nerdwallet

Q3 2023

Shareholder Letter

PROGRESS IN GROWTH PILLARS

WHERE WE STARTED

↓

LAND & EXPAND

Continued to execute organic playbook with consistent success in Canada with 87% year-over-year Monthly Unique User (MUU) growth

↓

VERTICAL INTEGRATION

On the Barrelhead (OTB) integration progressing; leveraged OTB technology to launch personalized pre-qualified offer experience within Credit Cards

↓

REGISTRATIONS & DATA-DRIVEN ENGAGEMENT

38% year-over-year growth in cumulative Registered Users, ending Q3 2023 with over 17 million

↓

WHERE WE'RE GOING

CONNECT DATA • NUDGE • LEARN • SHOP • MANAGE

TRUSTED FINANCIAL ECOSYSTEM

Q3'23 FINANCIAL HIGHLIGHTS

24M

Monthly Unique Users (MUUs) engaging with our content, tools and marketplaces

22%

year-over-year growth in MUUs as we see strong engagement in areas such as travel, banking and investing

$152.8M

of revenue delivered

7%

year-over-year revenue growth from tailwinds in areas such as banking despite facing continued headwinds in prime lending and insurance

$26.7M

Adjusted EBITDA delivered while strategically investing in brand awareness, our product vision and our Nerds

18%

Adjusted EBITDA margin, up over 7 percentage points versus Q3 2022 as we gained leverage across the majority of our cost base

$9.5M

Non-GAAP Operating Income delivered

6%

Non-GAAP Operating Income margin, up over 8 percentage points versus Q3 2022 as we gained leverage across similar areas to Adjusted EBITDA

OCTOBER 26, 2023

Fellow Shareholders:

NerdWallet is rapidly approaching our second anniversary as a public company, and each quarter I have enjoyed the opportunity to reflect on our progress with the goal of providing you with the same clarity and confidence our Nerds strive to offer our consumers.

I am pleased to report our strong audience growth in Q3, with monthly unique users up 22% year-over-year and record traffic to travel content and personal loans. As we noted last quarter, we are taking share in a large and growing market, independent of macroeconomic factors: Our primary addressable market—U.S. financial services digital advertising—is expanding, with a 2022 3-year CAGR of approximately 23%, and NerdWallet's share in this growing market has also increased, with a 3-year CAGR of 33%[1].

We've consistently said that over 70% of our traffic comes organically or unpaid to our site, and that remains true today, but we recognize that our investment in Sales & Marketing has been roughly 70% of revenue in recent periods. To that end, I'd like to share how I think about these investments to equip you with important context for understanding how we make decisions internally, and how we think about operating leverage moving forward.

I look at our Sales & Marketing investments through the lens of fixed versus variable costs. 50% of our trailing twelve-month Sales & Marketing investments is fixed in nature, mainly comprising headcount and Brand expenses. Generally, our fixed costs drive organic traffic, which has a high incremental margin; given that there is little cost associated with serving an incremental organic visitor, there should be meaningful margin leverage as organic traffic scales and these costs remain fixed. Conversely, the other 50% is variable in nature, mainly comprising performance marketing costs. Paid visitors have a lower incremental margin, but we have approached scaling these costs thoughtfully and strive to maintain in-quarter profitability.

With this in mind, we beat our revenue and profitability guidance this quarter, but we continue to see opportunities to more effectively and

1- CAGR for both metrics represents full calendar year 2019 - 2022; U.S. financial services digital advertising data from Insider Intelligence eMarketer reports: June 2021, July 2022 efficiently serve our growing audience of MUUs as the macro environment recovers. To that end, our Nerds have spent the quarter engaged in developing products and initiatives that further our vision for a Trusted Financial Ecosystem, or a single platform where consumers and SMBs can learn, shop, and make decisions about their finances.

Q3 2023 BUSINESS HIGHLIGHTS

In Q3, we made meaningful progress across our three growth pillars—Land & Expand, Vertical Integration, and Registrations & Data-Driven Engagement—to move us closer to our vision.

We continue to leverage our organic playbook and trusted brand to help more people in more ways. This quarter, our International team continued our expansion into Canada, making meaningful progress with 87% year-over-year MUU growth while onboarding financial partners to pave the way for increased monetization. At the same time, the team has steadily ramped their efforts in Australia to position NerdWallet as an emerging player in this international market. For our large US audience, we continue to extend our footprint to new financial topics, providing consumers with actionable guidance and our business with new monetization, registration, and cross-sell opportunities.

