# 4th Quarter and Full-Year 2021 Results

February 15, 2022

# Safe Harbor Statement

This presentation and the accompanying oral presentation contain forward-looking statements and information that are based on our management's beliefs and assumptions and on information currently available to our management. The statements and information contained in this presentation that are not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements and information concerning: our momentum with our Q2 Innovation Studio and Helix solutions, and Q2's ability to add new partners and extend key clients; the impacts of the macro-economic backdrop for Q2's customers; accelerated investments by financial institutions, fintechs, and innovative brands in financial services technology; Q2's momentum exiting 2021; acceleration and strength of bookings and renewals; future recognition of backlog; contracted revenue growth; margin expansion; the benefits of Q2's broad solution portfolio, operational efficiency and improving sales performance; Q2's position to capitalize on its long-term market opportunity; Q2's growth opportunity and long-term financial targets; and, Q2's quarterly and annual financial guidance.

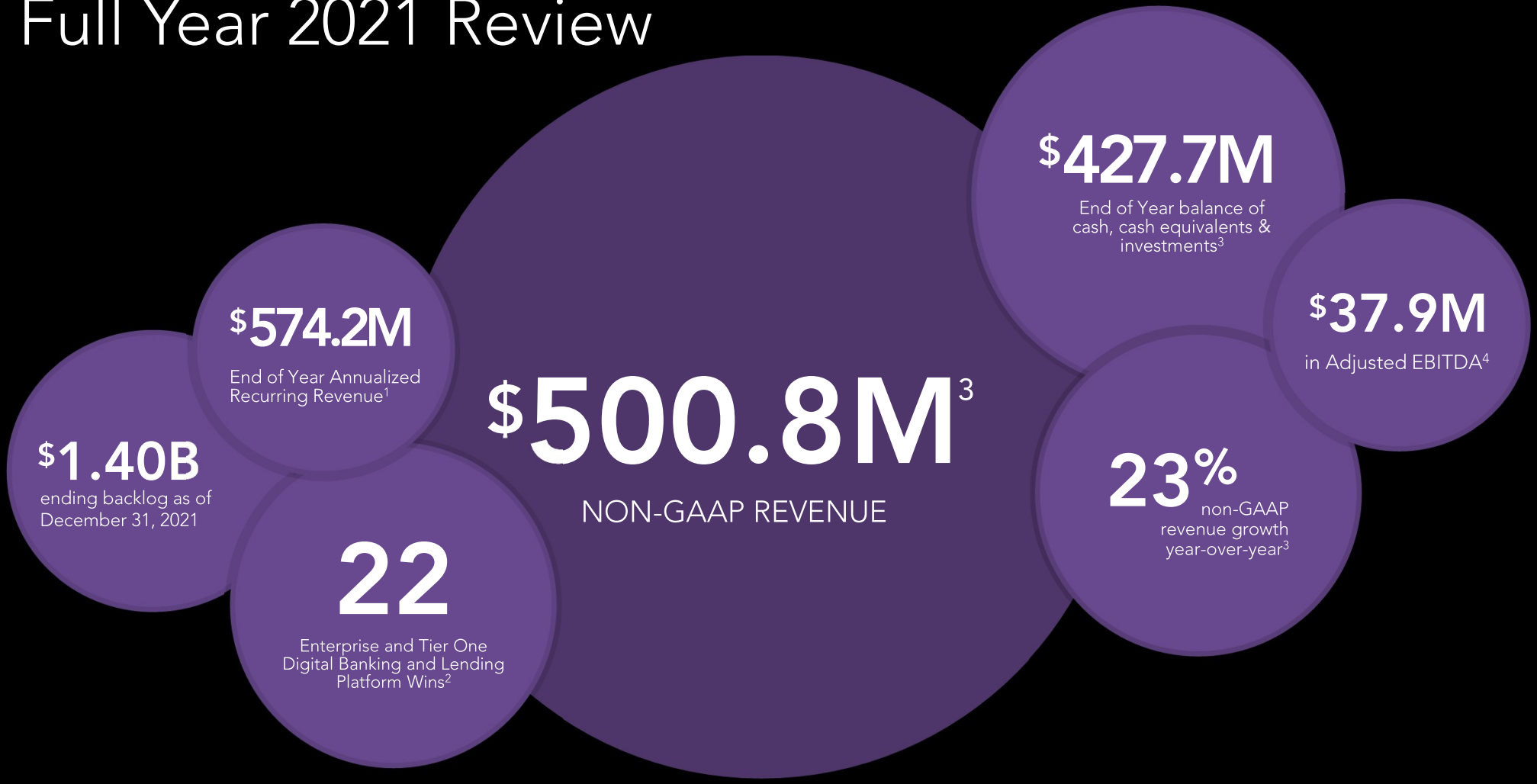
Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would, " "strategy," "future," "likely" or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements represent our management's beliefs and assumptions only as of the date of this presentation. These statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control, including the COVID-19 pandemic and the associated efforts to limit the spread of the disease. Factors that may cause such differences include, but are not limited to, the risks described under "Risk Factors" in our Annual Report on Form 10-K and those discussed in other documents we file and furnish with the SEC. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

