

Alarm.com Reports Third Quarter 2023 Results

11/9/2023

- Third quarter SaaS and license revenue increased to \$145.0 million, compared to \$133.1 million for the third quarter of 2022 --
- Third quarter GAAP net income attributable to common stockholders increased to \$19.5 million, compared to \$18.3 million for the third quarter of 2022 --
- Third quarter non-GAAP adjusted EBITDA increased to \$41.4 million, compared to \$40.8 million for the third quarter of 2022 --

TYSONS, Va.--(BUSINESS WIRE)-- Alarm.com Holdings, Inc. (Nasdaq: ALRM), the leading platform for the intelligently connected property, today reported financial results for its third quarter ended September 30, 2023. Alarm.com also provided its financial outlook for SaaS and license revenue for the fourth quarter of 2023 and increased its SaaS and license revenue, non-GAAP adjusted EBITDA and non-GAAP adjusted net income attributable to common stockholders guidance for the full year of 2023.

"We are pleased to report solid results in the quarter and continued contributions from our various growth initiatives," said Steve Trundle, CEO of Alarm.com. "Our continued innovation in cloud-based safety and security solutions will help drive growth for our service providers and our business in global markets in the years ahead."

Third Quarter 2023 Financial Results as Compared to Third Quarter 2022

- SaaS and license revenue increased 8.9% to \$145.0 million, compared to \$133.1 million.
- Total revenue increased 2.6% to \$221.9 million, compared to \$216.1 million.
- GAAP net income attributable to common stockholders increased to \$19.5 million, or \$0.37 per diluted share, compared to \$18.3 million, or \$0.35 per diluted share.
- Non-GAAP adjusted EBITDA(*) increased to \$41.4 million, compared to \$40.8 million.

- Non-GAAP adjusted net income attributable to common stockholders(*) increased to \$30.6 million, or \$0.56 per diluted share, compared to \$30.1 million or \$0.55 per diluted share.

Balance Sheet and Cash Flow

- Total cash and cash equivalents increased to \$680.0 million as of September 30, 2023, compared to \$622.2 million as of December 31, 2022. During the nine months ended September 30, 2023, we repurchased 239,540 shares of Alarm.com common stock at an average price of \$53.66, for \$12.9 million.
- For the three and nine months ended September 30, 2023, cash flows from operations was \$62.8 million and \$96.1 million, respectively, compared to \$10.2 million and \$22.5 million for the same periods in the prior year. For the three and nine months ended September 30, 2023, non-GAAP free cash flow(*) was \$60.9 million and \$90.7 million, respectively, compared to \$8.4 million and \$(5.6) million for the same periods in the prior year.

(*) Reconciliations of the non-GAAP measures are set forth at the end of this press release.

Recent Business Highlights

- Significantly Enhanced Mobile App Brings Greater Focus on Key Capabilities: Alarm.com's recently upgraded mobile app offers a more immersive and intuitive user experience while also streamlining access to high-use capabilities such as live video feeds and video clips. An upgraded activity feed allows subscribers to scroll through a chronological view of activity at their property that includes images from recorded video clips. Alarm.com developed the new enhancements to give subscribers frictionless access to high-value information and key commands that can drive system engagement.
- Utilities Leveraging EnergyHub During Hot 2023 Summer: EnergyHub Virtual Power Plants (VPPs) enabled peak load reduction to help maintain grid stability across North America this summer. EnergyHub's utility clients called 38% more demand response events compared to 2022 in order to shift 68 Gigawatt hours of energy usage out of peak demand times.
- Launched In-App Property Panic: Alarm.com's video-only subscribers can now initiate a signal to a central station in an emergency directly from the Alarm.com mobile app to summon help to their property. Video clips associated with an incident can also be immediately shared with central station operators via Alarm.com's Visual Verification platform.

Financial Outlook

Alarm.com is providing its outlook for SaaS and license revenue for the fourth quarter of 2023 and increasing its SaaS and license revenue, non-GAAP adjusted EBITDA and non-GAAP adjusted net income attributable to common stockholders guidance for the full year of 2023 based upon current management expectations.

