

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2022

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 001-40321

Alkami

ALKAMI TECHNOLOGY, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	45-3060776
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
5601 Granite Parkway, Suite 120	
Plano, TX	75204
(Address of Principal Executive Offices)	(Zip Code)

(877) 725-5264

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	ALKT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Smaller reporting company

Accelerated filer

Emerging growth company

Non-accelerated filer

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of registrant's common stock outstanding as of June 30, 2022 was 91,036,107.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ALKAMI TECHNOLOGY, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except share and per share data)
 (UNAUDITED)

	June 30, 2022	December 31, 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
Commitments and contingencies (Note 11 and 13)		
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

The above financial statements should be read in conjunction with the Notes to the Unaudited Condensed Consolidated Financial Statements.

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
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.

The above financial statements should be read in conjunction with the Notes to the Unaudited Condensed Consolidated Financial Statements.

ALKAMI TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE
PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share data)
(UNAUDITED)

	Three months ended June 30, 2022							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)	
	Shares	Amount	Shares	Amount				
Balance March 31, 2022	—	\$ —	90,469,637	\$ 90	\$ 669,284	\$ (327,259)	\$ 342,115	
Stock-based compensation	—	—	—	—	11,475	—	11,475	
Issuance of common stock upon restricted stock unit vesting	—	—	196,258	—	—	—	—	
Common stock issued under Employee Stock Purchase Plan (ESPP)	—	—	199,887	—	1,841	—	1,841	
Exercised stock options	—	—	170,325	1	346	—	347	
Net loss	—	—	—	—	—	(20,233)	(20,233)	
Balance June 30, 2022	—	\$ —	91,036,107	\$ 91	\$ 682,946	\$ (347,492)	\$ 335,545	

	Three months ended June 30, 2021							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)	
	Shares	Amount	Shares	Amount				
Balance March 31, 2021	72,225,916	\$ 443,540	6,755,179	\$ 7	\$ 3,974	\$ (277,910)	\$ (273,929)	
Stock-based compensation	—	—	—	—	3,023	—	3,023	
Exercised stock options	—	—	1,305,635	1	2,105	—	2,106	
Payment of Series B Dividend upon initial public offering	—	(4,969)	—	—	—	—	—	
Issuance of common stock upon initial public offering, net of underwriting discounts and commissions	—	—	6,900,000	7	192,803	—	192,810	
Conversion of redeemable convertible preferred stock to common stock upon initial public offering	(72,225,916)	(438,571)	72,225,916	72	438,498	—	438,570	
Conversion of redeemable convertible preferred stock warrants to common stock warrants upon initial public offering	—	—	—	—	5,727	—	5,727	
Costs in connection with initial public offering	—	—	—	—	(5,674)	—	(5,674)	
Net loss	—	—	—	—	—	(11,375)	(11,375)	
Balance June 30, 2021	—	\$ —	87,186,730	\$ 87	\$ 640,456	\$ (289,285)	\$ 351,258	

ALKAMI TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN REDEEMABLE CONVERTIBLE
PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands, except share data)
(UNAUDITED)

	Six months ended June 30, 2022							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)	
	Shares	Amount	Shares	Amount				
Balance December 31, 2021	—	\$ —	89,954,657	\$ 90	\$ 658,374	\$ (313,853)	\$ 344,611	
Stock-based compensation	—	—	—	—	21,449	—	21,449	
Issuance of common stock upon restricted stock unit vesting	—	—	278,308	—	—	—	—	
Common stock issued under Employee Stock Purchase Plan (ESPP)	—	—	199,887	—	1,841	—	1,841	
Exercised stock options	—	—	603,255	1	1,282	—	1,283	
Net loss	—	—	—	—	—	(33,639)	(33,639)	
Balance June 30, 2022	—	\$ —	91,036,107	\$ 91	\$ 682,946	\$ (347,492)	\$ 335,545	

	Six months ended June 30, 2021							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)	
	Shares	Amount	Shares	Amount				
Balance December 31, 2020	72,225,916	\$ 443,263	4,909,529	\$ 5	\$ —	\$ (263,528)	\$ (263,523)	
Stock-based compensation	—	—	—	—	4,441	—	4,441	
Exercised stock options	—	—	3,370,202	3	4,932	—	4,935	
Payment of Series B Dividend upon initial public offering	—	(4,969)	—	—	—	—	—	
Cumulative dividends and adjustments to redeemable convertible preferred stock	—	277	—	—	(277)	—	(277)	
Issuance of common stock upon initial public offering, net of underwriting discounts and commissions	—	—	6,900,000	7	192,803	—	192,810	
Conversion of redeemable convertible preferred stock to common stock upon initial public offering	(72,225,916)	(438,571)	72,225,916	72	438,498	—	438,570	
Conversion of redeemable convertible preferred stock warrants to common stock warrants upon initial public offering	—	—	—	—	5,727	—	5,727	
Costs in connection with initial public offering	—	—	—	—	(5,674)	—	(5,674)	
Repurchase of common stock	—	—	(218,917)	—	6	(3,503)	(3,497)	
Net loss	—	—	—	—	—	(22,254)	(22,254)	
Balance June 30, 2021	—	\$ —	87,186,730	\$ 87	\$ 640,456	\$ (289,285)	\$ 351,258	

The above financial statements should be read in conjunction with the Notes to the Unaudited Condensed Consolidated Financial Statements.

ALKAMI TECHNOLOGY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(UNAUDITED)

	Six months ended June 30,	
	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	—
Changes in operating assets and liabilities:		
Accounts receivable	(4,757)	(1,487)
Prepaid expenses and other current assets	(3,473)	(3,319)
Accounts payable and accrued liabilities	1,649	7,851
Deferred implementation costs	(1,371)	(1,051)
Deferred rent and tenant allowances	(347)	(233)
Deferred revenues	240	(879)
Net cash used in operating activities	<u>(19,369)</u>	<u>(12,288)</u>
Cash flows from investing activities:		
Purchase of marketable securities	(143,589)	—
Proceeds from maturities and redemptions of marketable securities	19,000	—
Purchases of property and equipment	(590)	(477)
Capitalized software development costs	(2,366)	(643)
Acquisition of business	(132,031)	(326)
Net cash used in investing activities	<u>(259,576)</u>	<u>(1,446)</u>
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	85,000	—
Principal payments on debt	(24,688)	—
Debt issuance costs paid	(851)	—
Proceeds from stock option exercises	1,282	4,935
Proceeds from ESPP issuance	1,841	—
Deferred IPO issuance costs paid	—	(3,857)
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	<u>62,584</u>	<u>185,422</u>
Net (decrease) increase in cash and cash equivalents and restricted cash	(216,361)	171,688
Cash and cash equivalents and restricted cash, beginning of period	312,954	171,663
Cash and cash equivalents and restricted cash, end of period	<u>\$ 96,593</u>	<u>\$ 343,351</u>
Supplemental disclosure of noncash financing activities		
Deferred IPO offering costs not yet paid	<u>\$ —</u>	<u>\$ 663</u>

The above financial statements should be read in conjunction with the Notes to the Unaudited Condensed Consolidated Financial Statements.

ALKAMI TECHNOLOGY, INC.
Notes to the Unaudited Condensed Consolidated Financial Statements
(In thousands, except share and per share data)
(Unaudited)

Note 1. Organization

Description of Business

Alkami Technology, Inc. (the “Company”) is a cloud-based digital banking solutions provider. The Company inspires and empowers community, regional and super-regional financial institutions (“FIs”) to compete with large, technologically advanced and well-resourced banks in the United States. The Company’s solution, the Alkami Platform, allows FIs to onboard and engage new users, accelerate revenues and meaningfully improve operational efficiency, all with the support of a proprietary, true cloud-based, multi-tenant architecture. The Company cultivates deep relationships with its clients through long-term, subscription-based contractual arrangements, aligning its growth with its clients’ success and generating an attractive unit economic model. The Company was incorporated in Delaware in August 2011, and its principal offices are located in Plano, Texas.

Note 2. Summary of Significant Accounting Policies

The accompanying financial statements reflect the application of significant accounting policies as described below.

Basis of Presentation and Consolidation

The interim unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. All intercompany accounts and transactions are eliminated.

In the Company's opinion, the accompanying interim unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting of normal, recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows for the periods indicated. Certain information and disclosures normally included in the notes to the annual consolidated financial statements prepared in accordance with GAAP have been omitted from these interim unaudited condensed consolidated financial statements pursuant to the rules and regulations of the SEC. Accordingly, these interim unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the accompanying notes for the fiscal year ended December 31, 2021, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission on February 25, 2022. Operating results for the three and six months ended June 30, 2022 are not necessarily indicative of results that may be expected for any other interim period or for the year ending December 31, 2022.

The Company has no sources of other comprehensive income, and accordingly, net loss presented each period is the same as comprehensive loss.

Reclassification. Acquisition-related expenses, net and amortization of acquired intangibles previously included in general and administrative expense and sales and marketing expense, respectively, were reclassified into separate individual captions within the condensed consolidated statement of operations to conform with the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant estimates and assumptions include determining the timing and amount of revenue recognition, recoverability and amortization period related to costs to obtain and fulfill contracts, deferred implementation costs, revaluation of contingent consideration, and business combinations.

Restricted Cash

The Company defines restricted cash as cash that is legally restricted as to withdrawal or usage. The amounts included in restricted cash on the condensed consolidated balance sheets at June 30, 2022 and December 31, 2021 represent the additional cash proceeds in deposit with an escrow agent for satisfaction of contingent consideration related to the acquisition of ACH Alert, LLC (“ACH Alert”). In addition, restricted cash representing additional cash proceeds in deposit with an escrow agent for satisfaction of a holdback provision related to the acquisitions of MK Decisioning Systems, LLC (“MK”) and Segmint Inc. (“Segmint”) is included in the condensed consolidated balance sheets at June 30, 2022 and December 31, 2021. See Note 3 for further information.

<i>(in thousands)</i>	June 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 89,117	\$ 308,581
Restricted cash included in Prepaid expenses and other current assets	4,376	3,373
Restricted cash included in Other assets	3,100	1,000
Total cash and cash equivalents and restricted cash	<u>\$ 96,593</u>	<u>\$ 312,954</u>

Marketable Securities

The Company classifies its fixed income marketable securities as trading securities based on its intentions with regard to these instruments. Accordingly, marketable securities are reported at fair value, with all unrealized holding gains and losses reflected in the condensed consolidated statements of operations.