This presentation includes references to adjusted EBITDA, which is a non-GAAP financial measure under SEC rules. We define adjusted EBITDA as net loss before, as applicable for the period discussed, interest, taxes, depreciation and amortization, stock-based compensation, acquisition-related costs, unoccupied lease costs, loss on extinguishment of debt, deferred revenue reduction from purchase accounting and partnership termination charges. This presentation also references non-GAAP revenue, which excludes the impact of PrecisionLender purchase accounting. This presentation also references non-GAAP gross margin, which adjusts GAAP gross margin to exclude the effects of stock-based compensation, amortization of acquired technology acquisition related costs and deferred revenue reduction from purchase accounting. Management believes that these non-GAAP measures are useful measures of operating performance because they exclude items that we do not consider indicative of our core performance. However, these non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, the most directly comparable GAAP measure, or other financial measures prepared in accordance with GAAP. Our management uses these non-GAAP financial measures as a measure of operating performance; to prepare our annual operating budget; to allocate resources to enhance the financial performance of our business; to evaluate the effectiveness of our business strategies; to provide consistency and comparability with past financial performance; to facilitate a comparison of our results with those of other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and in communication with our board of directors concerning our financial performance. A reconciliation to the closest GAAP measures of these non-GAAP measures is contained in tabular form at the end of this presentation. A reconciliation of forward-looking adjusted EBITDA guidance used in this presentation to GAAP net loss is not available without unreasonable effort due to the uncertainty regarding, and the potential variability of, certain of the adjustments required to calculate adjusted EBITDA that may be incurred in the future.

Unless otherwise indicated, all financial measures discussed in this presentation are presented on a non-GAAP basis.



# Full Year 2021 Review




[1] Total Annualized Recurring Revenue as of December 31, 2021. [2] Number of contracts signed with customers above $5 billion in assets (Tier 1) and $50 billion in assets (Enterprise) collectively, to utilize our digital banking or lending platform, respectively, throughout the full year 2021. [3] As of December 31, 2021. [4] For the full year ended December 31, 2021.

# 4th Quarter & Full-Year 2021 Review

| | | 4Q'21 | | FY'21 | |
|---|---|---|---|---|---|
| | | Totals | Y/Y Change | Totals | Y/Y Change |
| GAAP | Revenue | $131,891 | 21% | $498,720 | 24% |
| | Gross Profit | $59,484 | 34% | $225,035 | 29% |
| | Net Loss | ($25,381) | 33% | ($112,746) | 18% |
| Non-GAAP | Revenue | $132,343 | 21% | $500,849 | 23% |
| | Gross Profit | $68,186 | 29% | $260,132 | 23% |
| | Adj EBITDA | $10,818 | 77% | $37,876 | 70% |

We exited 2021 with strong results, delivering both the second largest bookings quarter and best half-year of bookings performance in company history. I was particularly pleased with the broad sales strength, highlighted by numerous Tier 1 and Enterprise deals across both digital banking and lending. Q2 Innovation Studio and Q2 Banking-as-a-Service—now called Helix—continued to gain traction, adding new partners and extending key clients.

