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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT  
Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): February 13, 2018**

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**Twilio Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**

(State or other jurisdiction  
of incorporation)

**001-37806**

(Commission  
File Number)

**26-2574840**

(IRS Employer  
Identification No.)

**375 Beale Street, Suite 300  
San Francisco, California 94105**  
(Address of principal executive offices) (Zip Code)

**(415) 390-2337**  
(Registrant's telephone number, including area code)

**Not applicable**  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

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**Item 2.02 Results of Operations and Financial Condition.**

On February 13, 2018, Twilio Inc. (the “Company”) issued a press release announcing its financial results for the quarter and full year ended December 31, 2017. A copy of the press release is furnished herewith as Exhibit 99.1.

The information furnished under this Item 2.02 and in the accompanying Exhibit 99.1 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing.

**Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

On February 13, 2018, the Company announced that Lee Kirkpatrick, the Company’s Chief Financial Officer, will be resigning from his position with the Company. The Company has commenced a search for a replacement Chief Financial Officer. The effective date for Mr. Kirkpatrick’s resignation has not been determined and Mr. Kirkpatrick intends to continue with the Company through the transition.

**Item 9.01 Financial Statements and Exhibits.**

*(d) Exhibits.*

| <b>Exhibit<br/>No.</b> | <b>Description</b>   |
|------------------------|--|
| 99.1                   | Press release issued by Twilio Inc. dated February 13, 2018. |

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**TWILIO INC.**

Date: February 13, 2018

By: /s/ Lee Kirkpatrick

Name: Lee Kirkpatrick

Title: Chief Financial Officer

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**EXHIBIT INDEX**

| <b>Exhibit<br/>No.</b> | <b>Description</b>   |
|------------------------|--|
| <a href="#">99.1</a>   | <a href="#">Press release issued by Twilio Inc. dated February 13, 2018.</a> |

**Twilio Announces Fourth Quarter and Full Year 2017 Results*****Q4 Total Revenue of \$115.2 million, up 41% year-over-year******Q4 Base Revenue of \$105.3 million, up 40% year-over-year******Q4 Dollar-Based Net Expansion Rate of 118%***

SAN FRANCISCO--(BUSINESS WIRE)--February 13, 2018--Twilio Inc. (NYSE: TWLO), the leading Cloud Communications Platform company, today reported financial results for its fourth quarter and full year ended December 31, 2017.

“We are kicking off our tenth year as a company with fabulous momentum. I’m very proud of the team for our fourth quarter performance, but my excitement lies in the foundations we’ve laid for the next ten years of Twilio,” said Jeff Lawson, Twilio’s Co-Founder and Chief Executive Officer. “We are poised for a stellar year ahead, built on our relentless focus on customer success, quality, and software-fueled innovation.”

**Fourth Quarter 2017 Financial Highlights**

- Total revenue of \$115.2 million for the fourth quarter of 2017, up 41% from the fourth quarter of 2016 and 15% sequentially from the third quarter of 2017.
- Base revenue of \$105.3 million for the fourth quarter of 2017, up 40% from the fourth quarter of 2016 and 14% sequentially from the third quarter of 2017.
- GAAP loss from operations of \$20.2 million for the fourth quarter of 2017, compared with GAAP loss from operations of \$12.8 million for the fourth quarter of 2016. Non-GAAP loss from operations of \$3.9 million for the fourth quarter of 2017, compared with non-GAAP profit from operations of \$0.1 million for the fourth quarter of 2016.
- GAAP net loss per share attributable to common stockholders of \$0.20 based on 93.2 million weighted average shares outstanding in the fourth quarter of 2017, compared with GAAP net loss per share attributable to common stockholders of \$0.15 based on 86.1 million weighted average shares outstanding in the fourth quarter of 2016.
- Non-GAAP net loss per share attributable to common stockholders of \$0.03 based on 93.2 million weighted average shares outstanding in the fourth quarter of 2017, compared with non-GAAP net profit per share attributable to common stockholders of \$0.00 based on 100.2 million Non-GAAP weighted average shares outstanding in the fourth quarter of 2016.

