29-Jul-2026

Bandwidth, Inc. (BAND)

Q2 2026 Earnings Call

CORPORATE PARTICIPANTS

Nils L. Erdmann
Senior Vice President, Investor Relations, Bandwidth, Inc.

David A. Morken
Cofounder, Chief Executive Officer & Chairman, Bandwidth, Inc.

Daryl Edward Raiford
Chief Financial Officer, Bandwidth, Inc.

John Bell
Chief Product Officer, Bandwidth, Inc.

OTHER PARTICIPANTS

Patrick Walravens
Analyst, Citizens JMP Securities LLC

Erik Suppiger
Analyst, B. Riley Securities, Inc.

Joshua Reilly
Analyst, Needham & Co. LLC

Arjun Bhatia
Analyst, William Blair & Co. LLC

James E. Fish
Analyst, Piper Sandler & Co.

MANAGEMENT DISCUSSION SECTION

Operator: Hello, ladies and gentlemen. Thank you all for standing by. My name is Mark, and I will be your conference operator for today. At this time, I would like to welcome everyone to the Bandwidth Second Quarter 2026 Earnings Call. All lines have been placed on mute to prevent any background noises. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

And I would now like to turn the call over to Nils Erdmann, Senior Vice President, Investor Relations. Please go ahead.

Nils L. Erdmann
Senior Vice President, Investor Relations, Bandwidth, Inc.

Thank you, operator. Good morning, and welcome to Bandwidth's second quarter 2026 earnings conference call. I'm joined today by David Morken, Chief Executive Officer, and Daryl Raiford, Chief Financial Officer. We will begin with prepared remarks and then open up the call for Q&A.

During this call, we will make forward-looking statements, including statements related to our future financial performance, expectations regarding the growth of our business, our outlook for the third quarter and full-year 2026, and other indications of future opportunities. These forward-looking statements are subject to certain risks, uncertainties and assumptions, and actual results may differ materially. These forward-looking statements represent our beliefs and assumptions only as of today, and we undertake no obligation to revise or update any statements to reflect changes that occur after this call.

Further information on factors and other risks that could cause actual results to differ materially from those forward-looking statements is included in our reports filed with the SEC, including our most recent Form 10-K and our forthcoming Form 10-Q, and in our second quarter earnings press release and earnings presentation that were issued this morning.

During the call, we refer to certain metrics, including non-GAAP financial measures. Definitions of these non-GAAP metrics and other operating metrics as well as reconciliations with the most comparable historical GAAP measures are available in our earnings press release and our earnings presentation, both of which can be found on the Investor Relations page of our website at investors.bandwidth.com.

With that, I will now turn the discussion over to David.

David A. Morken

Cofounder, Chief Executive Officer & Chairman, Bandwidth, Inc.

Thank you, and welcome everyone. We are pleased to report outstanding second quarter results, with revenue and profitability exceeding expectations. Based upon our performance, we are raising our full year financial outlook.

AI is changing how enterprises buy communications infrastructure, shifting the decision toward providers that can support mission-critical AI interactions. AI and AI voice agents are driving customers to highly value our services that provide trust, compliance and global performance. This is creating numerous strategic opportunities for Bandwidth. We're capitalizing on this shift to secure larger customer wins across a wide range of AI-native companies, Global 2000 enterprises, hyperscalers, and software platforms. And we're innovating to strengthen our competitive position, growing faster, and creating durable, long-term shareholder value.

In the second quarter, these themes yielded revenue growth of 22%, EBITDA growth of 27%, and five new million-dollar-plus customer wins and expansions. Additionally, we strengthened our balance sheet with a convertible notes offering in June. This offering reduces our financing costs, retires the large bulk of our 2028 maturity, and reinforces our capacity to invest profitably in AI voice infrastructure.

Daryl will walk through all the details shortly. I'd like to thank our customers for trusting Bandwidth with their most important customer interactions. I'd also like to thank our Bandmates, whose passion for innovation and serving customers continues to set us apart. And I thank God for the opportunity to serve alongside such an exceptional team.

