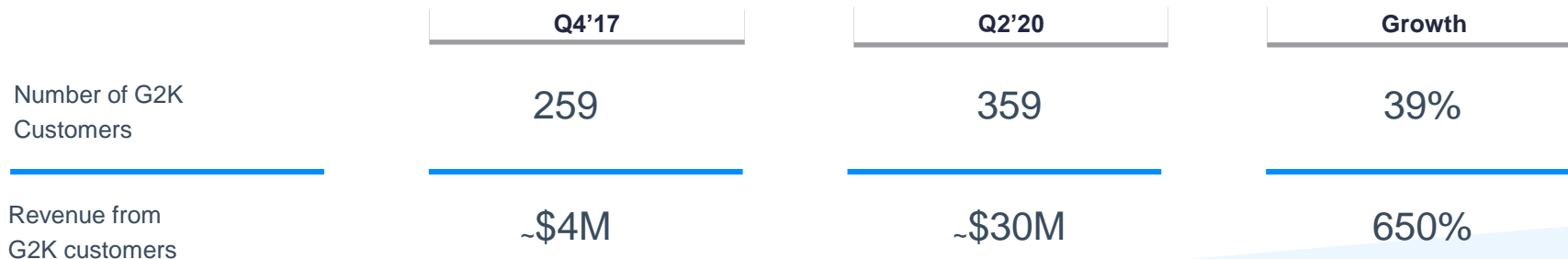


# Growing Traction In The Enterprise: Increasing Our Strategic Value

Customer Count by Trailing Twelve Month Revenue



## Our Enterprise Strategy is Working

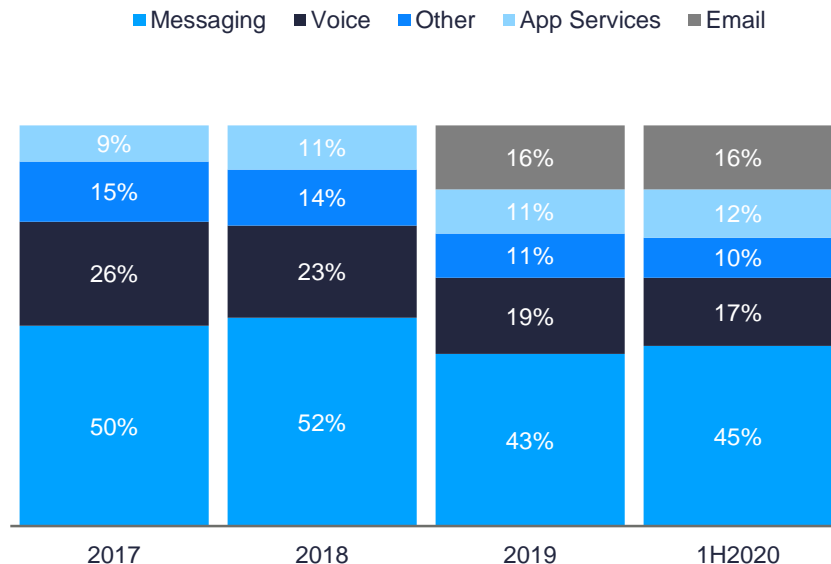


Note: Data does not include customers or revenue from Twilio SendGrid and Segment. Revenue numbers are rounded.



# Growing Diversity By Product Family

Revenue Mix by Product<sup>1</sup>



Revenue Growth By Product (y/y)<sup>2</sup>



59% Messaging



36% Email



94% Engagement Cloud



599% Video

<sup>1</sup> Percentages are rounded. Other includes enterprise & support plans, marketplace add-ons, phone numbers, SIP trunking and other products

<sup>2</sup> Messaging y/y growth during the period of second quarter 2020; Email, Engagement Cloud and Video y/y growth during the period of the first half of 2020



# Successful Track Record in M&A



**ADDITIONAL CAPABILITIES**



<u>At Acquisition</u>	<u>H1 2020</u>
<b>31%</b> Revenue Growth in 2018 y/y <sup>1</sup>	<b>36%</b> Revenue Growth in H1 2020 y/y
<b>113%</b> Dollar-Based Net Expansion	<b>119%</b> H1 2020 Dollar-Based Net Expansion

