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 March 31, 2023

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 March 31, 2023 was 92,864,741.

TABLE OF CONTENTS

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	$ 114,287	$ 108,720
Marketable securities	71,108	87,635
Accounts receivable, net	28,429	26,246
Deferred implementation costs, current	8,438	7,855
Prepaid expenses and other current assets	14,238	11,709
Total current assets	236,500	242,165
Property and equipment, net	14,214	13,561
Right of use assets	14,108	14,670
Deferred implementation costs, net of current portion	25,060	24,783
Intangibles, net	40,897	42,593
Goodwill	148,050	148,017
Other assets	3,235	3,096
Total assets	$ 482,064	$ 488,885
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	$ 4,250	$ 3,188
Accounts payable	3,163	4,291
Accrued liabilities	21,720	21,643
Deferred revenues, current portion	9,850	8,835
Lease liabilities, current portion	3,118	3,657
Total current liabilities	42,101	41,614
Long-term debt, net	80,375	81,392
Deferred revenues, net of current portion	13,712	13,904
Deferred income taxes	1,791	1,712
Lease liabilities, net of current portion	15,608	15,817
Other non-current liabilities	350	400
Total liabilities	153,937	154,839
Stockholders’ Equity		
Preferred stock, $0.001 par value, 10,000,000 shares authorized and 0 shares issued and outstanding as of March 31, 2023 and December 31, 2022	—	—
Common stock, $0.001 par value, 500,000,000 shares authorized; and 92,864,741 and 92,112,749 shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	93	92
Additional paid-in capital	717,450	706,407
Accumulated deficit	(389,416)	(372,453)
Total stockholders’ equity	328,127	334,046
Total liabilities and stockholders' equity	$ 482,064	$ 488,885

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 March 31,	
	2023	**2022**
Revenues	59,996	44,790
Cost of revenues[(1)]	27,858	19,980
Gross profit	32,138	24,810
Operating expenses:		
Research and development	20,549	14,156
Sales and marketing	10,878	7,898
General and administrative	17,111	17,046
Acquisition-related expenses, net	186	(1,378)
Amortization of acquired intangibles	360	94
Total operating expenses	49,084	37,816
Loss from operations	(16,946)	(13,006)
Non-operating income (expense):		
Interest income	1,726	108
Interest expense	(1,757)	(288)
Gain (loss) on financial instruments	210	(133)
Loss before income taxes	(16,767)	(13,319)
Provision for income taxes	196	87
Net loss	$ (16,963)	$ (13,406)
Net loss per share attributable to common stockholders:		
Basic and diluted	$ (0.18)	$ (0.15)
Weighted-average number of shares of common stock outstanding:		
Basic and diluted	92,397,341	90,208,871

(1) Includes amortization of acquired technology of $1.3 million and $0.3 million for the three months ended March 31, 2023 and 2022, 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 STOCKHOLDERS' EQUITY

(In thousands, except share data)
(UNAUDITED)

	Three months ended March 31, 2023								
	Common Stock			Additional Paid-in Capital		Accumulated Deficit		Total Stockholders' Equity	
	Shares	Amount							
Balance January 1, 2023	92,112,749	$	92	$	706,407	$	(372,453)	$	334,046
Stock-based compensation	—		—		11,612		—		11,612
Issuance of common stock upon restricted stock unit vesting	292,591		—		—		—		—
Exercised stock options	459,401		1		1,415		—		1,416
Payments for taxes related to net settlement of equity awards	—		—		(1,984)		—		(1,984)
Net loss	—		—		—		(16,963)		(16,963)
Balance March 31, 2023	92,864,741	$	93	$	717,450	$	(389,416)	$	328,127

	Three months ended March 31, 2022								
	Common Stock			Additional Paid-in Capital		Accumulated Deficit		Total Stockholders' Equity	
	Shares	Amount							
Balance January 1, 2022	89,954,657	$	90	$	658,374	$	(313,853)	$	344,611
Stock-based compensation	—		—		9,974		—		9,974
Issuance of common stock upon restricted stock unit vesting	82,050		—		—		—		—
Exercised stock options	432,930		—		936		—		936
Net loss	—		—		—		(13,406)		(13,406)
Balance March 31, 2022	90,469,637	$	90	$	669,284	$	(327,259)	$	342,115

ALKAMI TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(UNAUDITED)

	Three months ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (16,963)	$ (13,406)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	2,586	1,018
Accrued interest on marketable securities, net	(398)	(42)
Stock-based compensation expense	11,440	9,920
Amortization of debt issuance costs	45	10
Gain on revaluation of contingent consideration	—	(2,700)
(Gain) loss on financial instruments	(210)	133
Deferred taxes	47	34
Changes in operating assets and liabilities:		
Accounts receivable	(2,183)	(2,915)
Prepaid expenses and other current assets	(2,654)	(172)
Accounts payable and accrued liabilities	(1,290)	628
Deferred implementation costs	(859)	(469)
Deferred revenues	824	(384)
Net cash used in operating activities	(9,615)	(8,345)
Cash flows from investing activities:		
Purchase of marketable securities	(20,987)	(112,079)
Proceeds from maturities and redemptions of marketable securities	38,122	—
Purchases of property and equipment	(229)	(282)
Capitalized software development costs[1]	(1,141)	(1,206)
Net cash provided by (used in) investing activities	15,765	(113,567)
Cash flows from financing activities:		
Principal payments on debt	—	(313)
Payments for taxes related to net settlement of equity awards	(1,984)	—
Proceeds from stock option exercises	1,416	936
Net cash (used in) provided by financing activities	(568)	623
Net increase (decrease) in cash and cash equivalents and restricted cash	5,582	(121,289)
Cash and cash equivalents and restricted cash, beginning of period	112,337	312,954
Cash and cash equivalents and restricted cash, end of period	$ 117,919	$ 191,665

