



Follow-On Offering

August 2020



Offering Summary

Issuer	Twilio Inc. (NYSE:TWLO)
Use of Proceeds	General Corporate Purposes
Lock-up	60 Days for Company, Officers, and Directors
Active bookrunners	J.P. Morgan, Morgan Stanley, Goldman Sachs, BofA Securities
Co-managers	Academy Securities, Siebert Williams Shank
Expected Pricing Date	August 6 th , 2020
Amount Offered	\$1.25 Billion Class A Common Stock
Greenshoe	15% or \$187.5 Million Class A Common Stock



Legal Disclaimer

Except for historical information, certain statements in this presentation and the accompanying oral presentation are forward looking in nature, including statements as to the completion, timing, size and use of proceeds of the public offering, future results of operations and financial position, planned products and services, business strategy and plans, objectives of management for future operations of Twilio Inc. and its subsidiaries (“Twilio” or the “Company”), market size and growth opportunities, competitive position and technological and market trends. 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. Such forward-looking statements involve substantial risks and uncertainties that relate to future events and the actual results could differ significantly from those expressed or implied by the forward-looking statements. Any forward-looking statements are based on Twilio’s current expectations, estimates and assumptions regarding future events and are applicable only as of the dates of such statements. Twilio makes no commitment to revise or update any forward-looking statements in order to reflect events or circumstances that may change. For a further description of the risks and uncertainties that could cause actual results to differ from those expressed in these forward-looking statements, as well as risks relating to Twilio’s business in general, please refer to Twilio’s preliminary prospectus supplement filed with the SEC on August 5, 2020, including the documents incorporated by reference therein, which includes its Annual Report on Form 10-K filed with the SEC on March 2, 2020, its Quarterly Reports on Form 10-Q filed with the SEC on May 7, 2020 and August 4, 2020, and its subsequent periodic reports filed with the SEC. Twilio’s periodic reports, current reports, proxy statements and other information are available for review at the SEC’s website at <http://www.sec.gov>.

This presentation also contains estimates and other statistical data made by independent parties and by the Company relating to market size and growth and other industry data. These data involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. The Company has not independently verified the statistical and other industry data generated by independent parties and contained in this presentation and, accordingly, it cannot guarantee their accuracy or completeness. In addition, projections, assumptions and estimates of its future performance and the future performance of the markets in which the Company competes are necessarily subject to a high degree of uncertainty and risk due to a variety of factors. These and other factors could cause results or outcomes to differ materially from those expressed in the estimates made by the independent parties and by Twilio.

This presentation also includes certain non-GAAP financial measures. These non-GAAP financial measures are in addition to, and not as a substitute for or superior to measures of financial performance prepared in accordance with GAAP. There are a number of limitations related to the use of these non-GAAP financial measures versus their nearest GAAP equivalents. For example, other companies may calculate non-GAAP financial measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of the Company’s non-GAAP financial measures as tools for comparison. The Company has provided a reconciliation of those measures to the most directly comparable GAAP measures, which is available in the appendix.

A registration statement (including a base prospectus) and a preliminary prospectus supplement relating to certain securities have been filed with the Securities and Exchange Commission (the “SEC”). The registration statement became effective on May 29, 2019. The offering is being made only by means of a prospectus supplement (including the accompanying base prospectus), copies of which may be obtained from J.P. Morgan Securities LLC, c/o Broadridge Financial Solutions, 1155 Long Island Avenue, Edgewood, NY 11717, telephone: 1-866-803-9204, or email: prospectus-eq_fi@jpmchase.com.

This presentation shall not constitute an offer to sell or the solicitation of an offer to buy these securities, nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification of these securities under the securities laws of any such state or jurisdiction.