**Full Year 2017 Financial Highlights**

- Total revenue of \$399.0 million for the full year 2017, up 44% from the full year 2016.
  - Base revenue of \$365.5 million for the full year 2017, up 49% from the full year 2016.
  - GAAP loss from operations of \$66.1 million for the full year 2017, compared with GAAP loss from operations of \$41.3 million for the full year 2016. Non-GAAP loss from operations of \$20.1 million for the full year 2017, compared with non-GAAP loss from operations of \$12.2 million for the full year 2016.
  - GAAP net loss per share attributable to common stockholders of \$0.70 based on 91.2 million weighted average shares outstanding for the full year 2017, compared with GAAP net loss per share attributable to common stockholders of \$0.78 based on 53.1 million weighted average shares outstanding for the full year 2016.
  - Non-GAAP net loss per share attributable to common stockholders of \$0.19 based on 91.2 million non-GAAP weighted average diluted shares outstanding for the full year 2017, compared with non-GAAP net loss per share attributable to common stockholders of \$0.16 based on 78.6 million non-GAAP weighted average diluted shares outstanding for the full year 2016.
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## Key Metrics and Recent Business Highlights

- 48,979 Active Customer Accounts as of December 31, 2017, compared to 36,606 Active Customer Accounts as of December 31, 2016.
- Dollar-Based Net Expansion Rate was 118% for the fourth quarter of 2017, compared to 155% for the fourth quarter of 2016.
- Launched our Engage Roadshow program in New York City and Melbourne, bringing together developers and technical decision makers to share their experiences.
- Welcomed Sara Varni, formerly the SVP of Marketing for Salesforce's Sales Cloud business, as our Chief Marketing Officer. Sara will be focused on scaling our marketing efforts around the world, supporting our commitment to our developer-first strategy while simultaneously taking on the enterprise market.
- Added Ron Huddleston, formerly the Corporate Vice President of the One Commercial Partner Organization for Microsoft, as our Chief Partner Officer. Ron will be responsible for unifying the partner experiences for Twilio across Solution Partners, SIs, VARs, and Resellers.
- Announced that Twilio Studio, our new drag and drop editor, has moved into Beta. Twilio Studio is designed to both expand the universe of people that can engage with our platform and accelerate their development time.

## Chief Financial Officer Transition

The Company also announced plans for a transition in finance leadership. Lee Kirkpatrick, who has served as Twilio's Chief Financial Officer since May 2012, has informed the Company and its Board of Directors of his decision to leave the company. To ensure an orderly transition and continuity of operations, Kirkpatrick will continue to serve as CFO until his successor is found and has moved into the role. The search process will begin shortly and is expected to be completed before the end of the year.

## Outlook

Twilio is providing guidance for the first quarter ending March 31, 2018 and full year ending December 31, 2018 as follows:

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**Quarter ending March 31, 2018:**

|  |    |       |    |    |       |
|--|----|-------|----|----|-------|
| Total Revenue (millions)                       | \$ | 115.0 | to | \$ | 117.0 |
| Base Revenue (millions)                        | \$ | 108.0 | to | \$ | 109.0 |
| Non-GAAP loss from operations (millions)       | \$ | 7.0   | to | \$ | 6.0   |
| Non-GAAP net loss per share                    | \$ | 0.07  | to | \$ | 0.06  |
| Weighted average shares outstanding (millions) |    |       |    |    | 94.5  |

**Full year ending December 31, 2018:**

|  |    |       |    |    |       |
|--|----|-------|----|----|-------|
| Total Revenue (millions)                       | \$ | 506.0 | to | \$ | 514.0 |
| Base Revenue (millions)                        | \$ | 483.0 | to | \$ | 487.0 |
| Non-GAAP loss from operations (millions)       | \$ | 15.5  | to | \$ | 11.5  |
| Non-GAAP net loss per share                    | \$ | 0.14  | to | \$ | 0.10  |
| Weighted average shares outstanding (millions) |    |       |    |    | 96.0  |

**Conference Call Information**

Twilio will host a conference call today, February 13, 2018, to discuss fourth quarter and full year 2017 financial results, as well as the first quarter and full year 2018 outlook, at 2 p.m. Pacific Time, 5 p.m. Eastern Time. A live webcast of the conference call, as well as a replay of the call, will be available at <https://investors.twilio.com>. The conference call can also be accessed by dialing (844) 453-4207, or +1 (647) 253-8638 (outside the U.S. and Canada). The conference ID is 6928729. Following the completion of the call through 11:59 PM Eastern Time on February 20, 2018, a replay will be available by dialing (800) 585-8367 or +1 (416) 621-4642 (outside the U.S. and Canada) and entering passcode 6928729. Twilio has used, and intends to continue to use, its investor relations website as a means of disclosing material non-public information and for complying with its disclosure obligations under Regulation FD.

**About Twilio Inc.**

Twilio's mission is to fuel the future of communications. Developers and businesses use Twilio to make communications relevant and contextual by embedding messaging, voice, and video capabilities directly into their software applications. Founded in 2008, Twilio has over 900 employees, with headquarters in San Francisco and other offices in Bogotá, Dublin, Hong Kong, London, Madrid, Malmö, Mountain View, Munich, New York City, Singapore and Tallinn.