In Q3, we lapped our acquisition of On the Barrelhead (OTB), one of our most significant examples of Vertical Integration, or the process by which we pair NerdWallet's reach with best-in-class user experiences. This quarter our Credit Cards vertical leveraged OTB's technology to launch a new product, which helps match consumers with personalized pre-qualified offers for credit cards based on their credit score and preferences. With this product, we are not only able to extend our guidance to sub- and near-prime consumers—for whom qualification is a key consideration when shopping for credit cards—we are also able to register and collect data from more shoppers, creating opportunities for future engagement and cross-sell offerings.

With our robust and growing audience, we are investing in critical initiatives to register and engage a growing proportion of our addressable market. Ultimately, this will enable us to build a strong base of highly-engaged users, who turn and return to the NerdWallet ecosystem for all of their money questions and financial product needs. In Q3, a diverse range of efforts—from optimized registration prompts to NerdWallet app enhancements to newsletter offerings—grew our registered user base by 38% year-over-year.

At the same time, we have launched several bolder consumer offerings that allow us to build deeper relationships with our customers, with the intention of testing a variety of product hypotheses over time: Following on our launch of the NerdAI chatbot beta in Q2, we've now incorporated registration prompts into our chatbot model to funnel consumers to NerdWallet membership offerings related to their questions. And notably, today we launched NerdUp by NerdWallet, a secured credit card intended to help users build their credit history. While we do not strive to offer our own financial products, our team felt we could design a unique product by leveraging our existing distribution channels to reduce costs. In doing so, we believe we can create a win-win-win for consumers, traditional card issuers, and NerdWallet. For consumers, we can pass on our lower costs with a secured card that requires a low minimum deposit, no annual fees, and no credit check while also offering cash back rewards, helping them build good credit behavior and unlock new credit opportunities. For card issuers, we hope to deliver long-term value by connecting them with newly-eligible consumers who now qualify for more traditional products and services. And throughout this process, we will establish meaningful, engaged relationships with NerdUp users within our trusted ecosystem.

Q3 FINANCIAL UPDATE

In Q3, we delivered 7% year-over-year revenue growth in the face of a tough macro environment. Our diversification helped—we are facing continued headwinds in prime lending and insurance but see remaining tailwinds in areas such as banking.

We provided trustworthy guidance to 24 million average Monthly Unique Users (MUUs) in Q3. MUUs increased 22% on a year-over-year basis driven by consumer interest in areas such as travel products, banking and investing.

During Q3, we generated $27 million of Adjusted EBITDA, at an 18% margin, up over 7 points from our Q3'22 margin and $10 million of

Non-GAAP Operating Income, at a 6% margin, up over 8 points year-over-year. We saw some strong seasonal organic engagement in areas such as student loans origination this quarter and are proud that in a quarter where we spent on larger scale brand campaigns, we were able to deliver near-historical high Adjusted EBITDA margin levels while making disciplined investments in engaging our user base. Our focus will remain on driving incremental efficiencies combined with optimizing for investment levels that balance both shorter-term profitability considerations with longer-term growth opportunities.

LOOKING AHEAD

In reflecting on our progress in Q3, I feel energized by the opportunities ahead: The continued strength of our reach and brand, combined with our focus on relentlessly improving our consumer experiences, positions us to not only capture even more consumer mindshare but also fuel our business for long-term growth.

At the same time, we remain dedicated to creating value for our wider community, reflected in the ESG report we published yesterday. I encourage you to read our report to learn more about NerdWallet's commitments.