JEFF LAWSON

CO-FOUNDER & CEO, TWILIO



Our Business

46%

Revenue growth y/y¹

132%

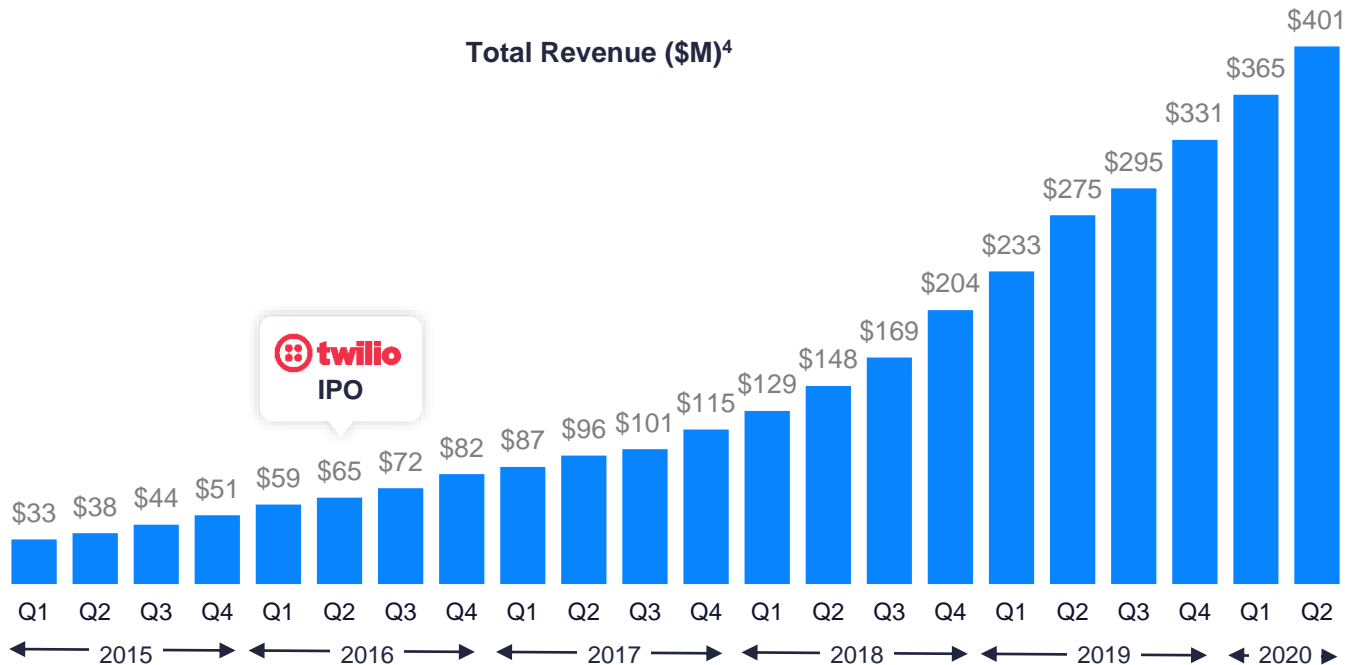
Dollar-based net expansion rate²

8 MILLION

Registered developer accounts³

200K+

Active customer accounts³



Note: 1Q 2019 results include 2 months of SendGrid financials and results from 2Q 2019 onward include full SendGrid financials.

¹ For the three months ended June 30, 2020.

² For the three months ended June 30, 2020. For definition of dollar-based net expansion, refer to the appendix.

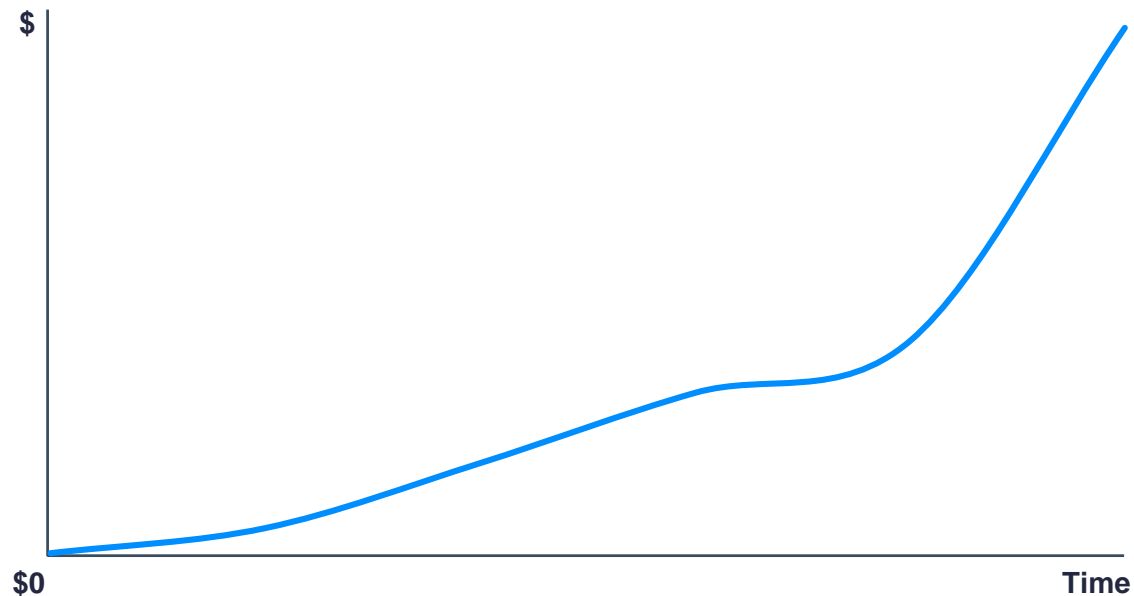
³ As of June 30, 2020.

⁴ For the three month period.



Our Developer Platform Model

Rapid revenue expansion



Note: Chart depicts annual revenue from an anonymized customer.

Developer-first

Low friction and no
upfront costs

Usage-based Model

Share in our
customers' success

Land & Expand

More usage, more products,
more applications



Diverse Customer Base

	Consumer Retail	eCommerce	Education	Financial Services	Healthcare	Technology	Travel & Hospitality
Domestic							
	NORDSTROM						
							UBER
International						smarterkey	
	MARKS & SPENCER					SONY	