For the fourth quarter of 2023:

- SaaS and license revenue is expected to be in the range of \$146.0 million to \$146.2 million.

For the full year of 2023:

- SaaS and license revenue is expected to be in the range of \$566.9 million to \$567.1 million.
- Total revenue is expected to be in the range of \$878.9 million to \$881.1 million, which includes anticipated hardware and other revenue in the range of \$312.0 million to \$314.0 million.
- Non-GAAP adjusted EBITDA is expected to be in the range of \$143.0 million to \$144.0 million.
- Non-GAAP adjusted net income attributable to common stockholders is expected to be in the range of \$103.5 million to \$105.0 million, based on an estimated tax rate of 21.0%.
- Based on an expected 54.6 million weighted average diluted shares outstanding, non-GAAP adjusted net income attributable to common stockholders is expected to be \$1.90 to \$1.92 per diluted share.

The 2023 guidance provided above is forward-looking in nature. Actual results may differ materially. See the cautionary note regarding “Forward-Looking Statements” below. The guidance provided above is based on expectations as of the date of this press release and Alarm.com undertakes no obligation to update guidance after such date.

Conference Call and Webcast Information

Alarm.com will host a conference call to discuss its third quarter 2023 financial results and its outlook for the fourth quarter and full year of 2023. A live audio webcast is scheduled to begin at 4:30 p.m. ET on November 9, 2023. To participate on the live call, analysts and investors should pre-register to obtain a dial-in number and individual passcode by visiting: <https://edge.media-server.com/mmc/p/xsuvnt4d/>. Alarm.com will also offer a live and archived webcast of the conference call accessible on Alarm.com’s Investor Relations website at <http://investors.alarm.com>. The information contained on any referenced website is not incorporated herein.

About Alarm.com Holdings, Inc.

Alarm.com is the leading platform for the intelligently connected property. Millions of consumers and businesses depend on Alarm.com's technology to manage and control their property from anywhere. Our platform integrates with a growing variety of Internet of Things devices through our apps and interfaces. Our security, video, access control, intelligent automation, energy management, and wellness solutions are available through our network of thousands of professional service providers in North America and around the globe. Alarm.com's common stock is traded on Nasdaq under the ticker symbol ALRM. For more information, please visit www.alarm.com.

Non-GAAP Financial Measures

To supplement our consolidated selected financial data presented on a basis consistent with GAAP, this press release contains certain non-GAAP financial measures, including non-GAAP adjusted EBITDA, non-GAAP adjusted income before income taxes, non-GAAP adjusted net income, non-GAAP adjusted income attributable to common stockholders before income taxes, non-GAAP adjusted net income attributable to common stockholders, non-GAAP adjusted net income attributable to common stockholders per share, non-GAAP free cash flow, non-GAAP adjusted SaaS and license revenue and non-GAAP adjusted SaaS and license revenue growth rate. We have included non-GAAP measures in this press release because they are financial, operating or liquidity measures used by our management to (i) understand and evaluate our core operating performance and trends and generate future operating plans, (ii) make strategic decisions regarding the allocation of capital and investments in initiatives that are focused on cultivating new markets for our solutions and (iii) provide useful information to management about the amount of cash generated by the business after necessary capital expenditures. We also use non-GAAP adjusted EBITDA as a performance measure under our executive bonus plan. Further, we believe that these non-GAAP measures of our financial results provide useful information to investors and others in understanding and evaluating our results of operations, business trends and financial condition. While we believe the use of these non-GAAP measures provides useful information to investors and management in analyzing our financial performance, non-GAAP measures have inherent limitations in that they do not reflect all of the amounts and transactions that are included in our financial statements prepared in accordance with GAAP. Non-GAAP measures do not serve as an alternative to GAAP nor do we consider our non-GAAP measures in isolation. Accordingly, we present non-GAAP financial measures only in connection with GAAP results. We urge investors to consider non-GAAP measures only in conjunction with our GAAP financials and to review the reconciliation of our non-GAAP financial measures to the most directly comparable GAAP financial measures, which are included in this press release.