Capitalized Software Development Costs

Software development costs relate primarily to software coding, systems interfaces, and testing of the Company’s proprietary systems and are accounted for in accordance with ASC 350-40, Internal Use Software. Internal software development costs are capitalized from the time the internal use software is in the application development stage until the software is ready for use. Business analysis, system evaluation, and software maintenance costs are expensed as incurred. The capitalized software development costs are reported in property and equipment, net in the condensed consolidated balance sheets.

The Company had \$4.9 million and \$2.6 million in capitalized internal software development costs as of June 30, 2022 and December 31, 2021, respectively. Capitalized software development costs are amortized using the straight-line method over the estimated useful life of the software, generally three to five years from when the asset is placed in service.

Contract Balances

Client contracts under which revenues have been recognized while the Company is not yet able to invoice results in contract assets. Generally, contract assets arise as a result of reallocating revenues when discounts are more heavily weighted in the early years of a multi-year contract or the client contract has substantive minimum fees that escalate over the term of the contract. Contract assets totaled \$0.6 million and \$0.7 million as of June 30, 2022 and December 31, 2021, respectively, which are included in other assets in the accompanying condensed consolidated balance sheets.

Contract liabilities are comprised of billings or payments received from the Company’s clients in advance of performance under the contract and are represented in deferred revenues in the condensed consolidated balance sheets.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, “Leases (Topic 842),” to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the consolidated balance sheets and disclosing key information about leasing arrangements. The Company anticipates that the adoption of Topic 842 will impact its consolidated balance sheets as most of its operating lease commitments will be subject to the new standard and recognized as right-of-use assets and corresponding operating lease liabilities upon the adoption of ASU 2016-02. The Company expects to adopt the standard in fiscal year 2022 using the modified retrospective transition approach and interim periods beginning 2023. The Company continues to evaluate quantitative impacts that the adoption of this standard will have. The Company expects total assets and liabilities reported will increase relative to such amounts prior to adoption.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments—Credit Losses (Topic 326),” which modifies the measurement of expected credit losses of certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The effective date for adoption of the new standard was delayed until calendar years beginning after December 15, 2022, with early adoption permitted. The Company expects to adopt the standard in its annual report on Form 10-K for the year ending December 31, 2022 and for interim periods beginning in 2023. This ASU is not expected to have a material impact on the Company’s financial statements.

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, as if the acquiring entity had originated the related revenue contracts. This standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including interim

periods within those fiscal years. An entity that early adopts this guidance in an interim period should apply the amendments (1) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (2) prospectively to all business combinations that occur on or after the date of initial application. The Company early adopted the standard during the second quarter of 2022 and has applied the related accounting to the business combination completed in the current fiscal year and will apply the standard to all business combinations completed prospectively. The adoption of ASU 2021-08 did not have a material impact on the consolidated financial statements.

Note 3. Business Combination

ACH Alert, LLC

On October 4, 2020, the Company announced the acquisition of substantially all of the assets of ACH Alert for approximately \$25 million in cash consideration. The ACH Alert acquisition also involved \$4.9 million of additional cash consideration that the Company placed on deposit with an escrow agent to be paid upon the continued employment of one of the owners of ACH Alert, of which \$2.5 million was paid in October 2021 and \$2.4 million is to be paid in October 2022. The Company has classified the amounts held in escrow as restricted cash on the condensed consolidated balance sheets and is accruing the estimated payouts over the requisite service period as a component of acquisition-related expenses on the condensed consolidated statements of operations. For the three and six months ended June 30, 2022, the Company recognized compensation expense of \$0.6 million and \$1.3 million, respectively, and for the three and six months ended June 30, 2021, the Company recognized compensation expense of \$0.6 million and \$1.2 million, respectively, related to this agreement.

MK Decisioning Systems, LLC

On September 10, 2021, the Company acquired substantially all of the assets of MK for approximately \$20 million in cash consideration due at closing subject to a \$2 million holdback provision held in escrow with \$1 million to be released at the 12-month anniversary of close and the remainder to be released at the 18-month anniversary of close. The Company also agreed to assume certain liabilities associated with MK's business. The integrated set of assets and activities acquired from MK through the acquisition meet the definition of a business under ASC 805, as updated by ASU 2017-01.

In addition to the base purchase price, the MK acquisition also included a potential earn-out that is tied to revenue of MK from sales of its products and services within two 12-month periods (the "First Earn-Out Period" and "Second Earn-Out Period"), with the First Earn-Out Period beginning on January 1, 2022 and ending on December 31, 2022 and the Second Earn-Out Period beginning on January 1, 2023 and ending on December 31, 2023. Pursuant to the terms and conditions set forth in the purchase agreement, the earn-out amount payable, if any, to the former owners, will be a maximum of \$7.5 million and \$17.5 million for the First Earn-Out Period and Second Earn-Out Period, respectively, contingent on achievement of certain revenue milestones. In certain circumstances within both Earn-Out Periods, the earn-out amounts are payable in a mix of cash and shares (based on a reference price of \$35 and limited to \$20 million in earn-out shares) of the Company's common stock subject to the election of the former owners. Earn-out amounts, if any, would be payable no later than 170 days after the end of each Earn-Out Period.

The Company has classified the amounts held in escrow as restricted cash on the condensed consolidated balance sheets. The fair value of the contingent earn-out both upon acquisition and as of December 31, 2021 was \$15.5 million, for which the balance was included in Other non-current liabilities on the condensed consolidated balance sheets. This initial estimated fair value was included as contingent consideration in the total purchase price. The Company remeasures the fair value of the contingent consideration on an ongoing basis and records the adjustment to the condensed consolidated statements of operations. For the three and six months ended June 30, 2022, the Company recorded a gain on revaluation of contingent consideration of \$0 and \$2.7 million, respectively. As of June 30, 2022, the fair value of the contingent earn-out was \$12.8 million.

Assumptions used to estimate the fair value of contingent consideration include various financial metrics (revenue performance targets and stock price forecasts) and the probability of achieving the specific targets using a geometric binomial model. Based on the final purchase accounting, the Company estimated that approximately 62% of the maximum \$25 million contingent consideration would be paid to the seller in accordance with the terms of the purchase agreement. As of June 30, 2022 the Company determined that approximately 51% of the maximum \$25 million contingent consideration would be paid to the seller in accordance with the terms of the purchase agreement.

Segmint Inc.

On April 25, 2022, the Company consummated its previously announced merger with Segmint pursuant to the Agreement and Plan of Merger (the "Merger Agreement"), dated March 25, 2022 with Segmint surviving as a wholly owned subsidiary of the Company. Segmint operates a marketing analytics and messaging delivery platform with patented software that enables financial institutions and merchants to understand and leverage data, interact with customers and measure results.

The aggregate consideration paid in exchange for all of the outstanding equity interests of Segmint at closing was approximately \$135.1 million (the "Merger Consideration"). A portion of the Merger Consideration of approximately \$3.1 million was placed into escrow to secure certain post-closing indemnification obligations in the Merger Agreement.

As of June 30, 2022, the allocation of the purchase price for Segmint has not been finalized, and the one-year measurement period has not ended. The preliminary purchase price allocations are based upon the preliminary valuation of assets and liabilities. These estimates and assumptions are subject to change as the Company obtains additional information during the measurement period. The following table summarizes the fair value amounts recognized as of the acquisition date for each major class of asset acquired or liability assumed:

<i>(in thousands)</i>	Preliminary Fair Value as of April 25, 2022
Trade accounts receivables	\$ 1,788
Other current assets	323
Property and equipment	35
Goodwill	99,310
Intangible assets	35,400
Total assets acquired	\$ 136,856
Accounts payable	\$ 768
Accrued liabilities	188
Deferred revenues, current	145
Other non-current liabilities	625
Total liabilities assumed	1,726
Net assets acquired	\$ 135,130

The table below outlines the purchased identifiable intangible assets:

	Weighted Average Amortization Period	Total
	<i>(in years)</i>	<i>(in thousands)</i>
Customer relationships	15	\$ 14,700
Developed technology	5	20,000
Trade names	10	700
Total identifiable intangible assets		\$ 35,400

Goodwill resulted from the acquisition as it is intended to augment and diversify the Company's single reportable segment and provide a complimentary solution to its existing platform offering. The Company accounted for the acquisition as a business combination. As a result of the acquisition of the stock of Segmint, the goodwill is not deductible for tax purposes.

For the three and six months ended June 30, 2022 the Company recognized acquisition-related expenses, net of \$0.2 million and \$0.8 million, respectively, related to the acquisition of Segmint.

Note 4. Property and Equipment, Net

Depreciation and amortization expense was \$0.6 million and \$1.2 million for the three and six months ended June 30, 2022, respectively, and \$0.6 million and \$1.2 million for the three and six months ended June 30, 2021, respectively.

Property and equipment, net includes the following amounts at June 30, 2022 and December 31, 2021:

<i>(in thousands)</i>	Useful Life	June 30, 2022	December 31, 2021
Software	2 to 5 years	\$ 5,908	\$ 3,299
Computers and equipment	3 years	5,239	4,854
Furniture and fixtures	5 years	3,984	3,980
Leasehold improvements	3 to 10 years	11,720	11,712
		\$ 26,851	\$ 23,845
Less: accumulated depreciation and amortization		(13,348)	(12,017)
Property and equipment, net		\$ 13,503	\$ 11,828

Note 5. Revenue and Deferred Costs

The Company derives the majority of its revenues from recurring monthly subscription fees charged for the use of its software-as-a-service ("SaaS") subscription services. Subscription revenues are generally recognized as revenue over the term of the contract as a series of distinct SaaS services bundled into a single performance obligation. Clients are usually charged a one-time, upfront implementation fee and recurring annual and monthly access fees for the use of the online digital relationship banking solution. Implementation and integration of the digital banking platform is complex, and the Company has determined that the one-time, upfront services do not transfer a promised service to the client. As these services are not distinct, they are bundled into the SaaS series of services, and the associated fees are recognized on a straight-line basis over the subscription term. Other services includes professional services and custom development.

The following table disaggregates the Company's revenue by major source for the three and six months ended June 30, 2022 and 2021:

<i>(in thousands)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
SaaS subscription services	\$ 47,781	\$ 34,604	\$ 90,590	\$ 66,173
Implementation services	2,004	1,636	3,581	2,936
Other services	745	461	1,149	854
Total revenues	\$ 50,530	\$ 36,701	\$ 95,320	\$ 69,963

The Company recognized approximately \$9.3 million of revenue during the six months ended June 30, 2022 which was recognized from deferred revenues in the accompanying condensed consolidated balance sheets as of the beginning of the reporting period. For those contracts that were wholly or partially unsatisfied as of June 30, 2022, minimum contracted subscription revenues to be recognized in future periods total approximately \$696.0 million. The Company expects to recognize approximately 47.9% of this amount as subscription services are transferred to customers over the next 24 months, an additional 31.9% in the next 25 to 48 months, and the balance thereafter. This estimate does not include estimated consideration for excess user and transaction processing fees that the Company expects to earn under its subscription contracts.