Our Foundation



Digital
Engagement



Software
Agility



Cloud
Scale



COVID-19 Is Accelerating 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

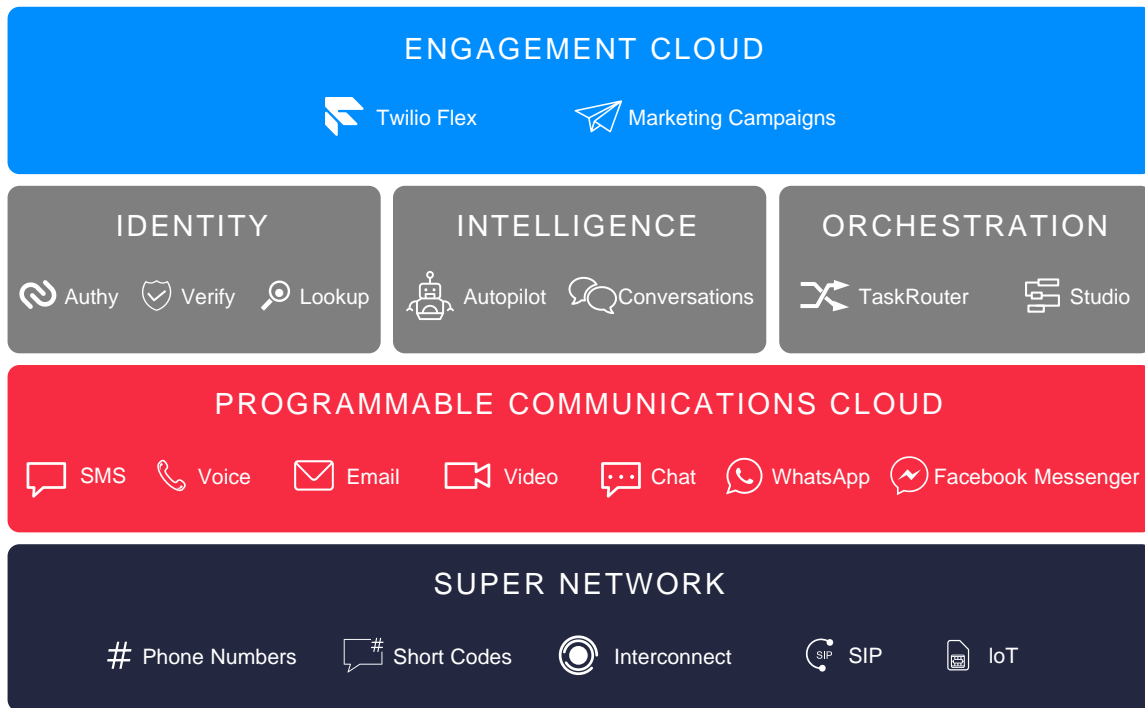


Philanthropy

*Note: Statistics are as a result of COVID-19.
Source: Twilio "COVID-19 Digital Engagement Report" July 2020.*



Leading Customer Engagement Platform



Application platform

More channels, more use cases, more markets

Global scale



Our Platform Powers the Customer Journey





Continuous Innovation



Twilio Conversations

Cross-channel conversation orchestration



Programmable Video

Build real-time video applications



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



Disciplined Approach to M&A

Platform expansion



Additional capabilities



Programmable Wireless



Workforce Optimization



Super Network



Programmable Video



Two-factor Authentication

Customer Engagement

Product expansion

Technology capabilities

International growth



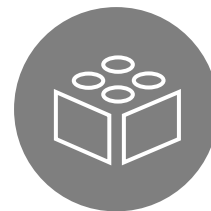
Our Growth Strategy



Enterprise



Global



Developers



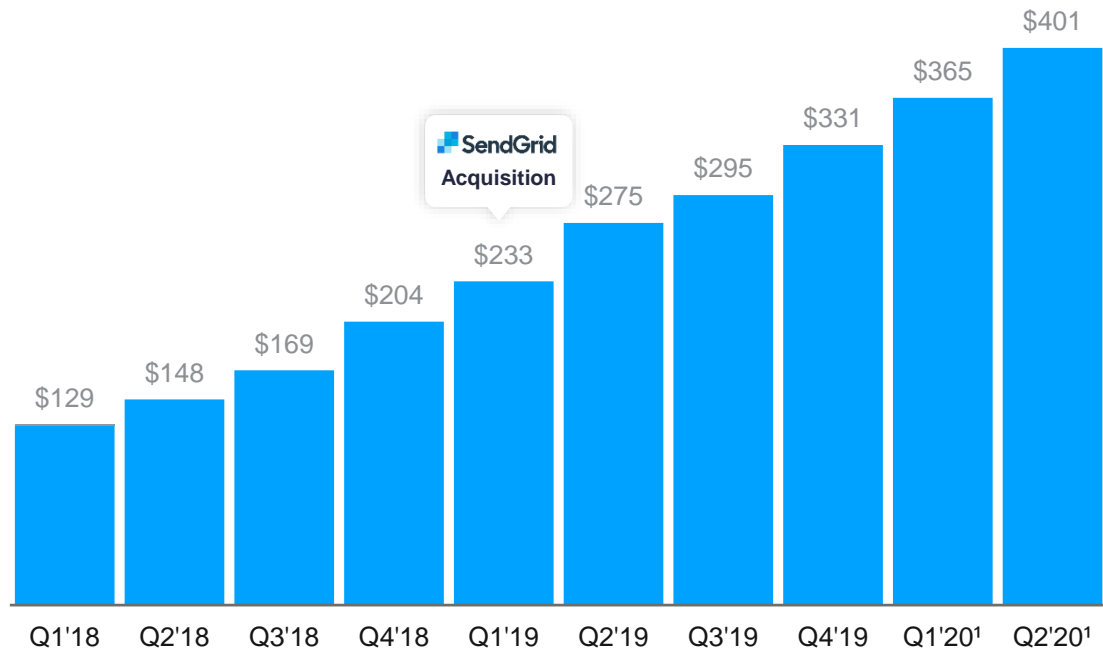
KHOZEMA SHIPCHANDLER

CFO, TWILIO



Growth at Scale

Total Revenue (\$M)