While we're continuing to monitor the macro-economic backdrop for our customers in the near term, we are increasingly seeing financial institutions, fintechs, and innovative brands accelerating their investments in financial services technology. With our broad solution portfolio and positive momentum exiting 2021, I believe we're uniquely poised to capitalize on that opportunity in 2022 and beyond.

Matt Flake
President and CEO

# 4th Quarter Sales Highlights

Broad sales success across the business

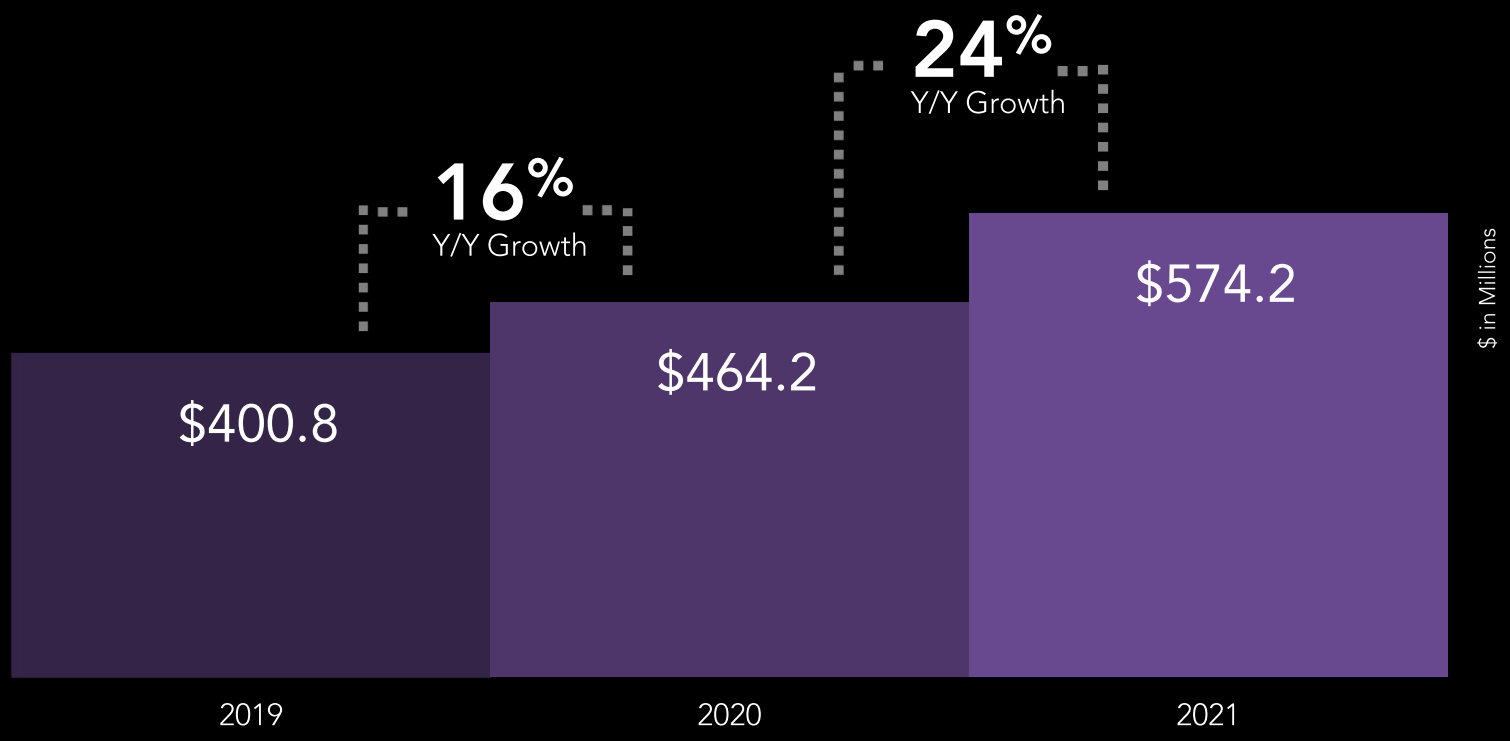


| | |
|---|---|
| **3 Tier 1** Digital Banking Platform | • Top 100 U.S. Bank for Retail & Small Business solutions<br>• Tier 1 Bank for Retail, Small Business & Corporate Solutions<br>• Tier 1 Credit Union for Corporate Solutions |
| **5 Enterprise** Digital Lending Platform | • Top 5 Canadian Bank for Loan Pricing Solutions, separate deals in both Canada and the U.S.<br>• Top 5 U.S. Bank for Loan Pricing Solutions<br>• Top 10 U.S. Bank Expanding the Use of Loan Pricing Solutions<br>• Top 25 U.S. Bank for Loan Pricing Solutions |
