Q3 2024

Shareholder Letter

nerdwallet

Progress in Growth Pillars

WHERE WE STARTED

LAND & EXPAND

Launched our first comparison shopping marketplace in Australia and grew our Smart Money podcast audience to 250,000 monthly average downloads

VERTICAL INTEGRATION

Acquired Next Door Lending, a mortgage brokerage, to enhance the consumer experience for our mortgage vertical while driving deep and re-occurring relationships with consumers

REGISTRATIONS & DATA-DRIVEN ENGAGEMENT

Ended Q3 2024 with over 23 million cumulative Registered Users

WHERE WE'RE GOING

Q3'24 Financial Highlights

22M

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

(7%)

year-over-year decline in MUUs as organic traffic pressure was partially offset by strength in investing and insurance

$191.3M

of revenue delivered

25%

year-over-year revenue growth from growth in insurance and SMB products, partially offset by headwinds in Loans and Credit Cards

$37.3M

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

19%

Adjusted EBITDA margin, up nearly two points versus Q3 2023 as we reduced our fixed cost base

$22.9M

Non-GAAP Operating Income

12%

Non-GAAP Operating Income margin, up six points versus Q3 2023

OCTOBER 29, 2024

Fellow Shareholders:

In Q3, we exceeded our outlook for both revenue and non-GAAP operating income despite continued headwinds in organic search and an anemic loans end market.

Our business is cyclical, but headwinds and tailwinds will offset each other over time, so our priority is growing from cycle to cycle. To that end, I am especially proud of the share gains we have made cycle to cycle in insurance and small and mid-sized businesses (SMB), which are more than offsetting lending headwinds. Now, our insurance business has grown 6X versus the 2021 peak pre-hard market. While this is partly due to higher-than-normal levels of reshopping happening as premiums have increased, we have also made significant investments to improve our insurance shopping experience. These efforts have enabled us to scale performance marketing in the category more efficiently as both carrier and consumer demand have increased. At the same time, premiums have increased dramatically since 2021, increasing the size of the end market. Similarly, in Q3 our SMB vertical saw double-digit year-over-year growth driven by our renewals business and SMB products categories in spite of a tough macroeconomic environment in SMB loans.

With these strong results in insurance and SMB, we grew revenue 25% year-over-year. However, Credit Cards revenue declined 16% year-over-year. We attribute this to both underwriting constraints and pressure in organic traffic in certain subcategories.

After a stronger start to the quarter, we saw some additional deterioration in our search visibility in mid-Q3. While traffic to our monetizing "shop" content started to rebound as we exited the quarter, traffic to our non-monetizing "learn" content did not. As a result, Monthly Unique Users were down 7% year-over-year in Q3. Looking forward, we expect to see a full quarter of impact from search headwinds to our higher-volume "learn" content in Q4, which means MUU growth will decelerate. However, we anticipate eventual normalization back to year-over-year MUU growth.

We earned $22.9 million in non-GAAP operating income, up $13.4 million year-over-year. We are on track to deliver the $30 million in annualized savings from the reduction in force we announced in July 2024, and we will see our first full quarter of benefit in Q4. We also adjusted the seasonality of our brand spend to drive more impact, spending less year-over-year in Q3 but with plans to spend more year-over-year in Q4.

In my Q2 shareholder letter, I outlined strategic areas of investment as we sought to operate more efficiently while investing in our vision. One of the areas is Vertical Integration, which I believe will be key to bringing more people to us directly by improving our shopping experiences and building deep and re-occurring relationships with shoppers. We recently closed the acquisition of Next Door Lending, a mortgage brokerage, to provide mortgage shoppers with more hands-on guidance. I have really enjoyed getting to know Next Door Lending's principals, Doug and Jonathon, through this process: They are kindred spirits who bootstrapped their business and share our focus on operational efficiency, as well as a consumer-first orientation, with the customer reviews to match. While the upfront deal consideration is small, the strategic alignment presents a significant opportunity for us to drive better outcomes for consumers, lenders and NerdWallet. We expect the acquisition to contribute approximately one to two percentage points of growth to our Q4 2024 revenue outlook.

Q3 2024 BUSINESS HIGHLIGHTS

Although I have highlighted Vertical Integration as a key focus area for our team, we continued to drive progress across all of our strategic pillars in Q3.