46%
Q2'20 TOTAL REVENUE
GROWTH Y/Y

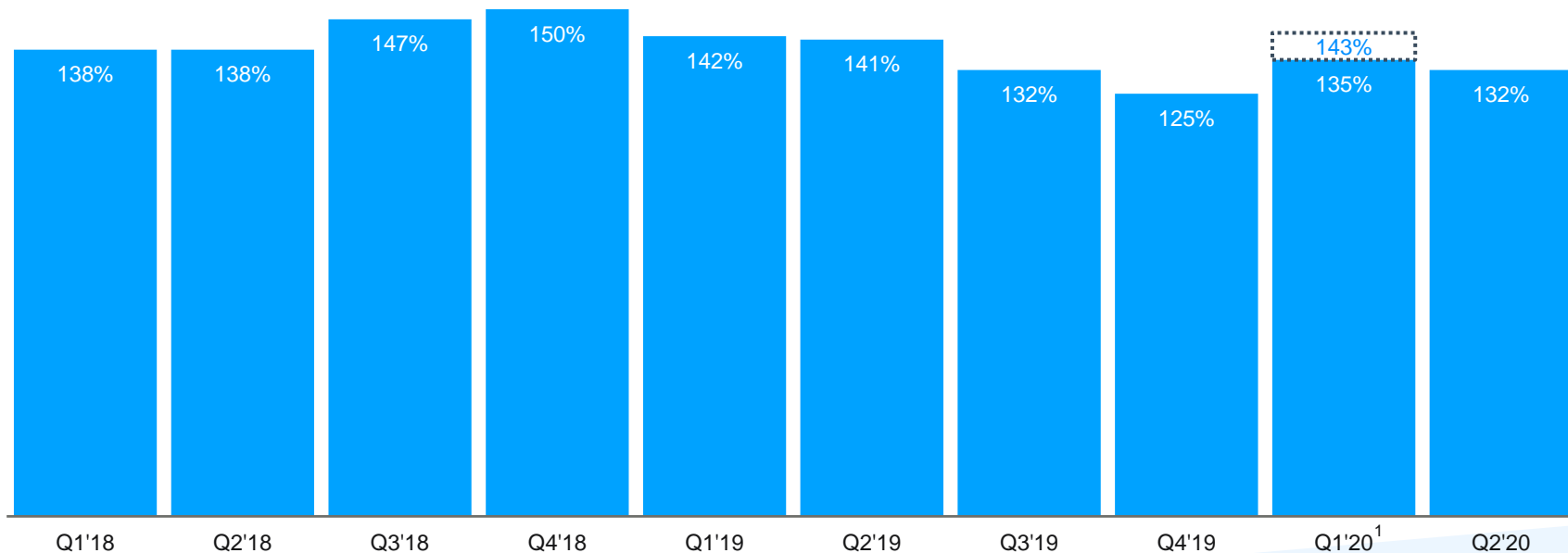
Note: 1Q 2019 results include 2 months of SendGrid financials and results from 2Q 2019 onward include full SendGrid financials.

¹ Verizon A2P fees contributed approximately \$4 million in revenue in Q1'20 and \$7 million in revenue in Q2'20.



Consistently Strong Dollar-Based Net Expansion

Calculated using **Total Revenue**



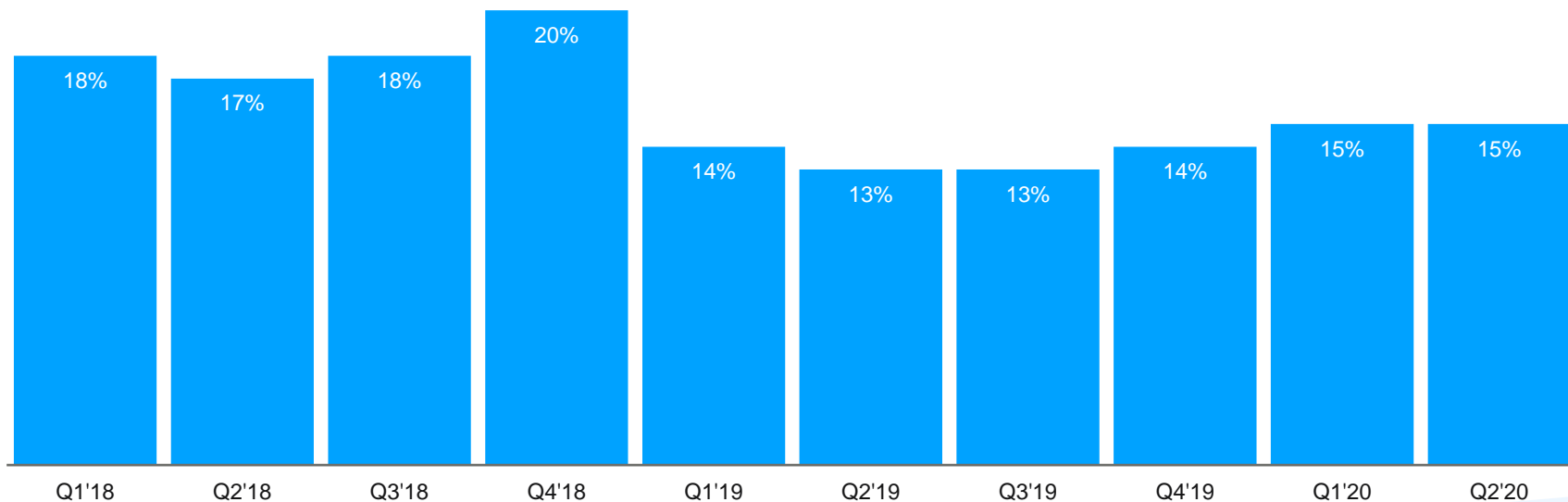
Note: Twilio acquired SendGrid on Feb. 1, 2019. SendGrid is not included in any period prior to Q1'20 due to the company's definition of calculating dollar-based net expansion. For more information, refer to the appendix.