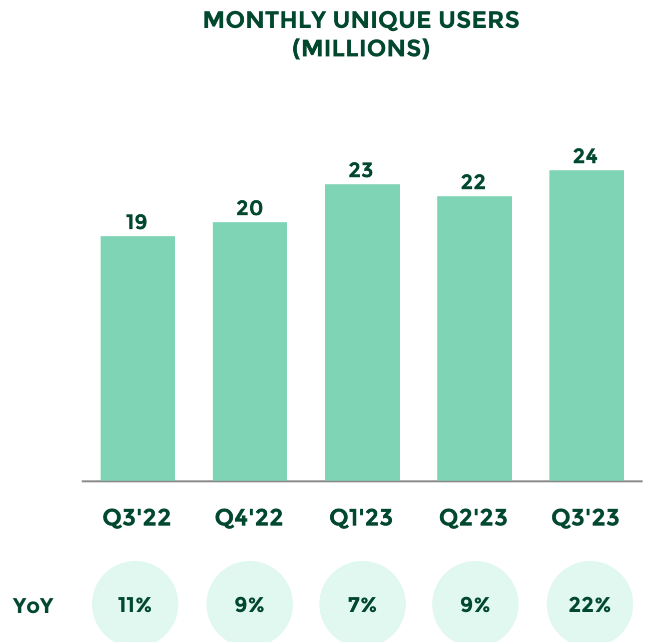
Thank you,

Tim Chen
Co-Founder & CEO

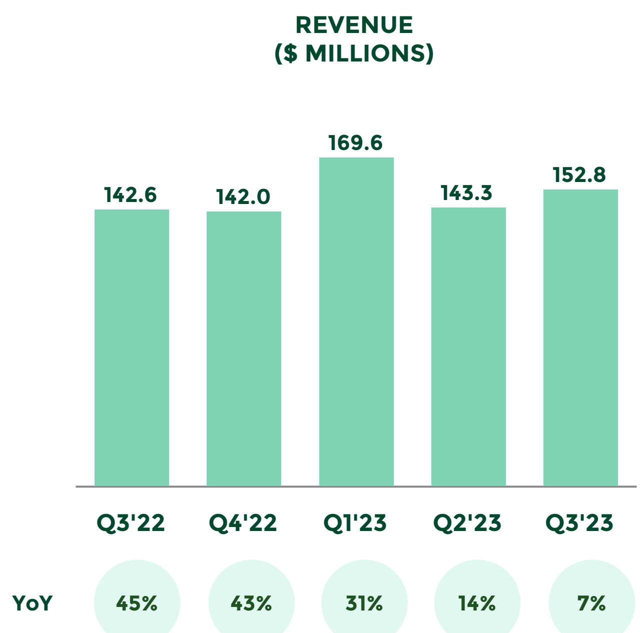
Financial Highlights

Q3 2023 RESULTS
FINANCIAL HIGHLIGHTS

MUUs grew 22% year-over-year driven by engagement in areas such as travel, banking, investing and personal loans. MUUs increased 8% quarter-over-quarter, higher than our typical seasonal cadence as we see strong engagement during a complex macro environment for many consumers and SMBs.



Q3 year-over-year revenue grew 7% with strength in personal loans, banking and SMB, partially offset by pressure in our Credit Cards and insurance verticals.



Q3 2023 RESULTS

SUMMARY FINANCIAL RESULTS

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	THREE MONTHS ENDED SEP 30, 2023		THREE MONTHS ENDED SEP 30, 2022		YEAR VS. YEAR
Revenue	**$**	**152.8**	**$**	**142.6**	**7%**
Credit cards [1]		54.0		57.4	(6%)
Loans [2]		32.9		28.4	16%
Other verticals [3]		65.9		56.8	16%
Income (loss) from operations	**$**	**4.0**	**$**	**(8.8)**	**NM**
Net income (loss)	**$**	**(0.5)**	**$**	**0.7**	**NM**
Net income (loss) per share					
Basic	$	(0.01)	$	0.01	NM
Diluted	$	(0.01)	$	0.01	NM
Non-GAAP financial measures [4]					
Adjusted EBITDA	**$**	**26.7**	**$**	**14.5**	**84%**
Non-GAAP operating income (loss)	**$**	**9.5**	**$**	**(3.4)**	**NM**
Cash and cash equivalents	**$**	**86.6**	**$**	**138.4**	**(37%)**
Average monthly unique users [5]		**24**		**19**	**22%**

Please refer to our Investor Relations website for a Historical Financial Data spreadsheet that includes access to previously disclosed financial results and metrics. The spreadsheet can be found on the Quarterly Results section of our website and should be viewed in conjunction with our Quarterly and Annual Reports on Form 10-Q and Form 10-K filed with the Securities and Exchange Commission as they provide additional financial results, transaction details and more context on our operations.

(1) Credit cards revenue consists of revenue from consumer credit cards.
(2) Loans revenue includes revenue from personal loans, mortgages, student loans and auto loans.
(3) Other verticals revenue includes revenue from other product sources, including SMB products, banking, insurance, investing and NerdWallet UK.
(4) Adjusted EBITDA and non-GAAP operating income (loss) are non-GAAP measures. See “Non-GAAP Financial Measures” for more information.
(5) We define a Monthly Unique User (MUU) as a unique user with at least one session in a given month as determined by unique device identifiers.

