

Alkami Announces Second Quarter 2022 Financial Results

PLANO, Texas, Aug. 03, 2022 (GLOBE NEWSWIRE) -- Alkami Technology, Inc. (Nasdaq: ALKT) ("Alkami"), a leading cloud-based digital banking solutions provider for U.S. banks and credit unions, today announced results for its second quarter ending June 30, 2022.

Second Quarter 2022 Financial Highlights

- GAAP total revenue of \$50.5 million, an increase of 38% compared to the year-ago quarter;
- GAAP gross margin of 54%, compared to 56% in the year-ago quarter;
- Non-GAAP gross margin of 58%, compared to 58% in the year-ago quarter;
- GAAP net loss of (\$20.2) million, compared to (\$11.4) million in the year-ago quarter; and
- Adjusted EBITDA loss of (\$5.3) million, compared to (\$5.4) million in the year-ago quarter.

Comments on the News

Alex Shootman, Chief Executive Officer, said, "In the second quarter, we continued to drive revenue growth, sales performance and operating efficiency. We closed seven new logos, including two banks, bringing our first half new logo count to six credit unions and six banks. In addition, we continued to expand add-on sales as FIs seek more ways to enhance the user experience. Our performance is a testament to continued marketplace demand for high-quality, end-to-end digital solutions, Alkami's superior execution, and our enthusiasm for innovation and client service."

"We exited the second quarter with 13.3 million digital banking users on the Alkami platform, up 24% from the year-ago quarter," said Bryan Hill, Chief Financial Officer. "In addition, add-on sales represented over 40% of new sales during the quarter, and there are now 39 new logos and significant add-on sales orders in implementation, representing a total of \$38 million in Annual Recurring Revenue. We exited the quarter with Annual Recurring Revenue of \$204 million, up 41% compared to June 30, 2021. Our revenue per registered user ended the quarter at \$15.33, including a contribution of \$0.88 from our Segmint acquisition, up 14% compared to the year-ago period."

2022 Financial Outlook

Alkami's financial outlook is based on current expectations, and includes the impact of the Segmint acquisition, which closed on April 25, 2022. 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 is providing guidance for its third quarter ending September 30, 2022 of:

- GAAP total revenue in the range of \$51.5 million to \$52.5 million;
- Adjusted EBITDA loss in the range of (\$6.0) million to (\$5.0) million.

Alkami is providing guidance for its calendar year ending December 31, 2022 of:

- GAAP total revenue in the range of \$201.0 million to \$203.5 million;
- Adjusted EBITDA loss in the range of (\$20.0) million to (\$18.0) million.

Alkami expects Segmint to contribute approximately \$9.0 million of revenue and an immaterial negative Adjusted EBITDA to its 2022 full-year financial performance. Alkami expects Segmint's annual recurring revenue under contract at December 31, 2022 to be in the range of \$15 to \$17 million, which represents a growth rate of 30% to 50% when compared to Segmint's annual recurring revenue as of December 31, 2021.

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. In addition, a live dial-in will be available domestically at 1-877-870-4263 and internationally at 1-412-317-0790 using passcode 10167764. A replay will be available in the Investor Relations section of the Alkami 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. Alkami helps clients transform through retail and business banking, digital account opening and loan origination, multi-payment fraud prevention, and data analytics and engagement solutions. To learn more, visit www.alkami.com.

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. 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. 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 retain and expand existing clients' use of our solutions; the unpredictable and time-consuming nature of our sales cycles; 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 (including cybersecurity) 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 to develop or acquire new and enhanced products that achieve market acceptance in a timely manner; our ability to estimate our expenses, future revenues, capital requirements, our needs for additional financing and our ability to obtain additional capital and other factors described in the Company's filings with the Securities and Exchange Commission. 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 and Key Business Metrics

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 "Non-GAAP Cost of Revenues" as cost of revenues, excluding (1) amortization of intangible assets, (2) amortization of capitalized internal use software and (3) 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, (2) amortization of capitalized internal use software and (3) 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 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 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) provision for income taxes (3) loss on financial instruments, (4) amortization of intangible assets, (5) amortization of capitalized internal use software, (6) stock-based compensation expense, (7) legal settlement (8) loss on extinguishment of debt and (9) acquisition-related expenses, net. 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 plus (1) provision for income taxes (2) loss on financial instruments, (3) interest expense, net, (4) amortization of intangible assets, (5) amortization of capitalized internal use software, (6) depreciation, (7) stock-based compensation expense, (8) legal settlement (9) loss on extinguishment of debt and (10) acquisition-related expenses, net. 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.