Land and Expand

Our Land & Expand efforts increase the breadth and depth of guidance we provide across financial topics, as well as the diversity of our audience. In Q3, we continued our early expansion efforts in Australia with the launch of our first comparison shopping marketplace for this audience. Additionally, we are seeing our efforts to nurture new audience channels pay off: For instance, our analysis shows that our Smart Money podcast audience is increasingly valuable, and we have scaled monthly average downloads to 250,000. We will continue to invest in meeting consumers where they are—on podcast platforms, YouTube, and TikTok—to drive brand loyalty and expand our overall audience.

Vertical Integration

As I shared, we have made significant investments in Vertical Integration—or the process of pairing NerdWallet's brand and reach with best-in-class user experiences—this quarter. Efforts included extending human-assisted support to our home and life insurance experiences. Additionally, our SMB team continued our efforts to improve our sales concierge experience to improve our renewal process. I look forward to taking learnings from our acquisition of Fundera—the origin of our SMB business—and applying them to Next Door Lending and our mortgage vertical, especially as the rate environment improves for shoppers. The acquisition is an exciting step forward in our ability to offer more “do it together” and “do it for me” services: As with Fundera, we believe we have an opportunity to leverage NerdWallet’s trusted brand to enhance Next Door Lending’s existing business during a cyclical recovery, while providing our consumers with a better experience. We believe this partnership will enable us to build deep and re-occurring relationships with consumers and take more market share while improving mortgage unit economics.

Registrations & Data-driven Engagement

Part of the reason for our focus on Vertical Integration is that these improved shopping experiences allow us to register more consumers—in turn allowing us to reengage them over time with new features and opportunities to save or earn more money. As in Q2, the enhancements to our insurance shopping flows drove significant registered user growth this quarter, with our cumulative registered user base now over 23 million. Additionally, we continued to invest in NerdWallet+, our new membership product. As a reminder, NerdWallet+ rewards members for making smart financial decisions and provides access to exclusive rates on certain products from participating financial institutions. This quarter, we launched “Insurance Assistant,” a tool that analyzes members’ insurance rates and automatically shops for better policies if available, as well as a treasury bills account. Although NerdWallet+ is in its early days, we have already seen that members have a higher lifetime value than other registered users—who themselves have five times the lifetime value of overall visitors—suggesting significant opportunity as we relentlessly improve the product.

Q3 FINANCIAL UPDATE

In Q3, revenue grew 25% year-over-year, primarily driven by accelerating strength in insurance as well as growth in SMB. While the lending environment remained tight and a headwind for Loans and Credit Cards, we are seeing some early signs of improvement, with revenue growth in mortgages and improving card issuer appetite. Our diversification continues to help, with strength in insurance more than offsetting a decline in areas such as banking, which has experienced a decline leading up to and following rate reductions.

We provided trustworthy guidance to 22 million average Monthly Unique Users (MUUs) in Q3. MUUs decreased 7% on a year-over-year basis driven by continued pressure in organic search traffic, despite delivering growth in Insurance and Investing.

During Q3, we generated $23 million of non-GAAP operating income, at a 12% margin, and $37 million of adjusted EBITDA, at a 19% margin. For context, based on the midpoint of our Q4 2024 guidance, second half non-GAAP operating income would be up $10 million year-over-year and over 1 point of margin improvement. Because brand spend will be more concentrated in Q4 than Q3 versus prior years, we believe that looking at the second half collectively year-over-year is a cleaner comparison than looking at Q3 and Q4 profitability individually. We remain confident that the decisions we made to right-size our cost base, combined with continued investment in both brand and long-term product enhancements, still lead us to see a path to our mid- and long-term targets we issued in March of this year.

LOOKING AHEAD

Our results this quarter speak not only to NerdWallet's diversification and durability, but also to the Nerds' resilience. After a tough decision coming out of Q2, I am incredibly proud of the way our team has risen to the occasion: The Nerds have remained committed to relentlessly improving our business on behalf of consumers, partners and shareholders.

As we head into the final months of 2024, I want to extend my gratitude to Lauren StClair, our Chief Financial Officer, who will be leaving NerdWallet in March. Lauren joined NerdWallet in 2020 to lead our initial public offering and transition to a public company, and she has been a great partner to me in this process. In particular, she has done a fantastic job of building a strong team. In the coming months, we will work together to ensure an orderly transition.