A year ago, AI came up in only a fraction of our customer conversations. Today, it leads nearly every time. Whether we're talking with AI-native startups, global enterprises, or hyperscalers, they're increasingly reaching the same conclusion, AI is only as good as the communications platform it runs on. That means customer buying decisions are now driven by a partner's ability to consistently deliver the trusted, compliant, high-performance communications foundation that production AI demands.

We're seeing that shift play out across every category of our business. A great example is one of the fastest-growing AI-native voice agent developers, which we signed in the second quarter. As the company scaled, they quickly outgrew the provider they used to initially build their business. To serve larger enterprises, they needed the higher quality voice infrastructure, global reach, regulatory compliance, and higher control, observability and auditability that Bandwidth provides.

This win demonstrates something we're seeing across this space. Many AI-native companies began with speed and experimentation. As they mature into enterprise platforms, we see them needing high-performing, trusted communications infrastructure that can support production workloads around the world. That's exactly where

Bandwidth is uniquely positioned and where our business model creates more value. As agentic voice adds more legs to every interaction, each of those legs becomes a new source of usage on our platform, sentiment analysis, transcription, translation, and orchestration between systems.

We're also making it easier for these next-generation AI companies to build on our platform. In June, we introduced Bandwidth Build, enabling authenticated AI agents to autonomously provision and launch communications services on our network. We're already seeing early sign-ups generating real traffic. As AI voice agents proliferate, we're ensuring Bandwidth is easy to discover, authenticate with, integrate, and deploy.

Every major frontier AI lab is racing toward the same conclusion that the primary way people will engage with AI is through speaking and listening. This is a conclusion being heard by our customers around the world. They require the same carrier-grade, regulated global voice network we've spent two decades building. And it's why we're already integrating leading voice agents into Maestro, so our customers can deploy them faster and with more control over their voice AI tech stack. And there are elements of that voice AI tech stack infrastructure which belong closer to the end user in our global network, in order to perform faster, better, and more cost effectively.

We're seeing those same AI-driven requirements translate into larger opportunities with Global 2000 enterprises as they modernize customer engagement for the next generation of AI-enabled experiences. That trend continued in the second quarter with five new $1 million plus customer wins and expansions, 100% of which included Maestro or AI services.

A great example is a growing healthcare system operating dozens of hospitals and 400 clinics across five states in the Midwest. This million-dollar-plus opportunity came through one of our channel partners as the customer needed to modernize their complex legacy environment for the cloud. They selected Bandwidth's Communications Cloud and Maestro orchestration platform for our native Webex Calling integration, automated migration capabilities that reduce porting times from weeks to days, and centralized operational control.

This modernization with Bandwidth creates a foundation for the customer's planned cloud contact center adoption and future AI-enabled communications. Another new million-dollar-plus customer is a leading European appliance care and warranty provider that selected Bandwidth to modernize its customer engagement platform. Operating across multiple European markets left the customer with a fragmented communications environment across different incumbent carriers and regulatory requirements in each country.

The customer simplified that complexity by consolidating onto a single trusted communications partner. Bandwidth's global Communications Cloud, combined with our native Genesys Cloud BYOC integration, enables the customer to improve performance, simplify operations, and increase control across its European communications environment.

As the customer expands its use of AI within Genesys Cloud, it will do so on our trusted, carrier-grade infrastructure required to deliver those experiences at scale. In addition to these new logos, here are three million-dollar-plus examples of existing customers deepening their strategic partnerships with Bandwidth. A global electronic brokerage serving investors in more than 200 countries expanded a multi-year messaging relationship into global voice, replacing regional carriers across its highly regulated markets with one global partner in Bandwidth.

And one of our longest-standing hyperscaler partners significantly expanded our role supporting a key digital service internationally, which is continued proof that as these partners scale their AI and cloud platforms, they scale on Bandwidth. We also saw this pattern in messaging, with a million-dollar-plus existing customer expansion by one of the largest text messaging platforms in the US, serving approximately 2,500 brands.