**Forward-Looking Statements**

This press release and the accompanying conference call 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,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this press release include, but are not limited to, statements about: Twilio’s outlook for the quarter ending March 31, 2018 and full year ending December 31, 2018 and Twilio’s expectations regarding its products and solutions. 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; Twilio's ability to adapt its products to meet evolving market and customer demands and rapid technological change; Twilio's ability to generate sufficient revenues to achieve or sustain profitability; Twilio's ability to retain customers and attract new customers; Twilio's limited operating history, which makes it difficult to evaluate its prospects and future operating results; Twilio's ability to effectively manage its growth; and Twilio's ability to compete effectively in an intensely competitive market.

The forward-looking statements contained in this press release 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, including its Form 10-Q for the quarter ended September 30, 2017 filed on November 14, 2017. 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. Moreover, Twilio operates in a very competitive and rapidly changing environment, and new risks and uncertainties may emerge that could have an impact on the forward-looking statements contained in this press release.

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 press release to reflect events or circumstances after the date of this press release or to reflect new information or the occurrence of unanticipated events, except as required by law.

#### **Use of Non-GAAP Financial Measures**

To provide investors and others with additional information regarding Twilio's results, the following non-GAAP financial measures are disclosed: non-GAAP gross profit and gross margin, non-GAAP operating expenses, non-GAAP loss from operations and operating margin, non-GAAP net loss attributable to common stockholders, and non-GAAP net loss per share attributable to common stockholders, basic and diluted.

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**Non-GAAP Gross Profit and Non-GAAP Gross Margin.** For the periods presented, Twilio defines non-GAAP gross profit and non-GAAP gross margin as GAAP gross profit and GAAP gross margin, respectively, adjusted to exclude stock-based compensation and amortization of acquired intangibles.

**Non-GAAP Operating Expenses.** For the periods presented, Twilio defines non-GAAP operating expenses (including categories of operating expenses) as GAAP operating expenses (and categories of operating expenses) adjusted to exclude, as applicable, stock-based compensation, amortization of acquired intangibles, acquisition-related expenses, and payroll taxes related to stock-based compensation.

**Non-GAAP Loss from Operations and Non-GAAP Operating Margin.** For the periods presented, Twilio defines non-GAAP loss from operations and non-GAAP operating margin as GAAP loss from operations and GAAP operating margin, respectively, adjusted to exclude stock-based compensation, amortization of acquired intangibles, acquisition-related expenses, and payroll taxes related to stock-based compensation.

**Non-GAAP Net Loss Attributable to Common Stockholders and Non-GAAP Net Loss Per Share Attributable to Common Stockholders, Basic and Diluted.** For the periods presented, Twilio defines non-GAAP net loss attributable to common stockholders and non-GAAP net loss per share attributable to common stockholders, basic and diluted, as GAAP net loss attributable to common stockholders and GAAP net loss per share attributable to common stockholders, basic and diluted, respectively, adjusted to exclude stock-based compensation, amortization of acquired intangibles, acquisition-related expenses, and payroll taxes related to stock-based compensation.

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, and should not be considered a substitute for financial information presented in accordance with GAAP, 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 directly comparable financial measure stated in accordance with GAAP. Investors 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 guidance as provided under "Outlook" above, Twilio has not reconciled its expectations as to non-GAAP loss from operations to GAAP loss from operations or non-GAAP net 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.

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## Operating Metrics

Twilio reviews a number of operating metrics to evaluate its business, measure performance, identify trends, formulate business plans, and make strategic decisions. These include the number of Active Customer Accounts, Base Revenue, and Dollar-Based Net Expansion Rate.

**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.

**Base Revenue.** Twilio monitors Base Revenue as one of the more reliable indicators of future revenue trends. Base Revenue consists of all revenue other than revenue from large Active Customer Accounts that have never entered into 12-month minimum revenue commitment contracts with Twilio, which the Company refers to as Variable Customer Accounts. While almost all of Twilio's customers exhibit some level of variability in the usage of its products, based on the experience of Twilio's management, Twilio believes that Variable Customer Accounts are more likely to have significant fluctuations in usage of its products from period to period, and therefore that revenue from Variable Customer Accounts may also fluctuate significantly from period to period. This behavior is best evidenced by the decision of such customers not to enter into contracts with Twilio that contain minimum revenue commitments, even though they may spend significant amounts on the use of the Company's products and they may be foregoing more favorable terms often available to customers that enter into committed contracts with Twilio. This variability adversely affects Twilio's ability to rely upon revenue from Variable Customer Accounts when analyzing expected trends in future revenue.