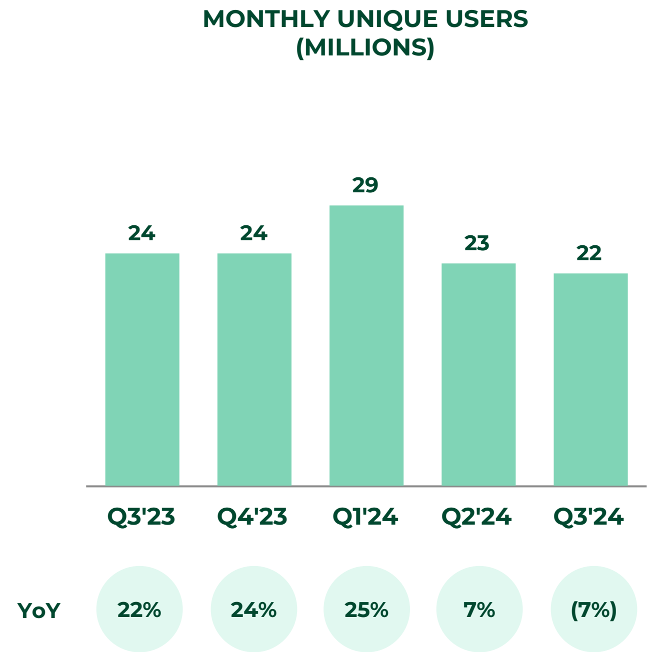
Thank you,

Tim Chen
Co-Founder & CEO

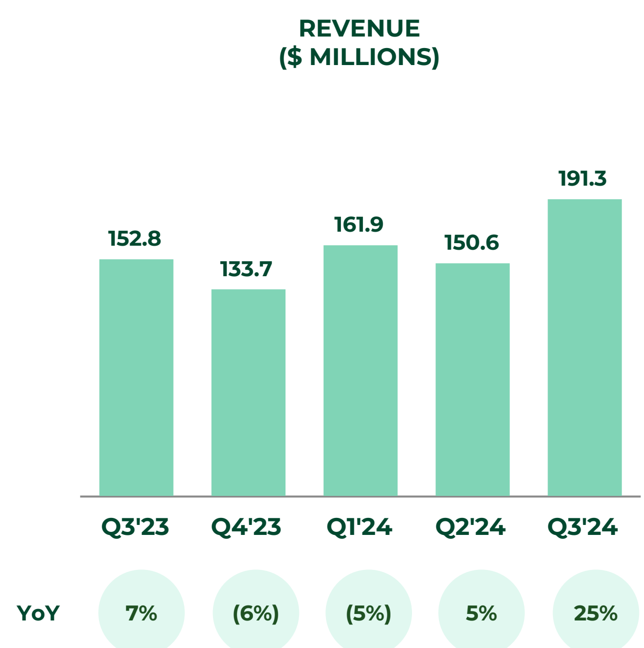
Financial Highlights

Q3 2024 RESULTS
FINANCIAL HIGHLIGHTS

MUUs declined 7% year-over-year. While we saw strength in consumer engagement in areas such as investing and insurance, broad organic traffic pressure to our non-monetizing “learn” traffic more than offset that growth. MUUs decreased 6% quarter-over-quarter as we saw some additional deterioration in our search visibility in mid-Q3.



Q3 year-over-year revenue grew 25% with strength in insurance and SMB products, partially offset by pressure in our Loans and Credit Cards verticals.



Q3 2024 RESULTS
SUMMARY FINANCIAL RESULTS

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)	THREE MONTHS ENDED SEP 30, 2024		THREE MONTHS ENDED SEP 30, 2023		YEAR VS. YEAR
Revenue	**$**	**191.3**	**$**	**152.8**	**25%**
Credit cards [1]		45.3		54.0	(16%)
Loans [2]		23.8		32.9	(28%)
SMB products [3]		27.8		24.7	12%
Emerging verticals [4]		94.4		41.2	129%
Income from operations	**$**	**6.6**	**$**	**4.0**	**64%**
Net income (loss)	**$**	**0.1**	**$**	**(0.5)**	**NM**
Net income (loss) per share					
Basic	$	0.00	$	(0.01)	NM
Diluted	$	0.00	$	(0.01)	NM
Non-GAAP financial measures [5]					
Non-GAAP operating income	**$**	**22.9**	**$**	**9.5**	**138%**
Adjusted EBITDA	**$**	**37.3**	**$**	**26.7**	**39%**
Cash and cash equivalents	**$**	**71.7**	**$**	**86.6**	**(17%)**
Average Monthly Unique Users [6]		**22**		**24**	**(7%)**

