

# Alkami Announces Second Quarter 2021 Financial Results

PLANO, Texas, Aug. 04, 2021 (GLOBE NEWSWIRE) -- Alkami Technology, Inc. ("Alkami"), a leading cloud-based digital banking solutions provider for U.S.-based financial institutions, announced today results for its second quarter ending June 30, 2021.

## Second Quarter 2021 Financial Highlights

- GAAP total revenues of \$36.7 million, an increase of 38% year-over-year;
- GAAP gross margin of 55.9%, an expansion of over 550 basis points year-over-year;
- Non-GAAP gross margin of 57.5%, an expansion of over 680 basis points year-over-year;
- GAAP net loss of (\$11.4) million compared to a net loss of (\$7.3) million in the prior year quarter; and
- Adjusted EBITDA loss of (\$5.4) million compared to a loss of (\$6.0) million in the prior year quarter.

## Comments on the News

"Second quarter financial results were strong and validate our team's dedication to the goal of being the best-of-breed digital banking platform for our industry," said Mike Hansen, Chief Executive Officer. "We introduced new features and functionality as part of two code releases during the quarter that focused on our key innovation areas of UI/UX, business banking, open platform capabilities and data solutions. We believe a relentless focus on innovation will drive client demand and revenue growth over the long term. We believe this focus, in part, enabled us to secure three new key banks during July."

"Second quarter financial results were above our expectations," said Bryan Hill, Chief Financial Officer. "We added over 740,000 digital banking users to our platform during the second quarter, exited the quarter with 10.7 million digital banking users on our platform, annual recurring revenue of \$144.7 million and revenue per user of \$13.48. We expect to continue to invest in our go-to-market capabilities as well as innovation to drive revenue growth over the long term as we march towards profitability."

## 2021 Financial Outlook

Alkami's financial outlook is based on current expectations. The following statements are forward-looking and actual results could differ materially depending on market conditions and the factors set forth under "Cautionary Statement Regarding Forward-Looking Statements."

Alkami management expects to achieve the following results during the third quarter ending September 30, 2021:

- GAAP total revenue is expected to be in the range of \$38.0 million to \$39.0 million;
- Adjusted EBITDA loss is expected to be in the range of (\$7.5) million to (\$6.5) million.

Alkami management expects to achieve the following results during the calendar year ending December 31, 2021:

- GAAP total revenue is expected to be in the range of \$148.0 million to \$151.0 million;
- Adjusted EBITDA loss is expected to be in the range of (\$24.5) million to (\$22.5) million.

## Conference Call Information

The Company will host a conference call at 5:00 p.m. ET today to discuss its financial results with investors. A live webcast of the event will be available on the Alkami investor relations website at [investors.alkami.com](http://investors.alkami.com). In addition, a live dial-in will be available domestically at 800-708-4540 and internationally at 847-619-6937 using passcode 50201363. A replay will be available on the "News & Events" page of the Alkami investor relations website.

## About Alkami

Alkami Technology, Inc. is a leading cloud-based digital banking solutions provider for financial institutions in the United States that enables clients to grow confidently, adapt quickly and build thriving digital communities. The Alkami Platform is the digital banking and fraud mitigation platform of choice for over 260 financial institutions. Alkami's investments have resulted in a premium platform that has enabled it to replace older, larger and better-funded incumbents and provide clients with world-class experiences reflecting their individual digital strategies.

## Cautionary Statement Regarding Forward-Looking Statements

This press release contains "forward-looking" statements relating to Alkami Technology, Inc.'s strategy, goals, future focus areas, and expected, possible or assumed future results, including its future cash flows and its financial outlook for the third quarter ending September 30, 2021 and for the full year ending December 31, 2021. These forward-looking statements are based on management's beliefs and assumptions and on information currently available to management. Forward-looking statements include all statements that are not historical facts and may be identified by terms such as "expects," "believes," "plans," or similar expressions and the negatives of those terms. These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements, expressed or implied by the forward-looking statements, including the uncertainty associated with the potential impacts of the COVID-19 pandemic on our business, financial condition, and results of operations. We may be required to revise the results contained herein upon finalizing our review of our quarterly results, which could cause or contribute to such differences. Factors that may materially affect such forward-