We consider non-GAAP free cash flow to be a liquidity measure, which we define as cash flows from operating activities less purchases of property and equipment.

With respect to our expectations under “Financial Outlook” above, reconciliation of non-GAAP adjusted EBITDA and non-GAAP adjusted net income attributable to common stockholders guidance to the closest corresponding GAAP measure is not available without unreasonable efforts on a forward-looking basis due to the high variability, complexity and low visibility with respect to the charges excluded from these non-GAAP measures. In particular, non-ordinary course litigation expense, acquisition-related expense and tax windfall adjustments can have unpredictable fluctuations based on unforeseen activity that is out of our control and/or cannot reasonably be predicted. We expect the above charges to have a significant and potentially highly variable impact on our future GAAP financial results.

We exclude one or more of the following items from non-GAAP financial and operating measures:

Interest expense: We record interest expense primarily related to the January 2021 issuance of \$500.0 million aggregate principal amount of 0% convertible senior notes due January 15, 2026, or the 2026 Notes. We exclude interest expense in calculating our non-GAAP adjusted EBITDA. For non-GAAP adjusted net income, non-GAAP adjusted net income attributable to common stockholders and non-GAAP adjusted net income attributable to common stockholders per share, basic and diluted, we do not exclude interest expense other than the interest expense related to the amortization of debt issuance costs related to the 2026 Notes as discussed below.

Interest income and certain activity within other (expense) / income, net: We exclude interest income as well as certain activity within other (expense) / income, net including gains, losses or impairments on investments and other assets as well as losses on the early extinguishment of the debt, when applicable, from our non-GAAP financial measures because we do not consider it part of our ongoing results of operations.

Provision for income taxes: We exclude the impact related to our provision for income taxes from our non-GAAP adjusted EBITDA calculation. We do not consider this tax adjustment to be part of our ongoing results of operations.

Amortization expense: GAAP requires that operating expenses include the amortization of acquired intangible assets, which principally include acquired customer relationships, developed technology and trade names. We exclude amortization of intangibles from our non-GAAP financial measures because we do not consider amortization expense when we evaluate our ongoing business operations, nor do we factor amortization expense into our evaluation of potential acquisitions, or our measurement of the performance of those acquisitions. We believe that the exclusion of amortization expense enables the comparison of our performance to other companies in our industry as other companies may be more or less acquisitive than us and therefore, amortization expense may vary significantly by company based on their acquisition history. Although we exclude amortization of acquired intangible assets from our non-GAAP financial measures, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation.

Depreciation expense: We record depreciation primarily for investments in property and equipment. We exclude depreciation in calculating non-GAAP adjusted EBITDA because we do not consider depreciation when we evaluate our ongoing business operations. For non-GAAP adjusted net income, non-GAAP adjusted net income attributable to common stockholders and non-GAAP adjusted net income attributable to common stockholders per share, basic and diluted, we do not exclude depreciation.

Amortization of debt issuance costs: We record amortization of debt issuance costs related to the 2026 Notes as

interest expense. We exclude amortization of debt issuance costs from our non-GAAP adjusted net income, non-GAAP adjusted net income attributable to common stockholders and non-GAAP adjusted net income attributable to common stockholders per share, basic and diluted, because we believe that the exclusion of this non-cash interest expense will provide for more meaningful information about our financial performance.

Stock-based compensation expense: We exclude stock-based compensation expense, which relates to restricted stock units and other forms of equity incentives primarily awarded to employees of Alarm.com, because they are non-cash charges that we do not consider when assessing the operating performance of our business. Additionally, the determination of stock-based compensation expense can be calculated using various methodologies and is dependent upon subjective assumptions and other factors that vary on a company-by-company basis. Therefore, we believe that excluding stock-based compensation expense from our non-GAAP financial measures improves the comparability of our results to the results of other companies in our industry.