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) SMB products revenue consists of revenue from loans, credit cards and other financial products and services intended for small and mid-sized businesses.
(4) Emerging verticals revenue includes revenue from other product sources, including banking, insurance, investing and international.
(5) Non-GAAP operating income (loss) and adjusted EBITDA are non-GAAP measures. See "Non-GAAP Financial Measures" for more information.
(6) 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 $45 million of Q3 revenue, a 16% decrease year-over-year. A tight underwriting environment, combined with downward pressure in organic search traffic, continued to weigh on our Q3 results. However, we have seen early signals that issuer appetite is improving, supporting our belief that these dynamics are temporal and that we will see an eventual recovery.

REVENUE

LOANS

Loans revenue consists of personal, mortgage, student and auto loans. Loans delivered revenue of $24 million in Q3, down 28% year-over-year. Personal loans declined 49% year-over-year, as high loan rates continued to depress consumer demand and underwriting remained tight. Mortgage loans grew year-over-year, still primarily driven by home equity products as consumers accessed record levels of equity in their homes. While we have not yet seen significant benefits from the rate decrease, we continued to invest in product improvements to be in a prime position to take advantage of increased loan demand should the rate environment become more favorable.

REVENUE

SMB PRODUCTS

SMB products revenue increased 12% year-over-year to $28 million in Q3. SMB products revenue consists of loans, credit cards and other financial products and services intended for small and mid-sized businesses. Macroeconomic headwinds and organic search traffic challenges continued to put pressure on SMB loans, particularly in originations. However, loans renewals continued to grow, more than offsetting the decline in originations and showcasing the benefit of our vertical integration strategy. We also continued to deliver growth in our other product offerings for SMBs, a further proof point that we have a substantial runway for subcategories outside of SMB loans that can provide incremental tailwinds over the long run.

REVENUE

EMERGING VERTICALS

Emerging verticals revenue increased 129% year-over-year to $94 million in Q3. Emerging verticals (previously named Other verticals) consists of banking, insurance and investing verticals as well as international. Insurance revenue grew 916% year-over-year, driven by improved consumer and partner demand, and our investment in product improvements to better route customers to relevant products. Partially offsetting the growth in insurance was a decline in banking. Banking revenue decreased 26% year-over-year as demand continued the declining trend we've seen in prior quarters.

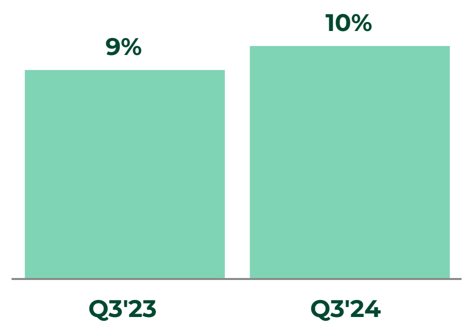
OPERATING EXPENSES

($ MILLIONS)		Q3'23		Q3'24	% CHANGE
Cost of revenue	$	13.3	$	17.7	33%
Research & development		20.7		23.0	11%
Sales & marketing		100.6		128.1	27%
General & administrative		14.2		15.9	13%
Total costs & expenses	$	148.8	$	184.7	24%

COST OF REVENUE

Cost of Revenue expenses increased 33% year-over-year and were 1 point higher as a percentage of our Revenue. The increase versus prior year was primarily driven by an increase in third-party service charges as well as the amortization of internally developed software to support our key growth opportunities.

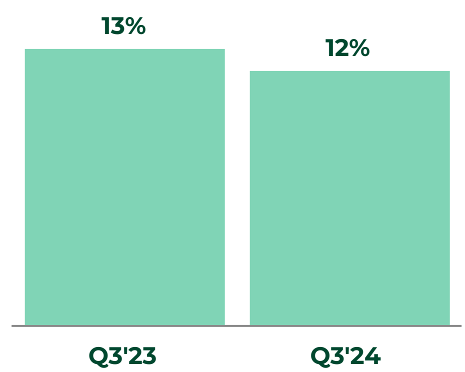
COST OF REVENUE AS % OF REVENUE



RESEARCH & DEVELOPMENT

Research & Development expenses were up 11% year-over-year and were 1 point lower as a percentage of our Revenue. The increase versus prior year was primarily driven by restructuring expenses partially offset by lower personnel-related costs. Restructuring expenses were $5.6 million.