This customer had been managing traffic across six different vendors. As their business scaled, they needed more capacity, better deliverability, and stronger digital campaign management. Consolidating with Bandwidth, they've moved over 95% of their messaging volume onto our platform. We now support their business across all key channels, and expect to add RCS as they evaluate a 2027 launch. This is a strong example of how our messaging business continues to win when customers need scale, deliverability, and operational discipline, not just volume.

We announced in March that Salesforce selected Bandwidth as its exclusive critical infrastructure partner for voice and messaging within Agentforce Contact Center. Salesforce has publicly discussed customer momentum following the March launch, including wins across both mid-sized organizations and growing interest from large enterprises. We're encouraged by what we're seeing and pleased to have already begun supporting the opportunities Salesforce is bringing to market. It's exciting to see the first traffic flowing across our platform and we expect revenue to begin growing as customer deployments scale.

This is a relationship we believe in deeply. Salesforce's own vision is that every customer call should become a conference call, with a human, an AI agent, and the full context of that customer relationship on the line together. We share that vision, and we built Maestro on top of our global network to make it possible. We're embedded in Salesforce's governed workflows today, with the control, observability, and integration depth their platform requires.

Over the last 18 months, we have been accelerating innovation behind the opportunities we believe will create the greatest value proposition for our customers. That decision reflects our confidence that we've just begun one of the most significant technology shifts in history. We are already seeing these investments pay-off. The upgrades to our owned-and-operated network have contributed to the gross-margin and Adjusted EBITDA expansion we reported this quarter, giving us confidence that continued investment is self-reinforcing.

Our innovation investments are broadening our portfolio in four key areas. First, we're extending our global Communications Cloud's network footprint, regulatory coverage, and capacity into additional strategic markets where our Global 2000 customers are growing. This positions us to support our customers wherever they choose to do business. Second, we're expanding Maestro and have launched Bandwidth Build to give enterprises even more integration choices and flexibility in how they deploy, orchestrate, and manage AI-powered communications across their technology environments.

Third, we're continuing to broaden our trust portfolio with capabilities that help enterprises improve answer rates, strengthen customer trust, mitigate fraud, and protect their brands at a time when trust and security have never been more important. We're also protecting new IP in this area, with a patent awarded for AI voicebot authentication this quarter, which reinforces the defensibility of the platform we're building.

And finally, we're investing in our global infrastructure at the edge and data center level to power even more secure, compliant, high-performance AI-driven communications. In total, investments like these examples with rapid returns are designed to widen our competitive moat, increase the value we deliver to customers, and strengthen our ability to create durable growth and shareholder value.

As we progress into the second half of 2026, our momentum is strong. We see voice AI adoption driving enterprise modernization and larger platform wins, and we expect those wins to translate into stronger owner economics, growing software services attachment, and continued expansion of profitability and cash generation. The examples we shared today span AI-native startups, Global 2000 enterprises, messaging and software platforms, and hyperscalers. Different customers. Different verticals. Different use cases. Yet they're all increasingly making the same strategic decision, to standardize on Bandwidth.

We've spent years building the owned infrastructure, orchestration software, and consumption pricing model needed for this moment. As AI reshapes enterprise communications, we believe our innovations position us to be the mission-critical foundation of AI-driven communications, creating more value for our customers and for our shareholders.

Now, I'll turn it over to Daryl to walk through the financial details of the quarter.

Daryl Edward Raiford

Chief Financial Officer, Bandwidth, Inc.

Thank you, David, and good morning, everyone. We delivered another outstanding quarter, with results exceeding our expectations. Our performance reflects disciplined execution, durable customer demand, and the growing benefits of the strategic innovation we've made over the past several years. This comprehensive execution across all key metrics, including revenue, gross profit, Adjusted EBITDA, non-GAAP earnings per share, and free cash flow, provides us with the confidence to raise our full-year financial guidance today.

Now, diving into our second quarter 2026 results. Total revenue was $220 million, an increase of 22% year-over-year. Cloud communications revenue, which is total revenue less messaging surcharge revenue of $68 million, reached $152 million, a 12% year-over-year increase. Non-GAAP gross profit of $90 million increased 14% year-over-year, representing a gross profit yield of approximately 68% on incremental cloud communications revenue growth.