¹ Dollar-based net expansion rate of 143% includes revenue from the SendGrid acquisition, which closed Feb. 1, 2019. Excluding the contribution from SendGrid in January 2020, dollar-based net expansion rate would have been 135%.



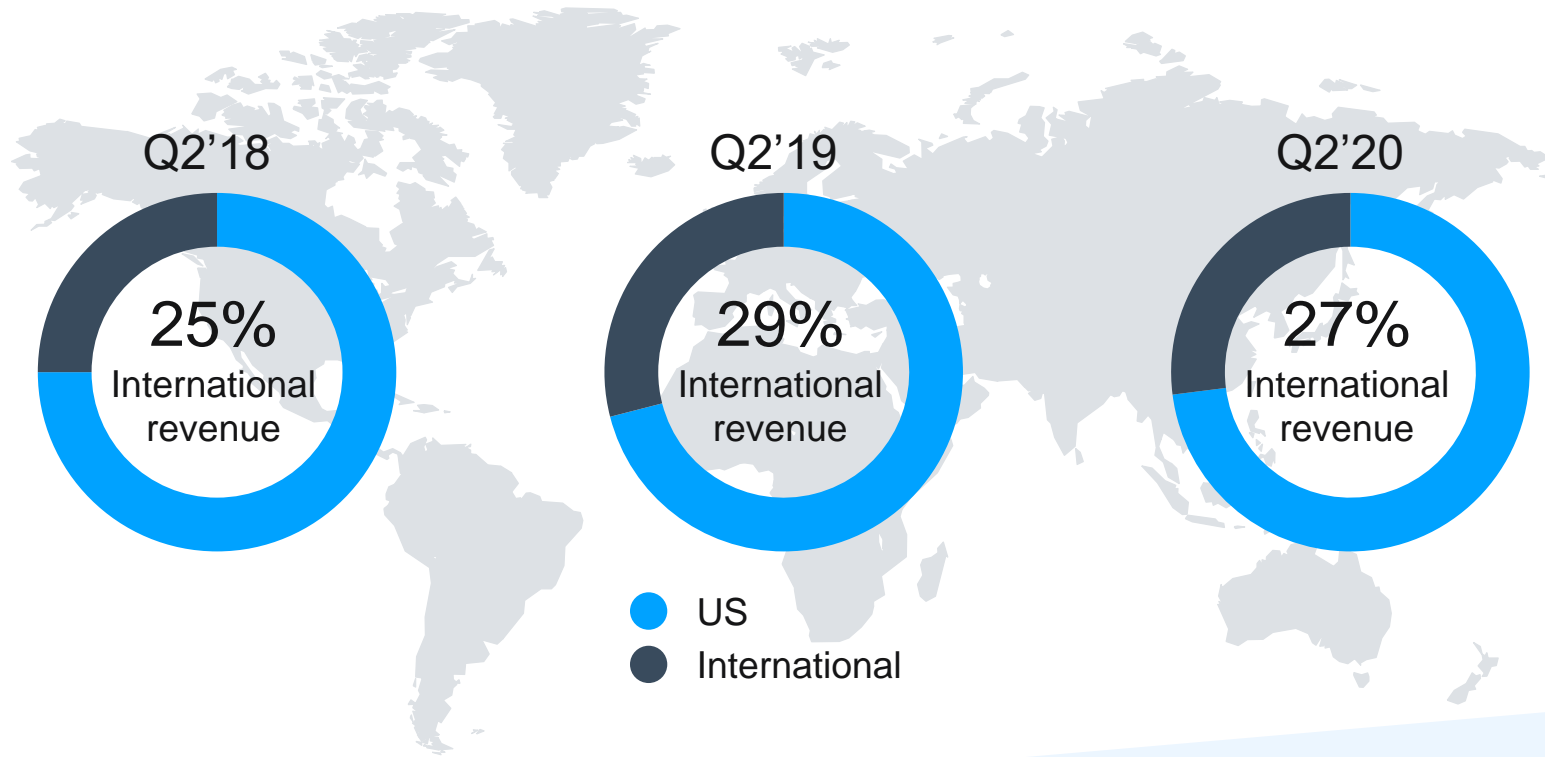
Top 10 Customer Accounts

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





Geographic Revenue Mix



Note: We define U.S. revenue as revenue from customers with IP addresses or mailing addresses at the time of registration in the United States, and we define international revenue as revenue from customers with IP addresses or mailing addresses at the time of registration outside of the United States.