looking statements include: Our limited operating history and history of operating losses; our ability to manage future growth; our ability to attract new clients and expand existing clients' use of our solutions; our ability to maintain, protect and enhance our brand; our ability to accurately predict the long-term rate of client subscription renewals or adoption of our solutions; our reliance on third-party software, content and services; our ability to effectively integrate our solutions with other systems used by our clients; intense competition in our industry; any downturn, consolidation or decrease in technology spend in the financial services industry; our ability and the ability of third parties on which we rely to prevent and identify breaches of security measures and resulting disruptions of our systems or operations and unauthorized access to client customer and other data; our ability to successfully integrate acquired companies or businesses; our ability to comply with regulatory and legal requirements and developments; our ability to attract and retain key employees; the political, economic and competitive conditions in the markets and jurisdictions where we operate; our ability to maintain, develop and protect our intellectual property; our ability to respond to evolving technological requirements and to develop or acquire new and enhanced products that achieve market acceptance in a timely manner; and our ability to estimate our expenses, future revenues, capital requirements, our needs for additional financing and our ability to obtain additional capital. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

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

The company reports its financial results in accordance with accounting principles generally accepted in the United States of America, or GAAP. However, the company believes that, in order to properly understand its short-term and long-term financial, operational and strategic trends, it may be helpful for investors to exclude certain non-cash or non-recurring items when used as a supplement to financial performance measures in accordance with GAAP. These items result from facts and circumstances that vary in both frequency and impact on continuing operations. The company also uses results of operations excluding such items to evaluate the operating performance of Alkami and compare it against prior periods, make operating decisions, determine executive compensation, and serve as a basis for long-term strategic planning. These non-GAAP financial measures provide the company with additional means to understand and evaluate the operating results and trends in its ongoing business by eliminating certain non-cash expenses and other items that Alkami believes might otherwise make comparisons of its ongoing business with prior periods more difficult, obscure trends in ongoing operations, reduce management's ability to make useful forecasts, or obscure the ability to evaluate the effectiveness of certain business strategies and management incentive structures. In addition, the company also believes that investors and financial analysts find this information to be helpful in analyzing the company's financial and operational performance and comparing this performance to the company's peers and competitors.

The company defines "Annual Recurring Revenue (ARR)" by aggregating annualized recurring revenue related to SaaS subscription services recognized in the last month of the reporting period as well as the next 12 months of expected implementation services revenues for all clients on the platform in the last month of the reporting period. We believe ARR provides important information about our future revenue potential, our ability to acquire new clients, and our ability to maintain and expand our relationship with existing clients.

The company defines "Registered Users" as an individual or business related to an account holder of an FI client on our digital banking platform who has registered to use one or more of our solutions and has current access to use those solutions as of the last day of the reporting period presented. We price our digital banking platform based on the number of registered users, so as the number of registered users of our digital banking platform increases, our ARR grows. We believe growth in the number of registered users provides important information about our ability to expand market adoption of our digital banking platform and its associated software products, and therefore to grow revenues over time.

The company defines "Revenue per Registered User (RPU)" by dividing ARR as of the last day of the reporting period by the number of registered users as of the last day of the reporting period. We believe RPU provides important information about our ability to grow the number of software products adopted by new clients over time, as well as our ability to expand the number of software products that our existing clients add to their contracts with us over time.

The company defines "Non-GAAP Cost of Revenues" as cost of revenues, excluding (1) amortization of intangible assets and (2) stock-based compensation expense. The company believes that investors and financial analysts find this non-GAAP financial measure to be useful in analyzing the company's financial and operational performance, comparing this performance to the company's peers and competitors, and understanding the company's ability to generate income from ongoing business operations.

The company defines "Non-GAAP Gross Margin" as gross profit, plus (1) amortization of intangible assets and (2) stock-based compensation expense, all divided by revenue. The company believes that investors and financial analysts find this non-GAAP financial measure to be useful in analyzing the company's financial and operational performance, comparing this performance to the company's peers and competitors, and understanding the company's ability to generate income from ongoing business operations.

The company defines "Non-GAAP Research and Development Expense" as research and development expense, excluding (1) amortization of intangible assets and (2) stock-based compensation expense. The company believes that investors and financial analysts find this non-GAAP financial measure to be useful in analyzing the company's financial and operational performance, comparing this performance to the company's peers and competitors, and understanding the company's ongoing expenditures related to product innovation.