Non-GAAP gross margin improved 1 percentage point to 59.4%, illustrating the structural margin advantage of our trusted, global-owned and operated communications platform. Adjusted EBITDA grew by 27% to $28 million. Adjusted EBITDA margin reached a record 18.3%, demonstrating the scalability of our business model and our ability to convert revenue growth into meaningful profit expansion.

Non-GAAP net income was 15% higher, while non-GAAP earnings per share was $0.37, reflecting net movement in fully diluted shares from our new convertible issuance, 2028 convertible repurchase, and other capital activities during the quarter.

Free Cash flow was $24 million, showing another quarter of strong execution and reinforcing our confidence in the long-term earnings and cash-generating power of our business.

Focusing on our second quarter Cloud Communications revenue growth of 12%. Both Voice and Programmable Messaging solutions exceeded our expectations. For our Voice solutions, we reported revenue of $121 million, growing 9%. In Programmable Messaging, revenue of $31 million grew 22%, resulting from strong commercial messaging growth of 18% combined with approximately $1 million of earned messaging revenue during the quarter from political campaign activities.

Additionally, attached revenue across both voice and messaging from software services grew 66% compared with last year. While software services remained a relatively small contributor to total revenue last quarter, because we monetize on usage rather than seats or licenses, AI adoption converts directly into revenue as interactions scale.

As a result, growing AI activity across our platform flows through to our top-line rather than remaining an adoption metric alone.

Turning to our operating metrics, our reported net retention rate for the second quarter was 107%. Adjusted to normalize for the cyclical political campaign revenue impact, our commercial net retention rate was 113%, growing 3% sequentially. Customer name retention rate remained above 99%, reflecting the mission-critical nature of our Communications Cloud and the very low churn we have consistently delivered.

Average annual revenue per customer reached a record $256,000, reflecting both continued customer expansion and our success attracting larger enterprise customers to the platform. Collectively, these metrics underscore the strength of our existing customer relationships, as customers expand their usage, adopt more of our solutions, and trust our platform for a broader set of mission-critical communications.

Turning to our capital allocation strategy. During the quarter, we deployed an incremental $15 million toward share repurchases, opportunistically buying back 263,000 shares at an average price of $57.06. This brings the total cash used this year for share repurchases to $20 million. We further completed an offering of $316 million of 0.00% convertible senior notes due 2032, which included the full exercise of the initial purchasers' option.

Strong demand for the offering reflected deep investor confidence in our long-term strategy and financial profile. After underwriting discounts, capped call costs, and other transaction expenses, the offering generated approximately $282 million in net proceeds. We utilized approximately $122 million of these proceeds to repurchase a large portion of our 2028 convertible notes, reducing that outstanding principal balance to approximately $28 million.

Our net leverage closed the quarter at 1.6 times, compared with 1.5 times at the end of the first quarter of 2026, resulting in an essentially stable leverage ratio while adding cash to the balance sheet, lowering financing costs, and improving the maturity profile.

Turning to our third quarter 2026 outlook, we expect revenue to be in the range of $231 million and $235 million, representing approximately 21% growth year-over-year. Adjusted EBITDA to be in the range of $32 million and $34 million, representing approximately 36% growth year-over-year, and non-GAAP EPS to be in the range of $0.45 and $0.49 implying approximately 66% non-GAAP net income growth.

For the full year 2026, we are raising our guidance to reflect our second quarter beat and sustained demand strength. Our confidence in the remainder of the year is supported by two key growth drivers. First, the revenue ramp from our recent enterprise customers wins. With a total of 13 new million-dollar-plus annual contracts won since the beginning of last year. That is, six last year and seven already this year, with two in first quarter and five in second quarter, the phased deployment of these large scale implementations provides meaningful visibility into future revenue growth that we expect to layer into our financial results over the next 12 months.

Second, our owned-and-operated global network is driving structural margin and efficiency gains. As transaction volumes scale, our unique infrastructure allows us to capture higher incremental gross profit, converting top-line growth into efficient, bottom-line adjusted EBITDA and cash flow.