Acquisition-related expense: Included in operating expenses are incremental costs directly related to business and asset acquisitions as well as changes in the fair value of contingent consideration liabilities, when applicable. We exclude acquisition-related expense from our non-GAAP financial measures because we believe that the exclusion of this expense allows us to better provide meaningful information about our operating performance, facilitates comparisons to our historical operating results, improves the comparability of our results to the results of other companies in our industry, and ultimately, we believe helps investors better understand the acquisition-related expense and the effects of the transaction on our results of operations.

Litigation expense: We exclude non-ordinary course litigation expense because we do not consider legal costs and settlement fees incurred in litigation and litigation-related matters of non-ordinary course lawsuits and other disputes, particularly costs incurred in ongoing intellectual property litigation, to be indicative of our core operating performance. We do not adjust for ordinary course legal expenses, including those expenses resulting from maintaining and enforcing our intellectual property portfolio and license agreements.

Vivint license revenue: We exclude Vivint license revenue from our non-GAAP adjusted SaaS and license revenue and non-GAAP adjusted SaaS and license revenue growth rate because we believe that this exclusion will provide more meaningful information about our financial performance on a comparable basis, given that we are no longer recording Vivint license revenue effective beginning in the fourth quarter of 2022. We filed a demand for arbitration on October 27, 2022 following Vivint's notification to us indicating that Vivint will stop paying us license fees under the Patent and Cross License Agreement.

Forward-Looking Statements

This press release includes forward-looking statements within the meaning of the Private Securities Litigation

Reform Act of 1995. These forward-looking statements may be identified by their use of terms and phrases such as “anticipate,” “believe,” “continue,” “designed,” “enable,” “ensure,” “expect,” “intend,” “will,” and other similar terms and phrases, and such forward-looking statements include, but are not limited to, the statements regarding the Company’s opportunities, positioning, the benefits of recently launched offerings, acquisitions and investments, anticipated impact of Vivint’s refusal to pay license fees and related legal actions, and the Company’s guidance for the fourth quarter and full year of 2023 described under “Financial Outlook” above and key assumptions related thereto. The events described in these forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated by these forward-looking statements, including, but not limited to: impact of the global economic uncertainty and financial market conditions caused by significant worldwide events, including public health crises, such as the COVID-19 pandemic, geopolitical upheaval, such as Russia’s incursion into Ukraine and the war between Israel and Hamas, supply chain disruptions, interest rates and inflation (collectively, Macroeconomic Conditions); impact of Macroeconomic Conditions and their economic effects on demand for the Company’s products; impact of Vivint’s refusal to pay license fees and related legal actions; the reliability of the Company’s network operations centers; the Company’s ability to retain service provider partners and residential and commercial subscribers and sustain its growth rate; the Company’s ability to manage growth and execute on its business strategies; the effects of increased competition and evolving technologies; the Company’s ability to integrate acquired assets and businesses and to manage service provider partners, customers and employees; consumer demand for interactive security, video monitoring, intelligent automation, energy management and wellness solutions; the Company’s reliance on its service provider network to attract new customers and retain existing customers; the Company’s dependence on its suppliers; the potential loss of any key supplier or the inability of a key supplier to deliver their products to us on time or at the contracted price; the reliability of the Company’s hardware and wireless network suppliers and enhanced United States tax, tariff, import/export restrictions, or other trade barriers, particularly tariffs from China; and other risks and uncertainties discussed in the “Risk Factors” section of the Company’s Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2023 and other subsequent filings the Company makes with the Securities and Exchange Commission from time to time, including its Form 10-Q for the quarter ended September 30, 2023. In addition, the forward-looking statements included in this press release represent the Company’s views and expectations as of the date hereof and are based on information currently available to the Company. The Company anticipates that subsequent events and developments may cause the Company’s views to change. However, while the Company may elect to update these forward-looking statements at some point in the future, the Company specifically disclaims any obligation to do so except as required by law. These forward-looking statements should not be relied upon as representing the Company’s views as of any date subsequent to the date hereof.