For historical periods through March 31, 2016, Twilio defined a Variable Customer Account as an Active Customer Account that (i) had never signed a minimum revenue commitment contract with the Company for a term of at least 12 months and (ii) has met or exceeded 1% of the Company's revenue in any quarter in the periods presented through March 31, 2016. To allow for consistent period-to-period comparisons, in the event a customer qualified as a Variable Customer Account as of March 31, 2016, or a previously Variable Customer Account ceased to be an Active Customer Account as of such date, Twilio included such customer as a Variable Customer Account in all periods presented. For reporting periods starting with the three months ended June 30, 2016, Twilio defines a Variable Customer Account as a customer account that (a) has been categorized as a Variable Customer Account in any prior quarter, as well as (b) any new customer account that (i) has never signed a minimum revenue commitment contract with Twilio for a term of at least 12 months and (ii) meets or exceeds 1% of the Company's revenue in a quarter. Once a customer account is deemed to be a Variable Customer Account in any period, they remain a Variable Customer Account in subsequent periods unless they enter into a minimum revenue commitment contract with Twilio for a term of at least 12 months.

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***Dollar-Based Net Expansion Rate.*** Twilio's ability to drive growth and generate incremental revenue depends, in part, on the Company's ability to maintain and grow its relationships with existing Active Customer Accounts and to increase their use of the platform. An important way in which Twilio tracks its performance in this area is by measuring the Dollar-Based Net Expansion Rate for Active Customer Accounts, other than Variable Customer Accounts. Twilio's 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. Twilio's Dollar-Based Net Expansion Rate decreases when such Active Customer Accounts cease or reduce their usage of a product or when the Company lowers 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. Twilio believes that measuring Dollar-Based Net Expansion Rate on revenue generated from Active Customer Accounts, other than Variable Customer Accounts, provides a more meaningful indication of the performance of the Company's efforts to increase revenue from existing customer accounts.

Twilio's Dollar-Based Net Expansion Rate compares the revenue from Active Customer Accounts, other than Variable Customer Accounts, in a quarter to the same quarter in the prior year. To calculate the Dollar-Based Net Expansion Rate, the Company first identifies the cohort of Active Customer Accounts, other than Variable 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 Twilio calculates 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.

Source: Twilio Inc.

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

|   | <b>Three Months Ended<br/>December 31,</b> |                    |
|---|--|--------------------|
|   | <b>2017</b>                                | <b>2016</b>        |
|   | <b>(Unaudited)</b>                         |                    |
| Revenue   | \$ 115,236                                 | \$ 81,952          |
| Cost of revenue   | 55,022                                     | 34,205             |
| Gross profit  | <u>60,214</u>                              | <u>47,747</u>      |
| Operating expenses:   |  |                    |
| Research and development  | 32,829                                     | 24,587             |
| Sales and marketing   | 27,622                                     | 17,816             |
| General and administrative  | 18,809                                     | 14,304             |
| Charitable contribution   | 1,172                                      | 3,860              |
| Total operating expenses  | <u>80,432</u>                              | <u>60,567</u>      |
| Loss from operations  | (20,218)                                   | (12,820)           |
| Other income (expenses), net  | 1,102                                      | 225                |
| Loss before (provision) benefit for income taxes  | (19,116)                                   | (12,595)           |
| (Provision) benefit for income taxes  | 197  | (13)               |
| Net loss attributable to common stockholders  | <u>\$ (18,919)</u>                         | <u>\$ (12,608)</u> |
| Net loss per share attributable to common stockholders, basic and diluted   | <u>\$ (0.20)</u>                           | <u>\$ (0.15)</u>   |
| Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted | <u>93,246,941</u>                          | <u>86,132,737</u>  |

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

|   | <b>Year Ended<br/>December 31,</b> |                    |
|---|------------------------------------|--------------------|
|   | <b>2017</b>                        | <b>2016</b>        |
| Revenue   | \$ 399,020                         | \$ 277,335         |
| Cost of revenue   | 182,895                            | 120,520            |
| Gross profit  | <u>216,125</u>                     | <u>156,815</u>     |
| Operating expenses:   |                                    |                    |
| Research and development  | 120,739                            | 77,926             |
| Sales and marketing   | 100,669                            | 65,267             |
| General and administrative  | 59,619                             | 51,077             |
| Charitable contribution   | 1,172                              | 3,860              |
| Total operating expenses  | <u>282,199</u>                     | <u>198,130</u>     |
| Loss from operations  | (66,074)                           | (41,315)           |
| Other income (expenses), net  | <u>3,071</u>                       | <u>317</u>         |
| Loss before provision for income taxes  | (63,003)                           | (40,998)           |
| Provision for income taxes  | <u>(705)</u>                       | <u>(326)</u>       |
| Net loss attributable to common stockholders  | <u>\$ (63,708)</u>                 | <u>\$ (41,324)</u> |
| Net loss per share attributable to common stockholders, basic and diluted   | <u>\$ (0.70)</u>                   | <u>\$ (0.78)</u>   |
| Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted | <u>91,224,607</u>                  | <u>53,116,675</u>  |