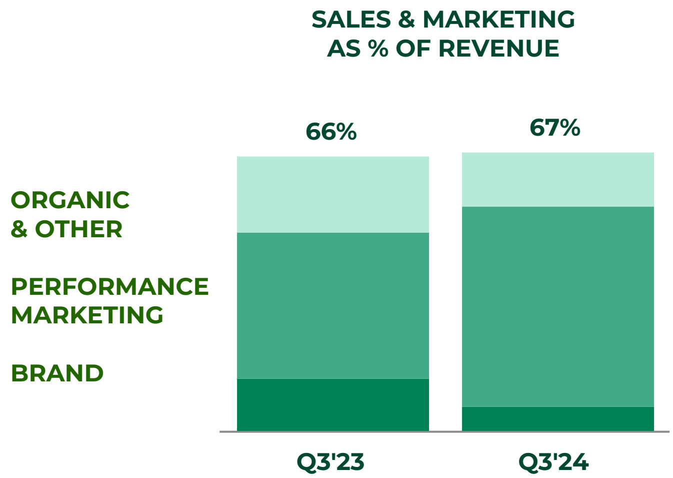
RESEARCH & DEVELOPMENT AS % OF REVENUE



OPERATING EXPENSES

SALES & MARKETING

Sales & Marketing expenses increased 27% year-over-year and were 1 point higher as a percentage of our Revenue. Sales & Marketing expense was comprised of approximately 9% Brand marketing, 72% Performance marketing, and 19% Organic & other. Our Brand marketing creates a "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. Year to date, over 70% of our traffic came from direct or unpaid sources.

Organic & other expenses, primarily personnel-related costs, decreased versus the prior year driven by lower personnel-related costs, partially offset by restructuring expenses. Restructuring expenses were $1.2 million. We continue to efficiently execute on both our "Land and Expand" and "Vertical Integration" strategies.

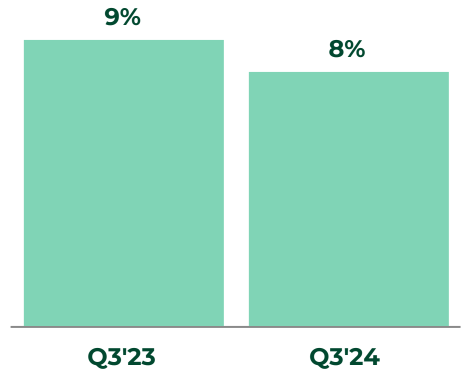
Taking a broader look at our Sales & Marketing investments through the lens of fixed versus variable costs: Slightly less than half of our full year 2023 Sales & Marketing investments were fixed in nature, mainly comprising headcount and Brand expenses. Generally, our fixed costs drive organic traffic, 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 relatively fixed. Conversely, the other half was variable in nature, mainly comprising performance marketing costs. Paid visitors have a lower incremental margin, but we strive to be in-quarter profitable on average.

OPERATING EXPENSES

GENERAL & ADMINISTRATIVE

General & Administrative expenses increased 13% year-over-year and were 1 point lower as a percentage of our Revenue. The increase versus prior year was primarily driven by restructuring expenses, acquisition-related expenses and higher personnel-related costs. Restructuring expenses were $1.0 million.

GENERAL & ADMINISTRATIVE AS % OF REVENUE



BALANCE SHEET, LIQUIDITY & CAPITAL ALLOCATION

Our balance sheet and liquidity position remain strong. We ended the third quarter with $71.7 million of cash on hand and no debt. We also ended the third quarter with $8.2 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 $25 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 29, 2024 for more information.

FINANCIAL OUTLOOK

Q4 revenue: $164-$172 million; representing 26% increase year-over-year at the midpoint
Q4 GAAP operating income (loss): $(1)-$3 million
Q4 non-GAAP operating income: $8-$11 million
Q4 adjusted EBITDA: $21.5-$24.5 million

We expect a 2024 annual GAAP operating income margin in the range of 0%-0.5% and non-GAAP operating income margin in the range of 5.8%-6.2%. We also expect a 2024 annual adjusted EBITDA margin in the range of 14.75%-15%.