| **4 Tier 1** Digital Lending Platform | • Top 100 U.S Bank for Loan Pricing Solutions<br>• Tier 1 Financial Institution for Loan Pricing Solutions<br>• Signed two Tier 1 digital lending contracts to utilize our treasury onboarding solution |
| **3** Of our Top 5 Helix Customers<br>Helix | • Signed Multi-Year Renewals Three of Our Top Five Helix Customers |
| **1** Enterprise **&** **4** Tier 1<br>ClickSWITCH | • Signed Digital Banking Contracts to Utilize Our ClickSWITCH Solutions |

See the "Customer Tiering" in the Appendix to this presentation for further information on how we define Enterprise and the various Tiers of our customers.

# Annualized Recurring Revenue

Year-over-year growth acceleration reflecting strength of bookings and renewals




Annualized Recurring Revenue (ARR) is defined in the appendix of this presentation.

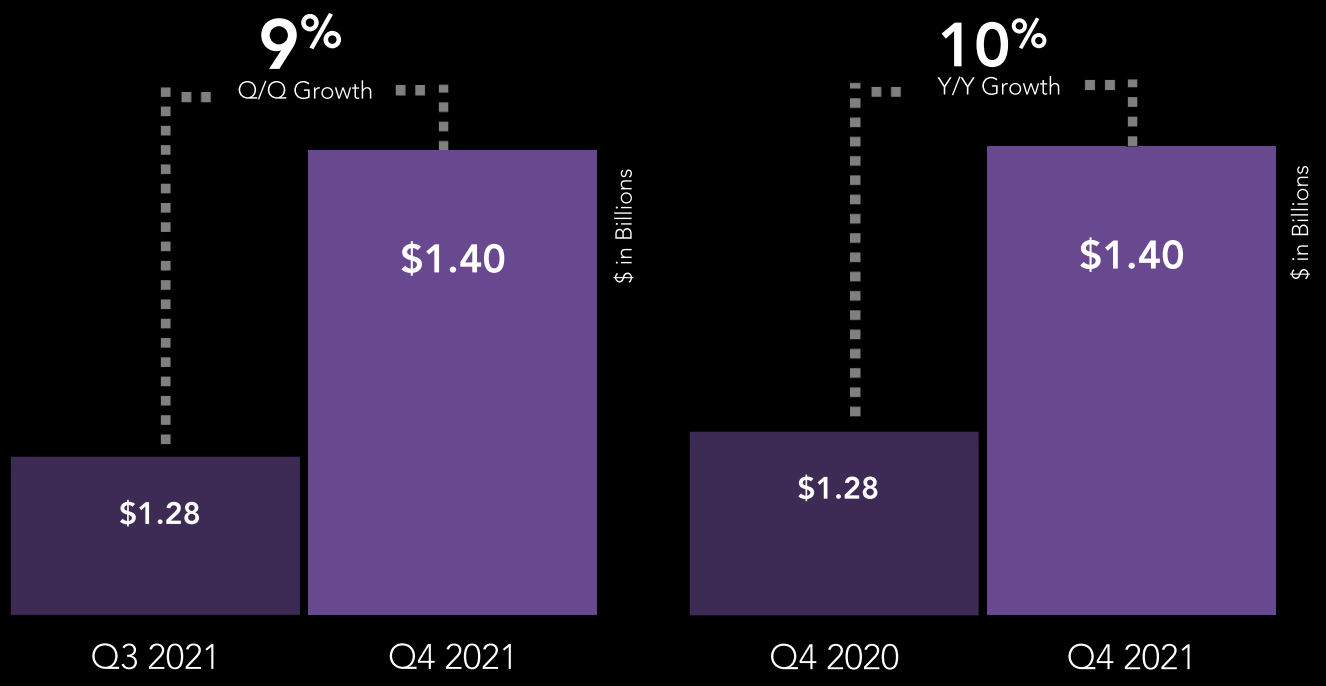
# Remaining Performance Obligation, “Backlog”