ALARM.COM HOLDINGS, INC.
Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue:				
SaaS and license revenue	\$ 145,027	\$ 133,126	\$ 420,853	\$ 385,826
Hardware and other revenue	76,827	83,012	234,592	248,594
Total revenue	<u>221,854</u>	<u>216,138</u>	<u>655,445</u>	<u>634,420</u>
Cost of revenue(1):				
Cost of SaaS and license revenue	21,917	18,437	63,076	54,019
Cost of hardware and other revenue	59,488	67,149	180,868	208,990
Total cost of revenue	<u>81,405</u>	<u>85,586</u>	<u>243,944</u>	<u>263,009</u>
Operating expenses:				
Sales and marketing	23,861	23,057	74,278	69,182
General and administrative	31,455	28,011	88,753	81,314
Research and development	61,014	55,581	183,840	161,227
Amortization and depreciation	7,948	7,587	23,481	23,123
Total operating expenses	<u>124,278</u>	<u>114,236</u>	<u>370,352</u>	<u>334,846</u>
Operating income	16,171	16,316	41,149	36,565
Interest expense	(906)	(787)	(2,601)	(2,356)
Interest income	8,493	2,903	21,092	4,062
Other (expense) / income, net	(435)	(76)	(1,214)	42
Income before income taxes	<u>23,323</u>	<u>18,356</u>	<u>58,426</u>	<u>38,313</u>
Provision for income taxes	<u>3,972</u>	<u>246</u>	<u>9,257</u>	<u>472</u>
Net income	19,351	18,110	49,169	37,841
Net loss attributable to redeemable noncontrolling interests	<u>173</u>	<u>222</u>	<u>570</u>	<u>412</u>
Net income attributable to common stockholders	<u>\$ 19,524</u>	<u>\$ 18,332</u>	<u>\$ 49,739</u>	<u>\$ 38,253</u>

Per share information
attributable to common
stockholders:

Net income per share:				
Basic	\$ 0.39	\$ 0.37	\$ 1.00	\$ 0.77
Diluted	\$ 0.37	\$ 0.35	\$ 0.94	\$ 0.73
Weighted average common shares outstanding:				
Basic	49,917,533	49,791,465	49,782,571	49,974,925
Diluted	54,778,793	54,832,528	54,588,826	54,988,020

(1) Exclusive of amortization and depreciation shown in operating expenses below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Stock-based compensation expense included in operating expenses:				
Cost of hardware and other revenue	\$ 3	\$ —	\$ 3	\$ —
Sales and marketing	854	983	2,778	3,481
General and administrative	3,260	3,953	9,873	11,135
Research and development	7,689	8,218	23,769	23,437
Total stock-based compensation expense	<u>\$ 11,806</u>	<u>\$ 13,154</u>	<u>\$ 36,423</u>	<u>\$ 38,053</u>

ALARM.COM HOLDINGS, INC.
Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

September 30, December 31,
2023 2022

Assets

Current assets:

Cash and cash equivalents	\$ 679,969	\$ 622,165
Accounts receivable, net of allowance for credit losses of \$3,856 and \$2,835, and net of allowance for product returns of \$2,175 and \$1,551 as of September 30, 2023 and December 31, 2022, respectively	110,267	124,283
Inventory	114,248	115,584
Other current assets, net of allowance for credit losses of \$0 as of September 30, 2023 and December 31, 2022	26,685	29,056
Total current assets	931,169	891,088
Property and equipment, net	55,862	57,172
Intangible assets, net	82,498	82,458
Goodwill	153,847	148,183
Deferred tax assets	126,800	84,185
Operating lease right-of-use assets	26,840	28,933
Other assets, net of allowance for credit losses of \$2 as of September 30, 2023 and December 31, 2022	34,481	37,356
Total assets	\$ 1,411,497	\$ 1,329,375