[(1)] See Note 2 for additional information regarding noncash investing activities for the three months ended March 31, 2023 and 2022 related to capitalized software development costs.

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, 2022, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, filed with the Securities and Exchange Commission on February 24, 2023. Operating results for the three months ended March 31, 2023 are not necessarily indicative of results that may be expected for any other interim period or for the year ending December 31, 2023.

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

Reclassification. The Company has reclassified certain amounts on its consolidated statements of operations and consolidated statements of cash flows in the prior period to conform to current period 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.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash, cash equivalents and marketable securities. The Company invests its cash equivalents in highly rated money market funds. The Company’s marketable securities consist of debt securities issued by highly rated corporate entities, foreign governments, and the U.S. federal government. Deposits may exceed federally insured limits, and the Company is exposed to credit risk on deposits in the event of default by the financial institutions to the extent account balances exceed the amount insured by the Federal Deposit Insurance Corporation (“FDIC”). The Company is closely monitoring ongoing events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions or other companies in the financial services industry or the financial services industry generally, including developments related to Silicon Valley Bank (“SVB”). On March 10, 2023, SVB was closed by the California Department of Financial Protection and Innovation and the FDIC was appointed as receiver. On March 12, 2023, the U.S. Department of the Treasury, Federal Reserve Board, and FDIC released a joint statement announcing that the FDIC would complete its resolution of SVB in a manner that fully protected all depositors at SVB and that depositors would have access to all of their money starting March 13, 2023. On March 26, 2023, the FDIC announced that First-Citizens Bank & Trust Company would assume all of SVB's deposits and loans as of March 27, 2023. In light of the foregoing, the Company does not believe that it has exposure to loss as a result of SVB’s receivership. Additionally, the Company’s overall liquidity and financing has not been impacted. During the periods presented, the Company has not experienced any losses on its deposits of cash, cash equivalents or marketable securities.

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 March 31, 2023 and December 31, 2022, represent the additional cash proceeds in deposit with an escrow agent for satisfaction of holdback provisions related to the acquisitions of MK Decisioning Systems, LLC ("MK") and Segmint Inc. ("Segmint"). See Note 3 for further information.

(in thousands)	**March 31, 2023**	**December 31, 2022**
Cash and cash equivalents	$ 114,287	$ 108,720
Restricted cash included in Prepaid expenses and other current assets	3,632	3,617
Total cash and cash equivalents and restricted cash	$ 117,919	$ 112,337

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 $6.8 million and $5.7 million in capitalized internal software development costs, net of accumulated amortization as of March 31, 2023 and December 31, 2022, 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. For the three months ended March 31, 2023 and 2022, the Company had noncash investing activities of $0.2 million and $0.1 million, respectively, for capitalized stock-based compensation related to capitalized software development costs.

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 $0.7 million and $0.5 million as of March 31, 2023 and December 31, 2022, 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

The Company reviewed recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact to the condensed consolidated financial statements.

Note 3. Business Combination

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 released at the 12-month anniversary of close and the remainder 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 met 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 upon acquisition 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. As of March 31, 2023 and December 31, 2022, the fair value of the contingent earn-out was zero.

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 December 31, 2022, the Company determined that 0% of the maximum $25 million contingent consideration would be paid to the seller in accordance with the terms of the purchase agreement as a result of changes in the expected timing of new customer sales and implementations. The Company's determination has not changed as of March 31, 2023.

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 was approximately $135.0 million (the "Merger Consideration"). A portion of the Merger Consideration of approximately $2.6 million was placed into escrow to secure certain post-closing indemnification obligations in the Merger Agreement.

As of March 31, 2023, the allocation of the purchase price for Segmint has been finalized. The preliminary purchase price allocations are based upon the preliminary valuation of assets and liabilities. These estimates and assumptions were subject to change as the Company obtained 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, as well as adjustments made during the measurement period:

(in thousands)	Preliminary Fair Value as of April 25, 2022	Measurement Period Adjustments	Adjusted Fair Value as of March 31, 2023
Cash	$ —	$ 601	$ 601
Trade accounts receivables	1,788	7	1,795
Other current assets	323	(8)	315
Property and equipment	35	—	35
Goodwill	99,310	649	99,959
Intangible assets	35,400	1,100	36,500
Total assets acquired	$ 136,856	$ 2,349	$ 139,205
Accounts payable	$ 768	$ (282)	$ 486
Accrued liabilities	188	371	559
Deferred revenues, current	145	—	145
Deferred tax liability	—	2,350	2,350
Other non-current liabilities	625	—	625
Total liabilities assumed	1,726	2,439	4,165
Net assets acquired	$ 135,130	$ (90)	$ 135,040
Less cash acquired	—	(601)	(601)
Total cash consideration for acquisition, less cash acquired	$ 135,130	$ (691)	$ 134,439

The measurement period adjustments were related to post-closing working capital adjustments, cash account amounts received as part of assets, revised estimates for intangible assets, and assumption of deferred tax liabilities.