Strong bookings performance combined with best renewal quarter of the year

**$1.40B**

RPO Balance as of Dec 31, 2021

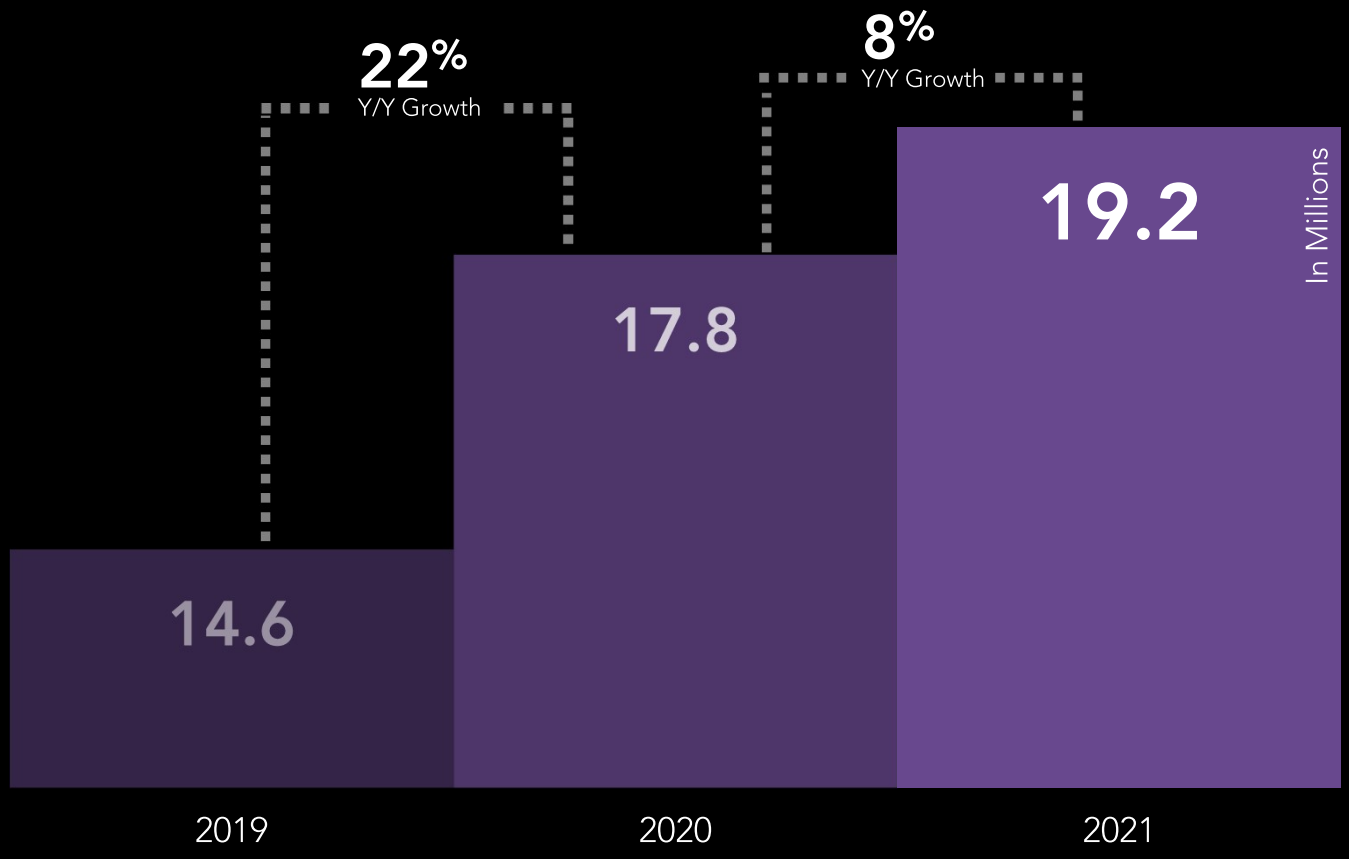
| RPO Expected to be Recognized in the Next: | % of Total RPO Amount |
|---|---|
| 24 months | 48% |
| 25-48 months | 40% |




Remaining Performance Obligation, or “Backlog”, represents contracted revenue minimums that have not yet been recognized, including amounts that will be invoiced and recognized as revenue in future periods.