The company defines "Non-GAAP Sales and Marketing Expense" as sales and marketing expense, excluding (1) amortization of intangible assets and (2) stock-based compensation expense. The company believes that investors and financial analysts find this non-GAAP financial measure to be useful in analyzing the company's financial and operational performance, comparing this performance to the company's peers and competitors, and understanding the company's ongoing

expenditures related to its sales and marketing strategies.

The company defines “Non-GAAP General and Administrative Expense” as general and administrative expense, excluding (1) amortization of intangible assets, (2) stock-based compensation expense, and (3) acquisition-related expenses. The company believes that investors and financial analysts find this non-GAAP financial measure to be useful in analyzing the company’s financial and operational performance, comparing this performance to the company’s peers and competitors, and understanding the company’s underlying expense structure to support corporate activities and processes.

The company defines “Non-GAAP Net Loss” as net loss attributable to common stockholders, plus (1) convertible preferred stock deemed and accrued dividends, (2) loss on financial instruments, (3) amortization of intangible assets, (4) stock-based compensation expense, and (5) acquisition-related expenses. The company believes that investors and financial analysts find this non-GAAP financial measure to be useful in analyzing the company’s financial and operational performance, comparing this performance to the company’s peers and competitors, and understanding the company’s ability to generate income from ongoing business operations.

The company defines “Adjusted EBITDA” as net loss before provision for income taxes, plus (1) loss on financial instruments, (2) interest expense, net, (3) amortization of intangible assets, (4) depreciation, (5) stock-based compensation expense, and (6) acquisition-related costs. The company believes adjusted EBITDA provides investors and other users of our financial information consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations.

<b>ALKAMI TECHNOLOGY, INC.</b>		
<b>CONDENSED CONSOLIDATED BALANCE SHEETS</b>		
<b>(In thousands, except share and per share data)</b>		
<b>(UNAUDITED)</b>		
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 338,477	\$ 166,790
Accounts receivable, net	15,590	14,103
Deferred implementation costs, current	5,434	4,745
Prepaid expenses and other current assets	8,693	7,598
Total current assets	368,194	193,236
Property and equipment, net	10,418	10,461
Deferred implementation costs, net of current portion	15,219	14,858
Intangibles, net	7,848	8,266
Goodwill	16,542	16,218
Other assets	6,521	6,127
Total assets	\$ 424,742	\$ 249,166
<b>Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)</b>		
Current liabilities		
Current portion of long-term debt	\$ 938	\$ 313
Accounts payable	2,575	360
Accrued liabilities	18,746	13,099
Deferred rent and tenant allowance, current	676	596
Deferred revenues, current portion	6,618	6,116
Total current liabilities	29,553	20,484
Long-term debt, net	23,967	24,566
Warrant liability	-	2,692
Deferred revenues, net of current portion	13,018	14,424
Deferred rent and tenant allowance, net of current portion	5,553	5,867
Other non-current liabilities	1,393	1,393
Total liabilities	73,484	69,426
Redeemable Convertible Preferred Stock		
Redeemable convertible preferred stock, \$0.001 par, 0 and 72,799,602 shares authorized and 0 and 72,225,916 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	-	443,263
Stockholders' Equity (Deficit)		
Preferred stock, \$0.001 par, 10,000,000 and 0 shares authorized and 0 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	-	-
Common stock, \$0.001 par, 500,000,000 and 101,671,156 shares authorized and 87,186,730 and 4,909,529 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	87	5
Additional paid-in capital	648,456	1262,520

Accumulated deficit		(209,209)		(209,209)
Total stockholders' equity (deficit)		351,258		(263,523)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	\$	424,742	\$	249,166

<b>ALKAMI TECHNOLOGY, INC.</b>				
<b>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS</b>				
<b>(In thousands, except share and per share data)</b>				
<b>(UNAUDITED)</b>				
	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Revenues	\$ 36,701	\$ 26,666	\$ 69,963	\$ 49,876
Cost of revenues	16,180	13,236	31,677	25,138
Gross profit	20,521	13,430	38,286	24,738
Operating expenses:				
Research and development	12,107	9,780	23,020	19,469
Sales and marketing	5,417	3,910	10,823	8,550
General and administrative	12,810	6,850	23,195	14,008
Total operating expenses	30,334	20,540	57,038	42,027
Loss from operations	(9,813)	(7,110)	(18,752)	(17,289)
Non-operating income (expense):				
Interest income	127	8	141	37
Interest expense	(298)	(99)	(608)	(203)
Loss on financial instruments	(1,391)	(66)	(3,035)	(67)
Loss before income taxes	(11,375)	(7,267)	(22,254)	(17,522)
Provision for income taxes	-	-	-	-
<b>Net loss</b>	<b>\$ (11,375)</b>	<b>\$ (7,267)</b>	<b>\$ (22,254)</b>	<b>\$ (17,522)</b>
Less: cumulative dividends and adjustments to redeemable convertible preferred stock	-	(277)	(277)	(554)
Net loss attributable to common stockholders:	\$ (11,375)	\$ (7,544)	\$ (22,531)	\$ (18,076)
Net loss per share attributable to common stockholders:				
Basic and diluted	\$ (0.15)	\$ (1.63)	\$ (0.56)	\$ (3.93)
Weighted average number of shares of common stock outstanding:				
Basic and diluted	74,831,512	4,635,852	40,399,138	4,602,436