The table below outlines the purchased identifiable intangible assets:

	Weighted-Average Amortization Period	Total
	(in years)	*(in thousands)*
Customer relationships	15	$ 15,200
Developed technology	5	20,600
Trade names	10	700
Total identifiable intangible assets		$ 36,500

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.

Note 4. Property and Equipment, Net

Depreciation and amortization expense was $0.9 million and $0.6 million for the three months ended March 31, 2023 and 2022, respectively.

Property and equipment, net, includes the following amounts at March 31, 2023 and December 31, 2022:

(in thousands)	Useful Life		March 31, 2023		December 31, 2022
Software	2 to 5 years	$	8,656	$	7,253
Computers and equipment	3 years		5,740		5,606
Furniture and fixtures	5 years		3,988		3,986
Leasehold improvements	3 to 10 years		11,715		11,715
		$	30,099	$	28,560
Less: accumulated depreciation and amortization			(15,885)		(14,999)
Property and equipment, net		$	14,214	$	13,561

Note 5. Revenues 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 months ended March 31, 2023 and 2022:

	Three months ended March 31,			
(in thousands)		2023		2022
SaaS subscription services	$	57,519	$	42,809
Implementation services		1,670		1,577
Other services		807		404
Total revenues	$	59,996	$	44,790

The Company recognized approximately $2.1 million of revenue during the three months ended March 31, 2023 that was included in 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 March 31, 2023, minimum contracted subscription revenues to be recognized in future periods total approximately $902.9 million. The Company expects to recognize approximately 46.5% of this amount as subscription services are transferred to customers over the next 24 months, an additional 32.5% 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 $0.8 million and $0.7 million in deferred commissions costs during the three months ended March 31, 2023 and 2022, respectively, and recognized amortization of $0.9 million and $0.7 million during the three months ended March 31, 2023 and 2022, respectively. Amortization expense is included in sales and marketing expenses in the accompanying condensed consolidated 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 $16.2 million and $16.2 million as of March 31, 2023 and December 31, 2022, respectively.

The Company capitalized implementation costs of $2.1 million and $1.3 million during the three months ended March 31, 2023 and 2022, respectively, and recognized amortization of $1.1 million and $0.8 million during the three months ended March 31, 2023 and 2022, 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 $17.3 million and $16.4 million as of March 31, 2023 and December 31, 2022, 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 months ended March 31, 2023 and 2022.

Note 6. Accounts Receivable

Accounts receivable includes the following amounts at March 31, 2023 and December 31, 2022:

(in thousands)	March 31, 2023	December 31, 2022
Trade accounts receivable	$ 25,067	$ 21,665
Unbilled receivables	3,912	4,621
Other receivables	278	747
Total receivables	29,257	27,033
Allowance for credit losses	(459)	(467)
Reserve for estimated credits	(369)	(320)
	$ 28,429	$ 26,246

Note 7. Accrued Liabilities

Accrued liabilities consisted of the following at March 31, 2023 and December 31, 2022:

(in thousands)	March 31, 2023	December 31, 2022
Bonus accrual	$ 3,793	$ 6,199
Accrued vendor purchases	294	1,496
Commissions accrual	428	2,280
Accrued hosting services	2,332	930
Client refund liability	317	279
Accrued consulting and professional fees	502	187
Accrued tax liabilities	1,185	1,147
MK and Segmint acquisition holdback provision	3,632	3,618
ESPP liability	2,165	717
Other accrued liabilities	7,072	4,790
Total accrued liabilities	$ 21,720	$ 21,643

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”), and there were no outstanding borrowing as of March 31, 2023.
- *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, 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, and there were no outstanding borrowing as of March 31, 2023.

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 March 31, 2023.

On March 26, 2023, the FDIC announced that First-Citizens Bank & Trust Company would assume all of SVB's deposits and loans as of March 27, 2023. This resulted in no impact to the Company’s condensed consolidated financial statements or changes to the terms of the Amended Credit Agreement. See Note 2. Concentration of Credit Risk for additional information.