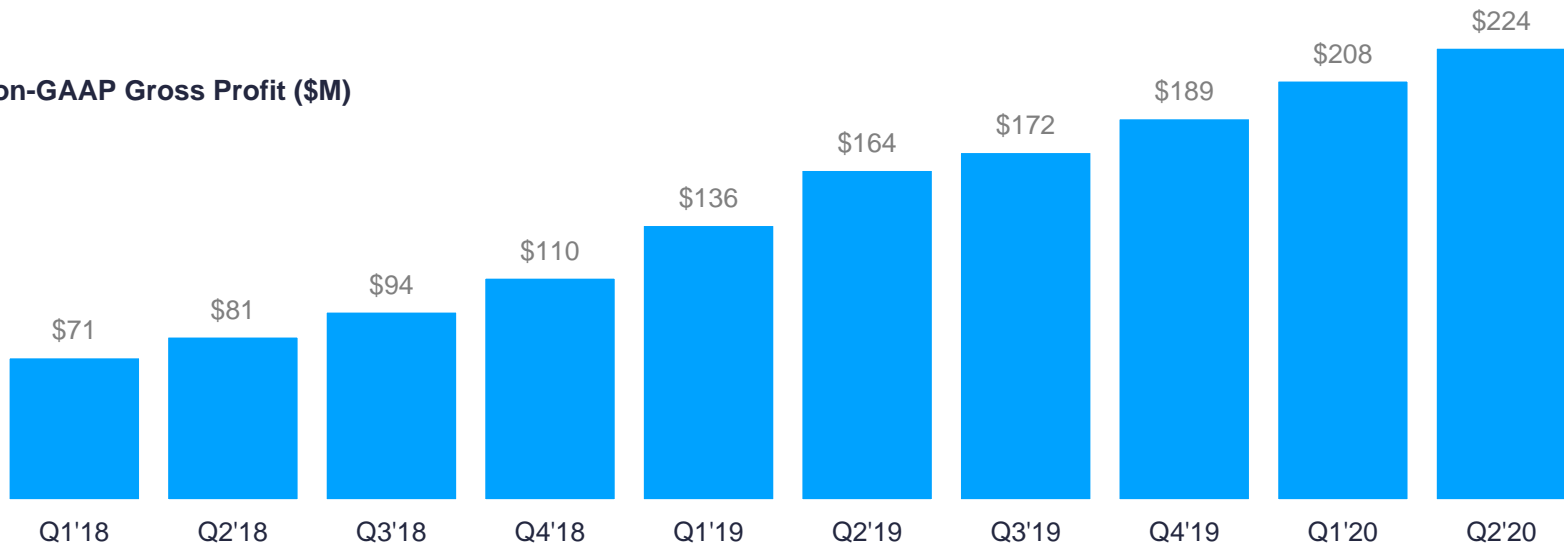


Consistent Gross Margins and Rapid Gross Profit Growth

Non-GAAP Gross Margin (%)



Non-GAAP Gross Profit (\$M)