Deferred Cost Recognition

The Company capitalized \$1.0 million and \$1.7 million in deferred commissions costs during the three and six months ended June 30, 2022, respectively, and \$0.2 million and \$0.5 million for the three and six months ended June 30, 2021, respectively, and recognized amortization of \$0.7 million and \$1.4 million during the three and six months ended June 30, 2022, respectively, and \$0.5 million and \$1.0 million for the three and six months ended June 30, 2021, respectively. Amortization expense is included in sales and marketing expenses in the accompanying statements of operations. Deferred commissions are considered costs to obtain a contract and are included in deferred implementation costs in the accompanying condensed consolidated balance sheets in the amount of \$11.1 million and \$10.8 million as of June 30, 2022 and December 31, 2021, respectively.

The Company capitalized implementation costs of \$1.6 million and \$2.9 million during the three and six months ended June 30, 2022, respectively, and \$1.3 million and \$2.7 million during the three and six months ended June 30, 2021, respectively, and recognized amortization of \$1.1 million and \$1.9 million during the three and six months ended June 30, 2022, respectively, and \$0.7 million and \$1.2 million for the three and six months ended June 30, 2021, respectively. Amortization expense is included in cost of revenues in the accompanying condensed consolidated statements of operations. These deferred costs are considered costs to fulfill client contracts and are included in deferred implementation costs in the accompanying condensed consolidated balance sheets in the amount of \$14.5 million and \$13.5 million as of June 30, 2022 and December 31, 2021, respectively.

The Company periodically reviews the carrying amount of deferred costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit. No impairment loss was recognized in relation to these capitalized costs for the three and six months ended June 30, 2022 and 2021.

Note 6. Accounts Receivable

Accounts receivable includes the following amounts at June 30, 2022 and December 31, 2021:

<i>(in thousands)</i>	June 30, 2022	December 31, 2021
Trade accounts receivable	\$ 23,355	\$ 15,991
Unbilled receivables	3,800	3,677
Other receivables	457	1,355
Total receivables	27,612	21,023
Allowance for doubtful accounts	(60)	(39)
Reserve for estimated credits	(185)	(163)
	\$ 27,367	\$ 20,821

Note 7. Accrued Liabilities

Accrued liabilities consisted of the following at June 30, 2022 and December 31, 2021:

<i>(in thousands)</i>	June 30, 2022	December 31, 2021
Bonus accrual	\$ 4,857	\$ 3,725
Accrued vendor purchases	642	2,276
Commissions accrual	1,463	2,302
Accrued hosting services	1,473	1,264
Client refund liability	575	1,004
Deferred compensation payable	1,875	625
Accrued consulting and professional fees	854	657
Accrued tax liabilities	3,138	3,724
MK acquisition holdback provision	2,000	1,000
ESPP liability	303	821
Other accrued liabilities	5,444	1,685
Total accrued liabilities	<u>\$ 22,624</u>	<u>\$ 19,083</u>

Note 8. Debt

On April 29, 2022, the Company entered into an amended and restated credit agreement with Silicon Valley Bank, Comerica Bank, and Canadian Imperial Bank of Commerce (the "Amended Credit Agreement"). The Amended Credit Agreement amends and restates the prior credit facility provided by Silicon Valley Bank and KeyBank National Association ("the Original Credit Agreement"). The Amended Credit Agreement matures on April 29, 2025. The Amended Credit Agreement includes the following among other features:

- *Revolving Facility:* The Amended Credit Agreement provides \$40.0 million in aggregate commitments for secured revolving loans ("Amended Revolving Facility").
- *Term Loan:* A term loan of \$85.0 million (the "Amended Term Loan") was borrowed on the closing date of the Amended Credit Agreement. The additional proceeds received from the Amended Term Loan were used to replenish cash used to fund the acquisition of Segmint Inc., which closed on April 25, 2022.
- *Accordion Feature:* The Amended Credit Agreement also permits the Company, subject to certain conditions, to request additional revolving loan commitments in an aggregate principal amount of up to \$50.0 million.

Amended Revolving Facility loans under the Amended Credit Agreement may be voluntarily prepaid and re-borrowed. Principal payments on the Amended Term Loan are due in quarterly installments equal to an initial amount of approximately \$1.1 million, beginning on June 30, 2023 and continuing through March 31, 2024, and increasing to approximately \$2.1 million beginning on June 30, 2024 through the Amended Credit Agreement maturity date. Once repaid or prepaid, the Amended Term Loan may not be re-borrowed. Debt issuance costs paid for the execution of the Amended Credit Facility were \$0.9 million, of which \$0.1 million was included in prepaid expenses and other current assets and \$0.2 million was included in other assets on the condensed consolidated balance sheets.

Borrowings under the Amended Credit Agreement bear interest at a variable rate based upon the Secured Overnight Financing Rate ("SOFR") plus a margin of 3.00% to 3.50% per annum depending on the applicable recurring revenue leverage ratio. If the SOFR rate is ever less than 0%, then the SOFR rate shall be deemed to be 0%. The Amended Credit Agreement is subject to certain liquidity and operating covenants and includes customary representations and warranties, affirmative and negative covenants and events of default. The Company is required to pay a commitment fee of 0.25% per annum on the undrawn portion available under the Amended Revolving Facility, and variable fees on outstanding letters of credit. The Company has a standby letter of credit in the amount of \$0.3 million which serves as security under the lease relating to the Company's office space that expires in 2028.

Obligations under the Amended Credit Agreement are guaranteed by the Company's subsidiaries and secured by all or substantially all of the assets of the Company and its subsidiaries pursuant to an Amended and Restated Guarantee and Collateral Agreement executed contemporaneously with the Amended Credit Agreement.

The Amended Credit Agreement contains customary affirmative and negative covenants, as well as (i) an annual recurring revenue growth covenant requiring the loan parties to have recurring revenues in any four consecutive fiscal quarter period in an amount that is 10% greater than the recurring revenues for the corresponding four consecutive quarter period in the previous year and (ii) a liquidity (defined as the aggregate amount of cash in bank accounts subject to a control agreement plus availability under the Revolving Facility) covenant, requiring the loan parties to have liquidity, tested on the last day of each calendar month, of \$15.0 million or more. The Amended Credit Agreement also contains customary events of default, which if they occur, could result in the termination of commitments under the Amended Credit Agreement, the declaration that all outstanding loans are immediately due and payable in whole or in part, and the requirement to maintain cash collateral deposits in respect of outstanding letters of credit. The Company was in compliance with all covenants as of June 30, 2022.

In April 2022, the Company applied extinguishment accounting for the debt arrangements related to the Original Credit Agreement upon entering into the Amended Credit Agreement resulting in a loss on extinguishment of debt of \$0.1 million that is included in the condensed consolidated statements of operations.

Long-term Debt

The following table summarizes long-term debt obligations as of June 30, 2022 and December 31, 2021 (in thousands):

	June 30, 2022	December 31, 2021
Term Debt	\$ 85,000	\$ 24,688
Less unamortized debt issuance costs	(546)	(72)
Net amount	84,454	24,616
Less current maturities of long-term debt	(1,063)	(1,563)
Long-term portion	<u>\$ 83,391</u>	<u>\$ 23,053</u>

Maturities of long-term debt outstanding as of June 30, 2022, are summarized as follows (in thousands):

2022	—
2023	3,188
2024	7,438
2025	74,374
Thereafter	—
Total	<u>\$ 85,000</u>

Note 9. Stockholders' Equity (Deficit)

Equity Compensation Plans

Stock-based compensation expense was included in the condensed consolidated statements of operations as follows:

(in thousands)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Cost of revenues	\$ 1,056	\$ 465	\$ 2,034	\$ 698
Research and development	2,580	702	4,464	1,001
Sales and marketing	997	240	1,747	344
General and administrative	6,635	1,616	12,797	2,398
Total stock-based compensation expenses	<u>\$ 11,268</u>	<u>\$ 3,023</u>	<u>\$ 21,042</u>	<u>\$ 4,441</u>

Note 10. Income Taxes

The Company recorded \$0.2 million and \$0.2 million of income tax expense for the three and six months ended June 30, 2022, respectively, resulting in an effective tax rate of (0.8)% and (0.7)%, respectively, compared to no income tax expense for the three and six months ended June 30, 2021. The decrease in the effective tax rate for the three and six months ended June 30, 2022 as compared to the same period in 2021, is primarily due to state income taxes and deferred taxes related to the tax amortization of acquired goodwill. The Company's effective tax rate differs from the statutory tax rate primarily due to the impact of the full valuation allowance against its deferred tax assets.

The Company recognizes deferred tax assets and liabilities based on the estimated future tax effects of temporary differences between the financial statement basis and tax basis of assets and liabilities given the provisions of enacted tax law. Management reviews deferred tax assets to assess their future realization by considering all available evidence, both positive and negative, to determine whether a valuation allowance is needed for all or some portion of the deferred tax assets, using a "more likely than not" standard. The assessment considers, among other matters: historical losses, a forecast of future taxable income, the duration of statutory carryback and carryforward periods, and ongoing prudent and feasible tax planning strategies. As a result, the Company has established a valuation allowance against most of its deferred tax assets as realization is not reasonably assured based upon a "more likely than not" threshold. The Company reassesses the realizability of deferred tax assets regularly, and it will adjust the valuation allowance as sufficient objective positive evidence becomes available.

Note 11. Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash, restricted cash and cash equivalents, accounts receivable, accounts payable, long-term debt, and contingent consideration. The carrying values of cash, restricted cash and cash equivalents, accounts receivable, and accounts payable approximate their respective fair values due to the short-term nature of these instruments. The carrying value of long-term debt approximates its fair value due to the variable interest rate. Cash equivalents include amounts held in money market accounts that are measured at fair value using observable market prices. The Company values contingent consideration related to business combinations using a weighted probability calculation of potential payment scenarios discounted at rates reflective of the risks associated with the expected future cash flows. The significant unobservable inputs used in the fair value measurement of contingent consideration related to business acquisitions are forecasts of expected future annual revenues as developed by the Company's management and the probability of achievement of those revenue forecast. Significant increases (decreases) in these unobservable inputs in isolation would likely result in a significantly (lower) higher fair value measurement.

The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1. Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2. Significant other inputs that are directly or indirectly observable in the marketplace.