Thanks to our usage-based model, our platform and software innovations begin contributing to cash flow almost immediately after release. We now expect for the full year 2026, total revenue to be in the range of $900 million and $910 million, representing 20% growth year-over-year at the midpoint, compared to our prior range of $880 million and $900 million.

Within total revenue, we expect Cloud Communications to be in the range of $622 million and $626 million, representing 11% growth year-over-year at the midpoint. Adjusted EBITDA outlook to be in the range of $123 million and $125 million, representing 33% growth year-over-year at the midpoint, and a 20% EBITDA margin, compared to our prior range of $119 million and $125 million.

Non-GAAP EPS to be in the range of $1.71 and $1.79, implying full year non-GAAP net income growth of 48%, and the true-up for a higher fully diluted share count estimate resulting from the second quarter convertible offering and other capital activities.

Additional modeling details underlying our full-year 2026 outlook are as follows, we expect net interest income to be in the range of $500,000 and $1 million. Depreciation expense to be in the range of $38 million and $42 million. Adjusted effective tax rate to be in the range of 20% and 22%. Weighted average diluted shares outstanding of approximately 39 million. And for capital expenditures, we expect these to be in the range of $24 million and $26 million.

In summary, our second quarter results reinforce that Bandwidth is becoming a larger, more profitable, and increasingly differentiated communications platform. We continue to benefit from durable customer demand, growing adoption of AI-enabled communications, and the structural advantages of our usage-based, owned-and-operated global network. Combined with our strengthened balance sheet and disciplined capital allocation strategy, we believe we are well positioned to deliver sustainable profitable growth and create long-term value for our shareholders.

With that, I'll now turn the call over to the operator for Q&A.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Patrick Walravens from Citizens. Please go ahead.

Patrick Walravens
Analyst, Citizens JMP Securities LLC

Q

Oh, great. Thank you. And congratulations you guys, on the acceleration in the business. Hey, Dave, can we talk a little more about the Salesforce Agentforce Contact Center? And two questions in particular. One, just when you look on their website, it says it's generally available in the US and Canada, but not the rest of the world yet. And is that something that would make a difference for you guys? And then, secondly, Salesforce closed a massive deal with the Veterans Administration that was publicly disclosed, where basically they're going to help all our vets, you included, schedule their appointments in a much easier way. Is that the sort of thing that you guys would fit into?

David A. Morken
Cofounder, Chief Executive Officer & Chairman, Bandwidth, Inc.

A

Thank you, Pat, and appreciate your compliments and the short answer to both dimensions of your Salesforce question are, yes. Global expansion, serving customers around the world fits very nicely into our underlying global platform and network and would be beneficial. And the second part, yes, again, we are already seeing traffic flowing across our platform, large opportunities, larger than our garden variety run-of-the-mill opportunities are one of the reasons why we're so excited about this relationship and why we believe so deeply in it.

Patrick Walravens
Analyst, Citizens JMP Securities LLC
Q

Great. And if I could ask a follow-up on the finance side, could you guys just touch on the gross margin? It came in a little below what I was expecting.

Daryl Edward Raiford
Chief Financial Officer, Bandwidth, Inc.
A

Yes. Hey, good morning, Pat, and thanks again for your...

Patrick Walravens
Analyst, Citizens JMP Securities LLC
Q

Good morning.

Daryl Edward Raiford
Chief Financial Officer, Bandwidth, Inc.
A

[indiscernible] (00:27:02). Margin came in essentially right where we expected, which is sequentially essentially stable and 1 point over last year. As revenue grows again with our 20% guide, 21% guide in the third quarter, we're expecting margin expansion through the third quarter and fourth quarter. And we're on target for what we believe to be 60%, approximately non-GAAP gross margin for the full year.

Patrick Walravens
Analyst, Citizens JMP Securities LLC
Q

Okay, great. Thank you.

David A. Morken
Cofounder, Chief Executive Officer & Chairman, Bandwidth, Inc.
A

Thank you, Pat.

Operator: Your next question comes from the line of Erik Suppiger from B. Riley Securities. Please go ahead.