Long-term Debt

The following table summarizes long-term debt obligations as of March 31, 2023 and December 31, 2022 (in thousands):

	March 31, 2023	December 31, 2022
Term Debt	$ 85,000	$ 85,000
Less unamortized debt issuance costs	(375)	(420)
Net amount	84,625	84,580
Less current maturities of long-term debt	(4,250)	(3,188)
Long-term portion	$ 80,375	$ 81,392

Maturities of long-term debt outstanding as of March 31, 2023, are summarized as follows (in thousands):

2023	3,188
2024	7,438
2025	74,374
Thereafter	—
Total	$ 85,000

Note 9. Stockholders' Equity

Equity Compensation Plans

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

	Three months ended March 31,	
(in thousands)	2023	2022
Cost of revenues	$ 1,146	$ 978
Research and development	3,775	1,884
Sales and marketing	1,590	750
General and administrative	4,733	6,162
Total stock-based compensation expenses	$ 11,244	$ 9,774

Note 10. Income Taxes

The Company recorded income tax expense of $0.2 million and $0.1 million for the three months ended March 31, 2023 and March 31, 2022, respectively, resulting in an effective tax rate of (1.2)% and (0.7)%, respectively.

The slight change in the effective tax rate for the three months ended March 31, 2023 as compared to the same period in 2022 is primarily due to a decrease in the valuation allowance recorded in the current period.

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, marketable securities, 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. Marketable securities include debt securities that are measured at fair value using observable inputs.

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 March 31, 2023 and December 31, 2022 and indicate the fair value hierarchy of the valuation:

		Fair Value at Reporting Date Using		
(In thousands)	**March 31, 2023**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Cash equivalents[1]	$ 67,089	$ 67,089	$ —	$ —
Marketable securities:				
Corporate bonds	3,024	—	3,024	—
Commercial paper	36,458	—	36,458	—
U.S. government-sponsored enterprise securities	13,255	—	13,255	—
U.S. Treasury debt securities	15,881	15,881	—	—
International debt securities	2,489	2,489	—	—
Total marketable securities	71,107	18,370	52,737	—
Total Assets	$ 138,196	$ 85,459	$ 52,737	$ —

[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.

		Fair Value at Reporting Date Using		
(In thousands)	**December 31, 2022**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Cash equivalents[1]	$ 28,173	$ 28,173	$ —	$ —
Marketable securities:				
Corporate bonds	26,037	—	26,037	—
Commercial paper	36,407	—	36,407	—
U.S. Treasury debt securities	22,731	22,731	—	—
International debt securities	2,460	2,460	—	—
Total marketable securities	87,635	25,191	62,444	—
Total Assets	$ 115,808	$ 53,364	$ 62,444	$ —

[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.

Note 12. Earnings Per Share

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 months ended March 31, 2023 and 2022, 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 anti-dilutive if included in the calculation.

The computation of basic and diluted EPS is as follows for the three months ended March 31, 2023 and 2022:

	Three months ended March 31,	
(In thousands, except shares and per share amounts)	**2023**	**2022**
Net loss	$ (16,963)	$ (13,406)
Weighted-average shares of common stock outstanding - basic and diluted	92,397,341	90,208,871
Net loss per common share - basic and diluted	$ (0.18)	$ (0.15)

For the three months ended March 31, 2023 and 2022, the following potential shares of common stock were excluded from diluted EPS as the Company had a net loss in each of the periods presented:

	Three months ended March 31,	
	2023	**2022**
Stock options	5,781,937	7,423,122
RSUs	15,317,477	4,572,703
ESPP	190,971	167,842
Total anti-dilutive common share equivalents	21,290,385	12,163,667

Note 13. Commitments and Contingencies

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. Leases

The Company leases office space under non-cancellable 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 10 years. Renewal options were not included in the ROU asset and lease liability calculation. The Company elected the practical expedient to not provide comparable presentation for periods prior to adoption.

In August 2021, the Company entered into an agreement to sublease certain premises of its offices in Plano, Texas. The sublease is classified as an operating lease and has a term of less than three years. Sublease income was $0.1 million and $0.1 million for the three months ended March 31, 2023 and 2022, respectively.

Operating lease expense consisted of:

(in thousands)	Three months ended March 31,	
	2023	**2022**
Operating lease expense	$ 784	$ 784
Short-term lease expense and other[(1)]	318	326
Total lease expense	$ 1,102	$ 1,110

[(1)] Other lease expense includes variable lease expense and sublease income.

Supplemental Cash Flow Information

	Three months ended March 31,	
Cash flow information (in thousands)	2023	2022
Cash paid for operating lease liabilities	$938	$922

The future maturities of operating lease liabilities are as follows:

(in thousands)		March 31, 2023
2023 (nine months remaining)		2,835
2024		3,835
2025		3,898
2026		3,961
2027		4,024
Thereafter		2,712
Total minimum lease payments	$	21,265
Less: present value discount		(2,539)
Total lease liability balance	$	18,726

Note 15. 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 March 31, 2023. Goodwill had a carrying value of $148.1 million and $148.0 million as of March 31, 2023 and December 31, 2022, respectively.