**CUSTOMER ENGAGEMENT | PRODUCT EXPANSION | TECHNOLOGY CAPABILITIES | INTERNATIONAL GROWTH**

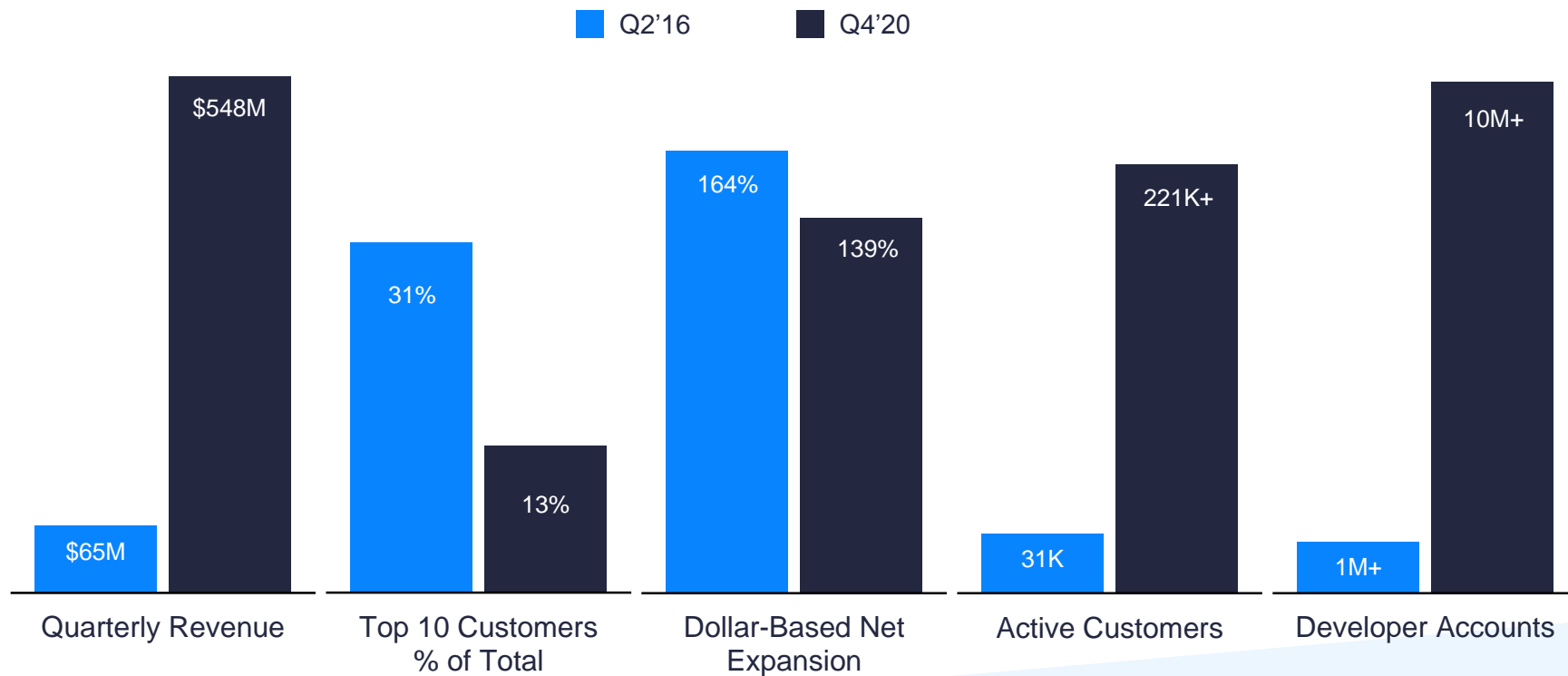
<sup>1</sup> Management Case Projections in fairness opinion

# FINANCIAL OVERVIEW

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# Exceptional Performance Since IPO