**TWILIO INC.**  
**Consolidated Balance Sheets**  
(In thousands)

|  | As of December 31, |                   |
|--|--------------------|-------------------|
|  | 2017               | 2016              |
| <b>Assets</b>                                  |                    |                   |
| Current assets:                                |                    |                   |
| Cash and cash equivalents                      | \$ 115,286         | \$ 305,665        |
| Short-term marketable securities               | 175,587            | -                 |
| Accounts receivable, net                       | 43,113             | 26,203            |
| Prepaid expenses and other current assets      | 19,279             | 21,512            |
| Total current assets                           | <u>353,265</u>     | <u>353,380</u>    |
| Restricted cash                                | 5,502              | 7,445             |
| Property and equipment, net                    | 50,541             | 37,552            |
| Intangible assets, net                         | 20,064             | 10,268            |
| Goodwill                                       | 17,851             | 3,565             |
| Other long-term assets                         | 2,559              | 484               |
| Total assets                                   | <u>\$ 449,782</u>  | <u>\$ 412,694</u> |
| <b>Liabilities and Stockholders' Equity</b>    |                    |                   |
| Current liabilities:                           |                    |                   |
| Accounts payable                               | \$ 11,116          | \$ 4,174          |
| Accrued expenses and other current liabilities | 53,614             | 59,308            |
| Deferred revenue                               | 13,797             | 10,222            |
| Total current liabilities                      | <u>78,527</u>      | <u>73,704</u>     |
| Long-term liabilities                          | 11,409             | 9,543             |
| Total liabilities                              | <u>89,936</u>      | <u>83,247</u>     |
| Commitments and contingencies                  |                    |                   |
| Stockholders' equity:                          |                    |                   |
| Preferred stock                                | -                  | -                 |
| Common stock                                   | 94                 | 87                |
| Additional paid-in capital                     | 608,165            | 516,090           |
| Accumulated other comprehensive income         | 2,025              | -                 |
| Accumulated deficit                            | <u>(250,438)</u>   | <u>(186,730)</u>  |
| Total stockholders' equity                     | <u>359,846</u>     | <u>329,447</u>    |
| Total liabilities and stockholders' equity     | <u>\$ 449,782</u>  | <u>\$ 412,694</u> |

**TWILIO INC.**  
**Consolidated Statements of Cash Flow**  
(In thousands)

|   | <b>Year Ended<br/>December 31,</b> |                   |
|---|------------------------------------|-------------------|
|   | <b>2017</b>                        | <b>2016</b>       |
| <b>Operating Activities:</b>  |                                    |                   |
| Net loss  | \$ (63,708)                        | \$ (41,324)       |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                                    |                   |
| Depreciation and amortization   | 18,764                             | 8,315             |
| Amortization of bond premium  | 262                                | -                 |
| Stock-based compensation  | 49,619                             | 24,225            |
| Value of common stock donated to charity  | 1,172                              | -                 |
| Provision for doubtful accounts   | 580                                | 1,145             |
| Write-off of internally developed software  | 561                                | 711               |
| (Gain) loss on lease termination  | (295)                              | 94                |
| Changes in assets and liabilities:  |                                    |                   |
| Accounts receivable   | (15,280)                           | (8,254)           |
| Prepaid expenses and other current assets   | 2,214                              | (13,755)          |
| Other long-term assets  | (1,989)                            | (135)             |
| Accounts payable  | 5,433                              | 1,714             |
| Accrued expenses and other current liabilities  | (3,312)                            | 24,182            |
| Deferred revenue  | 3,560                              | 4,076             |
| Long-term liabilities   | (841)                              | 9,097             |
| Net cash provided by (used in) operating activities                                       | <u>(3,260)</u>                     | <u>10,091</u>     |
| <b>Investing Activities:</b>  |                                    |                   |
| (Increase) decrease in restricted cash  | 3,118                              | (7,439)           |
| Purchases of marketable securities  | (293,186)                          | -                 |
| Maturities of marketable securities   | 115,877                            | -                 |
| Capitalized software development costs  | (17,280)                           | (11,527)          |
| Purchases of property and equipment   | (9,248)                            | (14,174)          |
| Purchases of intangible assets  | (290)                              | (785)             |
| Acquisitions, net of cash acquired  | (22,621)                           | (8,500)           |
| Net cash used in investing activities   | <u>(223,630)</u>                   | <u>(42,425)</u>   |
| <b>Financing Activities:</b>  |                                    |                   |
| Proceeds from initial public offering, net of underwriting discounts                      | -                                  | 160,426           |
| Proceeds from follow-on public offering, net of underwriting discounts                    | -                                  | 65,281            |
| Payments of costs related to public offerings   | (430)                              | (4,606)           |
| Proceeds from exercises of stock options  | 25,627                             | 9,100             |
| Proceeds from shares issued in ESPP   | 11,918                             | -                 |
| Value of equity awards withheld for tax liabilities                                       | (678)                              | (1,037)           |
| Net cash provided by financing activities   | <u>36,437</u>                      | <u>229,164</u>    |
| Effect of exchange rate changes on cash and cash equivalents                              | 74                                 | -                 |
| Net increase (decrease) in cash and cash equivalents                                      | (190,379)                          | 196,830           |
| Cash and cash equivalents at beginning of year  | 305,665                            | 108,835           |
| Cash and cash equivalents at end of year  | <u>\$ 115,286</u>                  | <u>\$ 305,665</u> |