<b>ALKAMI TECHNOLOGY, INC.</b>				
<b>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS</b>				
<b>(In thousands)</b>				
<b>(UNAUDITED)</b>				
	<b>Six months ended June 30,</b>			
	<b>2021</b>	<b>2020</b>		
<b>Cash flows from operating activities:</b>				
Net loss	\$ (22,254)	\$ (17,522)		
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization expense	1,582	1,317		
Stock-based compensation expense	4,441	909		
Amortization of debt issuance costs	26	38		
Loss on financial instruments	3,035	67		
Changes in operating assets and liabilities:				
Accounts receivable	(1,487)	(3,083)		
Prepaid expenses and other current assets	(3,319)	(1,577)		
Accounts payable and accrued liabilities	7,851	859		
Deferred implementation costs	(1,051)	(1,474)		
Deferred rent and tenant allowances	(233)	279		
Deferred revenues	(879)	191		
Net cash used in operating activities	(12,288)	(19,996)		
<b>Cash flows from investing activities:</b>				
Purchases of property and equipment	(471)	(1,403)		

Capitalized software development costs		
Acquisition of business	(326)	-
Net cash used in investing activities	(1,446)	(1,403)
<b>Cash flows from financing activities:</b>		
Borrowings on line of credit	-	13,000
Payments on line of credit	-	(13,000)
Proceeds from stock option exercises	4,935	98
Proceeds on sales of preferred stock, net of issuance costs	-	24,879
Deferred IPO issuance costs paid	(3,857)	-
Payments on capital lease obligations	-	(11)
Repurchase of common stock	(3,497)	-
Proceeds from issuance of common stock upon initial public offering, net of underwriting discounts and commissions	192,810	-
Payment of Series B dividend	(4,969)	-
Net cash provided by financing activities	185,422	24,966
Net increase in cash and cash equivalents and restricted cash	171,688	3,567
Cash and cash equivalents and restricted cash, beginning of period	171,663	11,982
Cash and cash equivalents and restricted cash, end of period	\$ 343,351	\$ 15,549

<b>ALKAMI TECHNOLOGY, INC.</b>				
<b>RECONCILIATION OF GAAP TO NON-GAAP MEASURES</b>				
<b>(In thousands, except per share data)</b>				
<b>(Unaudited)</b>				
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
GAAP total revenues	\$ 36,701	\$ 26,666	\$ 69,963	\$ 49,876
Annual Recurring Revenue (ARR)	\$ 144,685	\$ 105,001	\$ 144,685	\$ 105,001
Registered Users	10,730	8,304	10,730	8,304
Revenue per Registered User (RPU)	\$ 13.48	\$ 12.64	\$ 13.48	\$ 12.64
Non-GAAP Cost of Revenues				
Set forth below is a presentation of the company's "Non-GAAP Cost of Revenues." Please reference the "Explanation of Non-GAAP Measures" section.				
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
GAAP cost of revenues	\$ 16,180	\$ 13,236	\$ 31,677	\$ 25,138
Amortization of intangible assets	(118)	-	(236)	-
Stock-based compensation expense	(465)	(88)	(698)	(180)
Non-GAAP cost of revenues	\$ 15,597	\$ 13,148	\$ 30,743	\$ 24,958
Non-GAAP Gross Margin				
Set forth below is a presentation of the company's "Non-GAAP Gross Margin." Please reference the "Explanation of Non-GAAP Measures" section.				
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
GAAP gross margin	55.9%	50.4%	54.7%	49.6%
Amortization of intangible assets	0.3%	-%	0.3%	-%
Stock-based compensation expense	1.3%	0.3%	1.0%	0.4%
Non-GAAP gross margin	57.5%	50.7%	56.0%	50.0%
Non-GAAP Research and Development Expense				
Set forth below is a presentation of the company's "Non-GAAP Research and Development Expense." Please reference the "Explanation of Non-GAAP Measures" section.				
	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>