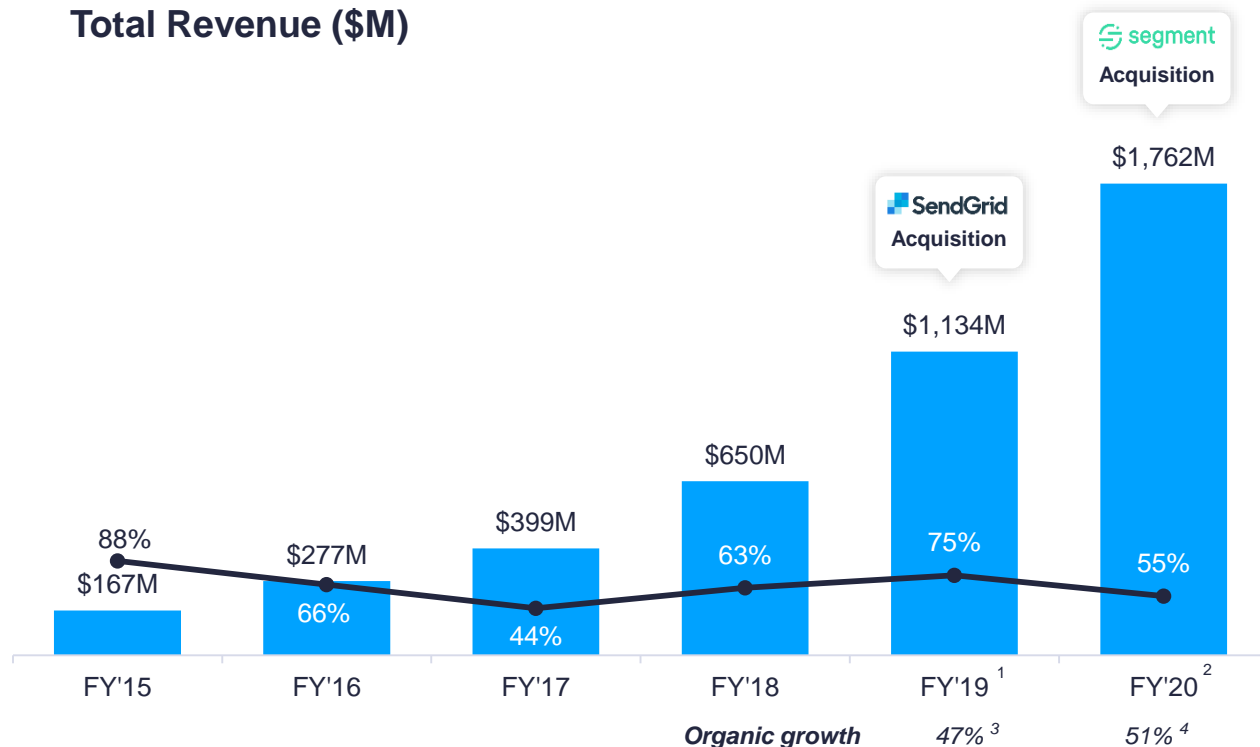


*Note: Refer to the appendix for the definition of dollar-based net expansion rate and active customers.*



# High Growth At Scale

Total Revenue (\$M)



# 55%

FY'20 TOTAL REVENUE  
GROWTH Y/Y

# 51%

FY'20 TOTAL REVENUE  
ORGANIC GROWTH Y/Y

<sup>1</sup> Includes 11 months of SendGrid revenue as the acquisition closed February 1, 2019. The company is no longer breaking out the revenue contribution from SendGrid separately as the anniversary of the acquisition date has passed.

<sup>2</sup> Includes approximately \$23 million from the acquisition of Segment, which closed on November 2, 2020. Also includes Verizon A2P fees of approximately \$35 million.

<sup>3</sup> 2019 organic growth based on 2019 organic revenue of \$957mm excluding SendGrid revenue contribution from February 1, 2019

<sup>4</sup> 2020 organic growth based on 2019 revenue of \$1,134mm including 11 months of SendGrid and 2020 revenue of \$1,718mm excluding January SendGrid revenue to align with 2019 ownership period and excluding Segment revenue contribution from November 2, 2020, to December 31, 2020

Note: Numbers are rounded.



# Usage Model Allows Low-cost Adoption for Customers

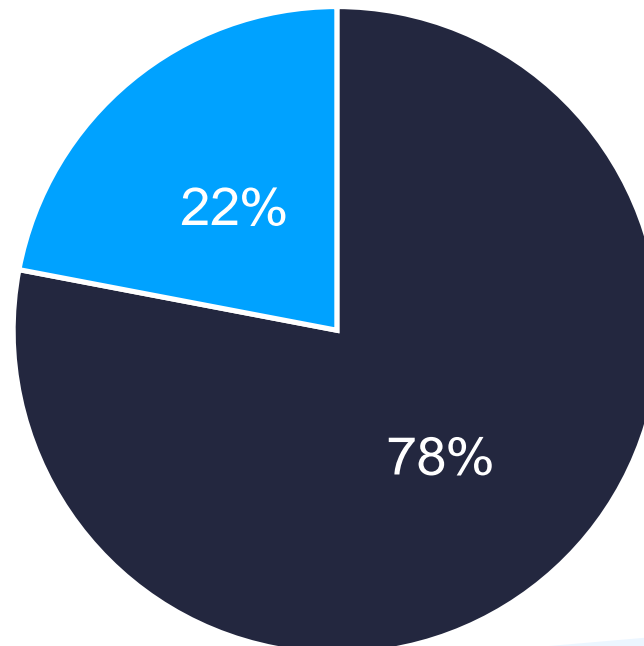
Q4'20 Revenue Mix

## Usage Based

- ✦ Messages (SMS, Chat, Short Code)
- ✦ Minutes (Voice, IP Voice)
- ✦ Capacity (Video, Wireless)
- ✦ Email (overages)
- ✦ Flex (agent hours)

## Non-Usage Based

- ✦ Segment
- ✦ Phone numbers
- ✦ Support
- ✦ Enterprise Plan
- ✦ Email (packages)
- ✦ Flex (seats)