Total intangibles, net, consisted of the following as of March 31, 2023 and December 31, 2022:

	As of March 31, 2023					
(In thousands)	Carrying Value		Accumulated Amortization		Net Carrying Value	
Finite-lived:						
Customer Relationships	$	20,470	$	(1,797)	$	18,673
Developed Technology		27,700		(6,137)		21,563
Tradenames		750		(114)		636
Subtotal amortizable intangible assets		48,920		(8,048)		40,872
Website domain name		25		—		25
Total intangible assets	$	48,945	$	(8,048)	$	40,897

	As of December 31, 2022					
(In thousands)	Carrying Value		Accumulated Amortization		Net Carrying Value	
Finite-lived:						
Customer Relationships	$	20,470	$	(1,455)	$	19,015
Developed Technology		27,700		(4,800)		22,900
Tradenames		750		(97)		653
Subtotal amortizable intangible assets		48,920		(6,352)		42,568
Website domain name		25		—		25
Total intangible assets	$	48,945	$	(6,352)	$	42,593

Amortization expense recognized on intangible assets was $1.7 million and $0.4 million for the three months ended March 31, 2023 and 2022, 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):

2023 (remaining nine months)	5,090
2024	6,786
2025	6,786
2026	6,554
2027	3,194
Thereafter	12,462
	$ 40,872

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, 2022, which are included in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 24, 2023.

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 subsidiaries 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:

- managing our rapid growth;
- attracting new clients and retaining and broadening our existing clients' use of our solutions;
- maintaining, protecting and enhancing our brand;
- predicting the long-term rate of client subscription renewals or adoption of our solutions;
- the unpredictable and time-consuming nature of our sales cycles;
- integration with and reliance on third-party software, content and services;
- integrating our solutions with other systems used by our clients;
- satisfying our clients and meeting their digital banking needs;
- our dependence on the data centers operated by third parties and third party internet hosting providers;
- 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;
- acquiring or investing in other companies or pursuing business partnerships;
- natural or man-made disasters;
- cybersecurity breaches or other compromises of our security measures or those of third parties upon which we rely;
- increased privacy concerns, laws, regulations and standards and our processing and use of the personal information of end users;
- intense competition in the markets we serve;
- reliance on the financial services industry as the source of our revenue in the event of any downturn, consolidation or decrease in technological spend in such industry;
- evolving technological requirements and changes and additions to our solution offerings;
- the political, economic and competitive conditions in the markets and jurisdictions where we operate;
- regulations and laws applicable to us, our clients and our solutions;
- protecting our intellectual property rights and defending ourselves against claims that we are misappropriating the intellectual property rights of others;
- using open-source software in our solutions;
- complying with license or technology agreements with third parties and our ability to enter into additional license or technology agreements on reasonable terms;
- 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;
- 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 Amended Credit Agreement (as defined below);
- our status as an emerging growth company;
- future sales of shares of our common stock, our lack of an intention to pay dividends and significant influence of our principal stockholders; 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 addition, 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 280 real-time integrations to back office systems and third-party fintech solutions as of March 31, 2023, 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 Alkami Platform 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 March 31, 2023. 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 March 31, 2023 and 2022, our total revenues were $60.0 million and $44.8 million, respectively, representing a 33.9% increase period-over-period. SaaS subscription revenues, as further described below, represented 95.9% and 95.6% of total revenues for the three months ended March 31, 2023 and 2022, respectively. We incurred net losses of $17.0 million and $13.4 million for the three months ended March 31, 2023 and 2022, respectively, largely on the basis of significant continued investment in sales, marketing, product development and post-sales client activities.

Recent Developments

Banking and Regulatory Environment Developments. On March 10, 2023, Silicon Valley Bank (“SVB”) was closed by the California Department of Financial Protection and Innovation and the FDIC was appointed as receiver. On March 12, 2023, the U.S. Department of the Treasury, Federal Reserve Board, and Federal Deposit Insurance Corporation (“FDIC”) released a joint statement announcing that the FDIC would complete its resolution of SVB in a manner that fully protected all depositors at SVB and that depositors would have access to all of their money starting March 13, 2023. On March 26, 2023, the FDIC announced that First-Citizens Bank & Trust Company would assume all of SVB's deposits and loans as of March 27, 2023. In light of the foregoing, we do not believe that we have exposure to loss as a result of SVB’s receivership. Additionally, the our overall liquidity and financing has not been impacted. During the periods presented, we have not experienced any losses on our deposits of cash, cash equivalents or marketable securities.

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 March 31, 2023, we served 206 FIs through the Alkami Platform and over 370 clients through the ACH Alert, MK and Segmint products. 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 280 integrations as of March 31, 2023 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 Revenue per Registered User (“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 three client renewals for the three months ended March 31, 2023 and 22 for the year ended December 31, 2022. 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 sets. We remain committed to investing in our platform, notably through our research and development spend, which was 34.3% and 31.6% of our revenues for the three months ended March 31, 2023 and 2022, respectively. Our future success will depend on our continued leadership in innovation.

Components of Results of Operations

Revenues

Our client relationships are predominantly based on multi-year contracts for the Alkami Platform that have had an average contract life of 70 months as of March 31, 2023. 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 months ended March 31, 2023 and 2022 by major source:

	Three months ended March 31,	
	2023	2022
(In thousands)		
SaaS subscription services	$ 57,519	$ 42,809
Implementation services	1,670	1,577
Other services	807	404
Total revenues	$ 59,996	$ 44,790

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 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 months ended March 31, 2023 and 2022 was 53.6% and 55.4%, respectively.