	2021	2020	2021	2020
GAAP research and development expense	\$ 12,107	\$ 9,780	\$ 23,020	\$ 19,469
Amortization of intangible assets	-	-	-	-
Stock-based compensation expense	(702)	(101)	(1,001)	(206)
Non-GAAP research and development expense	\$ 11,405	\$ 9,679	\$ 22,019	\$ 19,263

Non-GAAP Sales and Marketing Expense

Set forth below is a presentation of the company's "Non-GAAP Sales and Marketing Expense." Please reference the "Explanation of Non-GAAP Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
GAAP sales and marketing expense	\$ 5,417	\$ 3,910	\$ 10,823	\$ 8,550
Amortization of intangible assets	(91)	-	(182)	-
Stock-based compensation expense	(241)	(33)	(344)	(66)
Non-GAAP sales and marketing expense	\$ 5,085	\$ 3,877	\$ 10,297	\$ 8,484

Non-GAAP General and Administrative Expense

Set forth below is a presentation of the company's "Non-GAAP General and Administrative Expense." Please reference the "Explanation of Non-GAAP Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
GAAP general and administrative expense	\$ 12,810	\$ 6,850	\$ 23,195	\$ 14,008
Amortization of intangible assets	-	-	-	-
Stock-based compensation expense	(1,615)	(228)	(2,398)	(457)
Acquisition-related expenses	(625)	-	(1,263)	-
Non-GAAP general and administrative expense	\$ 10,570	\$ 6,622	\$ 19,534	\$ 13,551

Non-GAAP Net Loss

Set forth below is a presentation of the company's "Non-GAAP Net Loss." Please reference the "Explanation of Non-GAAP Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
GAAP net loss attributable to common stockholders	\$ (11,375)	\$ (7,544)	\$ (22,531)	\$ (18,076)
Convertible preferred stock deemed and accrued dividends	-	277	277	554
Loss on financial instruments	1,391	66	3,035	67
Amortization of intangible assets	209	-	418	-
Stock-based compensation expense	3,023	450	4,441	909
Acquisition-related expenses	625	-	1,263	-
Non-GAAP net loss	\$ (6,127)	\$ (6,751)	\$ (13,097)	\$ (16,546)

Adjusted EBITDA

Set forth below is a presentation of the company's "Adjusted EBITDA." Please reference the "Explanation of Non-GAAP Measures" section.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2021	2020	2021	2020
GAAP net loss	\$ (11,375)	\$ (7,267)	\$ (22,254)	\$ (17,522)
Provision for income taxes	-	-	-	-
Loss on financial instruments	1,391	66	3,035	67
Interest expense, net	170	90	466	165
Amortization of intangible assets	209	-	418	-
Depreciation	587	665	1,164	1,317
Stock-based compensation expense	3,023	450	4,441	909
Acquisition-related expenses	625	-	1,263	-
Adjusted EBITDA	\$ (5,370)	\$ (5,996)	\$ (11,467)	\$ (15,064)

Adjusted EBITDA Guidance

Set forth below is a presentation of the company's "Adjusted EBITDA" for the three months ending September 30, 2021, and the twelve months ending December 31, 2021. Please reference the "Explanation of Non-GAAP Measures" section.

	Guidance Range for the Three Months Ending September 30, 2021		Guidance Range for the Twelve Months Ending December 31, 2021	
	Low	High	Low	High
GAAP net loss	\$ (12,655)	\$ (11,410)	\$ (45,510)	\$ (42,935)
Provision for income taxes	-	-	-	-
Loss on financial instruments	-	-	3,035	3,035
Interest expense, net	110	95	725	600
Amortization of intangible assets	220	190	750	900
Depreciation	850	750	3,000	2,700
Stock-based compensation expense	3,350	3,250	11,000	10,700
Acquisition-related expenses	625	625	2,500	2,500
Adjusted EBITDA	\$ (7,500)	\$ (6,500)	\$ (24,500)	\$ (22,500)

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<https://investors.alkami.com/2021-08-04-alkami-announces-second-quarter-2021-financial-results>