REVENUE

CREDIT CARDS

Credit Cards delivered $54 million of Q3 revenue, a 6% decrease year-over-year. We saw relative stability within Credit Cards showcased by our typical seasonal cadence of a mid-single digit percentage increase from Q2 to Q3. Headwinds continued during the quarter, especially in areas such as balance transfer products with long introductory zero-interest periods, as a result of conservatism from banks with deploying capital, though we successfully leveraged our improved user experiences combined with our latest brand campaigns to drive continued strength in matches to financial services partners.

REVENUE

LOANS

Loans revenue consists of personal, mortgage, student and auto loans. Loans delivered revenue of $33 million in Q3, up 16% year-over-year. Personal loans delivered another quarter of accelerating growth and remained the largest component of Loans revenue. These gains more than offset year-over-year declines in mortgage, though we see those growth headwinds subsiding as we begin to compare to slightly easier timeframes from the prior year. There was also a return to growth in student loans, though this was primarily due to seasonal loan originations as we have not yet seen a material tailwind from refinance.

As of mid-July, we have now surpassed the one-year anniversary of the acquisition of OTB. While the largest impact to revenue continues to be within personal loans, given headwinds in areas such as mortgages, we are now leveraging OTB's technology and expertise in verticals such as Credit Cards and will look to further expand the use of that technology over time.

REVENUE

OTHER VERTICALS

Other Verticals revenue increased 16% year-over-year to $66 million in Q3. Other Verticals consists of SMB products, banking, insurance and investing verticals as well as NerdWallet UK. We saw another quarter of growth in banking, which continues to be the largest component of Other Verticals, delivering 43% year-over-year growth and benefiting from high consumer and partner interest though we currently believe we are over-earning in this vertical. Our insurance vertical had a challenging quarter, down 23% year-over-year, primarily driven by ongoing carrier profitability issues. SMB revenue grew 6% year-over-year as higher rates muted loan demand; while this growth is at lower levels to previous quarters, it continues to validate our vertical integration strategy.

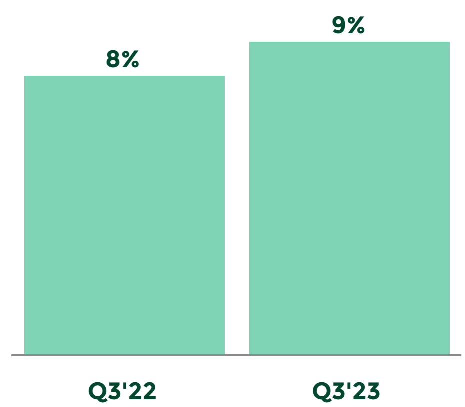
OPERATING EXPENSES

($ MILLIONS)		Q3'22		Q3'23	% CHANGE
Cost of revenue	$	11.7	$	13.3	13%
Research & development		20.7		20.7	0%
Sales & marketing		103.2		100.6	(2%)
General & administrative		15.4		14.2	(9%)
Change in fair value of contingent consideration related to earnouts		0.4		—	(100%)
Total costs & expenses	$	151.4	$	148.8	(2%)

COST OF REVENUE

Cost of Revenue expenses increased 13% year-over-year and were 1 point higher as a percentage of our Revenue. The increase versus prior year was primarily driven by the increase in amortization of internally developed software to support our key growth opportunities.

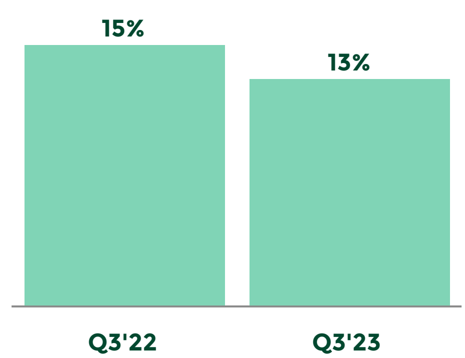
COST OF REVENUE AS % OF REVENUE



RESEARCH & DEVELOPMENT

Research & Development expenses were relatively flat year-over-year and were 2 points lower as a percentage of our Revenue. We are efficiently investing in product and engineering to support our continued growth and key platform capabilities.