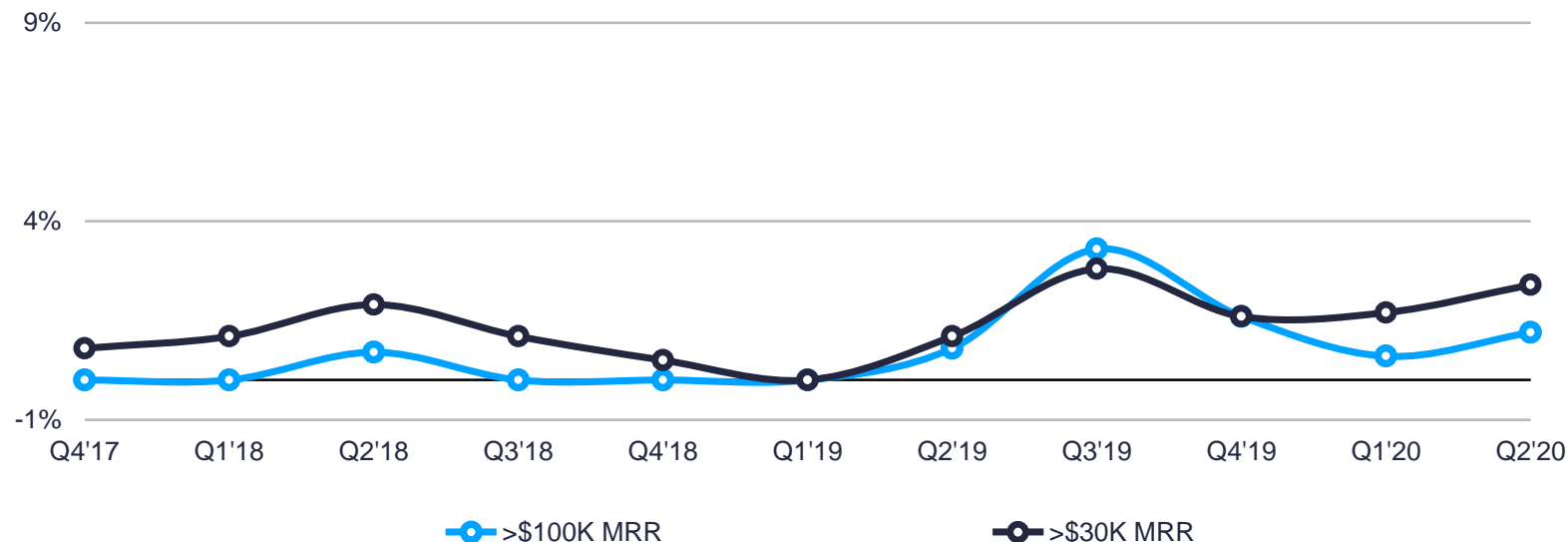


*Note: The listed products are a sample and are not meant to be exhaustive.*



# Customer Success Drives Consistently Low Attrition

Revenue Churn

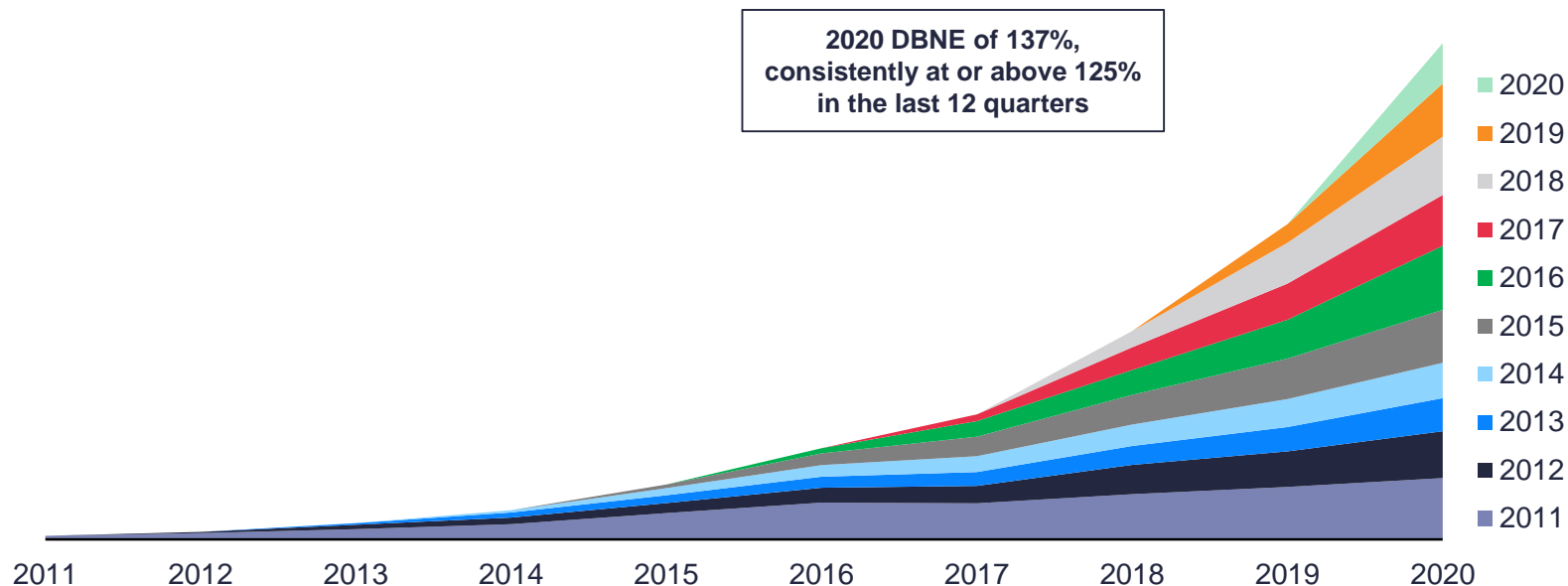


Note: Revenue churn is calculated by dividing revenue in the prior period from customers that are no longer active by the total revenue in the prior period.





