

## Background

- Twilio (NYSE: TWLO) is a leading cloud communications platform that provides software to enable developers to build real-time communications inside of software applications.
- World's leading communications-platform-as-a-service (CPaaS) provider
- Founded in 2008 and IPO'd in 2016. Stock up 16x since IPO, and ~240% just in 2020

## Tailwinds

- Global investments in digital transformation will nearly double by 2023 to \$2.3T
- Communication is a requirement for almost all applications. In 2020, 932B customer interactions were conducted through Twilio. This market is expected to grow
- Twilio Frontline is a key tool in enabling work from home - a mobile application that allows deskless employees to securely connect with customers anywhere

## Leadership

- Jeff Lawson is the founder, CEO, and chairman of Twilio, and owns 3.6% of the company
- Lawson is deeply technical, and has held founding executive roles at Nine Start, StubHub and Varsity; he was one of the original product managers for Amazon Web Services
- Total insider ownership ~4%, which is relatively low
- Twilio has experienced rapid growth, doubling to 4,600 employees in the last year
- Glassdoor rating of 4.4 out of 5, and CEO approval rating of 96%

## Brand / Reputation

- Twilio focuses the majority of its marketing efforts on developers and product managers, with a land-and-expand growth model
- High pace of development, with regular releases of new products and features

## Total Addressable Market

- Global voice and text messaging market forecast to grow to \$10.9B in 2022 (5x in 5 years)
- Twilio estimate their total addressable market for all products and services at ~\$79B
- Twilio is the market leader especially with enterprise customers
- Recent Segment acquisition targets the Customer Data Platform (CDP) market of \$17B

## Customers

- 221,000 customers (+23% YOY), notably Amazon, Facebook, Netflix, Airbnb, Nike, Twitter
- Revenue from the top 10 active customer accounts represented 13% of revenue in Q4 (down from 14% in the previous year). Customer concentration remains a minor risk
- WhatsApp is their largest customer, accounting for ~6% of revenue
- Only 27% of their revenue comes from international customers - room to grow

## Optionality

- 25 distinct product offerings across 5 groups: Solutions, Services, Channel APIs, Super Network and Tools
- Twilio Flex is the company's fully programmable contact center platform. Flex has over 600 customers, and its revenue in 2020 increased 184% over the previous year
- Acquired Segment in 2020 for \$3.2B. Segment offers a Customer Data Platform (CDP) and allows a company to see a single unified view of all their customer interactions
- \$750 million strategic investment in Syniverse gives Twilio better access to Syniverse's 4G, 5G, and IoT networks

## Competitors

- Competition from tech giants Microsoft and Cisco, and from smaller pure plays Vonage, Bandwidth, Plivo, Nexmo and Sinch
- Emerging competitor MessageBird expected to IPO in 2021 (current valuation \$3B). Has 15,000 customers including Heineken, Domino's Pizza, Telegram and Uber, and has a strong presence in Europe and Asia
- Twilio CEO Oct 2020 interview with CNBC seemed somewhat complacent about competition, however the company are investing heavily in R&D

## Financials

- Most of Twilio's revenue is usage-based and their revenue growth has been amazingly high - \$1.76B in 2020 vs. \$167M in revenue 5 years ago - 10x in 5 years
- Still not profitable as they have been re-investing heavily in growing the business
- Significant shareholders dilution, with total shares outstanding growing by 22% in last year, however primarily related to key acquisitions
- Valuation currently higher than it has ever been at 31x sales
- Market cap of \$66B, P/S 31, total cash \$3B, total debt \$350M