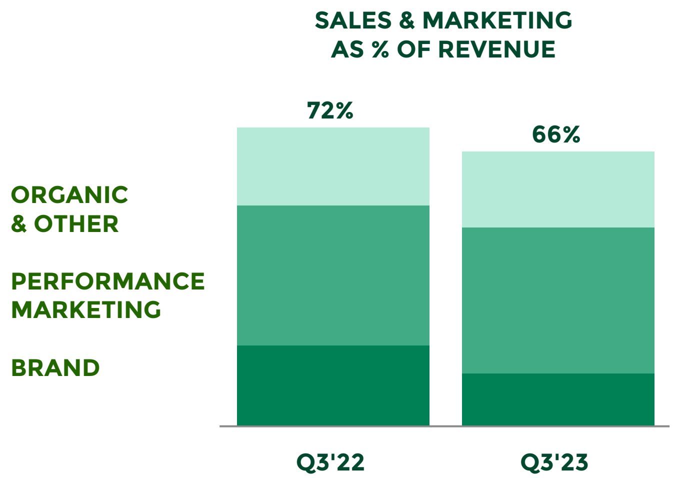
RESEARCH & DEVELOPMENT AS % OF REVENUE



OPERATING EXPENSES

SALES & MARKETING

Sales & Marketing expenses decreased 2% year-over-year and were 6 points lower as a percentage of our Revenue. Sales & Marketing expense was comprised of approximately 19% Brand marketing, 53% Performance marketing, and 28% Organic & other. Sales & Marketing expense consists of: Brand marketing, primarily advertising costs to increase awareness; Performance marketing, primarily costs to drive traffic directly to our platform; and Organic & other, primarily personnel-related costs for content and other marketing and sales teams.



Our Brand marketing creates a virtuous cycle and "halo effect" across all marketing channels as we aim to improve our ability to remain top-of-mind with consumers. As a reminder, our investment in Brand marketing will have significant seasonal margin impacts as optimal timing for campaign effectiveness is not consistent across our fiscal quarters.

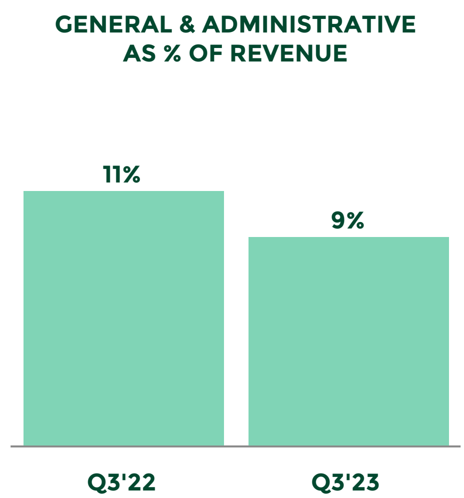
Performance marketing continues to be an effective channel for us to drive traffic and engagement to the NerdWallet platform, diversifying from our strong organic traffic base. During the three quarters of the year, over 70% of our traffic came from direct or unpaid sources.

Organic & other expenses increased year-over-year as we execute on both our "Land and Expand" and "Vertical Integration" strategies with scaling acquisitions, primarily through incremental personnel costs.

OPERATING EXPENSES

GENERAL & ADMINISTRATIVE

General & Administrative expenses decreased 9% year-over-year and were 2 points lower as a percentage of our Revenue. The decrease versus prior year was primarily due to acquisition related expenses from the prior year that did not repeat.



BALANCE SHEET, LIQUIDITY & CAPITAL ALLOCATION

Our balance sheet and liquidity position remain strong. We ended the third quarter with $86.6 million of cash on hand and no debt. Of our cash and cash equivalents, $64.2 million were held in money market funds. During Q3, we entered into a new upsized credit facility giving us access to $125 million for general corporate purposes, maturing on September 26, 2028. We also ended the third quarter with $7.9 million remaining in share repurchase authorization. Following the end of the third quarter, we utilized the remainder of our previous share repurchase authorization.

Our board of directors has approved a new share repurchase authorization of $30 million, with no expiration date. Subject to market conditions and other factors, the new repurchase plan is intended to make opportunistic repurchases of NerdWallet Class A common stock to reduce outstanding share count. Please refer to our press release and 8-K dated October 26, 2023 for more information.

FINANCIAL OUTLOOK

Q4 Revenue: $136 - $140 million; representing (3%) year-over-year at the midpoint
Q4 Adjusted EBITDA: $30 - $33 million

At the mid-point of our Q4 Adjusted EBITDA guidance, we expect a 2023 annual Adjusted EBITDA margin of approximately 16.5%, a year-over-year increase of approximately four percentage points. We also expect 2023 annual GAAP operating income margin of approximately 1% and Non-GAAP operating income margin of approximately 4.5%.

NerdWallet has not provided a quantitative reconciliation of forecasted GAAP net income (loss) to forecasted Adjusted EBITDA within this communication because the company is unable, without making unreasonable efforts, to calculate certain reconciling items with confidence. These items include, but are not limited to, income taxes which are directly impacted by unpredictable fluctuations in the market price of the company's capital stock. These items, which could materially affect the computation of forward-looking GAAP net income (loss), are inherently uncertain and depend on various factors, many of which are outside of NerdWallet's control.