**TWILIO INC.**
**Reconciliation to Non-GAAP Financial Measures**

(In thousands, except share and per share amounts)

|   | <b>Three Months Ended<br/>December 31,</b> |                  |
|---|--|------------------|
|   | <b>2017</b>                                | <b>2016</b>      |
|   | (Unaudited)                                |                  |
| <b>Gross profit</b>                                 | \$ 60,214                                  | \$ 47,747        |
| Non-GAAP adjustments:                               |  |                  |
| Stock-based compensation                            | 190  | 156              |
| Amortization of acquired intangibles                | 1,215                                      | 409              |
| Non-GAAP gross profit                               | <u>\$ 61,619</u>                           | <u>\$ 48,312</u> |
| Non-GAAP gross margin                               | 53%  | 59%              |
| <b>Research and development</b>                     | \$ 32,829                                  | \$ 24,587        |
| Non-GAAP adjustments:                               |  |                  |
| Stock-based compensation                            | (6,121)                                    | (5,310)          |
| Amortization of acquired intangibles                | (38)                                       | (37)             |
| Payroll taxes related to stock-based compensation   | (122)                                      | (61)             |
| Non-GAAP research and development                   | <u>\$ 26,548</u>                           | <u>\$ 19,179</u> |
| Non-GAAP research and development as % of revenue   | 23%  | 23%              |
| <b>Sales and marketing</b>                          | \$ 27,622                                  | \$ 17,816        |
| Non-GAAP adjustments:                               |  |                  |
| Stock-based compensation                            | (2,861)                                    | (1,690)          |
| Amortization of acquired intangibles                | (214)                                      | -                |
| Payroll taxes related to stock-based compensation   | (100)                                      | (169)            |
| Non-GAAP sales and marketing                        | <u>\$ 24,447</u>                           | <u>\$ 15,957</u> |
| Non-GAAP sales and marketing as % of revenue        | 21%  | 19%              |
| <b>General and administrative</b>                   | \$ 18,809                                  | \$ 14,304        |
| Non-GAAP adjustments:                               |  |                  |
| Stock-based compensation                            | (4,474)                                    | (1,420)          |
| Amortization of acquired intangibles                | (20)                                       | (27)             |
| Acquisition related expenses                        | -  | (362)            |
| Release of tax liability upon obligation settlement | 284  | 805              |
| Payroll taxes related to stock-based compensation   | (79)                                       | (204)            |
| Non-GAAP general and administrative                 | <u>\$ 14,520</u>                           | <u>\$ 13,096</u> |
| Non-GAAP general and administrative as % of revenue | 13%  | 16%              |
| <b>Loss from operations and margin</b>              | \$ (20,218)                                | \$ (12,820)      |
| Non-GAAP adjustments:                               |  |                  |
| Stock-based compensation                            | 13,646                                     | 8,576            |
| Amortization of acquired intangibles                | 1,487                                      | 473              |
| Release of tax liability upon obligation settlement | (284)                                      | (805)            |
| Acquisition related expenses                        | -  | 362              |
| Payroll taxes related to stock-based compensation   | 301  | 434              |
| Charitable contribution                             | 1,172                                      | 3,860            |
| Non-GAAP income (loss) from operations              | <u>\$ (3,896)</u>                          | <u>\$ 80</u>     |
| Non-GAAP operating margin                           | -3%  | 0%               |