Erik Suppiger
Analyst, B. Riley Securities, Inc.
Q

Yeah. Thanks for taking the question. I think in the past you've talked about an inflection in the second half of the year. If I look at the Cloud Communications' outlook, looks like a slight deceleration in the second half of the year on a year-over-year basis. And so, I was just wondering if I'm doing my math right on that. And then, secondly, what is your expectation for contribution from political campaigns in the second half of the year?

Daryl Edward Raiford
Chief Financial Officer, Bandwidth, Inc.
A

Yes. So, thank you. Hey, this is Daryl, and thank you for that question. You're right on a first half to second half [ph] anyway (00:28:26) over last year growth rate where we have guided Cloud Communications, it being slightly less than the first half growth rate. I think with some conservatism in our model, we have left out from our model of – the guiding for you today any of future benefit related to Salesforce as well as the newest five enterprise deals ramping. So, we believe that there are tailwinds for that [ph] but we are conservative with our guide (00:29:00).

And the second question, we initially entered the year and reaffirmed it, so to speak, in the first quarter that we believe approximately $15 million of political campaign revenue benefit would be earned by us, principally in the second half. We've revised that expectation to $13 million and our guide reflects that. Now, clearly, so while we are growing revenue to the extent that we are in the third quarter and now since you understand the full year, you have the implied fourth quarter, we've actually raised our commercial Cloud Communications expect – revenue expectations while lowering the political campaign revenue expectations just very modestly.

Erik Suppiger
Analyst, B. Riley Securities, Inc.

Q

Okay. Very good. Thank you.

Operator: Your next question comes from the line of Joshua Reilly from Needham. Please go ahead.

Joshua Reilly
Analyst, Needham & Co. LLC

Q

All right. Great. Thanks for taking my questions. I believe last quarter you discussed for the $1 million plus customers that you won in 2025, one was above 100% of the initial plan that you had had for that customer. I'm curious, have any others now are on track to exceed 100% of their original plan? And then, on the five $1 million plus customers that you won in the quarter, I know a few of them were expansions relative to net new customers. Can you help us just maybe understand with some more color how you expect these customers to layer in the model over the coming quarters versus what a million-dollar-plus customer may have in the past where it may have taken a bit longer to get them ramped up. What's the right way to think about that dynamic?

David A. Morken
Cofounder, Chief Executive Officer & Chairman, Bandwidth, Inc.

A

Yeah. The right way to think about that dynamic for the expansions indeed, as you indicate, is the faster ramp. They're already provisioned in many cases and it's scaling. Some of them do have new services that are either coverage-related or different product. But I think it's a good assumption that they scale more quickly. As to the first, there are customers that are scaling at a pace that should allow them to exceed 100% of our expectation. We didn't call any out in the script, but that's a reasonable assumption. There's no reason to believe that there is some slowdown among those large customers.

Joshua Reilly
Analyst, Needham & Co. LLC

Q

Got it...

Daryl Edward Raiford
Chief Financial Officer, Bandwidth, Inc.

A

And this is, Daryl, I would – and hey, Josh, I would like to put a finer point on that just to clarify. We are very excited about the ramp of those particular customers. We're expecting two to be nearly twice as much the estimated contract value when they exit 2026 than what we had originally assessed in the – last year. So we're very excited about that. All six, taken together will exit the year at a deployment rate of approximately 80%, which we feel really, really good about.

We're also really excited – to reinforce David's comment, we're really excited about the faster ramping of some. We reported 22% growth in programmable messaging this last quarter. That's 18% commercial with the benefit of

$1 million of political campaign revenue. That 18% is twice. It's double what we estimate to be a market growth rate in programmable messaging. And it's a point, nearly 2 points is being added by the large messaging win of last year as they ramp onto our platform. We're really excited about looking forward into the second half and into the first half of 2027. We announced another message – a very large messaging win this quarter, which given the speed at which messaging can ramp, we believe that that's going to really benefit our results as we grow into next year.

Joshua Reilly Q

Analyst, Needham & Co. LLC

Got it. That's super helpful. And then, just following up on that, one of the questions I get a lot from investors is, as the large – as the million-dollar-plus customers are coming on to your platform, how much of their initial volumes are related to AI use cases versus what they're planning over the next few years? Because I think investors are trying to get a sense of, you know, as you win these new customers can then they grow off their base of what they're bringing to the platform by adding more and more AI use cases, or are they already involved with AI voice use cases when they're starting right now in real-time?