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 GAAP operating income margin to forecasted non-GAAP operating income margin for forecasted full year 2024, and forecasted GAAP operating income (loss) to forecasted non-GAAP operating income for forecasted fourth quarter is as follows:

	Forecasted Full Year 2024	**Forecasted Fourth Quarter 2024**
(in millions)	**Operating Income Margin[1]**	**Operating Income (Loss)**
GAAP	**0 - 0.5 %**	**$(1)-$3**
Estimated adjustments for:		
Depreciation and amortization	7.25-7.35%	12
Acquisition-related retention	0.65%	1
Acquisition-related expenses	0.1%	0
Restructuring	1.2%	0-1
Capitalized internally developed software costs	(3.5)-(3.55)%	(5)
Non-GAAP	**5.8-6.2%**	**$8-$11**

(1) Operating income margin represents forecasted operating income as a percentage of forecasted revenue. Non-GAAP operating income margin 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 2024 financial results will be webcast live today, October 29, 2024 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,” "forecast," “intend,” “may,” "outlook," “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 to, statements concerning the following:

- the effect of macroeconomic developments, including but not limited to, inflationary pressures, the interest rate environment, 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, operating income (loss), 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;
- our share repurchase plan, including expectations regarding the amount, timing and manner of repurchases made under the plan; and
- our ability to achieve expected benefits from our internal restructuring plan and workforce reduction, including expected cost savings and the expectations regarding the impact of such actions on our business, results of operations and future investment opportunities.

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, 2024	SEP 30, 2023	% CHANGE
Revenue	**$ 191.3**	**$ 152.8**	**25%**
Costs and Expenses:			
Cost of revenue	17.7	13.3	33%
Research and development	23.0	20.7	11%
Sales and marketing	128.1	100.6	27%
General and administrative	15.9	14.2	13%
Total costs and expenses	184.7	148.8	24%
Income From Operations	**6.6**	**4.0**	**64%**
Other income, net:			
Interest income	1.3	0.9	50%
Interest expense	(0.1)	(0.2)	(34%)
Total other income, net	1.2	0.7	86%
Income before income taxes	7.8	4.7	67%
Income tax provision	7.7	5.2	49%
Net Income (Loss)	**$ 0.1**	**$ (0.5)**	**NM**
Net Income (Loss) Per Share Attributable to Common Stockholders			
Basic	$ —	$ (0.01)	NM
Diluted	$ —	$ (0.01)	NM
Weighted-average Shares Used in Computing Net Income (Loss) Per Share Attributable to Common Stockholders			
Basic	77.4	77.5	
Diluted	79.3	77.5	

NON-GAAP FINANCIAL MEASURES

We use non-GAAP operating income (loss) and adjusted EBITDA 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.

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) impairment of right-of-use asset, (2) losses (gains) on disposals of assets, (3) change in fair value of contingent consideration related to earnouts, (4) deferred compensation related to earnouts, (5) acquisition-related costs and (6) restructuring charges. We also reduce income from operations, or increase loss from operations, for capitalized internally developed software costs.

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) impairment of right-of-use asset, (2) losses (gains) on disposals of assets, (3) change in fair value of contingent consideration related to earnouts, (4) deferred compensation related to earnouts, (5) stock-based compensation, (6) acquisition-related costs and (7) restructuring charges.

The above items are excluded from our non-GAAP operating income (loss) and adjusted EBITDA measures because these items are non-cash in nature, or because the amounts are 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 non-GAAP operating income (loss) and adjusted EBITDA provide useful information to investors and others in understanding and evaluating our operating results and in comparing operating results across periods. Moreover, non-GAAP operating income (loss) and adjusted EBITDA 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. Non-GAAP operating income (loss) and adjusted EBITDA 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:

- Non-GAAP operating income (loss) and adjusted EBITDA exclude certain recurring, non-cash charges, such as amortization of software, depreciation of property and equipment, amortization of intangible assets, impairment of right-of-use asset, 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 non-GAAP operating income (loss) and adjusted EBITDA do not reflect all cash requirements for such replacements or for new capital expenditure requirements;
- Non-GAAP operating income (loss) and adjusted EBITDA 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;
- Non-GAAP operating income (loss) and adjusted EBITDA exclude restructuring charges primarily consisting of severance payments, employee benefits, and related expenses for impacted employees associated with our Restructuring Plan;
- 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 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).