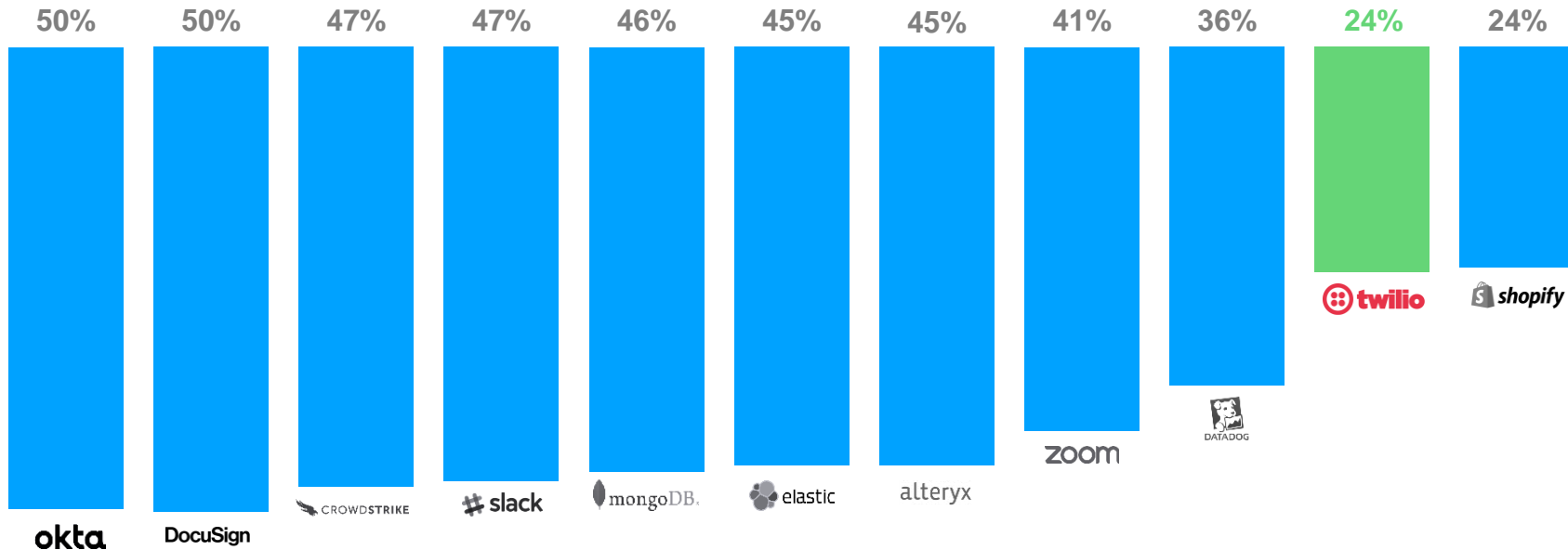


Note: 1Q 2019 results include 2 months of SendGrid financials and results from 2Q 2019 onward include full SendGrid financials. Non-GAAP Gross Margin calculated as a percentage of Total Revenue. See Appendix for GAAP financial measures and reconciliations for Non-GAAP Gross Profit and Non-GAAP Gross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



Efficient Revenue Acquisition

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



Source: Company filings, Factset as of 8/03/2020

Note: Select Software companies based on total revenue over \$500mm (CY 2020E) and revenue growth of 35%+ in the most recent quarter

Based on last four quarters period ended January 31, 2020, March 31, 2020, April 31, 2020 or June 2020.

See Appendix for Twilio GAAP financial measures and reconciliations.



Attractive Long-term Model

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

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



Day
One



APPENDIX

TWILIO INC.
Reconciliation to Non-GAAP Financial Measures*

(In thousands, except share and per share amounts)