A reconciliation of forecasted operating income margin to forecasted non-GAAP operating income margin is as follows:

	FORECASTED FULL YEAR 2023
Operating income margin[1]	**1%**
Impact on margin of:	
Depreciation and amortization	8%
Acquisition-related retention	1%
Capitalized internally developed software costs	(5.5%)
Non-GAAP operating income margin[2]	**4.5%**

(1) Represents forecasted operating income as a percentage of forecasted revenue.
(2) Represents forecasted non-GAAP operating income as a percentage of forecasted revenue.

For more information regarding the non-GAAP financial measures discussed in this communication, please see "Non-GAAP Financial Measures" below.

QUARTERLY CONFERENCE CALL

A conference call to discuss NerdWallet's third quarter 2023 financial results will be webcast live today, October 26, 2023 at 1:30 PM Pacific Time (PT). The live webcast is open to the public and will be available on NerdWallet's investor relations website at https://investors.nerdwallet.com. Following completion of the call, a recorded replay of the webcast will be available on NerdWallet's investor relations website.

Appendix

FORWARD-LOOKING STATEMENTS

This letter to shareholders contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this letter are forward-looking statements, including, but not limited to, the statements in the section titled “Financial Outlook.” In some cases, you can identify forward-looking statements because they contain words such as “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will” or “would” or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited, statements concerning the following:

- the effect of macroeconomic developments, including but not limited to, inflation, rising interest rates, tightening credit markets and general macroeconomic uncertainty on our business results of operations, financial condition and stock price;
- our expectations regarding our future financial and operating performance, including total revenue, cost of revenue, Adjusted EBITDA, non-GAAP operating income (loss) and MUUs;
- our ability to grow traffic and engagement on our platform;
- our expected returns on marketing investments and brand campaigns;
- our expectations about consumer demand for the products on our platform;
- our ability to convert users into Registered Users and improve repeat user rates;
- our ability to convert consumers into matches with financial services partners;
- our ability to grow within existing and new verticals;
- our ability to expand geographically;
- our ability to maintain and expand our relationships with our existing financial services partners and to identify new financial services partners;
- our ability to build efficient and scalable technical capabilities to deliver personalized guidance and nudge users;
- our ability to maintain and enhance our brand awareness and consumer trust;
- our ability to generate high quality, engaging consumer resources;
- our ability to adapt to the evolving financial interests of consumers;
- our ability to compete with existing and new competitors in existing and new market verticals;
- our ability to maintain the security and availability of our platform;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to identify, attract and retain highly skilled, diverse personnel;
- our ability to stay in compliance with laws and regulations that currently apply or become applicable to our business;
- the sufficiency of our cash, cash equivalents, and investments to meet our liquidity needs;
- our ability to effectively manage our growth and expand our infrastructure and maintain our corporate culture;
- our ability to successfully identify, manage, and integrate any existing and potential acquisitions;
- our ability to achieve expected synergies, accretive value and other benefits from completed acquisitions; and
- our share repurchase plan, including expectations regarding the amount, timing and manner of repurchases made under the plan.

You should not rely on forward-looking statements as predictions or guarantees of future events. We have based the forward-looking statements contained in this letter primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. These forward-looking statements are subject to risks, uncertainties and other factors that may cause actual results or outcomes to be materially different from any future results expressed or implied by these forward-looking statements, including those factors described in filings we make with the SEC from time to time.

The forward-looking statements made in this letter speak only as of the date hereof. We undertake no obligation to update any forward-looking statements made in this letter to reflect events or circumstances after the date of this letter or to reflect new information or the occurrence of unanticipated events, except as required by law.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS UNAUDITED