The major components of cost of revenues represented the following percentages of revenues for the three months ended March 31, 2023: third-party hosting services (7.6%), the direct costs of bill-pay and other third-party intellectual property included in our solutions (17.5%), our implementation team (9.9%), our client success team (3.6%), our development team responsible for maintaining and releasing updates to our platform (3.2%), amortization (2.6%), stock-based compensation (1.9%), and depreciation (0.1%).

The major components of cost of revenues represented the following percentages of revenues for the three months ended March 31, 2022: third-party hosting services (7.5%), the direct costs of bill-pay and other third-party intellectual property included in our solutions (15.7%), our implementation team (9.9%), our client success team (4.8%), our development team responsible for maintaining and releasing updates to our platform (3.7%), stock-based compensation (2.2%), amortization (0.7%), and depreciation (0.1%).

Operating Expenses

Research and Development. Research and development costs consist primarily of personnel-related costs for our engineering, information technology and product employees, 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 executive, finance, legal, human resources, information technology, security and compliance and other administrative employees, including salaries, bonuses, commissions, other incentive-related compensation, employee benefits and stock-based compensation. 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, 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 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, and changes in fair value of warrants and tranche rights.

Provision for Income Taxes

Our effective tax rate differs from the statutory tax rate primarily due to the impact of the valuation allowance against our deferred tax assets. 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.

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 condensed consolidated statements of operations data for the three months ended March 31, 2023 and 2022.

	Three months ended March 31,	
($ In thousands, except share and per share amounts)	**2023**	**2022**
Revenues	$ 59,996	$ 44,790
Cost of revenues(1)(2)	27,858	19,980
Gross profit	32,138	24,810
Operating expenses(2):		
Research and development	20,549	14,156
Sales and marketing	10,878	7,898
General and administrative	17,111	17,046
Acquisition-related expenses, net	186	(1,378)
Amortization of acquired intangibles	360	94
Total operating expenses	49,084	37,816
Loss from operations	(16,946)	(13,006)
Non-operating income (expense):		
Interest income	1,726	108
Interest expense	(1,757)	(288)
Gain (loss) on financial instruments	210	(133)
Loss before income taxes	(16,767)	(13,319)
Provision for income taxes	196	87
Net loss	$ (16,963)	$ (13,406)

(1) Includes amortization of acquired technology of $1.3 million and $0.3 million for the three months ended March 31, 2023 and 2022, respectively.

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

	Three months ended March 31,	
	2023	**2022**
($ in thousands)		
Cost of revenues	$ 1,146	$ 978
Research and development	3,775	1,884
Sales and marketing	1,590	750
General and administrative	4,733	6,162
Total stock-based compensation expenses	$ 11,244	$ 9,774

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

	Three months ended March 31,	
($ in thousands)	2023	2022
Net loss	$ (16,963)	$ (13,406)
Provision for income taxes	196	87
(Gain) loss on financial instruments	(210)	133
Interest expense, net	31	180
Depreciation and amortization	2,586	1,018
Stock-based compensation expense	11,244	9,774
Acquisition-related expenses, net[1]	186	(1,378)
Adjusted EBITDA [2]	$ (2,930)	$ (3,592)

[1] Acquisition-related expenses, net, for the three months ended March 31, 2023 includes expenses associated with the acquisition of Segmint, primarily related to legal, consulting, and professional fees. Acquisition-related expenses, net, for the three months ended March 31, 2022 includes the accrual of deferred compensation due to the former owner of ACH Alert, in addition to expenses associated with the acquisition of MK, primarily related to legal, consulting, and professional fees. These expenses were 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 before provision for income taxes; (gain) loss on financial instruments; interest expense, net; depreciation and amortization; stock-based compensation expense; 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 $(2.9) million and $(3.6) million for the three months ended March 31, 2023 and 2022, 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 $240.1 million as of March 31, 2023 and $176.9 million as of March 31, 2022, an increase of $63.2 million, or 35.7%.

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 15.1 million registered users as of March 31, 2023 and 12.8 million as of March 31, 2022, an increase of 2.3 million, or 17.9%.

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 $15.88 as of March 31, 2023 and $13.80 as of March 31, 2022, an increase of $2.08, or 15.1%.

Comparison of Three Months ended March 31, 2023 and 2022

Revenues

	Three months ended March 31,		Change	
($ in thousands)	2023	2022	$	%
Revenues	$ 59,996	$ 44,790	$ 15,206	33.9 %

	March 31,			
	2023	2022		
Annual Recurring Revenue (ARR)	$ 240,050	$ 176,897	$ 63,153	35.7 %
Registered Users	15,119	12,819	2,300	17.9 %
Revenue per Registered User (RPU)	$ 15.88	$ 13.80	$ 2.08	15.1 %

Revenues increased $15.2 million, or 33.9% for the three months ended March 31, 2023, compared to the same period in 2022. The increase of $15.2 million in revenues for the three months ended March 31, 2023 was primarily due to registered user growth from new and existing clients, RPU growth, and the acquisition of Segmint completed on April 25, 2022, which contributed $3.5 million for the three months ended March 31, 2023.