**TWILIO INC.**
**Reconciliation to Non-GAAP Financial Measures**

(In thousands, except share and per share amounts)

|   | <b>Three Months Ended<br/>December 31,</b> |               |
|---|--|---------------|
|   | <b>2017</b>                                | <b>2016</b>   |
|   | (Unaudited)                                |               |
| <b>Net loss attributable to common stockholders</b>                               | \$ (18,919)                                | \$ (12,608)   |
| Non-GAAP adjustments:   |  |               |
| Stock-based compensation  | 13,646                                     | 8,576         |
| Amortization of acquired intangibles  | 1,487                                      | 473           |
| Release of tax liability upon obligation settlement                               | (284)                                      | (805)         |
| Acquisition related expenses  | -  | 362           |
| Payroll taxes related to stock-based compensation                                 | 301  | 434           |
| Charitable contribution   | 1,172                                      | 3,860         |
| Non-GAAP net income (loss) attributable to common stockholders                    | <u>\$ (2,597)</u>                          | <u>\$ 292</u> |
| Non-GAAP net income (loss) attributable to common stockholders as % of revenue    | -2%  | 0%            |
| <b>Net loss per share attributable to common stockholders, basic and diluted*</b> | \$ (0.20)                                  | \$ (0.15)     |



|   |                  |                |
|---|------------------|----------------|
| Non-GAAP adjustments:   |                  |                |
| Stock-based compensation  | 0.15             | 0.10           |
| Amortization of acquired intangibles  | 0.02             | 0.01           |
| Release of tax liability upon obligation settlement                               | (0.00)           | (0.01)         |
| Acquisition related expenses  | -                | 0.00           |
| Payroll taxes related to stock-based compensation                                 | 0.00             | 0.01           |
| Charitable contribution   | 0.01             | 0.04           |
| Dilutive securities   | -                | 0.00           |
| Non-GAAP net income (loss) per share attributable to common stockholders, diluted | <u>\$ (0.03)</u> | <u>\$ 0.00</u> |

|   |                   |                   |
|---|-------------------|-------------------|
| <b>GAAP weighted-average shares used to compute Non-GAAP net income (loss) per share attributable to common stockholders, basic and diluted</b> | <u>93,246,941</u> | <u>86,132,737</u> |
|---|-------------------|-------------------|

|   |   |            |
|---|---|------------|
| <b>Effect of dilutive securities (stock options and restricted stock units)</b> | - | 14,073,935 |
|---|---|------------|

|   |                   |                    |
|---|-------------------|--------------------|
| <b>Non-GAAP weighted-average shares used to compute Non-GAAP net income (loss) per share attributable to common stockholders, basic and diluted</b> | <u>93,246,941</u> | <u>100,206,672</u> |
|---|-------------------|--------------------|

\* Some columns may not add due to rounding

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**TWILIO INC.**
**Reconciliation to Non-GAAP Financial Measures**
**(In thousands, except share and per share amounts)**

|   | <b>Year Ended<br/>December 31,</b> |                    |
|---|------------------------------------|--------------------|
|   | <b>2017</b>                        | <b>2016</b>        |
|   | (Unaudited)                        |                    |
| <b>Gross profit</b>                                 | \$ 216,125                         | \$ 156,815         |
| Non-GAAP adjustments:                               |                                    |                    |
| Stock-based compensation                            | 650                                | 291                |
| Amortization of acquired intangibles                | 4,644                              | 619                |
| Non-GAAP gross profit                               | <u>\$ 221,419</u>                  | <u>\$ 157,725</u>  |
| Non-GAAP gross margin                               | 55%                                | 57%                |
| <b>Research and development</b>                     | \$ 120,739                         | \$ 77,926          |
| Non-GAAP adjustments:                               |                                    |                    |
| Stock-based compensation                            | (22,808)                           | (12,946)           |
| Amortization of acquired intangibles                | (139)                              | (151)              |
| Payroll taxes related to stock-based compensation   | (1,466)                            | (61)               |
| Gain on lease termination                           | 150                                | -                  |
| Non-GAAP research and development                   | <u>\$ 96,476</u>                   | <u>\$ 64,768</u>   |
| Non-GAAP research and development as % of revenue   | 24%                                | 23%                |
| <b>Sales and marketing</b>                          | \$ 100,669                         | \$ 65,267          |
| Non-GAAP adjustments:                               |                                    |                    |
| Stock-based compensation                            | (9,822)                            | (4,972)            |
| Amortization of acquired intangibles                | (753)                              | -                  |
| Payroll taxes related to stock-based compensation   | (714)                              | (169)              |
| Gain on lease termination                           | 100                                | -                  |
| Non-GAAP sales and marketing                        | <u>\$ 89,480</u>                   | <u>\$ 60,126</u>   |
| Non-GAAP sales and marketing as % of revenue        | 22%                                | 22%                |
| <b>General and administrative</b>                   | \$ 59,619                          | \$ 51,077          |
| Non-GAAP adjustments:                               |                                    |                    |
| Stock-based compensation                            | (16,339)                           | (6,016)            |
| Amortization of acquired intangibles                | (84)                               | (110)              |
| Acquisition related expenses                        | (310)                              | (499)              |
| Release of tax liability upon obligation settlement | 13,365                             | 805                |
| Payroll taxes related to stock-based compensation   | (770)                              | (204)              |
| Gain on lease termination                           | 45                                 | -                  |
| Non-GAAP general and administrative                 | <u>\$ 55,526</u>                   | <u>\$ 45,053</u>   |
| Non-GAAP general and administrative as % of revenue | 14%                                | 16%                |
| <b>Loss from operations and margin</b>              | \$ (66,074)                        | \$ (41,315)        |
| Non-GAAP adjustments:                               |                                    |                    |
| Stock-based compensation                            | 49,619                             | 24,225             |
| Amortization of acquired intangibles                | 5,620                              | 880                |
| Acquisition related expenses                        | 310                                | 499                |
| Release of tax liability upon obligation settlement | (13,365)                           | (805)              |
| Payroll taxes related to stock-based compensation   | 2,950                              | 434                |
| Gain on lease termination                           | (295)                              | -                  |
| Charitable contribution                             | 1,172                              | 3,860              |
| Non-GAAP loss from operations                       | <u>\$ (20,063)</u>                 | <u>\$ (12,222)</u> |
| Non-GAAP operating margin                           | -5%                                | -4%                |