Level 3. Significant unobservable inputs which are supported by little or no market activity.

The Company evaluates its financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level in which to classify them for each reporting period. The following tables summarize the Company's financial assets measured at fair value as of June 30, 2022 and December 31, 2021 and indicates the fair value hierarchy of the valuation:

(In thousands)	June 30, 2022	Fair Value at Reporting Date Using		
		Level 1	Level 2	Level 3
Assets:				
Cash equivalents:				
Money Market Accounts ⁽¹⁾	\$ 89,402	\$ 89,402	\$ —	\$ —
Total cash equivalents	89,402	89,402	—	—
Marketable securities:				
Corporate bonds	68,772	—	68,772	—
U.S. Treasury debt securities	53,016	53,016	—	—
International debt securities	2,449	2,449	—	—
Total marketable securities	124,237	53,016	68,772	—
Total Assets	\$ 213,639	\$ 142,418	\$ 68,772	\$ —
Liabilities:				
Contingent consideration payable	\$ (12,800)	\$ —	\$ —	\$ (12,800)
Total Liabilities	\$ (12,800)	\$ —	\$ —	\$ (12,800)

⁽¹⁾ Includes cash sweep account, money market account, and money market funds that have investments primarily in U.S. Government Agency debt, U.S. Treasury debt, U.S. Treasury Repurchase Agreements, U.S. Government Agency Repurchase Agreements, and corporate bonds that have a maturity of three months or less from the original acquisition date.

(In thousands)	December 31, 2021	Fair Value at Reporting Date Using		
		Level 1	Level 2	Level 3
Assets:				
Money Market Accounts ⁽¹⁾	\$ 308,128	\$ 308,128	\$ —	\$ —
Total Assets	\$ 308,128	\$ 308,128	\$ —	\$ —
Liabilities:				
Contingent consideration payable	\$ (15,500)	\$ —	\$ —	\$ (15,500)
Total Liabilities	\$ (15,500)	\$ —	\$ —	\$ (15,500)

⁽¹⁾ Includes cash sweep account, money market account, and money market funds that have investments primarily in U.S. Government Agency debt, U.S. Treasury debt, U.S. Treasury Repurchase Agreements, U.S. Government Agency Repurchase Agreements, and corporate bonds that have a maturity of three months or less from the original acquisition date.

The following table represents the changes to the Company's contingent consideration payable (in thousands):

Balance at December 31, 2021	\$ 15,500
Total fair value adjustments reported in earnings (Acquisition-related expenses, net)	(2,700)
Balance at June 30, 2022	\$ 12,800

Note 12. Earnings Per Share

Net loss attributable to common stockholders used in computing basic and diluted earnings per share ("EPS") has been calculated as the net loss less Series B cumulative dividends and other adjustments to redeemable convertible preferred stock of \$0 for both the three and six months ended June 30, 2022 and \$0 and \$0.3 million for the three and six months ended June 30, 2021, respectively. The holders of the Company's redeemable convertible preferred stock did not have a contractual obligation to share in the Company's losses; therefore, no amount of total undistributed loss was allocated to redeemable convertible preferred stock.

Basic net loss per share attributable to common stockholders is computed by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Because the Company has reported a net loss for the three and six months ended June 30, 2022 and 2021, the number of shares used to calculate diluted net loss per share attributable to common stockholders is the same as the number of shares used to calculate basic net loss per share attributable to common stockholders for the period presented because the potentially dilutive shares would have been antidilutive if included in the calculation.

The computation of basic and diluted EPS is as follows for the three and six months ended June 30, 2022 and 2021:

(In thousands, except shares and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
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)
Weighted average shares of common stock outstanding - basic and diluted	90,707,381	74,831,512	90,459,503	40,399,138
Loss per common share - basic and diluted	\$ (0.22)	\$ (0.15)	\$ (0.37)	\$ (0.56)

For the three and six months ended June 30, 2022 and 2021, the following potential shares of common stock were excluded from diluted EPS as the Company had a net loss in each period presented:

	As of June 30,	
	2022	2021
Stock options	7,068,202	10,934,687
Warrants	—	212,408
RSUs	6,665,691	213,500
ESPP	24,484	—
Total anti-dilutive common share equivalents	13,758,377	11,360,595

Note 13. Commitments and Contingencies

Operating Lease Commitments

The Company leases office space under non-cancelable operating leases for its corporate headquarters in Plano, Texas pursuant to a 10-year lease agreement under which the Company leases approximately 125,000 square feet of office space with an initial term that expires on August 31, 2028, with the option to extend the lease for either two additional terms of five years each or one additional term of ten years. Rent expense under operating leases was \$1.0 million and \$2.1 million for the three and six months ended June 30, 2022, respectively, and \$1.2 million and \$2.3 million for the three and six months ended June 30, 2021, respectively.

Future minimum payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at June 30, 2022 were as follows (in thousands):

	Operating Leases
2022 (remaining six months)	\$ 1,864
2023	3,773
2024	3,835
2025	3,898
2026	3,961
Thereafter	6,736
Total minimum lease payments	\$ 24,067

Deferred Rent and Tenant Allowances

Deferred rent and tenant allowances are amortized and applied against rental expense over the lease term on a straight-line basis. As of June 30, 2022 and December 31, 2021, the Company had deferred rent and tenant allowance balances as follows:

<i>(in thousands)</i>	June 30, 2022	December 31, 2021
Deferred rent and tenant allowance	\$ 5,548	\$ 5,895
Less: current portion	(734)	(705)
Deferred rent and tenant allowance, net of current portion	<u>\$ 4,814</u>	<u>\$ 5,190</u>

Legal Proceedings

The Company may become party to various legal actions during the ordinary course of business. Defending such proceedings is costly and can impose a significant burden on management and employees, it may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained. In addition, the Company's industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets and other intellectual property and proprietary rights. Companies in its industry are often required to defend against litigation claims based on allegations of infringement or other violations of intellectual property rights. Furthermore, client agreements typically require the Company to indemnify clients against liabilities incurred in connection with claims alleging its solutions infringe the intellectual property rights of a third party. From time to time, the Company has been involved in disputes related to patent and other intellectual property rights of third parties, none of which has resulted in material liabilities. The Company expects these types of disputes may continue to arise in the future. Based upon present information, the Company believes that its liability, if any, arising from such pending legal proceedings, asserted legal claims and known potential legal claims which are likely to be asserted, is not reasonably likely to be material to the Company's financial position, results of operations, or cash flows, taking into account established accruals for estimated liabilities.

Note 14. Goodwill and Other Intangibles

Goodwill and intangible assets deemed to have an indefinite life are not amortized, but are reviewed annually for impairment of value or when indicators of a potential impairment are present. As part of the Company's business planning cycle, the Company performs an annual goodwill impairment test in the fourth quarter of the fiscal year. There were no indications of impairment of goodwill noted for the three months ended June 30, 2022. In April 2022, the Company recorded \$99.3 million to goodwill related to the acquisition of Segmint under the preliminary purchase price allocation. Goodwill had a carrying value of \$147.4 million and \$48.1 million as of June 30, 2022 and December 31, 2021, respectively.

Total intangibles, net, consisted of the following as of June 30, 2022 and December 31, 2021:

<i>(In thousands)</i>	As of June 30, 2022		
	Carrying Value	Accumulated Amortization	Net Carrying Value
Finite-lived:			
Customer Relationships	\$ 19,970	\$ (767)	\$ 19,203
Developed Technology	27,100	(2,105)	24,995
Tradenames	750	(55)	695
Subtotal amortizable intangible assets	47,820	(2,927)	44,893
Website domain name	25	—	25
Total intangible assets	<u>\$ 47,845</u>	<u>\$ (2,927)</u>	<u>\$ 44,918</u>
	As of December 31, 2021		
	Carrying Value	Accumulated Amortization	Net Carrying Value
Finite-lived:			
Customer Relationships	\$ 5,270	\$ (428)	\$ 4,842
Developed Technology	7,100	(822)	6,278
Tradenames	50	(31)	19
Subtotal amortizable intangible assets	12,420	(1,281)	11,139
Website domain name	25	—	25
Total intangible assets	<u>\$ 12,445</u>	<u>\$ (1,281)</u>	<u>\$ 11,164</u>

Amortization expense recognized on intangible assets was \$1.2 million and \$1.6 million for the three and six months ended June 30, 2022, respectively. Amortization expense recognized on intangible assets was \$0.2 million and \$0.4 million for the three and six months ended June 30, 2021, respectively.

The following table shows the estimated annual amortization expense of the definite-lived intangible assets for the next five years and thereafter (in thousands):

2022 (remaining six months)	\$	3,323
2023		6,633
2024		6,633
2025		6,633
2026		6,401
Thereafter		15,270
	\$	<u>44,893</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q and in our other filings with the Securities and Exchange Commission ("SEC"), including the audited consolidated financial statements and the accompanying notes for the fiscal year ended December 31, 2021, which are included in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022.

Unless the context otherwise requires, all references in this report to the "Company," "Alkami," "we," "us" and "our" refer to Alkami Technology, Inc., a Delaware corporation, and its consolidated subsidiary taken as a whole.

Cautionary Note Regarding Forward-Looking Statements

Any statements made in this Quarterly Report on Form 10-Q that are not statements of historical fact, including statements about our beliefs and expectations, are forward-looking statements and should be evaluated as such. Forward-looking statements include information concerning possible or assumed future results of operations, including descriptions of our business plan and strategies. These statements often include words such as "anticipate," "expect," "suggests," "plan," "believe," "intend," "estimates," "targets," "projects," "should," "could," "would," "may," "will," "forecast" and other similar expressions. We base these forward-looking statements on our current expectations, plans and assumptions that we have made in light of our experience in the industry, as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances at such time. Forward-looking statements are not guarantees of future performance or results and are subject to and involve risks, uncertainties and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions at the time they are made, you should be aware that many factors could affect our actual results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements. The following important factors, along with the factors discussed in "Risk Factors" in the Annual Report on Form 10-K, may materially affect such forward-looking statements:

- our ability to manage our rapid growth;
- our ability to attract new clients and retain and broaden our existing clients' use of our solutions;
- our ability to maintain, protect and enhance our brand;
- our ability to predict the long-term rate of client subscription renewals or adoption of our solutions;
- the unpredictable and time-consuming nature of our sales cycles;
- our integration with and reliance on third-party software, content and services;
- defects, errors or performance problems associated with our solutions;
- retaining our management team and key employees and recruiting and retaining new employees;
- managing the increased complexity of our solutions and a higher volume of implementations;
- providing client support;
- mergers and acquisitions;
- intense competition in the markets we serve;
- our focus and reliance on the financial services industry as the source of our revenue;
- evolving technological requirements and changes and additions to our solution offerings;
- regulations applicable to us, our clients and our solutions;
- security breaches or other compromises of our security measures or those of third parties upon which we rely, including in connection with cybersecurity
- increased privacy concerns and our processing and use of the personal information of end users;
- protecting our intellectual property rights and defending ourselves against claims that we are misappropriating the intellectual property rights of others;
- open-source software in our solutions;
- litigation or threats of litigation;
- the fluctuation of our quarterly and annual results of operations relative to our expectations and guidance;
- the way we recognize revenue, which has the effect of delaying changes in the subscriptions for our solutions from being reflected in our operating results;
- changes in financial accounting standards or practices;
- our limited operating history, our history of operating losses and our ability to use our net operating loss ("NOL") carryforwards;
- our ability to raise sufficient capital and the resulting dilution and the terms of our credit agreement;
- stock price volatility and no intention to pay dividends;
- maintaining proper and effective internal controls;
- expenses and administrative burdens as a public company; and
- anti-takeover provisions in our charter documents and Delaware law.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. 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.