In addition, the Company also uses the following important operating metrics to evaluate its business:

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 for 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.

ALKAMI TECHNOLOGY, INC.				
CONDENSED CONSOLIDATED BALANCE SHEETS				
(In thousands, except share and per share data)				
(UNAUDITED)				
	June 30,		December 31,	
	2022		2021	
Assets				
Current assets				
Cash and cash equivalents	\$	89,117	\$	308,581
Marketable securities		124,237		—
Accounts receivable, net		27,367		20,821
Deferred implementation costs, current		6,717		6,272
Prepaid expenses and other current assets		13,652		9,487
Total current assets		261,090		345,161
Property and equipment, net		13,503		11,828
Deferred implementation costs, net of current portion		18,917		17,991
Intangibles, net		44,918		11,164
Goodwill		147,402		48,091
Other assets		5,280		2,275
Total assets	\$	491,110	\$	436,510
Liabilities and Stockholders' Equity (Deficit)				
Current liabilities				
Current portion of long-term debt	\$	1,063	\$	1,563
Accounts payable		3,787		3,649
Accrued liabilities		22,624		19,083
Deferred rent and tenant allowance, current		734		705
Deferred revenues, current portion		9,236		8,198
Total current liabilities		37,444		33,198
Long-term debt, net		83,391		23,053
Deferred revenues, net of current portion		13,219		13,873
Deferred rent and tenant allowance, net of current portion		4,814		5,190
Deferred income taxes		247		85
Other non-current liabilities		16,450		16,500
Total liabilities		155,565		91,899
Stockholders' Equity (Deficit)				
Preferred stock, \$0.001 par, 10,000,000 shares authorized and 0 shares issued and outstanding as of June 30, 2022 and December 31, 2021		—		—
Common stock, \$0.001 par, 500,000,000 shares authorized; and 91,036,107 and 89,954,657 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively		91		90

Additional paid-in capital		682,946		658,374
Accumulated deficit		(347,492)		(313,853)
Total stockholders' equity		335,545		344,611
Total liabilities and stockholders' equity	\$	491,110	\$	436,510

ALKAMI TECHNOLOGY, INC.						
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS						
(In thousands, except share and per share data)						
(UNAUDITED)						
	Three months ended June 30,			Six months ended June 30,		
	2022	2021	2022	2021	2022	2021
Revenues	\$ 50,530	\$ 36,701	\$ 95,320	\$ 69,963		
Cost of revenues ⁽¹⁾	23,257	16,180	43,237	31,677		
Gross profit	27,273	20,521	52,083	38,286		
Operating expenses:						
Research and development	16,595	12,107	30,751	23,020		
Sales and marketing	10,204	5,326	18,101	10,641		
General and administrative	18,731	12,185	35,777	21,932		
Acquisition-related expenses, net	796	625	(582)	1,263		
Amortization of acquired intangibles	331	91	426	182		
Total operating expenses	46,657	30,334	84,473	57,038		
Loss from operations	(19,384)	(9,813)	(32,390)	(18,752)		
Non-operating income (expense):						
Interest income	424	127	532	141		
Interest expense	(787)	(298)	(1,075)	(608)		
Loss on financial instruments	(254)	(1,391)	(387)	(3,035)		
Loss on extinguishment of debt	(76)	—	(76)	—		
Loss before income taxes	(20,077)	(11,375)	(33,396)	(22,254)		
Provision for income taxes	156	—	243	—		
Net loss	(20,233)	(11,375)	(33,639)	(22,254)		
Less: cumulative dividends and adjustments to redeemable convertible preferred stock	—	—	—	(277)		
Net loss attributable to common stockholders:	\$ (20,233)	\$ (11,375)	\$ (33,639)	\$ (22,531)		
Net loss per share attributable to common stockholders:						
Basic and diluted	\$ (0.22)	\$ (0.15)	\$ (0.37)	\$ (0.56)		
Weighted average number of shares of common stock outstanding:						
Basic and diluted	90,707,381	74,831,512	90,459,503	40,399,138		

⁽¹⁾ Includes amortization of acquired technology of \$0.9 million and \$0.1 million for the three months ended June 30, 2022 and 2021, respectively, and \$1.2 million and \$0.2 million for the six months ended June 30, 2022 and 2021, respectively.