# Land and Expand Strategy Drives Growth Across Cohorts

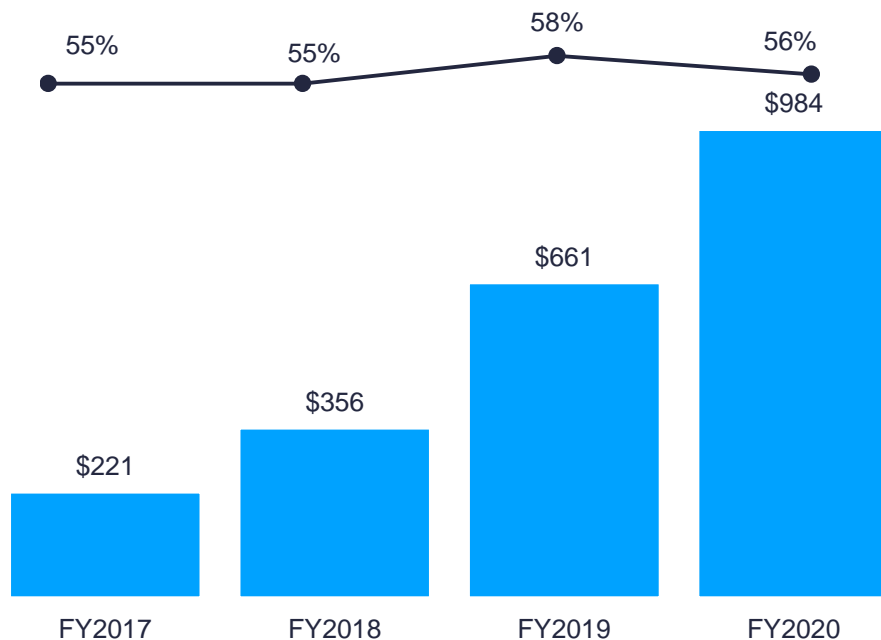


*Note: Represents revenue from our Active Customer Accounts grouped by cohorts based on the year when each customer account cohort originated.*

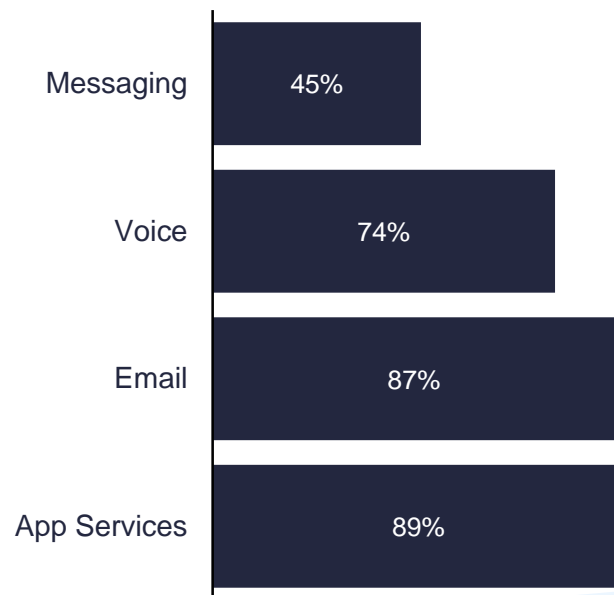


# Consistent Gross Margins and Rapid Gross Profit Growth

Non-GAAP Gross Profit (\$M)



Average GAAP Gross Margin



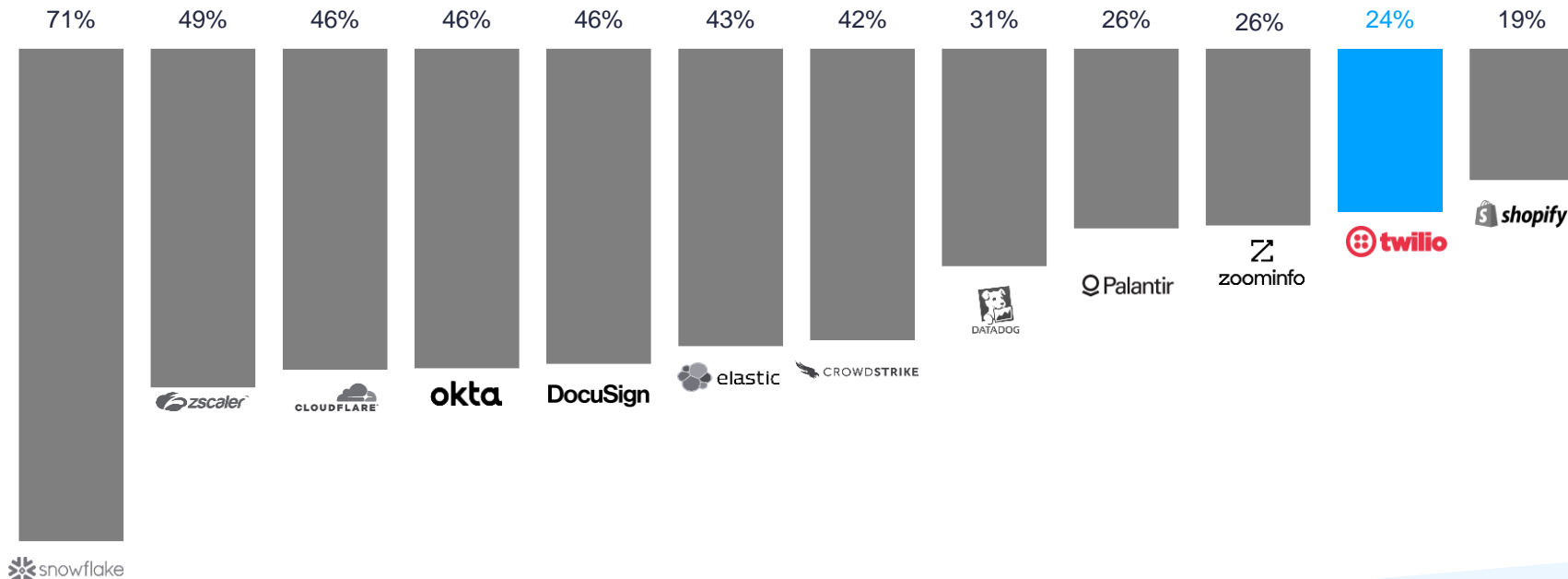
*Note: 1Q 2019 results include 2 months of SendGrid financials and results from 2Q 2019 onward include full SendGrid financials. Non-GAAP Gross Margin calculated as a percentage of Total Revenue. See Appendix for GAAP financial measures and reconciliations for Non-GAAP Gross Profit and Non-GAAP Gross Margin.*