Overview

Alkami is a cloud-based digital banking solutions provider. We inspire and empower community, regional and super-regional financial institutions (“FIs”) to compete with large, technologically advanced and well-resourced banks in the United States. Our solution, the Alkami Platform, allows FIs to onboard and engage new users, accelerate revenues and meaningfully improve operational efficiency, all with the support of a proprietary, true cloud-based, multi-tenant architecture. We cultivate deep relationships with our clients through long-term, subscription-based contractual arrangements, aligning our growth with our clients’ success and generating an attractive unit economic model.

Alkami was founded to help level the playing field for FIs. Since then, our vision has been to create a platform that combines premium technology and fintech solutions in one integrated ecosystem, delivered as a software-as-a-service (“SaaS”) solution and providing our clients’ customers with a single point of access to all things digital. We have invested significant resources to build a technology stack that prioritized innovation velocity and speed-to-market given the importance of product depth and functionality in winning and retaining clients. In fiscal 2020, we acquired ACH Alert, LLC (“ACH Alert”) to pursue adjacent product opportunities, such as fraud prevention and to expand our addressable market. In September 2021, we acquired MK Decisioning Systems, LLC (“MK”), a technology platform for digital account opening, credit card and loan origination solutions. In April 2022, we acquired Segmint Inc. (“Segmint”), a leading cloud-based financial data analytics and transaction data cleansing provider.

Our domain expertise in retail and business banking has enabled us to develop a suite of products tailored to address key challenges faced by FIs. Due to our architecture, adding products through our single code base is fast, simple and cost-effective. The key differentiators of the Alkami Platform include:

- **User experience:** Personalized and seamless digital experience across user interaction points, including mobile, chat and SMS, establishing durable connections between FIs and their customers.
- **Integrations:** Scalability and extensibility driven by more than 270 real-time integrations to back office systems and third-party fintech solutions as of June 30, 2022, including core systems, payment cards, mortgages, bill pay, electronic documents, money movement, personal financial management and account opening.
- **Deep data capabilities:** Data synchronized and stored from back office systems and third-party fintech solutions and synthesized into meaningful insights, targeted content and other areas of monetization.

The Alkami Platform offers an end-to-end set of software products. Our typical relationship with an FI begins with a set of core functional components, which can extend over time to include a rounded suite of products across account opening, card experience, client service, extensibility, financial wellness, security and fraud protection, marketing and analytics and money movement.

We primarily go to market through an internal sales force. Given the long-term nature of our contracts, a typical sales cycle can range from approximately three to 12 months, with the subsequent implementation timeframe generally ranging from six to 12 months depending on the depth of integration.

We derive our Alkami Platform revenues almost entirely from multi-year contracts that are based on an average contract life of approximately 70 months as of June 30, 2022. We predominantly employ a per-registered-user pricing model, with incremental fees above certain contractual minimum commitments for each licensed solution. Our pricing is tiered, with per-registered-user discounts applied as clients achieve higher levels of customer penetration, incentivizing our clients to internally market and promote digital engagement.

To support our growth and capitalize on our market opportunity, we have increased our operating expenses across all aspects of our business. In research and development, we continue to focus on innovation and bringing novel capabilities to our platform, extending our product depth. Similarly, we continue to expand our sales and marketing organization focusing on new client wins, cross-selling opportunities and client renewals.

For the three months ended June 30, 2022 and 2021, our total revenues were \$50.5 million and \$36.7 million, respectively, representing a 37.7% increase period-over-period. SaaS subscription revenues, as further described below, represented 94.6% and 95.0% of total revenues for the three and six months ended June 30, 2022, respectively and 94.3% and 94.6% of total revenues for the three and six months ended June 30, 2021, respectively. We incurred net losses of \$20.2 million and \$33.6 million for the three and six months ended June 30, 2022, respectively, and net losses of \$11.4 million and \$22.3 million for the three and six months ended June 30, 2021, respectively, largely on the basis of significant continued investment in sales, marketing, product development and post-sales client activities.

Recent Developments

Merger with Segmint. On April 25, 2022, the Company consummated its previously announced merger with Segmint, pursuant to the Agreement and Plan of Merger (the “Merger Agreement”), dated March 25, 2022, with Segmint surviving as a wholly owned subsidiary of the Company. Segmint operates a marketing analytics and messaging delivery platform with patented software that enables financial institutions and merchants to understand and leverage data, interact with customers, and measure results. The aggregate consideration paid in exchange for all of the outstanding equity interests of Segmint at closing was approximately \$135.5 million. A portion of the consideration was placed into escrow to secure certain post-closing indemnification obligations in the Merger Agreement.

Factors Affecting our Operating Results

Growing our FI Client Base. A key part of our strategy is to grow our FI client base. As of June 30, 2022, we served 182 FIs through the Alkami Platform and over 320 clients through the ACH Alert, MK and Segmint products, representing 91.3% annual client growth since June 30, 2021. Each of our digital banking client wins is a competitive takeaway, and as such, our historical ability to grow our client base has been a function of product depth, technological excellence and a sales and marketing function able to match our solutions with the strategic objectives of our clients. Our future success will significantly depend on our ability to continue to grow our FI client base through competitive wins.

Deepening Client Customer Penetration. We primarily generate revenues through a per-registered-user pricing model. Once we onboard a client, our ability to help drive incremental client customer digital adoption translates to additional revenues with very limited additional spend. Our FI clients are incentivized to market and encourage digital account sign-up based on identifiable improvement in customer engagement as well as discounts received based on certain levels of customer penetration. We expect to continue to support digital adoption by client customers through continued investments in new products and platform enhancements. Our future success will depend on our ability to continue to deepen client customer penetration.

Expanding our Product Suite. Product depth is a key determinant in winning new clients. In a replacement market, we win based on our ability to bring a product suite to market that is superior to the incumbent, as well as to our broader competition. Of equal importance is the ability to cohesively deliver a deep product suite with as little friction as possible to the client customer. The depth of our product suite is a function of technology and platform partnerships. Our platform model with more than 270 integrations as of June 30, 2022 enables us to deliver thousands of configurations aligned with the digital platform strategies adopted by our clients. We expect our future success in winning new clients to be partially driven by our ability to continue to develop and deliver new, innovative products to FI clients in a timely manner. Furthermore, expanding our product suite expands our RPU potential. For additional information regarding RPU, see “Key Business Metrics.”

Client Renewals. Our model and the stability of our revenue base is, in part, driven by our ability to renew our clients. In addition to extending existing relationships, renewals provide an opportunity to grow minimum contract value, as over the course of a contract term our clients often grow or their needs evolve. Client renewals are also an important lever in driving our long-term gross margin targets. We had one and five client renewals in the three and six months ended June 30, 2022, respectively. We expect client renewals to continue to play a key role in our future success.

Continued Leadership in Innovation. Our ability to maintain a differentiated platform and offering is dependent upon our pace of innovation. In particular, our single code base, built on a multi-tenant infrastructure and combined with continuous software delivery enables us to bring new, innovative products to market quickly and positions us with what we believe is market-leading breadth in terms of product offerings and feature set. We remain committed to investing in our platform, notably through our research and development spend, which was 32.8% and 32.3% of our revenues for the three and six months ended June 30, 2022, respectively. Our future success will depend on our continued leadership in innovation.

COVID-19 Impact. The continued global impact of COVID-19 has resulted in various measures to combat the spread of the virus. With the development of variants, the status of ongoing measures varies widely. We transitioned our employee base to work-from-home in March 2020, creating challenges in executing sales and implementations that have resurfaced due to the renewal of certain actions and restrictions in response to the ongoing COVID-19 pandemic and which may be exacerbated if such actions or restrictions are prolonged. We continue to face significant uncertainty concerning the duration of the COVID-19 pandemic as well as the severity of any future infection surges.

Components of Results of Operations

Revenues

Our client relationships are primarily based on multi-year contracts that have an average contract life of 70 months as of June 30, 2022. We derive the majority of our revenues from SaaS subscription services charged for the use of our digital banking solution. For each client, we invoice monthly a contractual minimum fee for each licensed solution. In addition, we invoice monthly an additional subscription fee for the number of registered users using each solution and the number of bill-pay and certain other transactions those registered users conduct through our digital banking platform in excess of their contractual minimum commitments. Our pricing is tiered, with per-registered-user discounts applied as clients achieve higher levels of customer penetration, incentivizing our clients to internally market our products and promote digital engagement. Variable consideration earned for subscription fees in excess of contractual minimums is recognized as revenues in the month of actual usage. SaaS subscription services also include annual and monthly charges for maintenance and support services which are recognized on a straight-line basis over the contract term.

We receive implementation and other upfront fees for the implementation, configuration and integration of our digital banking platform. We typically invoice these services as a fixed price per contract. These fees are not distinct from the underlying licensed SaaS subscription services. As a result, we recognize the resulting revenues on a straight-line basis over the client’s initial agreement term for our licensed SaaS solutions, commencing upon launch.

Occasionally, our clients request custom development and other professional services, which we provide. These are generally one-time requests and involve unique, non-standard features, functions or integrations that are intended to enhance or modify their licensed SaaS solutions. We recognize revenues at the point in time the services are transferred to the client.

The following disaggregates our revenues for the three and six months ended June 30, 2022 and 2021 by major source:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
(In thousands)				
SaaS subscription services	\$ 47,781	\$ 34,604	\$ 90,590	\$ 66,173
Implementation services	2,004	1,636	3,581	2,936
Other services	745	461	1,149	854
Total revenues	\$ 50,530	\$ 36,701	\$ 95,320	\$ 69,963

See Note 5 of the Notes to our Unaudited Condensed Consolidated Financial Statements for additional detail.