Liabilities, redeemable noncontrolling interests and stockholders' equity

Current liabilities:

Accounts payable, accrued expenses and other current liabilities	\$ 122,552	\$ 119,657
Accrued compensation	26,491	25,582
Deferred revenue	10,336	7,540
Operating lease liabilities	12,538	12,157
Total current liabilities	171,917	164,936
Deferred revenue	12,503	10,792
Convertible senior notes, net	492,727	490,370
Operating lease liabilities	23,245	27,380
Other liabilities	13,065	13,050
Total liabilities	713,457	706,528
Redeemable noncontrolling interests	30,342	23,988

Stockholders' equity

Preferred stock, \$0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding as of September 30, 2023 and December 31, 2022	—	—
Common stock, \$0.01 par value, 300,000,000 shares authorized; 51,687,998 and 50,985,454 shares issued; and 49,915,713 and 49,452,709 shares outstanding as of September 30, 2023 and December 31, 2022, respectively	517	510
Additional paid-in capital	529,070	497,199
Treasury stock, at cost; 1,772,285 and 1,532,745 shares as of September 30, 2023 and December 31, 2022, respectively	(96,847)	(83,993)
Accumulated other comprehensive income	76	—
Retained earnings	234,882	185,143
Total stockholders' equity	667,698	598,859
Total liabilities, redeemable noncontrolling interests and stockholders' equity	\$ 1,411,497	\$ 1,329,375

ALARM.COM HOLDINGS, INC. Consolidated Statements of Cash Flows (in thousands) (unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 49,169	\$ 37,841
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses on accounts receivable	1,422	1,606
Reserve for product returns	2,979	3,721
Recovery of credit losses on notes receivable	—	(77)
Inventory write-down	1,181	—
Amortization on patents and tooling	965	1,037
Amortization and depreciation	23,481	23,123
Amortization of debt issuance costs	2,357	2,342
Amortization of operating leases	8,540	7,767
Deferred income taxes	(42,612)	(42,566)

Change in fair value of contingent liability	23	—
Stock-based compensation	36,423	38,053
Gain on investment	—	(140)
Changes in operating assets and liabilities (net of business acquisitions):		
Accounts receivable	11,048	(18,321)
Inventory	2,750	(37,043)
Other current and non-current assets	6,423	(7,443)
Accounts payable, accrued expenses and other current liabilities	371	17,803
Deferred revenue	4,507	3,531
Operating lease liabilities	(10,329)	(9,390)
Other liabilities	(2,605)	611
Cash flows from operating activities	<u>96,093</u>	<u>22,455</u>
Cash flows used in investing activities:		
Business acquisition, net of cash acquired	(9,696)	(31,730)
Additions to property and equipment	(5,349)	(28,084)
Issuances of notes receivable	(300)	(3,000)
Receipt of payments on notes receivable	40	49
Capitalized software development costs	(315)	—
Purchase of investment in unconsolidated entity	(200)	—
Proceeds from sale of investment	—	140
Purchases of developed technology and other assets	(5,915)	—
Cash flows used in investing activities	<u>(21,735)</u>	<u>(62,625)</u>
Cash flows used in financing activities:		
Payments of deferred consideration for acquisitions	(1,672)	—
Purchases of treasury stock, including transaction costs	(12,854)	(51,866)
Purchases of redeemable noncontrolling interest	(832)	—
Payments of acquired debt	(3,016)	—
Issuances of common stock from equity-based plans	3,129	3,391
Cash flows used in financing activities	<u>(15,245)</u>	<u>(48,475)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>(57)</u>	<u>—</u>
Net increase / (decrease) in cash, cash equivalents and restricted cash	59,056	(88,645)
Cash, cash equivalents and restricted cash at beginning of the period	<u>622,879</u>	<u>710,621</u>
Cash, cash equivalents and restricted cash at end of the period	<u><u>\$ 681,935</u></u>	<u><u>\$ 621,976</u></u>
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 679,969	\$ 621,347
Restricted cash included in other current assets and other assets	1,966	629
Total cash, cash equivalents and restricted cash	<u><u>\$ 681,935</u></u>	<u><u>\$ 621,976</u></u>