*Note: Represents average GAAP gross margin for each product line from Q1'19 through Q2'20.*



# Efficient Go-to-market Strategy

LTM Non-GAAP Sales & Marketing Expense as a Percentage of Revenue



Source: Company filings, Factset as of 02/26/2021

Note: Select Software companies based on total revenue over \$500mm (CY 2021E) and revenue growth of 40%+ in the most recent quarter

Based on last four quarters period ended 9/30/2020, 10/31/2020, 12/31/2020, 1/31/2021

See Appendix for Twilio GAAP financial measures and reconciliations.



# Operating Margin, EBITDA and Free Cash Flow Drivers

## Non-GAAP operating metrics

	2017	2018	2019	2020
<b>Operating income</b>	<b>(\$20)</b>	<b>\$4</b>	<b>(\$2)</b>	<b>\$36</b>
<i>% margin</i>	(5%)	1%	(0%)	2%
<b>Adj. EBITDA</b>	<b>(\$3)</b>	<b>\$29</b>	<b>\$39</b>	<b>\$101</b>
<i>% margin</i>	(1%)	4%	3%	6%
<b>Free cash flow</b>	<b>(\$30)</b>	<b>(\$17)</b>	<b>(\$53)</b>	<b>(\$26)</b>
<i>% margin</i>	(8%)	(3%)	(5%)	(2%)

## SUSTAINED GROSS MARGINS

- App services continue to expand

## EXCEPTIONAL UNIT ECONOMICS

- Highly efficient go-to-market

## BALANCED APPROACH TO GROWTH

- Optimize for long-term FCF generation

## OPERATIONAL EXCELLENCE

- Improving operating leverage

*Note: All numbers presented are Non-GAAP. See Appendix for GAAP financial measures and reconciliations.*

*Adj. EBITDA defined as Non-GAAP operating income + Depreciation & Amortization – Amortization of acquired intangibles + change in deferred revenue and customer deposits*



# Long-term Target Operating Model

30%+

Year-over-year organic  
annual revenue growth  
expected for the next 4  
years

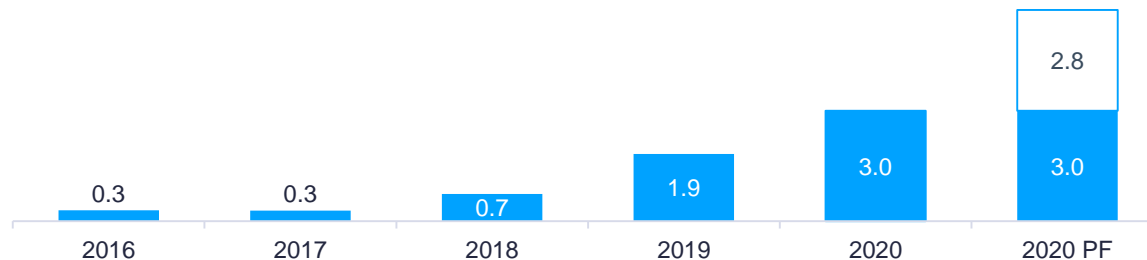
	2017	2018	2019	2020	Long-term Model
Gross Margin	55%	55%	58%	56%	60-65%
% of Revenue					
R&D	24%	19%	23%	19%	15-18%
S&M	22%	23%	24%	24%	16-19%
G&A	14%	12%	11%	11%	7-9%
Operating Margin	(5%)	1%	(0%)	2%	20%+

*Note: All numbers presented are Non-GAAP. See Appendix for GAAP financial measures and reconciliations.*



# Strong Liquidity Profile

## Total liquidity (\$bn)



## Pro-forma Debt / Total Capitalization



## Market cap<sup>1</sup> (\$bn)

Year	2016	2017	2018	2019	2020	2020 PF
Market cap (\$bn)	1	2	7	12	47	73

## Liquidity % of market cap

Year	2016	2017	2018	2019	2020	2020 PF
Liquidity % of market cap	31%	18%	10%	15%	6%	8%