Cost of Revenues and Gross Margin

Cost of revenues is comprised primarily of salaries and other personnel-related costs, including employee benefits, bonuses, stock-based compensation, travel and related costs for employees supporting our SaaS subscription, implementation and other services. This includes the costs of our implementation, client support and client success teams, development personnel responsible for maintaining and releasing updates to our platform, as well as third-party cloud-based hosting services. Cost of revenues also includes the direct costs of bill-pay services and other third-party intellectual property included in our solutions, the amortization of acquired technology, the amortization of capitalized internal use software, and depreciation.

We capitalize certain personnel costs directly related to the implementation of our solutions to the extent those costs are recoverable from future revenues. We amortize the costs for an implementation once revenue recognition commences. The amortization period is typically five to seven years which represents the expected period of client benefit. Other costs not directly recoverable from future revenues are expensed in the period incurred.

We intend to continue to increase our investments in our implementation, client support and client success teams and technology infrastructure to serve our clients and support our growth. We expect cost of revenues to continue to grow in absolute dollars as we grow our business, but to vary as a percentage of revenues from period to period as a function of the utilization of implementation and support personnel and the extent to which we recognize fees from bill-pay services and other third-party functionality integrated into our solutions. Our gross margin for the three and six months ended June 30, 2022 was 54.0% and 54.6%, respectively, and 55.9% and 54.7% for the three and six months ended June 30, 2021, respectively.

The major components of cost of revenues represented the following percentages of revenues for the three months ended June 30, 2022: third-party hosting services (7.8%), the direct costs of bill-pay and other third-party intellectual property included in our solutions (16.0%), our implementation team (10.7%), our client success team (5.5%), our development team responsible for maintaining and releasing updates to our platform (4.1%) and amortization of intangible assets (1.8%). The major components of cost of revenues represented the following percentages of revenues for the three months ended June 30, 2021: third-party hosting services (8.3%), the direct costs of bill-pay and other third-party intellectual property included in our solutions (15.3%), our implementation team (9.9%), our client success team (5.9%), our development team responsible for maintaining and releasing updates to our platform (4.3%) and amortization of intangible assets (0.3%).

The major components of cost of revenues represented the following percentages of revenues for the six months ended June 30, 2022: third-party hosting services (7.7%), the direct costs of bill-pay and other third-party intellectual property included in our solutions (16.0%), our implementation team (10.5%), our client success team (5.6%), our development team responsible for maintaining and releasing updates to our platform (4.1%) and amortization of intangibles (1.3%). The major components of cost of revenues represented the following percentages of revenues for the six months ended June 30, 2021: third-party hosting services (9.2%), the direct costs of bill-pay and other third-party intellectual property included in our solutions (15.7%), our implementation team (9.7%), our client success team (5.9%), our development team responsible for maintaining and releasing updates to our platform (4.3%) and amortization of intangible assets (0.3%).

Operating Expenses

Research and Development. Research and development costs consist primarily of personnel-related costs for our engineering, information technology and products, including salaries, bonuses, other incentive-related compensation, employee benefits and stock-based compensation. In addition, we also include third-party contractor expenses, software development and testing tools, allocated corporate expenses, and other expenses related to developing new solutions and upgrading and enhancing existing solutions. We expect research and development costs to increase as we expand our platform with new features and functionality as well as enhance the existing Alkami Platform.

Sales and Marketing. Sales and marketing expenses consist primarily of personnel-related costs of our sales, marketing and a portion of account management employees, including salaries, bonuses, commissions, other incentive-related compensation, employee benefits and stock-based compensation. Sales and marketing expenses also include travel and related costs, outside consulting fees and marketing programs, including lead generation, costs of our annual client conference, advertising, trade shows and other event expenses. We expect sales and marketing expenses will continue to increase as we expand our direct sales teams to pursue our market opportunity.

General and Administrative. General and administrative expenses consist primarily of personnel-related costs for our general and administrative teams including salaries, bonuses, commissions, other incentive-related compensation, employee benefits and stock-based compensation associated with our executive, finance, legal, human resources, information technology, security and compliance as well as other

administrative personnel. General and administrative expenses also include accounting, auditing and legal professional services fees, travel and other unallocated corporate-related expenses such as the cost of our facilities, employee relations, corporate telecommunication and software. We expect that general and administrative expenses will continue to increase as we scale our business and as we incur costs associated with being a publicly traded company, including legal, audit, business insurance and consulting fees.

Acquisition-Related Expenses, net. Acquisition-related expenses include the accrual of deferred compensation due to the former owner of ACH Alert, in addition to acquisition related-expenses associated with the acquisitions of MK and Segmint, primarily related to legal, consulting, and professional fees. In addition, these expenses are inclusive of any (gain) loss on revaluation of contingent consideration.

Amortization of Acquired Intangibles. Amortization of acquired intangibles represents the amortization of intangibles recorded in connection with our business acquisitions, which are amortized on a straight-line basis over the estimated useful lives of the related assets.

Non-operating Income (Expense)

Non-operating income (expense) consists primarily of interest income from our cash balances, interest expense from borrowings under our revolving line of credit, amortization of deferred debt costs, unrealized losses on marketable securities, loss from extinguishment of debt, and changes in fair value of warrants, and tranche rights.

Provision for Income Taxes

As a result of our valuation allowance, provision for income taxes consists primarily of state income taxes and deferred taxes related to the tax amortization of acquired goodwill. Our effective tax rate differs from the statutory tax rate primarily due to the impact of the valuation allowance against our deferred tax assets.

Results of Operations

The results of operations presented below should be reviewed in conjunction with the condensed consolidated financial statements and notes included elsewhere in this filing. The following table presents our selected consolidated statements of operations data for the three and six months ended June 30, 2022 and 2021.

(\$ In thousands, except share and per share amounts)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenues	\$ 50,530	\$ 36,701	\$ 95,320	\$ 69,963
Cost of revenues ⁽¹⁾⁽²⁾	23,257	16,180	43,237	31,677
Gross profit	27,273	20,521	52,083	38,286
Operating expenses ⁽²⁾ :				
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)

⁽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.

⁽²⁾ Includes stock-based compensation expenses as follows:

(\$ in thousands)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Cost of revenues	\$ 1,056	\$ 465	\$ 2,034	\$ 698
Research and development	2,580	702	4,464	1,001
Sales and marketing	997	240	1,747	344
General and administrative	6,635	1,616	12,797	2,398
Total stock-based compensation expenses	\$ 11,268	\$ 3,023	\$ 21,042	\$ 4,441

The following table presents our reconciliation of GAAP net loss to adjusted EBITDA for the periods indicated.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
(\$ in thousands)				
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 ⁽²⁾	\$ (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 ACH Alert, in addition to acquisition-related expenses associated with the acquisitions of MK and Segmint, primarily related to legal, consulting, and professional fees. In the six months ended June 30, 2022, these expenses are offset by the \$2.7 million gain on contingent consideration related to the purchase of MK.

⁽²⁾ Adjusted EBITDA is a non-GAAP financial measure and should not be considered an alternative to GAAP net loss as a measure of operating performance or as a measure of liquidity. For additional information regarding adjusted EBITDA, see “Key Business Metrics.”

Key Business Metrics

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP financial measure and should not be considered an alternative to GAAP net loss as a measure of operating performance or as a measure of liquidity. We define adjusted EBITDA as net loss; provision for income taxes; loss on financial instruments; interest expense, net; amortization of intangible assets; amortization of capitalized internal use software; depreciation; stock-based compensation expense; legal settlement; loss on extinguishment of debt; and acquisition-related expenses, net. We believe 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. Adjusted EBITDA was \$(5.3) million and \$(8.9) million for the three and six months ended June 30, 2022, respectively, and \$(5.4) million and \$(11.5) million for the three and six months ended June 30, 2021, respectively.

Annual Recurring Revenue (ARR). We calculate 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. ARR was \$204.5 million as of June 30, 2022 and \$144.7 million as of June 30, 2021, an increase of \$59.8 million, or 41.3%.

Registered Users. We define a registered user 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. We had 13.3 million registered users as of June 30, 2022 and 10.7 million as of June 30, 2021, an increase of 2.6 million, or 24.3%.

Revenue per Registered User (RPU). We calculate 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. RPU was \$15.33 as of June 30, 2022 and \$13.48 as of June 30, 2021, an increase of \$1.85, or 13.7%.

Comparison of Three and Six Months ended June 30, 2022 and 2021

Revenues

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2022	2021	\$	%	2022	2021	\$	%
(\$ in thousands)								
Revenues	\$ 50,530	\$ 36,701	\$ 13,829	37.7 %	\$ 95,320	\$ 69,963	\$ 25,357	36.2 %
June 30,								
	2022	2021						
Annual Recurring Revenue (ARR)	\$ 204,492	\$ 144,685	\$ 59,807	41.3 %				
Registered Users	13,339	10,730	2,609	24.3 %				
Revenue per Registered User (RPU)	\$ 15.33	\$ 13.48	\$ 1.85	13.7 %				

Revenues increased \$13.8 million, or 37.7%, and \$25.4 million, or 36.2% for the three and six months ended June 30, 2022, compared to the same period in 2021.

The increase of \$13.8 million in revenues for the three months ended June 30, 2022 was primarily due to registered user growth from new and existing clients, RPU growth, as well as the acquisition of Segmint completed on April 25, 2022, which contributed \$2.3 million for the three months ended June 30, 2022.

The increase of \$25.4 million in revenues for the six months ended June 30, 2022 was primarily due to registered user growth of 2.6 million, comprised of 1.4 million in registered user growth from existing clients (net of attrition) and 1.2 million in registered users from new clients implemented through our digital banking platform (contractual minimums). In addition, increased revenues were due to RPU growth of 13.7%. RPU growth was primarily driven by cross-sell activity to existing clients, higher average RPU of new clients implemented in the last 12 months on our digital banking platform compared to aggregate RPU and the acquisition of Segmint completed on April 25, 2022, which contributed \$2.3 million in the six months ended June 30, 2022. The average RPU of users from new clients implemented on our digital platform in the last 12 months of \$16.46 as of June 30, 2022, is 7.4% higher than the aggregate RPU as of June 30, 2022.