ALARM.COM HOLDINGS, INC.
Reconciliation of Non-GAAP Measures
(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Non-GAAP adjusted EBITDA:				
Net income	\$ 19,351	\$ 18,110	\$ 49,169	\$ 37,841
Adjustments:				
Interest expense, interest income and certain activity within other (expense) / income, net	(7,587)	(2,116)	(18,491)	(1,859)
Provision for income taxes	3,972	246	9,257	472
Amortization and depreciation expense	7,948	7,587	23,481	23,123
Stock-based compensation expense	11,806	13,154	36,423	38,053
Acquisition-related expense	(4)	728	576	728
Litigation expense	5,949	3,131	7,968	9,536
Total adjustments	<u>22,084</u>	<u>22,730</u>	<u>59,214</u>	<u>70,053</u>
Non-GAAP adjusted EBITDA	<u><u>\$ 41,435</u></u>	<u><u>\$ 40,840</u></u>	<u><u>\$ 108,383</u></u>	<u><u>\$ 107,894</u></u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Non-GAAP adjusted net income:				

Net income, as reported	\$ 19,351	\$ 18,110	\$ 49,169	\$ 37,841
Provision for income taxes	<u>3,972</u>	<u>246</u>	<u>9,257</u>	<u>472</u>
Income before income taxes	23,323	18,356	58,426	38,313
Adjustments:				
Less: interest income and certain activity within other (expense) / income, net	(8,493)	(2,903)	(21,092)	(4,215)
Amortization expense	5,190	4,647	15,076	13,924
Amortization of debt issuance costs	787	782	2,357	2,342
Stock-based compensation expense	11,806	13,154	36,423	38,053
Acquisition-related expense	(4)	728	576	728
Litigation expense	<u>5,949</u>	<u>3,131</u>	<u>7,968</u>	<u>9,536</u>
Non-GAAP adjusted income before income taxes	38,558	37,895	99,734	98,681
Income taxes ¹	<u>(8,097)</u>	<u>(7,958)</u>	<u>(20,944)</u>	<u>(20,723)</u>
Non-GAAP adjusted net income	<u>\$ 30,461</u>	<u>\$ 29,937</u>	<u>\$ 78,790</u>	<u>\$ 77,958</u>

¹ Income taxes are calculated using a rate of 21.0% for each of the three and nine months ended September 30, 2023 and 2022. The 21.0% effective tax rate for each of the three and nine months ended September 30, 2023 and 2022 excludes the income tax effect on the non-GAAP adjustments and reflects the estimated long-term corporate tax rate.

ALARM.COM HOLDINGS, INC.
Reconciliation of Non-GAAP Measures - continued
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Non-GAAP adjusted net income attributable to common stockholders:				
Net income attributable to common stockholders, as reported	\$ 19,524	\$ 18,332	\$ 49,739	\$ 38,253
Provision for income taxes	<u>3,972</u>	<u>246</u>	<u>9,257</u>	<u>472</u>
Income attributable to common stockholders before income taxes	23,496	18,578	58,996	38,725
Adjustments:				
Less: interest income and certain activity within other (expense) / income, net	(8,493)	(2,903)	(21,092)	(4,215)
Amortization expense	5,190	4,647	15,076	13,924
Amortization of debt issuance costs	787	782	2,357	2,342
Stock-based compensation expense	11,806	13,154	36,423	38,053
Acquisition-related expense	(4)	728	576	728
Litigation expense	<u>5,949</u>	<u>3,131</u>	<u>7,968</u>	<u>9,536</u>
Non-GAAP adjusted income attributable to common stockholders before income taxes	38,731	38,117	100,304	99,093
Income taxes ¹	<u>(8,134)</u>	<u>(8,005)</u>	<u>(21,064)</u>	<u>(20,810)</u>
Non-GAAP adjusted net income attributable to common stockholders	<u>\$ 30,597</u>	<u>\$ 30,112</u>	<u>\$ 79,240</u>	<u>\$ 78,283</u>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Non-GAAP adjusted net income attributable to common stockholders per share:				
Net income attributable to common stockholders per share - basic, as reported	\$ 0.39	\$ 0.37	\$ 1.00	\$ 0.77
Provision for income taxes	<u>0.08</u>	<u>—</u>	<u>0.19</u>	<u>0.01</u>
Income attributable to common stockholders before income taxes	0.47	0.37	1.19	0.78