	THREE MONTHS ENDED		
(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	SEP 30, 2023	SEP 30, 2022	% CHANGE
Revenue	**$ 152.8**	**$ 142.6**	**7%**
Costs and Expenses:			
Cost of revenue	13.3	11.7	13%
Research and development	20.7	20.7	0%
Sales and marketing	100.6	103.2	(2%)
General and administrative	14.2	15.4	(9%)
Change in fair value of contingent consideration related to earnouts	—	0.4	(100%)
Total costs and expenses	148.8	151.4	(2%)
Income (Loss) From Operations	**4.0**	**(8.8)**	**NM**
Other income (expense), net:			
Interest income	0.9	0.5	75%
Interest expense	(0.2)	(0.9)	(77%)
Total other income (expense), net	0.7	(0.4)	NM
Income (loss) before income taxes	4.7	(9.2)	NM
Income tax provision (benefit)	5.2	(9.9)	NM
Net Income (Loss)	**$ (0.5)**	**$ 0.7**	**NM**
Net Income (Loss) Per Share Attributable to Common Stockholders			
Basic	$ (0.01)	$ 0.01	NM
Diluted	$ (0.01)	$ 0.01	NM
Weighted-Average Shares Used in Computing Net Income (Loss) Per Share Attributable to Common Stockholders			
Basic	77.5	73.4	
Diluted	77.5	75.0	

NON-GAAP FINANCIAL MEASURES

We use Adjusted EBITDA and non-GAAP operating income (loss) in conjunction with GAAP measures as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies, and to communicate with our Board of Directors concerning our financial performance.

Adjusted EBITDA: We define Adjusted EBITDA as net income (loss) from continuing operations adjusted to exclude depreciation and amortization, interest income (expense), net, provision (benefit) for income taxes, and further exclude (1) losses (gains) on disposals of assets, (2) change in fair value of contingent consideration related to earnouts, (3) deferred compensation related to earnouts, (4) stock-based compensation, and (5) acquisition-related costs.

Non-GAAP operating income (loss): We define non-GAAP operating income (loss) as income (loss) from operations adjusted to exclude depreciation and amortization, and further exclude (1) losses (gains) on disposals of assets, (2) change in fair value of contingent consideration related to earnouts, (3) deferred compensation related to earnouts, and (4) acquisition-related costs. We also reduce income (loss) from operations for capitalized internally developed software costs.

The above items are excluded from our Adjusted EBITDA and non-GAAP operating income (loss) measures because these items are non-cash in nature, or because the amount is not driven by core operating results and renders comparisons with prior periods less meaningful. We deduct capitalized internally developed software costs in our non-GAAP operating income (loss) measure to reflect the cash impact of personnel costs incurred within the time period.

We believe that Adjusted EBITDA and non-GAAP operating income (loss) provide useful information to investors and others in understanding and evaluating our operating results and in comparing operating results across periods. Moreover, Adjusted EBITDA and non-GAAP operating income (loss) are key measurements used by our management internally to make operating decisions, including those related to analyzing operating expenses, evaluating performance, and performing strategic planning and annual budgeting. However, the use of these non-GAAP measures have certain limitations because they do not reflect all items of income and expense that affect our operations. Adjusted EBITDA and non-GAAP operating income (loss) have limitations as financial measures, should be considered as supplemental in nature, and are not meant as substitutes for the related financial information prepared in accordance with GAAP. These limitations include the following:

- Adjusted EBITDA does not reflect interest income (expense) and other gains (losses), net, which include unrealized and realized gains and losses on foreign currency exchange, as well as certain nonrecurring gains (losses);
- Adjusted EBITDA and non-GAAP operating income (loss) exclude certain recurring, non-cash charges, such as amortization of software, depreciation of property and equipment, amortization of intangible assets, and (losses) gains on disposals of assets. Although these are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA and non-GAAP operating income (loss) do not reflect all cash requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA excludes stock-based compensation, including for acquisition-related inducement awards, which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy; and
- Adjusted EBITDA and non-GAAP operating income (loss) exclude acquisition-related costs, including acquisition-related retention compensation under compensatory retention agreements with certain key employees, acquisition-related transaction expenses, contingent consideration fair value adjustments related to earnouts, and deferred compensation related to earnouts.

In addition, Adjusted EBITDA and non-GAAP operating income (loss) as we define them may not be comparable to similarly titled measures used by other companies. Because of these limitations, you should consider Adjusted EBITDA and non-GAAP operating income (loss) alongside other financial performance measures, including net income (loss), income (loss) from operations, and our other GAAP results.