Cost of Revenues and Gross Margin

	Three months ended March 31,		Change	
($ in thousands)	2023	2022	$	%
Cost of revenues	$ 27,858	$ 19,980	$ 7,878	39.4 %
Percentage of revenues	46.4 %	44.6 %	1.8 %	4.0 %

Cost of Revenues

Cost of revenues increased $7.9 million, or 39.4%, for the three months ended March 31, 2023, compared to the same period in 2022, generating a gross margin of 53.6% for the three months ended March 31, 2023, compared to a gross margin of 55.4% for the same period in 2022.

The increase in cost of revenues for the three months ended March 31, 2023 was primarily driven by a $1.4 million increase in personnel-related costs (which includes stock-based compensation of $0.1 million) resulting from headcount increases supporting our growth in site reliability engineering, client implementation and client success, as well as $3.4 million in higher costs of our third-party partners where we resell their solutions as part of the digital platform, a $1.1 million increase in hosting costs, $0.8 million of additional costs related to the acquisition of Segmint (which includes stock-based compensation of $0.1 million) and $1.0 million of amortization of intangibles primarily related to the acquisition of Segmint.

Operating Expenses

	Three months ended March 31,		Change	
($ in thousands)	2023	2022	$	%
Research and development	$ 20,549	$ 14,156	$ 6,393	45.2 %
Sales and marketing	10,878	7,898	2,980	37.7 %
General and administrative	17,111	17,046	65	0.4 %
Acquisition-related expenses, net	186	(1,378)	1,564	(113.5)%
Amortization of acquired intangibles	360	94	266	283.0 %
Total operating expenses	$ 49,084	$ 37,816	$ 11,268	29.8 %
Percentage of revenues	81.8 %	84.4 %		

Research and Development

Research and development expenses increased $6.4 million, or 45.2%, for the three months ended March 31, 2023 compared to the same period in 2022. For the three months ended March 31, 2023, the increase was primarily due to a $4.6 million increase in personnel-related costs (which includes stock-based compensation of $1.1 million), resulting from headcount growth in our engineering, information technology and product teams dedicated to platform enhancements and innovation, as well as $0.4 million higher costs for hosting. In addition, we incurred $2.1 million of additional costs related to the Segmint acquisition (which includes stock-based compensation of $0.8 million). These increases are partially offset by $0.6 million in lower consulting costs.

Sales and Marketing

Sales and marketing expenses increased $3.0 million, or 37.7%, for the three months ended March 31, 2023, compared to the same period in 2022. For the three months ended March 31, 2023, the increase was primarily due to a $2.4 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 $0.5 million of additional costs related to the Segmint acquisition (which includes stock-based compensation of $0.2 million), and $0.1 million in higher consulting costs.

General and Administrative

General and administrative expenses increased $0.1 million, or 0.4%, for the three months ended March 31, 2023 compared to the same period in 2022. For the three months ended March 31, 2023, the increase was primarily due to a $1.2 million increase in personnel-related costs, higher software costs of $0.3 million, $0.1 million of additional costs related to the Segmint acquisition, partially offset by a reduction in stock-based compensation of $1.4 million. During 2022, we incurred higher stock-based compensation driven by the modification of a former employee's stock options and RSUs.

Acquisition-Related Expenses, Net

Acquisition-related expenses, net, increased $1.6 million for the three months ended March 31, 2023 compared to the same period in 2022. For the three months ended March 31, 2023, we incurred $0.2 million of acquisition related expenses related to legal, consulting, and professional fees for the acquisition of Segmint. For the three months ended March 31, 2022, we recorded $2.7 million gain on contingent consideration related to the acquisition of MK, partially offset by $0.6 million of acquisition related expenses.

Amortization of Acquired Intangibles

Amortization of acquired intangibles increased $0.3 million for the three months ended March 31, 2023, compared to the same period in 2022, primarily due to additional amortization of intangible assets related to the acquisition of Segmint in April 2022.

Non-Operating Income (Expense), Net

Non-operating expense increased $0.5 million for the three months ended March 31, 2023, compared to same period in 2022. For the three months ended March 31, 2023, the increase was primarily due to a decrease in net interest expense of $0.2 million, as well as a $0.3 million change in unrealized gain on financial instruments related to marketable securities.

Provision for Income Taxes

The Company recorded income tax expense of $0.2 million and $0.1 million for the three months ended March 31, 2023 and 2022, respectively, resulting in an effective tax rate of (1.2)% and (0.7)%, respectively

As a result of our valuation allowance, provision for income taxes consists primarily of current state income taxes and deferred taxes related to the tax amortization of acquired goodwill.

The slight increase in the effective tax rate for the three months ended March 31, 2023 as compared to 2022 is primarily the result of a lower valuation allowance recorded in the current year.

Our effective tax rate differs from the statutory tax rate primarily due to the impact of the full valuation allowance against its deferred tax assets.

Liquidity and Capital Resources

As of March 31, 2023, we had $185.4 million in cash and cash equivalents and marketable securities, and an accumulated deficit of $389.4 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).

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.