**TWILIO INC.**
**Reconciliation to Non-GAAP Financial Measures**
**(In thousands, except share and per share amounts)**

|   | <b>Year Ended<br/>December 31,</b> |                    |
|---|------------------------------------|--------------------|
|   | <b>2017</b>                        | <b>2016</b>        |
|   | (Unaudited)                        |                    |
| <b>Net loss attributable to common stockholders</b>   | \$ (63,708)                        | \$ (41,324)        |
| Non-GAAP adjustments:                                 |                                    |                    |
| Stock-based compensation                              | 49,619                             | 24,225             |
| Amortization of acquired intangibles                  | 5,620                              | 880                |
| Release of tax liability upon obligation settlement   | (13,365)                           | (805)              |
| Acquisition related expenses                          | 310                                | 499                |
| Payroll taxes related to stock-based compensation     | 2,950                              | 434                |
| Gain on lease termination                             | (295)                              | -                  |
| Charitable contribution                               | 1,172                              | 3,860              |
| Non-GAAP net loss attributable to common stockholders | <u>\$ (17,697)</u>                 | <u>\$ (12,231)</u> |

|  |                   |                   |
|--|-------------------|-------------------|
| Non-GAAP net loss attributable to common stockholders as % of revenue  | -4%               | -4%               |
| <b>Net loss per share attributable to common stockholders, basic and diluted*</b>  | \$ (0.70)         | \$ (0.78)         |
| Non-GAAP adjustments:  |                   |                   |
| Stock-based compensation   | 0.54              | 0.46              |
| Amortization of acquired intangibles   | 0.06              | 0.02              |
| Release of tax liability upon obligation settlement  | (0.15)            | (0.02)            |
| Acquisition related expenses   | 0.00              | 0.01              |
| Payroll taxes related to stock-based compensation  | 0.03              | 0.01              |
| Gain on lease termination  | (0.00)            | -                 |
| Charitable contribution  | 0.01              | 0.07              |
| Convertible preferred stock  | -                 | 0.07              |
| Non-GAAP net loss per share attributable to common stockholders, diluted   | <u>\$ (0.19)</u>  | <u>\$ (0.16)</u>  |
| <br>   |                   |                   |
| <b>GAAP weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted</b>              | 91,224,607        | 53,116,675        |
| <b>Weighted-average shares of convertible preferred stock issued and outstanding</b>   | -                 | 25,454,849        |
| <b>Non-GAAP weighted-average shares used to compute Non-GAAP net loss per share attributable to common stockholders, basic and diluted</b> | <u>91,224,607</u> | <u>78,571,524</u> |

\* Some columns may not add due to rounding

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**TWILIO INC.****Key Metrics****(Unaudited)**

Number of Active Customers ( *as of end date of period* )  
Base Revenue ( *in thousands* )  
*Base Revenue Growth Rate*  
Dollar-Based Net Expansion Rate

|    | <b>Three Months Ended</b> |                 |                  |                 |
|----|---------------------------|-----------------|------------------|-----------------|
|    | <b>March 31,</b>          | <b>June 30,</b> | <b>Sept. 30,</b> | <b>Dec. 31,</b> |
|    | <b>2017</b>               | <b>2017</b>     | <b>2017</b>      | <b>2017</b>     |
|    | 40,696                    | 43,431          | 46,489           | 48,979          |
| \$ | 80,643                    | \$ 87,583       | \$ 91,965        | \$ 105,299      |
|    | 62%                       | 55%             | 43%              | 40%             |
|    | 141%                      | 131%            | 122%             | 118%            |

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