Adjustments:				
Less: interest income and certain activity within other (expense) / income, net	(0.17)	(0.06)	(0.42)	(0.08)
Amortization expense	0.10	0.09	0.30	0.28
Amortization of debt issuance costs	0.02	0.02	0.05	0.05
Stock-based compensation expense	0.23	0.27	0.73	0.76
Acquisition-related expense	—	0.01	0.01	0.01
Litigation expense	<u>0.12</u>	<u>0.06</u>	<u>0.16</u>	<u>0.19</u>
Non-GAAP adjusted income attributable to common stockholders before income taxes	0.77	0.76	2.02	1.99
Income taxes ¹	<u>(0.16)</u>	<u>(0.16)</u>	<u>(0.43)</u>	<u>(0.42)</u>
Non-GAAP adjusted net income attributable to common stockholders per share - basic	<u>\$ 0.61</u>	<u>\$ 0.60</u>	<u>\$ 1.59</u>	<u>\$ 1.57</u>
Non-GAAP adjusted net income attributable to common stockholders per share - diluted	<u>\$ 0.56</u>	<u>\$ 0.55</u>	<u>\$ 1.45</u>	<u>\$ 1.42</u>
Weighted average common shares outstanding:				
Basic, as reported	<u>49,917,533</u>	<u>49,791,465</u>	<u>49,782,571</u>	<u>49,974,925</u>
Diluted, as reported	<u>54,778,793</u>	<u>54,832,528</u>	<u>54,588,826</u>	<u>54,988,020</u>

¹ Income taxes are calculated using a rate of 21.0% for each of the three and nine months ended September 30, 2023 and 2022. The 21.0% effective tax rate for each of the three and nine months ended September 30, 2023 and 2022 excludes the income tax effect on the non-GAAP adjustments and reflects the estimated long-term corporate tax rate.

ALARM.COM HOLDINGS, INC.
Reconciliation of Non-GAAP Measures - continued
(in thousands)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Non-GAAP free cash flow:				
Cash flows from operating activities	\$ 62,826	\$ 10,197	\$ 96,093	\$ 22,455
Additions to property and equipment	<u>(1,956)</u>	<u>(1,782)</u>	<u>(5,349)</u>	<u>(28,084)</u>
Non-GAAP free cash flow	<u>\$ 60,870</u>	<u>\$ 8,415</u>	<u>\$ 90,744</u>	<u>\$ (5,629)</u>
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Non-GAAP adjusted SaaS and license revenue:				
SaaS and license revenue	\$ 145,027	\$ 133,126	\$ 420,853	\$ 385,826
License revenue from Vivint	<u>—</u>	<u>(5,765)</u>	<u>—</u>	<u>(16,631)</u>
Non-GAAP adjusted SaaS and license revenue	<u>\$ 145,027</u>	<u>\$ 127,361</u>	<u>\$ 420,853</u>	<u>\$ 369,195</u>

Third Quarter 2023 as Compared to Third Quarter 2022:	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2023
SaaS and license revenue growth rate	8.9%	9.1%
Adjustment to SaaS and license revenue growth rate for Vivint license revenue	5.0	4.9
Non-GAAP adjusted SaaS and license revenue growth rate	13.9%	14.0%

Investor & Media Relations:

Matthew Zartman

Alarm.com

ir@alarm.com

Source: Alarm.com Holdings, Inc.