David A. Morken A

Cofounder, Chief Executive Officer & Chairman, Bandwidth, Inc.

So, let me start and then invite John Bell, our Chief Product Officer to chime in as well. But the short answer is, many of these customers have moved from prototyping AI use cases to beginning to scale. Almost all of them have additional use cases planned and are experimenting or trialing capabilities in AI voice that will come online later in their contract lifecycle, but let me pause and invite John to add to that.

John Bell A

Chief Product Officer, Bandwidth, Inc.

Yeah, great. Great question. We definitely see initial use cases coming on along with kind of the established legacy communications customers bring. But at the same time, those deployments are very often coming with future use cases in multiple platforms, multiple AI platforms that they want to continue to work with us to expand on.

Joshua Reilly Q

Analyst, Needham & Co. LLC

Got it. That's helpful. Thank you, guys.

Operator: Your next question comes from the line of Arjun Bhatia from William Blair. Please go ahead.

Arjun Bhatia Q

Analyst, William Blair & Co. LLC

[ph] Great (00:34:47). Thank you so much. Maybe if I can just start with a question on the Voice business, it sounds like, there's a lot of positive developments happening, the new wins and AI native [ph] customer wins (00:35:00) and obviously expansion deals continuing. But it did seem like this quarter there was a bit of a decel in the Voice business, both on the Global Communication side and the enterprise side. What would you guys just sort of chalk that up to? Is that just you're waiting for some of these customers in the pipeline to ramp or is there some other sort of dynamic at play there that we should consider for Q2?

David A. Morken
Cofounder, Chief Executive Officer & Chairman, Bandwidth, Inc.
A

Yeah. I'll invite Daryl to comment on the metrics, but there is no new competitive dynamic. There's no noticeable new headwind and the AI voice acceleration continues. So, we see the product market fit of what we're bringing to market with Maestro and the need for orchestration across multiple platforms and regional providers and many other dynamics to be still very much part of our exceeding, beating, raising and focus on continuing the growth that we have this year into next year. Let me pause and invite Daryl to comment on any of the metrics that you indicated.

Daryl Edward Raiford
Chief Financial Officer, Bandwidth, Inc.
A

Yes, sir. For the full year in the second quarter year-over-year global – our total Voice did grow 9%. That is a little less than last quarter. That's primarily due to an enterprise growth that was less than last quarter. That is completely related to the timing and ramping of new customers.

We continue to have embedded in our second half. As I said three months ago, that we are expecting a large growth and acceleration of our enterprise customers as the six, deploy into next year – into the second half as well as the installed base growth and what we see in terms of our pipeline. So, I think, that's just a quarter-to-quarter timing and quarter-to-quarter growth rates on any particular product will vary a little bit, but I'm very confident in what we're looking at for the second half and into 2027.

Arjun Bhatia
Analyst, William Blair & Co. LLC
Q

All right. Perfect. That's great to hear. And then, David, I think you talked about and you were kind of discussing some of the investment areas for the business. You mentioned expanding the network footprint. Can you just expand a little bit on what that entails, I can certainly see how that would be beneficial to your large customers. But does that require just incremental spending? I didn't notice the CapEx guidance didn't pick up. So, maybe just walk us through the pieces there and how you go about expanding your footprint there?

David A. Morken
Cofounder, Chief Executive Officer & Chairman, Bandwidth, Inc.
A

Yes. So, geographic expansion is historically very efficient on CapEx. It takes time, because you have to become a regulated provider in that territory. You do deploy gear and that is something that's vital for the value of the large global enterprises that we serve. These voice agents, these use cases have an expectation to reach multiple markets. And so, it's incumbent upon us to identify those next markets that are most important.

And we invest behind that demand that we see in those geographic areas. But in addition, there are two other aspects of investment that we're focused on right now expanding Maestro's capability to orchestrate across varied and emerging different AI platforms, voice platforms, and to have pre-integration and orchestration capabilities that are broad across different AI vendors, so enterprises can choose and select and benefit from the already existing integration and administration that Maestro provides. And so, expanding Maestro and investing behind the 100% adoption rate we're seeing is vital.