ALKAMI TECHNOLOGY, INC.						
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS						
(In thousands)						
(UNAUDITED)						
	Six months ended June 30,					
	2022	2021	2022	2021	2022	2021
Cash flows from operating activities:						
Net loss	\$ (33,639)	\$ (22,254)				
Adjustments to reconcile net loss to net cash used in operating activities:						
Depreciation and amortization expense	2,962	1,582				
Accrued interest on marketable securities, net	(36)	—				
Stock-based compensation expense	21,449	4,441				
Amortization of debt issuance costs	29	26				
Gain on revaluation of contingent consideration	(2,700)	—				
Loss on financial instruments	387	3,035				
Deferred taxes	162	—				
Loss on extinguishment of debt	76	—				

	2022		2021		2022		2021	
GAAP gross margin	54.0%		55.9%		54.6%		54.7%	
Amortization of intangible assets	1.8%		0.3%		1.3%		0.3%	
Amortization of capitalized internal use software	0.1%		—%		0.1%		—%	
Stock-based compensation expense	2.1%		1.3%		2.1%		1.0%	
Non-GAAP gross margin	58.0%		57.5%		58.1%		56.0%	

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.

	Three Months Ended				Six Months Ended			
	June 30,				June 30,			
	2022		2021		2022		2021	
GAAP research and development expense	\$	16,595	\$	12,107	\$	30,751	\$	23,020
Stock-based compensation expense		(2,580)		(702)		(4,464)		(1,001)
Non-GAAP research and development expense	\$	14,015	\$	11,405	\$	26,287	\$	22,019

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,			
	2022		2021		2022		2021	
GAAP sales and marketing expense	\$	10,204	\$	5,326	\$	18,101	\$	10,641
Stock-based compensation expense		(997)		(241)		(1,747)		(344)
Non-GAAP sales and marketing expense	\$	9,207	\$	5,085	\$	16,354	\$	10,297

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,			
	2022		2021		2022		2021	
GAAP general and administrative expense	\$	18,731	\$	12,185	\$	35,777	\$	21,932
Legal settlement		(52)		—		(52)		—
Stock-based compensation expense		(6,635)		(1,615)		(12,797)		(2,398)
Non-GAAP general and administrative expense	\$	12,044	\$	10,570	\$	22,928	\$	19,534

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,			
	2022		2021		2022		2021	
GAAP net loss attributable to common stockholders	\$	(20,233)	\$	(11,375)	\$	(33,639)	\$	(22,531)
Convertible preferred stock deemed and accrued dividends		—		—		—		277
Provision for income taxes		156		—		243		—
Loss on financial instruments		254		1,391		387		3,035
Amortization of intangible assets		1,244		209		1,646		418
Amortization of capitalized internal use software		75		—		75		—
Stock-based compensation expense		11,268		3,023		21,042		4,441
Legal settlement		52		—		52		—
Loss on extinguishment of debt		76		—		76		—
Acquisition-related expenses, net ⁽¹⁾		796		625		(582)		1,263
Non-GAAP net loss	\$	(6,312)	\$	(6,127)	\$	(10,700)	\$	(13,097)

⁽¹⁾ Acquisition-related expenses, net include the accrual of deferred compensation due to the former owner of the acquired business, ACH Alert, in addition to acquisition related-expenses associated with the acquisition of MK and Segmint, primarily related to legal, consulting, and professional fees. These expenses are offset by the \$2.7 million gain on contingent consideration related to the purchase of MK.

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,			
	2022		2021		2022		2021	
GAAP net loss	\$	(20,233)	\$	(11,375)	\$	(33,639)	\$	(22,254)
Provision for income taxes		156		—		243		—
Loss on financial instruments		254		1,391		387		3,035
Interest expense, net		363		170		543		466
Amortization of intangible assets		1,244		209		1,646		418
Amortization of capitalized internal use software		75		—		75		—
Depreciation		625		587		1,241		1,164
Stock-based compensation expense		11,268		3,023		21,042		4,441
Legal settlement		52		—		52		—
Loss on extinguishment of debt		76		—		76		—
Acquisition-related expenses, net ⁽¹⁾		796		625		(582)		1,263
Adjusted EBITDA	\$	(5,324)	\$	(5,370)	\$	(8,916)	\$	(11,467)

⁽¹⁾ Acquisition-related expenses, net include the accrual of deferred compensation due to the former owner of the acquired business, ACH Alert, in addition to acquisition related-expenses associated with the acquisition of MK and Segmint, primarily related to legal, consulting, and professional fees. These expenses are offset by the \$2.7 million gain on contingent consideration related to the purchase of MK.

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