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

NON-GAAP FINANCIAL MEASURES

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

	THREE MONTHS ENDED		
(IN MILLIONS)	**SEP 30, 2024**	**SEP 30, 2023**	**% CHANGE**
Income from operations	**$ 6.6**	**$ 4.0**	**64%**
Depreciation and amortization	12.9	12.1	7%
Acquisition-related retention	0.8	1.2	(33%)
Acquisition-related expenses	0.5	—	NM
Restructuring	7.8	—	NM
Capitalized internally developed software costs	(5.7)	(7.8)	(27%)
Non-GAAP operating income	**$ 22.9**	**$ 9.5**	**138%**
Operating income margin	3%	3%	
Non-GAAP operating income margin [1]	12%	6%	
Net income (loss)	**$ 0.1**	**$ (0.5)**	**NM**
Depreciation and amortization	12.9	12.1	7%
Stock-based compensation	8.7	9.4	(7%)
Acquisition-related retention	0.8	1.2	(33%)
Acquisition-related expenses	0.5	—	NM
Restructuring	7.8	—	NM
Interest income, net	(1.2)	(0.7)	81%
Income tax provision	7.7	5.2	36%
Adjusted EBITDA	**$ 37.3**	**$ 26.7**	**39%**
Stock-based compensation	(8.7)	(9.4)	(7%)
Capitalized internally developed software costs	(5.7)	(7.8)	(27%)
Non-GAAP operating income	**$ 22.9**	**$ 9.5**	**138%**
Net income (loss) margin	0%	(0%)	
Adjusted EBITDA margin [2]	19%	18%	

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

CONDENSED CONSOLIDATED BALANCE SHEETS
UNAUDITED

(IN MILLIONS)	SEP 30, 2024	DEC 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 71.7	$ 100.4
Accounts receivable—net	102.8	75.5
Prepaid expenses and other current assets	19.2	22.5
Total current assets	193.7	198.4
Property, equipment and software—net	45.3	52.6
Goodwill	111.8	111.5
Intangible assets—net	36.7	46.9
Right-of-use assets	5.4	7.2
Other assets	9.5	2.0
Total Assets	**$ 402.4**	**$ 418.6**
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 12.4	$ 1.7
Accrued expenses and other current liabilities	54.1	35.6
Total current liabilities	66.5	37.3
Other liabilities—noncurrent	13.5	14.4
Total liabilities	80.0	51.7
Commitments and contingencies		
Stockholders' equity	322.4	366.9
Total Liabilities and Stockholders' Equity	**$ 402.4**	**$ 418.6**

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS UNAUDITED

(IN MILLIONS) NINE MONTHS ENDED SEPTEMBER 30,	2024	2023
Operating Activities:		
Net loss	$ (8.2)	$ (9.5)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	37.0	36.0
Stock-based compensation	29.2	29.3
Deferred taxes	(0.2)	(0.4)
Non-cash lease costs	1.7	2.1
Other, net	0.3	1.2
Changes in operating assets and liabilities:		
Accounts receivable	(27.3)	1.6
Prepaid expenses and other assets	3.5	(6.2)
Accounts payable	10.3	7.6
Accrued expenses and other current liabilities	16.8	(5.9)
Payment of contingent consideration	—	(14.0)
Operating lease liabilities	(2.5)	(2.3)
Other liabilities	1.3	3.0
Net cash provided by operating activities	61.9	42.5
Investing Activities:		
Purchase of investment	(8.1)	—
Capitalized software development costs	(15.9)	(19.6)
Purchase of property and equipment	(0.4)	(0.5)
Net cash used in investing activities	(24.4)	(20.1)
Financing Activities:		
Payment of contingent consideration	—	(16.9)
Proceeds from line of credit	—	7.5
Payments on line of credit	—	(7.5)
Payment of debt issuance costs	—	(1.1)
Proceeds from exercise of stock options	5.2	9.1
Issuance of Class A common stock under Employee Stock Purchase Plan	—	1.9
Repurchase of Class A common stock	(69.8)	(12.1)
Tax payments related to net-share settlements on restricted stock units	(1.7)	(0.7)
Net cash used in financing activities	(66.3)	(19.8)
Effect of exchange rate changes on cash and cash equivalents	0.1	0.1
Net increase (decrease) in cash and cash equivalents	(28.7)	2.7
Cash and Cash Equivalents:		
Beginning of period	100.4	83.9
End of period	$ 71.7	$ 86.6

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