Cost of Revenues and Gross Margin

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2022	2021	\$	%	2022	2021	\$	%
(\$ in thousands)								
Cost of revenues	\$ 23,257	\$ 16,180	\$ 7,077	43.7 %	\$ 43,237	\$ 31,677	\$ 11,560	36.5 %
Percentage of revenues	46.0 %	44.1 %	1.9 %	4.3 %	45.4 %	45.3 %	0.1 %	0.2 %

Cost of Revenues

Cost of revenues increased \$7.1 million, or 43.7%, and \$11.6 million, or 36.5%, for the three and six months ended June 30, 2022, respectively compared to the same periods in 2021, generating a gross margin of 54.0% and 54.6% for the three and six months ended June 30, 2022, respectively, compared to a gross margin of 55.9% and 54.7% for the same periods in 2021.

The increase in cost of revenues for the three months ended June 30, 2022 was primarily driven by a \$2.3 million increase in personnel-related costs (which includes stock-based compensation of \$0.5 million) resulting from headcount increases supporting our growth in site reliability engineering, client implementation and client support, as well as \$2.4 million in higher costs of our third-party partners where we resell their solutions as part of the digital platform, \$0.7 million increase in hosting costs, \$0.7 million related to the acquisition of Segmint (which includes stock-based compensation of \$0.1 million) and \$0.8 million of amortization of intangibles, \$0.7 million of which is related to the acquisition of Segmint.

The increase in cost of revenues for the six months ended June 30, 2022 was primarily driven by a \$4.6 million increase in personnel-related costs (which includes stock-based compensation of \$1.2 million) resulting from headcount increases supporting our growth in the following teams: site reliability engineering, client implementation and client support, as well as \$4.3 million in higher cost of our third party partners where we resell their solutions as part of the digital platform and \$0.6 million in incremental hosting costs, incurred from an increase in revenues derived from existing and new client growth. In addition, we incurred \$0.7 million related to the acquisition of Segmint (which includes stock-based compensation of \$0.1 million) and \$1.0 million of amortization of intangibles, \$0.7 million of which is related to the acquisition of Segmint. We expect the cost of revenues will continue to increase as SaaS subscription services and the associated implementation services increase over time.

Operating Expenses

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2022	2021	\$	%	2022	2021	\$	%
(\$ in thousands)								
Research and development	\$ 16,595	\$ 12,107	\$ 4,488	37.1 %	\$ 30,751	\$ 23,020	\$ 7,731	33.6 %
Sales and marketing	10,204	5,326	4,878	91.6 %	18,101	10,641	7,460	70.1 %
General and administrative	18,731	12,185	6,546	53.7 %	35,777	21,932	13,845	63.1 %
Acquisition-related expenses, net	796	625	171	27.4 %	(582)	1,263	(1,845)	(146.1)%
Amortization of acquired intangibles	331	91	240	263.7 %	426	182	244	134.1 %
Total operating expenses	46,657	30,334	\$ 16,323	53.8 %	\$ 84,473	\$ 57,038	\$ 27,435	48.1 %
Percentage of revenues	92.3 %	82.7 %			88.6 %	81.5 %		

Research and Development

Research and development expenses increased \$4.5 million, or 37.1%, and \$7.7 million, or 33.6%, for the three and six months ended June 30, 2022, respectively, compared to the same periods in 2021. For the three months ended June 30, 2022, the increase was primarily due to a \$3.3 million increase in personnel-related costs (which includes stock-based compensation of \$1.4 million) resulting from headcount growth in our engineering, information technology and product teams dedicated to platform enhancements and innovation. In addition, we incurred \$1.1 million related to the Segmint acquisition (which includes stock-based compensation of \$0.5 million), \$0.4 million in higher consulting costs and \$0.1 million of higher hosting costs associated with internal usage. These expenses were partially offset by an increase of \$0.6 million in capitalized development costs related to new strategic projects.

For the six months ended June 30, 2022, the increase was primarily due to a \$6.7 million increase in personnel-related costs (which includes stock-based compensation of \$3.0 million) resulting from headcount growth in our engineering, information technology and product teams dedicated to platform enhancements and innovation, as well as \$1.0 million in higher consulting costs and \$1.1 million related to the Segmint acquisition (which includes stock-based compensation of \$0.5 million). These expenses were partially offset by an increase of \$1.8 million in capitalized development costs related to new strategic projects.

Sales and Marketing

Sales and marketing expenses increased \$4.9 million, or 91.6%, and \$7.5 million, or 70.1%, for the three and six months ended June 30, 2022, respectively, compared to the same periods in 2021. For the three months ended June 30, 2022, the increase was primarily due to a \$2.2 million increase in personnel-related costs (which includes stock-based compensation of \$0.7 million) resulting from headcount growth in our sales and marketing teams. In addition, we incurred \$0.8 million related to the Segmint acquisition (which includes stock-based compensation of \$0.1 million), \$0.1 million in higher consulting costs, as well as \$0.4 million in higher travel costs for the sales team and \$1.4 million in higher costs related to industry conferences and trade shows as we return to pre-COVID-19 pandemic sales activities such as our in-person client conference, Co:Lab.

For the six months ended June 30, 2022, the increase was primarily due to a \$4.3 million increase in personnel-related costs (which includes stock-based compensation of \$1.3 million) resulting from headcount growth in our sales and marketing teams. In addition, we incurred \$0.8 million related to the Segmint acquisition (which includes stock-based compensation of \$0.1 million), \$0.3 million in higher consulting costs, as well as \$0.3 million in higher travel costs for the sales team and \$1.8 million in higher costs related to industry conferences and trade shows as we return to pre-COVID-19 pandemic sales activities such as our in-person client conference, Co:Lab.

General and Administrative

General and administrative expenses increased \$6.5 million, or 53.7%, and \$13.8 million, or 63.1%, for the three and six months ended June 30, 2022, respectively, compared to the same periods in 2021. For the three months ended June 30, 2022, the increase was primarily due to a \$5.5 million increase in personnel-related and other costs (which includes stock-based compensation of \$4.9 million). In addition, we incurred a \$0.3 million related to the Segmint acquisition (which includes stock-based compensation of \$0.1 million), \$0.2 million increase in insurance costs for public company director and officer coverage and \$0.3 million higher software costs.

For the six months ended June 30, 2022, the increase in general and administrative expenses was primarily due to an \$11.2 million increase in personnel-related and other costs (which includes stock-based compensation of \$10.3 million). In addition, we incurred a \$0.3 million related to the Segmint acquisition (which includes stock-based compensation of \$0.1 million), \$1.3 million increase in insurance costs for public company director and officer coverage and \$0.7 million higher software costs.

Acquisition-related expenses, net

Acquisition-related expenses, net increased \$0.2 million and decreased \$(1.8) million for the three and six months ended June 30, 2022, respectively, compared to the same periods in 2021. For the three months ended June 30, 2022, the increase was primarily due to additional acquisition expenses related to legal, consulting, and professional fees for the acquisition of Segmint. For the six months ended June 30, 2022, the decrease was primarily due to the \$2.7 million gain on contingent consideration related to the purchase of MK, partially offset by \$0.8 million of acquisition expenses related to legal, consulting, and professional fees for the acquisition of Segmint.

Amortization of acquired intangibles

Amortization of acquired intangibles increased \$0.2 million and \$0.2 million for the three and six months ended June 30, 2022, respectively, primarily due to additional amortization of intangible assets related to the acquisitions of MK in September 2021 and Segmint in April 2022.

Non-Operating Income (Expense), Net

Non-operating expense decreased \$0.9 million and \$2.5 million for the three and six months ended June 30, 2022, respectively compared to same periods in 2021. For the three months ended June 30, 2022, the decrease was primarily due to \$1.3 million in non-operating loss related to the increase in fair value of our warrant liabilities for the three months ended June 30, 2021, partially offset by net \$0.3 million of other non-operating expenses for the three months ended June 30, 2022. For the six months ended June 30, 2022, the increase was primarily due to \$3.0 million in non-operating loss related to the increase in fair value of our warrant liabilities and \$0.5 million of net interest expense for the six months ended June 30, 2021, partially offset by net interest expense of \$0.5 million, \$0.3 million of unrealized losses on marketable securities, and \$0.1 million related to loss on extinguishment of debt for the six months ended June 30, 2022.

Provision for Income Taxes

The Company recorded \$0.2 million and \$0.2 million of provision for income taxes for the three and six months ended June 30, 2022, respectively, resulting in an effective tax rate of (0.8)% and (0.7)%, respectively, compared to no income tax expense for the three and six months ended June 30, 2021. Our effective tax rate differs from the statutory tax rate primarily due to state income taxes and deferred taxes related to the tax amortization of acquired goodwill. Our effective tax rate differs from the statutory tax rate primarily due to the impact of the full valuation allowance against the Company's deferred tax assets.

Liquidity and Capital Resources

As of June 30, 2022, we had \$213.4 million in cash and cash equivalents and marketable securities, and an accumulated deficit of \$347.5 million. Our net losses have been driven by our investments in developing our digital banking platform, expanding our sales, marketing and implementation organizations and scaling our administrative functions to support our rapid growth.

We have financed our operations primarily through the net proceeds we have received from the sales of our redeemable convertible preferred stock and common stock, cash generated from the sale of SaaS subscription services and borrowings under our Amended Credit Agreement (as defined below).

On April 15, 2021, we completed our initial public offering ("IPO"), in which we issued and sold 6,900,000 shares of our common stock, including 900,000 shares of common stock that were sold pursuant to the exercise in full of the underwriters' option to purchase additional shares of common stock at \$30.00 per share. Our IPO resulted in net proceeds of \$192.8 million after deducting underwriting discounts, commissions and other offering costs. With the proceeds from our IPO, the Company paid in full accumulated dividends on our previously outstanding shares of Series B redeemable convertible preferred stock, which totaled approximately \$5.0 million.

Our future capital requirements will depend on many factors, including revenue growth and costs incurred to support client usage and growth in our client base, increased research and development expenses to support the growth of our business and related infrastructure, increased general and administrative expenses associated with being a publicly traded company, investments in office facilities and other capital expenditure requirements and any potential future acquisitions or other strategic transactions.

We believe that our existing cash resources, including our Amended Credit Agreement, will be sufficient to finance our continued operations, growth strategy, planned capital expenditures and the additional expenses we expect to incur as a public company for the short term (at least the next 12 months) and longer term. We may from time to time seek to raise additional capital to support our growth. Any equity financing we may undertake could be dilutive to our existing stockholders, and any additional debt financing we may undertake could require debt service and financial and operational requirements that could adversely affect our business.