## Capital raises (\$mm)

### Equity / Convert

Year	2016	2017	2018	2019	2020	2020 PF
Equity / Convert	\$172mm IPO; \$322mm follow-on		\$550mm convertible	\$1bn follow-on	\$1.4bn follow-on	\$1.8bn follow-on

### Debt

Year	2016	2017	2018	2019	2020	2020 PF
Debt	-	-	-	-	-	\$1bn high yield

Twilio has a proven track-record of being highly disciplined, responsible stewards of capital

Note: <sup>1</sup> Market cap as of respective year ends and as of 3/2/2021 for 2020 PF, as shown on page 7.  
Total liquidity defined as cash, cash equivalents and investments



# Financial Policy

## LIQUIDITY

- Pro forma for transaction, ~\$5.8B of liquidity
- Expect positive FCF in the near term, with significant FCF generation thereafter
- Minimum liquidity of \$1.5B+ in cash

## CAPITALIZATION

- Will take a prudent approach to leverage
- Will aim to improve credit rating and profile over time

## CAPITAL ALLOCATION

- Balanced approach to acquisitions, must fit well into strategy & financial model
- Expect to fund future M&A with a combination of cash and equity
- No expectation for a dividend or share repurchase program

## OPERATING LEVERAGE

- Plan to prudently improve margin profile over time
- Will balance investments for growth with operating leverage

See Appendix for GAAP financial measures and reconciliations.







# APPENDIX

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# Operating Metrics

**Dollar-Based Net Expansion Rate.** Our ability to drive growth and generate incremental revenue depends, in part, on our ability to maintain and grow our relationships with existing Active Customer Accounts and to increase their use of the platform. An important way in which we have historically tracked performance in this area is by measuring the Dollar-Based Net Expansion Rate for Active Customer Accounts. Our Dollar-Based Net Expansion Rate increases when such Active Customer Accounts increase their usage of a product, extend their usage of a product to new applications or adopt a new product. Our Dollar-Based Net Expansion Rate decreases when such Active Customer Accounts cease or reduce their usage of a product or when we lower usage prices on a product. As our customers grow their businesses and extend the use of our platform, they sometimes create multiple customer accounts with us for operational or other reasons. As such, for reporting periods starting with the three months ended December 31, 2016, when we identify a significant customer organization (defined as a single customer organization generating more than 1% of revenue in a quarterly reporting period) that has created a new Active Customer Account, this new Active Customer Account is tied to, and revenue from this new Active Customer Account is included with, the original Active Customer Account for the purposes of calculating this metric. We believe that measuring Dollar-Based Net Expansion Rate provides a more meaningful indication of the performance of our efforts to increase revenue from existing customers.

For historical periods through December 31, 2019, our Dollar-Based Net Expansion Rate compared the revenue from Active Customer Accounts, other than large Active Customer Accounts that have never entered into 12-month minimum revenue commitment contracts with us, in a quarter to the same quarter in the prior year. For reporting periods starting with the three months ended March 31, 2020, Twilio's Dollar-Based Net Expansion Rate compares the total revenue from all Active Customer Accounts in a quarter to the same quarter in the prior year. To calculate the Dollar-Based Net Expansion Rate, we first identify the cohort of Active Customer Accounts that were Active Customer Accounts in the same quarter of the prior year. The Dollar-Based Net Expansion Rate is the quotient obtained by dividing the revenue generated from that cohort in a quarter, by the revenue generated from that same cohort in the corresponding quarter in the prior year. When we calculate Dollar-Based Net Expansion Rate for periods longer than one quarter, it uses the average of the applicable quarterly Dollar-Based Net Expansion Rates for each of the quarters in such period. As a result of the change in calculation of Dollar-Based Net Expansion Rate, unless specifically identified as being calculated based on total revenue, any Dollar-Based Net Expansion Rates disclosed by our Company in SEC filings, press releases and presentations prior to the date of the Q1 FY20 presentation will not be directly comparable to our Dollar-Based Net Expansion Rates going forward.

**Number of Active Customer Accounts.** Twilio believes that the number of Active Customer Accounts is an important indicator of the growth of its business, the market acceptance of its platform and future revenue trends. Twilio defines an Active Customer Account at the end of any period as an individual account, as identified by a unique account identifier, for which Twilio has recognized at least \$5 of revenue in the last month of the period. Twilio believes that use of its platform by customers at or above the \$5 per month threshold is a stronger indicator of potential future engagement than trial usage of its platform or usage at levels below \$5 per month. A single organization may constitute multiple unique Active Customer Accounts if it has multiple account identifiers, each of which is treated as a separate Active Customer Account. Effective December 31, 2019, we round down the number of Active Customer Accounts to the nearest thousand.