And then last, it's really exciting to see how our global platform and network can lend itself vitally to the AI voice experience and so elements of the AI voice tech stack, can they be more accurately more time-efficient, more cost-efficient? And in terms of regulatory, maybe more jurisdictionalized in an important way for our enterprise customers by moving elements of the AI tech stack, closer to the user within our network. That will be responsible

CapEx by us. We have begun deploying GPUs into various POPs for that reason. We're excited about how those developments are looking, but we'll always be focused on durable, profitable growth when we do those CapEx spends, but those are three areas, including covers that you mentioned that are vital for our growth in the future.

Arjun Bhatia
Analyst, William Blair & Co. LLC
Q

All right. Very helpful. Thank you.

Operator: [Operator Instructions] Your next question comes from the line of James Fish from Piper Sandler. Please go ahead.

James E. Fish
Analyst, Piper Sandler & Co.
Q

Hey, guys. Just to touch on – and I know it's very new here, but what type of funnel has Bandwidth Build generated at this point? Does this change how you're thinking about your own internal hiring that we can leverage here as this builds up pipeline?

David A. Morken
Cofounder, Chief Executive Officer & Chairman, Bandwidth, Inc.
A

Yeah. I's been awesome to see meaningful business customers hit a command line interface and sign-up and provision and begin flowing traffic through the Build process. It's a totally different buying cycle, buying process, buying behavior and it supports autonomous agent sign-up. And so it's really cool. That's a frontier, James, that we're excited about and it's generating already revenue and that's exciting to see. And those are business customers that are hitting that interface and buying from us. So, we are excited about what it means. We've lived through API as an innovative way for software developers to begin generating communications through different use cases. Right now, we're living through, instead of API for developers, we're living through CLI for agents and that's exciting.

James E. Fish
Analyst, Piper Sandler & Co.
Q

Got it. Daryl, for you, you guys raised the annual guide on the top-line by about $15 million, but the Cloud Communications only by about $4 million. I think you even just said political down from $50 million for the year to $13 million. Correct me if I'm wrong. So, it does suggest you're just implying more fees are coming and that's the upside here on the messaging piece. Is there an update to how you guys are thinking about messaging versus that voice side of the business as well? Just kind of help us as we think about the back half of the year?

Daryl Edward Raiford
Chief Financial Officer, Bandwidth, Inc.
A

Right. The walk down of the guidance is simply the flow through of the over-achievement in the second quarter, the lowering so to speak, of political campaign revenue from $15 million to $13 million, the increase in both voice and commercial messaging. And then, since commercial messaging is increasing, the increasing in what we expect to be messaging surcharges as well. So, we have the flow through of our beat. We have voice increasing. We have commercial messaging increasing. We have political campaign revenue benefit, the cyclicality decreasing some. And then, we have those surcharges increasing on the volume of commercial messaging.

Jim, we might have – if you're still there, we might have lost you.

James E. Fish

Analyst, Piper Sandler & Co.

Q

Oh, no, I'm good. Thanks, guys. Appreciate it.

Daryl Edward Raiford

Chief Financial Officer, Bandwidth, Inc.

A

Thank you, sir.

Operator: That will conclude our question-and-answer session. And I will now turn the call back over to David Morken for closing remarks. Please go ahead.

David A. Morken

Cofounder, Chief Executive Officer & Chairman, Bandwidth, Inc.

Thank you, operator. The themes we opened with today played out across our business. AI is reshaping enterprise buying decisions. Those decisions are driving record customer wins and we're innovating to lead the AI transformation. Before we conclude, I'd like to invite you to join us at Reverb 2026 here in Raleigh, North Carolina on November 10. Reverb has become our flagship customer and product event, where we'll showcase how enterprises are deploying AI into production and how Bandwidth is making it possible. We hope to see you then. Thank you.

Operator: That will conclude Bandwidth's second quarter 2026 earnings conference call. Thank you all for joining. You may now disconnect.