

TWILIO INC.
Consolidated Balance Sheets

	As of December 31,	
	2019	2018
	(In thousands, except share and per share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 253,660	\$ 487,215
Short-term marketable securities	1,599,033	261,128
Accounts receivable, net	154,067	97,712
Prepaid expenses and other current assets	54,571	26,893
Total current assets	2,061,331	872,948
Restricted cash	75	18,119
Property and equipment, net	141,256	63,534
Operating right-of-use asset	156,741	—
Intangible assets, net	460,849	27,558
Goodwill	2,296,784	38,165
Other long-term assets	33,480	8,386
Total assets	<u>\$ 5,150,516</u>	<u>\$ 1,028,710</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 39,099	\$ 18,495
Accrued expenses and other current liabilities	147,681	96,343
Deferred revenue and customer deposits	26,362	22,972
Operating lease liability, current	27,156	—
Finance lease liability, current	6,924	—
Total current liabilities	247,222	137,810
Operating lease liability, noncurrent	139,200	—
Finance lease liability, noncurrent	8,746	—
Convertible senior notes, net	458,190	434,496
Other long-term liabilities	17,747	18,169
Total liabilities	<u>871,105</u>	<u>590,475</u>
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$0.001 par value, 100,000,000 shares authorized, none issued	—	—
Class A and Class B common stock, \$0.001 par value per share		
Authorized shares 1,100,000,000 as of December 31, 2019 and 2018; Issued and outstanding shares 138,412,799 and 100,080,228 as of December 31, 2019 and 2018	138	100
Additional paid-in capital	4,952,999	808,527
Accumulated other comprehensive income	5,086	1,282
Accumulated deficit	(678,812)	(371,674)
Total stockholders' equity	<u>4,279,411</u>	<u>438,235</u>
Total liabilities and stockholders' equity	<u>\$ 5,150,516</u>	<u>\$ 1,028,710</u>

See accompanying notes to consolidated financial statements.

TWILIO INC.
Consolidated Statements of Operations

	Year Ended December 31,		
	2019	2018	2017
	(In thousands, except share and per share amounts)		
Revenue	\$ 1,134,468	\$ 650,067	\$ 399,020
Cost of revenue	525,551	300,841	182,895
Gross profit	608,917	349,226	216,125
Operating expenses:			
Research and development	391,355	171,358	120,739
Sales and marketing	369,079	175,555	100,669
General and administrative	218,268	117,548	60,791
Total operating expenses	978,702	464,461	282,199
Loss from operations	(369,785)	(115,235)	(66,074)
Other income (expense), net	7,569	(5,923)	3,071
Loss before provision for income taxes	(362,216)	(121,158)	(63,003)
Income tax benefit (provision)	55,153	(791)	(705)
Net loss attributable to common stockholders	<u>\$ (307,063)</u>	<u>\$ (121,949)</u>	<u>\$ (63,708)</u>
Net loss per share attributable to common stockholders, basic and diluted	<u>\$ (2.36)</u>	<u>\$ (1.26)</u>	<u>\$ (0.70)</u>
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	<u>130,083,046</u>	<u>97,130,339</u>	<u>91,224,607</u>

See accompanying notes to consolidated financial statements.

TWILIO INC.
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (307,063)	\$(121,949)	\$ (63,708)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	110,430	26,095	18,764
Non-cash reduction to the right-of-use asset	23,193	—	—
Net amortization of investment premium and discount	(4,501)	(1,496)	262
Amortization of debt discount and issuance costs	23,696	14,053	—
Stock-based compensation	264,318	93,273	49,619
Tax benefit related to release of valuation allowance	(55,745)	—	—
Other adjustments	7,676	12,824	2,018
Changes in operating assets and liabilities:			
Accounts receivable	(51,357)	(58,234)	(15,280)
Prepaid expenses and other current assets	(20,316)	(8,739)	2,214
Other long-term assets	(18,021)	(5,305)	(1,984)
Accounts payable	17,255	6,980	5,433
Accrued expenses and other current liabilities	46,154	45,120	(3,312)
Deferred revenue and customer deposits	2,968	5,958	3,560
Operating right of use liability	(21,138)	—	—
Long-term liabilities	(3,501)	(597)	(841)
Net cash provided by (used in) operating activities	14,048	7,983	(3,255)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisitions, net of cash acquired	122,749	(30,574)	(22,621)
Purchases of marketable securities and other investments	(2,038,422)	(279,687)	(293,186)
Proceeds from sales and maturities of marketable securities	697,171	195,497	115,877
Capitalized software development costs	(21,922)	(19,546)	(17,280)
Purchases of long-lived assets	(45,368)	(5,109)	(9,538)
Net cash used in investing activities	(1,285,792)	(139,419)	(226,748)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from a public offering, net of underwriting discount	980,000	—	—
Payments of costs related to public offerings	(877)	—	(430)
Proceeds from issuance of convertible senior notes	—	550,000	—
Payment of debt issuance costs	—	(12,941)	—
Purchase of capped call	—	(58,465)	—
Principal payments on notes payable	(5,400)	—	—
Principal payments on finance leases	(5,646)	—	—
Proceeds from exercises of stock options and shares issued in ESPP	57,480	39,879	37,645
Value of equity awards withheld for tax liabilities	(5,412)	(2,654)	(678)
Repurchases of common stock	—	—	(100)
Net cash provided by financing activities	1,020,145	515,819	36,437
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	163	74
NET (DECREASE) INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(251,599)	384,546	(193,492)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—Beginning of period	505,334	120,788	314,280
CASH, CASH EQUIVALENTS AND RESTRICTED CASH—End of period	\$ 253,735	\$ 505,334	\$ 120,788
Cash paid for income taxes, net	\$ 1,368	\$ 564	\$ 605
Cash paid for interest	\$ 2,290	\$ 741	\$ —
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
Finance lease right-of-use assets assumed in a business combination	\$ 14,173	\$ —	\$ —
Purchases of property and equipment through finance leases	\$ 5,848	\$ 2,478	\$ —
Acquisition holdback	\$ 7,980	\$ 2,290	\$ —
Value of common stock issued and stock awards assumed in acquisition	\$ 2,841,452	\$ —	\$ —
Stock-based compensation capitalized in software development costs	\$ 7,777	\$ 5,706	\$ 4,176

See accompanying notes to consolidated financial statements.