NON-GAAP FINANCIAL MEASURES

We compensate for the limitations on the prior page by reconciling Adjusted EBITDA to net loss, and non-GAAP operating income (loss) to loss from operations, the most comparable respective GAAP financial measures, as follows:

	THREE MONTHS ENDED		
(IN MILLIONS)	SEP 30, 2023	SEP 30, 2022	% CHANGE
Net income (loss)	**$ (0.5)**	**$ 0.7**	**NM**
Depreciation and amortization	12.1	10.8	11%
Stock-based compensation	9.4	9.1	3%
Acquisition-related retention	1.2	1.4	(11%)
Deferred compensation related to earnouts	—	0.4	(100%)
Change in fair value of contingent consideration related to earnouts	—	0.4	(100%)
Acquisition-related expenses	—	1.2	(96%)
Interest (income) expense, net	(0.7)	0.4	NM
Income tax provision (benefit)	5.2	(9.9)	NM
Adjusted EBITDA	**$ 26.7**	**$ 14.5**	**84%**
Stock-based compensation	(9.4)	(9.1)	3%
Capitalized internally developed software costs	(7.8)	(8.8)	(11%)
Non-GAAP operating income (loss)	**$ 9.5**	**$ (3.4)**	**NM**
Net income (loss) margin	0%	0%	
Adjusted EBITDA margin [1]	18%	10%	
Income (loss) from operations	**$ 4.0**	**$ (8.8)**	**NM**
Depreciation and amortization	12.1	10.8	11%
Acquisition-related retention	1.2	1.4	(11%)
Deferred compensation related to earnouts	—	0.4	(100%)
Change in fair value of contingent consideration related to earnouts	—	0.4	(100%)
Acquisition-related expenses	—	1.2	(96%)
Capitalized internally developed software costs	(7.8)	(8.8)	(11%)
Non-GAAP operating income (loss)	**$ 9.5**	**$ (3.4)**	**NM**
Operating income (loss) margin	3%	(6%)	
Non-GAAP operating income (loss) margin [2]	6%	(2%)	

(1) Represents Adjusted EBITDA as a percentage of revenue.
(2) Represents non-GAAP operating income (loss) as a percentage of revenue.

CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

(IN MILLIONS)	SEP 30, 2023	DEC 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 86.6	$ 83.9
Accounts receivable—net	84.4	87.0
Prepaid expenses and other current assets	23.8	18.3
Total current assets	194.8	189.2
Property, equipment and software—net	52.8	49.1
Goodwill	111.3	111.2
Intangible assets—net	50.5	64.1
Right-of-use assets	9.2	11.3
Other assets	2.2	0.8
Total Assets	**$ 420.8**	**$ 425.7**
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 13.1	$ 3.6
Accrued expenses and other current liabilities	31.9	37.9
Contingent consideration—current	—	30.9
Total current liabilities	45.0	72.4
Other liabilities—noncurrent	11.6	11.6
Total liabilities	56.6	84.0
Commitments and contingencies		
Stockholders' equity	364.2	341.7
Total Liabilities and Stockholders' Equity	**$ 420.8**	**$ 425.7**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS UNAUDITED

(IN MILLIONS)

NINE MONTHS ENDED SEPTEMBER 30,	2023	2022
Operating Activities:		
Net loss	$ (9.5)	$ (19.1)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	36.0	25.6
Stock-based compensation	29.3	25.3
Change in fair value of contingent consideration related to earnouts	—	6.1
Deferred taxes	(0.4)	(12.5)
Non-cash lease costs	2.1	2.0
Other, net	1.2	0.9
Changes in operating assets and liabilities:		
Accounts receivable	1.6	(18.7)
Prepaid expenses and other assets	(6.2)	(2.0)
Accounts payable	7.6	(4.0)
Accrued expenses and other current liabilities	(5.9)	15.9
Payment of contingent consideration	(14.0)	(11.5)
Operating lease liabilities	(2.3)	(1.7)
Other liabilities	3.0	(1.4)
Net cash provided by operating activities	42.5	4.9
Investing Activities:		
Capitalized software development costs	(19.6)	(20.5)
Purchase of property and equipment	(0.5)	(4.3)
Business combination, net of cash acquired	—	(69.5)
Net cash used in investing activities	(20.1)	(94.3)
Financing Activities:		
Payment of contingent consideration	(16.9)	(19.0)
Proceeds from line of credit	7.5	70.0
Payments on line of credit	(7.5)	—
Payment of debt issuance costs	(1.1)	—
Proceeds from exercise of stock options	9.1	6.2
Issuance of Class A common stock under Employee Stock Purchase Plan	1.9	3.2
Repurchase of Class A common stock	(12.1)	—
Tax payments related to net-share settlements on restricted stock units	(0.7)	(0.1)
Net cash provided by (used in) financing activities	(19.8)	60.3
Effect of exchange rate changes on cash and cash equivalents	0.1	(0.3)
Net increase (decrease) in cash and cash equivalents	2.7	(29.4)
Cash and Cash Equivalents:		
Beginning of period	83.9	167.8
End of period	$ 86.6	$ 138.4

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