	Year Ended Dec 31, 2017	For the three months ended					Year Ended Dec 31, 2018	For the three months ended					Year Ended Dec 31, 2019	For the three months ended	
		March 31 2018	June 30 2018	September 30 2018	December 31 2018	March 31 2019		June 30 2019	September 30 2019	December 31 2019	March 31 2020	June 30 2020			
Total Revenue	\$ 399,020	\$ 129,116	\$ 147,754	\$ 168,895	\$ 204,302	\$ 650,067	\$ 233,139	\$ 275,039	\$ 295,066	\$ 331,224	\$ 1,134,468	\$ 364,868	\$ 400,849		
Gross profit	\$ 216,125	\$ 69,534	\$ 79,814	\$ 91,864	\$ 108,014	\$ 349,226	\$ 126,050	\$ 150,015	\$ 158,162	\$ 174,690	\$ 608,917	\$ 193,535	\$ 209,131		
Non-GAAP adjustments:															
Stock-based compensation	650	222	266	284	354	1,126	1,809	1,623	1,674	2,017	7,123	1,837	2,143		
Amortization of acquired intangibles	4,644	1,198	1,125	1,396	1,937	5,656	8,460	11,857	12,549	12,401	45,267	12,381	12,695		
Taxes related to stock-based compensation	-	-	-	-	-	-	-	58	29	17	104	-	-		
Non-GAAP gross profit	\$ 221,419	\$ 70,954	\$ 81,205	\$ 93,544	\$ 110,305	\$ 356,008	\$ 136,319	\$ 163,553	\$ 172,414	\$ 189,125	\$ 661,411	\$ 207,753	\$ 223,969		
Non-GAAP gross margin	55%	55%	55%	55%	54%	55%	58%	59%	58%	57%	58%	57%	56%		
Research and development	\$ 120,739	\$ 37,576	\$ 39,811	\$ 42,340	\$ 51,631	\$ 171,358	\$ 77,855	\$ 98,783	\$ 104,481	\$ 110,236	\$ 391,355	\$ 114,339	\$ 120,701		
Non-GAAP adjustments:															
Stock-based compensation	(22,808)	(7,872)	(9,749)	(10,879)	(13,777)	(42,277)	(25,339)	(33,701)	(34,348)	(32,624)	(126,012)	(33,209)	(39,841)		
Amortization of acquired intangibles	(139)	(22)	-	-	-	(22)	-	-	-	-	-	-	-		
Gain on lease termination	150	-	-	-	-	-	-	-	-	-	-	-	-		
Taxes related to stock-based compensation	(1,466)	(314)	(1,215)	(748)	(936)	(3,213)	(3,136)	(2,186)	(1,272)	(1,276)	(7,870)	(3,791)	(2,983)		
Non-GAAP research and development	\$ 96,476	\$ 29,368	\$ 28,847	\$ 30,713	\$ 36,918	\$ 125,846	\$ 49,380	\$ 62,896	\$ 68,861	\$ 76,336	\$ 257,473	\$ 77,339	\$ 77,877		
Non-GAAP research and development as % of revenue	24%	23%	20%	18%	18%	19%	21%	23%	23%	23%	23%	21%	19%		
Sales and marketing	\$ 100,669	\$ 32,822	\$ 37,749	\$ 45,949	\$ 59,035	\$ 175,555	\$ 71,607	\$ 90,421	\$ 100,657	\$ 106,394	\$ 369,079	\$ 116,722	\$ 129,823		
Non-GAAP adjustments:															
Stock-based compensation	(9,822)	(3,859)	(5,049)	(5,246)	(9,462)	(23,616)	(11,749)	(14,564)	(16,143)	(18,430)	(60,886)	(19,943)	(23,086)		
Amortization of acquired intangibles	(753)	(220)	(206)	(390)	(301)	(1,117)	(5,003)	(7,329)	(7,322)	(7,886)	(27,540)	(7,864)	(7,889)		
Gain on lease termination	100	-	-	-	-	-	-	-	-	-	-	-	-		
Taxes related to stock-based compensation	(714)	(74)	(349)	(339)	(368)	(1,130)	(1,425)	(990)	(635)	(642)	(3,692)	(1,844)	(2,957)		
Non-GAAP sales and marketing	\$ 89,480	\$ 28,669	\$ 32,145	\$ 39,974	\$ 48,904	\$ 149,692	\$ 53,430	\$ 67,538	\$ 76,557	\$ 79,436	\$ 276,961	\$ 87,071	\$ 95,891		
Non-GAAP sales and marketing as % of revenue	22%	22%	22%	24%	24%	23%	23%	25%	26%	24%	24%	24%	24%		
General and administrative	\$ 59,619	\$ 23,393	\$ 24,212	\$ 28,608	\$ 34,389	\$ 110,602	\$ 64,176	\$ 54,543	\$ 47,690	\$ 51,859	\$ 218,268	\$ 55,170	\$ 61,251		
Non-GAAP adjustments:															
Stock-based compensation	(16,339)	(5,587)	(5,942)	(6,332)	(8,393)	(26,254)	(19,427)	(20,852)	(16,103)	(13,915)	(70,297)	(14,036)	(14,317)		
Amortization of acquired intangibles	(84)	(20)	(20)	(20)	(315)	(375)	(153)	(62)	(121)	336	-	(47)	(11)		
Acquisition related expenses	(310)	-	-	(1,554)	(2,927)	(4,481)	(12,543)	(1,274)	(371)	(1,525)	(15,713)	(302)	(21)		
Release of tax liability upon obligation settlement and estimate revisions	13,365	-	-	-	-	-	-	-	-	-	-	-	-		
Gain on lease termination	45	-	-	-	-	-	-	-	-	-	-	-	-		
Taxes related to stock-based compensation	(770)	(176)	(247)	(411)	(440)	(1,274)	(1,907)	(746)	(479)	(390)	(3,522)	(818)	(2,238)		
Legal settlements/accruals	-	-	-	(1,510)	(200)	(1,710)	-	-	-	-	-	-	-		
Charitable contribution	-	-	-	(175)	-	(475)	-	-	-	-	-	(2,701)	(3,972)		
Non-GAAP general and administrative	\$ 55,526	\$ 17,610	\$ 18,003	\$ 18,606	\$ 22,114	\$ 76,333	\$ 30,146	\$ 31,609	\$ 30,616	\$ 36,365	\$ 128,736	\$ 37,266	\$ 40,692		
Non-GAAP general and administrative as % of revenue	14%	14%	12%	11%	11%	12%	13%	11%	10%	11%	11%	10%	10%		
Loss from operations	\$ (66,074)	\$ (24,257)	\$ (21,958)	\$ (25,033)	\$ (43,987)	\$ (115,235)	\$ (87,588)	\$ (93,732)	\$ (94,666)	\$ (93,799)	\$ (369,785)	\$ (92,696)	\$ (102,644)		
Non-GAAP adjustments:															
Stock-based compensation	49,619	17,540	21,006	22,741	31,986	93,273	58,324	70,740	68,268	66,986	264,318	69,025	79,387		
Amortization of acquired intangibles	5,620	1,460	1,351	1,806	2,553	7,170	13,616	19,248	19,992	19,951	72,807	20,292	20,595		
Acquisition related expenses	310	-	-	1,554	2,927	4,481	12,543	1,274	371	1,525	15,713	302	21		
Release of tax liability upon obligation settlement and estimate revisions	(13,365)	-	-	-	-	-	-	-	-	-	-	-	-		
Gain on lease termination	(295)	-	-	-	-	-	-	-	-	-	-	-	-		
Taxes related to stock-based compensation	2,950	564	1,811	1,498	1,744	5,617	6,468	3,980	2,415	2,325	15,188	6,453	8,178		
Legal settlements/accruals	-	-	-	1,510	200	1,710	-	-	-	-	-	-	-		
Charitable contribution	1,172	-	-	175	6,946	7,121	-	-	-	-	-	2,701	3,972		
Non-GAAP income (loss) from operations	\$ (20,063)	\$ (4,693)	\$ 2,210	\$ 4,251	\$ 2,369	\$ 4,137	\$ 3,363	\$ 1,510	\$ (3,620)	\$ (3,012)	\$ (1,759)	\$ 6,077	\$ 9,509		
Non-GAAP operating margin	(5%)	(4%)	1%	3%	1%	1%	1%	1%	(1%)	(1%)	(0%)	2%	2%		



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.