On March 26, 2023, it was announced that First-Citizens Bank & Trust Company would assume all of SVB's deposits and loans as of March 27, 2023. This resulted in no impact to the our condensed consolidated financial statements or changes to the terms of the Amended Credit Agreement.

Cash Flows

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

	Three months ended March 31,	
(in thousands)	2023	2022
Net cash used in operating activities	$ (9,615)	$ (8,345)
Net cash provided by (used in) investing activities	15,765	(113,567)
Net cash (used in) provided by financing activities	(568)	623

Net Cash Used in Operating Activities

During the three months ended March 31, 2023, net cash used in operating activities was $9.6 million, which consisted of a net loss of $17.0 million, adjusted by non-cash charges of $13.5 million and net cash outflows from the change in net operating assets and liabilities of $6.2 million. The non-cash charges were primarily comprised of depreciation and amortization expense of $2.6 million and stock-based compensation expense of $11.4 million, partially offset by net other changes in non-cash charges of $0.5 million. The net cash outflows from the change in our net operating assets and liabilities were primarily due to a $2.2 million increase in accounts receivable, a $2.7 million increase in prepaid expenses and other current assets, a $1.3 million decrease in accounts payable and accrued liabilities and a $0.9 million increase in deferred implementation costs, partially offset by a $0.8 million increase in deferred revenues.

During the three months ended March 31, 2022, net cash used in operating activities was $8.3 million, which consisted of a net loss of $13.4 million, adjusted by non-cash charges of $8.4 million and net cash outflows from the change in net operating assets and liabilities of $3.3 million. The non-cash charges were primarily comprised of a non-operating loss related to depreciation and amortization expense of $1.0 million and stock-based compensation expense of $9.9 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 $2.9 million increase in accounts receivable and a $0.4 million decrease in deferred revenues.

Net Cash Provided by (Used in) Investing Activities

During the three months ended March 31, 2023, net cash provided by investing activities was $15.8 million, primarily consisting of $38.1 million in proceeds from maturities and redemptions of marketable securities, partially offset by $21.0 million for the purchase of marketable securities, $1.1 million related to capitalized software development costs, and capital expenditures related to updates for computer and other equipment of $0.2 million.

During the three months ended March 31, 2022, net cash used in investing activities was $113.6 million, primarily consisting of $112.1 million for the purchase of marketable securities, $1.2 million related to capitalized software development costs, and capital expenditures related to updates for computer and other equipment of $0.3 million.

Net Cash (Used in) Provided by Financing Activities

For the three months ended March 31, 2023, net cash used in financing activities was $0.6 million, which was primarily due to payments for taxes related to net settlement of equity awards of $2.0 million partially offset by proceeds of $1.4 million from the exercise of stock options to purchase 0.5 million shares of our common stock.

For the three months ended March 31, 2022, net cash provided by financing activities was $0.6 million, which was primarily due to proceeds of $0.9 million from the exercise of stock options to purchase 0.4 million shares of our common stock, partially offset by a principal payment on debt of $0.3 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"), and there were no outstanding borrowing as of March 31, 2023.
- *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, 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, and there were no outstanding borrowing as of March 31, 2023.

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. The Company was in compliance with all covenants as of March 31, 2023.

Total interest expense, including commitment fees and unused line fees, for the three months ended March 31, 2023 and 2022 was $1.8 million and $0.3 million, 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 $0.7 million as of March 31, 2023 and December 31, 2022, respectively. Amortization expense was $0.1 million and less than $0.1 million for the three months ended March 31, 2023 and 2022, respectively.

Contractual Obligations and Commitments

There were no material changes to our contractual obligations and commitments as of March 31, 2023, compared to those discussed as of December 31, 2022 in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 24, 2023.

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, 2022, filed with the SEC on February 24, 2023.

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 Jumpstart Our Business Startups Act (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. Our cash, cash equivalents and restricted cash consist primarily of interest-bearing accounts. Such interest-earning instruments carry a degree of interest rate risk. To minimize interest rate risk in the future, we intend to maintain our portfolio of cash equivalents in a variety of investment-grade securities, which may include commercial paper, money market funds, and government and non-government debt securities. Because of the short-term maturities of our cash, cash equivalents, restricted cash, and marketable securities, we do not believe that an increase in market rates would have any significant negative impact on the realized value of our investments.

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 March 31, 2023, 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 March 31, 2023, 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, 2022, filed with the SEC on February 24, 2023.

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

		Incorporated by Reference			
Exhibit	**Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**
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)				

* 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.

	Alkami Technology, Inc.
Date: May 4, 2023	By: /s/ Alex Shootman
	Alex Shootman Chief Executive Officer (Principal Executive Officer)
Date: May 4, 2023	By: /s/ W. Bryan Hill
	W. Bryan Hill Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    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: May 4, 2023

/s/ Alex Shootman
Alex Shootman
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   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: May 4, 2023

/s/ W. Bryan Hill
W. Bryan Hill
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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 March 31, 2023 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: May 4, 2023

/s/ Alex Shootman
Alex Shootman
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

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 March 31, 2023 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: May 4, 2023	/s/ W. Bryan Hill
	W. Bryan Hill
	Chief Financial Officer
	(Principal Financial Officer)