Cash Flows

The following table summarizes our cash flows for the periods indicated:

(in thousands)	Six months ended June 30,	
	2022	2021
Net cash used in operating activities	\$ (19,369)	\$ (12,288)
Net cash used in investing activities	(259,576)	(1,446)
Net cash provided by financing activities	62,584	185,422

Net Cash Used in Operating Activities

During the six months ended June 30, 2022, net cash used in operating activities was \$16.3 million, which consisted of a net loss of \$33.6 million, adjusted by non-cash charges of \$22.3 million and net cash outflows from the change in net operating assets and liabilities of \$8.1 million. The non-cash charges were primarily comprised of a non-operating loss related to depreciation and amortization expense of \$3.0 million, and stock-based compensation expense of \$21.4 million, partially offset by a gain on revaluation of contingent consideration of \$2.7 million. The net cash outflows from the change in our net operating assets and liabilities were primarily due to a \$4.8 million increase in accounts receivable, a \$3.5 million increase in prepaid expenses and other current assets and a \$1.4 million increase in deferred implementation costs, partially offset by a \$1.6 million increase in accounts payable and accrued liabilities.

During the six months ended June 30, 2021, net cash used in operating activities was \$12.3 million, which consisted of a net loss of \$22.3 million, adjusted by non-cash charges of \$9.1 million and net cash inflows from the change in net operating assets and liabilities of \$0.9 million. The non-cash charges primarily were comprised of a non-operating loss related to the increase in fair value of warrant liabilities of \$3.0 million, depreciation and amortization expense of \$1.6 million, and stock-based compensation expense of \$4.4 million. The net cash inflows from the change in our net operating assets and liabilities were primarily due to a \$7.9 million increase in accounts payable and accrued liabilities, partially offset by a \$3.3 million increase in prepaid expenses and other current assets and a net \$3.7 million in other balance sheet changes.

Net Cash Used in Investing Activities

During the six months ended June 30, 2022, net cash used in investing activities was \$259.6 million, primarily consisting of \$143.6 million for the purchase of marketable securities, \$132.0 million related to our acquisition of Segmint, \$2.4 million related to capitalized software development costs, and capital expenditures related to updates for computer and other equipment of \$0.6 million, partially offset by \$19.0 million in proceeds from maturities and redemptions of marketable securities.

During the six months ended June 30, 2021, net cash used in investing activities was \$1.4 million, primarily consisting of \$0.6 million related to capitalized software development costs, \$0.3 million related to the finalization of working capital adjustments on our acquisition of ACH Alert, and capital expenditures related to updates for computer and other equipment of \$0.5 million.

Net Cash Provided by Financing Activities

For the six months ended June 30, 2022, net cash provided by financing activities was \$62.6 million, which was primarily due to proceeds of \$85.0 million from issuance of long-term debt, \$1.3 million from the exercise of stock options to purchase 0.6 million shares of our common stock, and proceeds from issuances under the Employee Stock Purchase Plan ("ESPP") of \$1.8 million, partially offset by \$24.7 million of principal payments on debt and debt issuance costs paid of \$0.9 million.

For the six months ended June 30, 2021, net cash provided by financing activities was \$185.4 million, which primarily was due to the receipt of proceeds from our IPO of \$192.8 million and proceeds of \$4.9 million from the exercise of stock options to purchase 3.4 million shares of our common stock, partially offset by the cash payment of our Series B dividend of \$5.0 million upon the consummation of our IPO, the \$3.9 million payment of deferred IPO issuance costs, and the repurchase of shares of our common stock in the amount of \$3.5 million.

Amended Credit Agreement

On April 29, 2022, we entered into an amended and restated credit agreement with Silicon Valley Bank, Comerica Bank, and Canadian Imperial Bank of Commerce (the "Amended Credit Agreement"). The Amended Credit Agreement amends and restates the prior credit facility provided by Silicon Valley Bank and KeyBank National Association. The Amended Credit Agreement matures on April 29, 2025. The Amended Credit Agreement includes the following, among other features:

- **Revolving Facility:** The Amended Credit Agreement provides \$40.0 million in aggregate commitments for secured revolving loans ("Amended Revolving Facility").
- **Term Loan:** A term loan of \$85.0 million (the "Amended Term Loan") was borrowed on the closing date of the Amended Credit Agreement. The additional proceeds received from the Amended Term Loan were used to replenish cash used to fund the acquisition of Segmint Inc., which closed on April 25, 2022.
- **Accordion Feature:** The Amended Credit Agreement also permits us, subject to certain conditions, to request additional revolving loan commitments in an aggregate principal amount of up to \$50.0 million.

Amended Revolving Facility loans under the Amended Credit Agreement may be voluntarily prepaid and re-borrowed. Principal payments on the Amended Term Loan are due in quarterly installments equal to an initial amount of approximately \$1.1 million, beginning on June 30, 2023

and continuing through March 31, 2024, and increasing to approximately \$2.1 million beginning on June 30, 2024 through the Amended Credit Agreement maturity date. Once repaid or prepaid, the Amended Term Loan may not be re-borrowed.

Borrowings under the Amended Credit Agreement bear interest at a variable rate based upon the Secured Overnight Financing Rate (“SOFR”) plus a margin of 3.00% to 3.50% per annum depending on the applicable recurring revenue leverage ratio. If the SOFR rate is ever less than 0%, then the SOFR rate shall be deemed to be 0%. The Amended Credit Agreement is subject to certain liquidity and operating covenants and includes customary representations and warranties, affirmative and negative covenants and events of default.

Obligations under the Amended Credit Agreement are guaranteed by our subsidiaries and secured by all or substantially all of our assets and our subsidiaries’ assets pursuant to an Amended and Restated Guarantee and Collateral Agreement executed contemporaneously with the Amended Credit Agreement.

The Amended Credit Agreement contains customary affirmative and negative covenants, as well as (i) an annual recurring revenue growth covenant requiring the loan parties to have recurring revenues in any four consecutive fiscal quarter period in an amount that is 10% greater than the recurring revenues for the corresponding four consecutive quarter period in the previous year and (ii) a liquidity (defined as the aggregate amount of cash in bank accounts subject to a control agreement plus availability under the Revolving Facility) covenant, requiring the loan parties to have liquidity, tested on the last day of each calendar month, of \$15.0 million or more. The Amended Credit Agreement also contains customary events of default, which if they occur, could result in the termination of commitments under the Amended Credit Agreement, the declaration that all outstanding loans are immediately due and payable in whole or in part, and the requirement to maintain cash collateral deposits in respect of outstanding letters of credit.

Total interest expense, including commitment fees and unused line fees, for the three and six months ended June 30, 2022 was \$0.8 million and \$1.1 million, respectively, and \$0.6 million and \$0.2 million for the three and six months ended June 30, 2021, respectively. In conjunction with closing the Amended Credit Agreement in 2022, we incurred issuance costs of \$0.8 million, which were deferred and were scheduled to be amortized over the three-year term. Unamortized debt issuance costs totaled \$0.6 million and \$0.1 million as of June 30, 2022 and December 31, 2021, respectively. Amortization expense was less than \$0.1 million and \$0.2 million for the three and six months ended June 30, 2022, respectively. Amortization expense was \$0.2 million and \$0.4 million for the three and six months ended June 30, 2021, respectively.

Contractual Obligations and Commitments

There were no material changes to our contractual obligations and commitments as of June 30, 2022 compared to those discussed as of December 31, 2021 in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Significant Judgments and Estimates

In preparing our unaudited condensed consolidated financial statements in conformity with GAAP, we must make decisions that impact the reported amounts of assets, liabilities, revenues and expenses, and the related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, we apply judgments based on our understanding and analysis of relevant circumstances, historical experience, and actuarial valuations. Actual amounts could differ from those estimated at the time the condensed consolidated financial statements are prepared.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022.

Recently Issued Accounting Pronouncements

See Note 2 of the Notes to our Unaudited Condensed Consolidated Financial Statements included elsewhere in this report for a discussion of recent accounting pronouncements and future application of accounting standards.

Emerging Growth Company Status

We are an “emerging growth company,” as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period to enable us to comply with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates.

Interest Rate Risk

We are subject to interest rate risk in connection with our Amended Credit Agreement. Interest rate changes generally impact the amount of our interest payments and, therefore, our future net income and cash flows, assuming other factors held constant. Assuming the amounts outstanding under our Amended Credit Agreement are fully drawn, a hypothetical 10% change in interest rates would not have a material impact on our consolidated financial statements.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to provide reasonable assurance that information required to be disclosed by a company in the reports it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the company's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures at June 30, 2022, the last day of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, at June 30, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting, identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) under the Exchange Act, that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in various legal proceedings arising from the normal course of business activities. We are currently not a party to any litigation the outcome of which we believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows or financial condition.

Item 1A. Risk Factors

There are no material changes to the risk factors previously disclosed under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on February 25, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
10.1*	Senior Secured Credit Facilities Amended and Restated Credit Agreement, among Alkami Technology, Inc., as the Borrower, the Several Lenders from time to time party thereto and Silicon Valley Bank, as Administrative Agent, Issuing Lender and Swingline Lender, dated as of April 29, 2022	8-K	001-40321	10.1	5/2/2022
10.2*	Amended and Restated Guarantee and Collateral Agreement, among Alkami Technology, Inc. as the Borrower, the other Grantors referred to therein, and Silicon Valley Bank, as Administrative Agent, dated as of April 29, 2022	8-K	001-40321	10.2	5/2/2022
31.1	Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934				
31.2	Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934				
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350				
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350				
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				
101.SCH	Inline XBRL Taxonomy Extension Schema Document				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				

* Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company will furnish supplementally copies of omitted schedules and exhibits to the Securities and Exchange Commission or its staff upon its request.

** The certifications attached as Exhibit 32.1 and Exhibit 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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, thereunto duly authorized, on the date set forth below.

Alkami Technology, Inc.

Date: August 5, 2022

By: /s/ Alex Shootman

Alex Shootman

Chief Executive Officer

(Principal Executive Officer)

Date: August 5, 2022

By: /s/ W. Bryan Hill

W. Bryan Hill

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Alex Shootman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alkami Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [omitted]
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2022

/s/ Alex Shootman

Alex Shootman

Chief Executive Officer and Director

(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, W. Bryan Hill, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alkami Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. [omitted]
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2022

/s/ W. Bryan Hill

W. Bryan Hill

Chief Financial Officer

(Principal Financial Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of Alkami Technology, Inc. (the "Company") for the quarterly period ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2022

/s/ Alex Shootman

Alex Shootman

Chief Executive Officer and Director

(Principal Executive Officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of Alkami Technology, Inc. (the "Company") for the quarterly period ending June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 5, 2022

/s/ W. Bryan Hill

W. Bryan Hill

Chief Financial Officer

(Principal Financial Officer)