# GAAP to Non-GAAP Reconciliations

<b>TWILIO INC.</b> Reconciliation to Non-GAAP Financial Measures <i>(In thousands, except share and per share amounts)</i>					
	Year ended Dec. 31, 2017	Year ended Dec. 31, 2018	Year ended Dec. 31, 2019	Year ended Dec. 31, 2020	
<b>Total revenue</b>	<b>\$399,020</b>	<b>\$650,067</b>	<b>\$1,134,468</b>	<b>\$1,761,777</b>	
<b>Gross Profit</b>	<b>216,125</b>	<b>349,226</b>	<b>608,917</b>	<b>915,662</b>	
Non-GAAP Adjustments					
(+) Stock-based compensation	650	1,126	7,123	8,857	
(+) Amortization of acquired intangibles	4,644	5,656	45,267	59,501	
(+) Payroll taxes related to stock-based compensation	-	-	104	-	
<b>Total Non-GAAP Gross Profit</b>	<b>221,419</b>	<b>356,008</b>	<b>661,411</b>	<b>984,020</b>	
Non-GAAP Gross Margin %	55%	55%	58%	56%	
<b>Research and Development</b>	<b>120,739</b>	<b>171,358</b>	<b>391,355</b>	<b>530,548</b>	
Non-GAAP Adjustments					
(-) Stock-based compensation	22,808	42,277	126,012	173,303	
(-) Amortization of acquired intangibles	139	22	-	-	
(-) Payroll taxes related to stock-based compensation	1,466	3,213	7,870	14,606	
(-) Gain on lease termination	(150)	-	-	-	
<b>Total Non-GAAP R&amp;D</b>	<b>96,476</b>	<b>125,846</b>	<b>257,473</b>	<b>342,639</b>	
Non-GAAP R&D as % revenue	24%	19%	23%	19%	
<b>Sales &amp; marketing</b>	<b>100,669</b>	<b>175,555</b>	<b>369,079</b>	<b>567,407</b>	
Non-GAAP Adjustments					
(-) Stock-based compensation	9,822	23,616	60,886	103,450	
(-) Amortization of acquired intangibles	753	1,117	27,540	36,915	
(-) Payroll taxes related to stock-based compensation	714	1,130	3,692	9,930	
(-) Gain on lease termination	(100)	-	-	-	
<b>Total Non-GAAP S&amp;M</b>	<b>89,480</b>	<b>149,692</b>	<b>276,961</b>	<b>415,112</b>	
Non-GAAP S&M as % revenue	22%	23%	24%	24%	
<b>General &amp; Administrative</b>	<b>59,619</b>	<b>110,602</b>	<b>218,268</b>	<b>310,608</b>	
Non-GAAP Adjustments					
(-) Stock-based compensation	16,339	26,254	70,297	76,301	
(-) Amortization of acquired intangibles	84	375	-	78	
(-) Acquisition related expenses	310	4,481	15,713	20,974	
(-) Charitable contributions	-	175	-	18,993	
(-) Payroll taxes related to stock-based compensation	770	1,274	3,522	2,853	
(-) Legal settlements / accruals	0	1,710	-	-	
(-) Release of tax liability upon obligation settlement and estimate revisions	(13,365)	-	-	-	
(-) Gain on lease termination	(45)	-	-	791	
<b>Total Non-GAAP G&amp;A</b>	<b>55,526</b>	<b>76,333</b>	<b>128,736</b>	<b>190,618</b>	
Non-GAAP G&A as % revenue	14%	12%	11%	11%	
<b>Loss from operations</b>	<b>(66,074)</b>	<b>(108,289)</b>	<b>(369,785)</b>	<b>(492,901)</b>	
Non-GAAP Adjustments					
(+) Stock-based compensation	49,619	93,273	264,318	361,911	
(+) Amortization of acquired intangibles	5,620	7,170	72,807	98,494	
(+) Acquisition related expenses	310	4,481	15,713	20,974	
(+) Charitable contributions	1,172	175	-	18,993	
(+) Payroll taxes related to stock-based compensation	2,950	5,617	15,188	27,389	
(+) Legal settlements / accruals	(13,365)	1,710	-	-	
(+) Gain on lease termination	(295)	-	-	791	
<b>Total Non-GAAP Income (loss) from operations</b>	<b>(20,063)</b>	<b>4,137</b>	<b>(1,759)</b>	<b>35,651</b>	
Non-GAAP operating margin	(5%)	1%	(0%)	2%	



# Adj. EBITDA Reconciliation

(Dollars in thousands)

	<u>FY2017A</u>	<u>FY2018A</u>	<u>FY2019A</u>	<u>FY2020A</u>
Non-GAAP operating profit / (loss)	(20,063)	4,137	(1,759)	35,651
<i>% margin</i>	(5%)	1%	(0%)	2%
(+) Depreciation & Amortization	18,764	26,095	110,430	149,660
(-) Amortization of acquired intangibles	5,620	7,170	72,807	98,494
<b>EBITDA</b>	<b>(6,919)</b>	<b>23,062</b>	<b>35,864</b>	<b>86,817</b>
<i>% margin</i>	(2%)	4%	3%	5%
(+) Change in total deferred revenue and customer deposits	3,560	5,958	2,968	13,824
<b>Adj. EBITDA</b>	<b>(3,359)</b>	<b>29,020</b>	<b>38,832</b>	<b>100,641</b>
<i>% margin</i>	(1%)	4%	3%	6%