# Registered User Growth

Full-year user growth concentrated in the first half of 2021



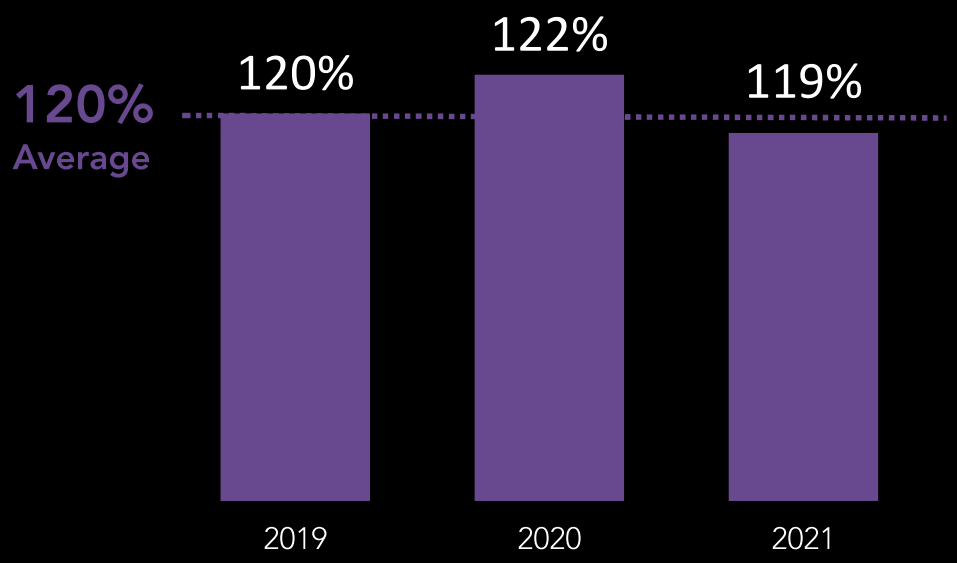

Added over
**1.4M Users**
in Full-Year 2021

[1] Registered Users as defined in the appendix of this presentation.

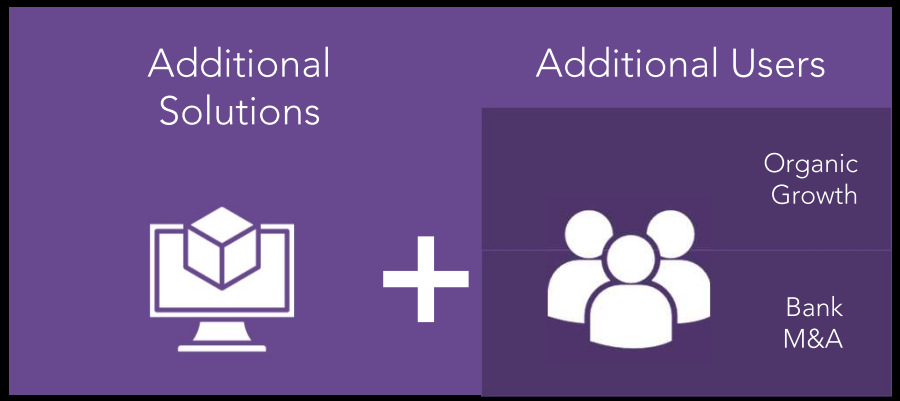
# Net Revenue Retention Rate

Maintaining strong net revenue retention rates driven by cross-sales & organic growth

## Net Revenue Retention Rate[1]




## Revenue Retention Drivers




[1] Net Revenue Retention Rate as defined in the appendix of this presentation. Average Net Revenue Retention for full years 2019, 2020 , 2021.

# Revenue Growth from Existing Digital Banking Platform Customers

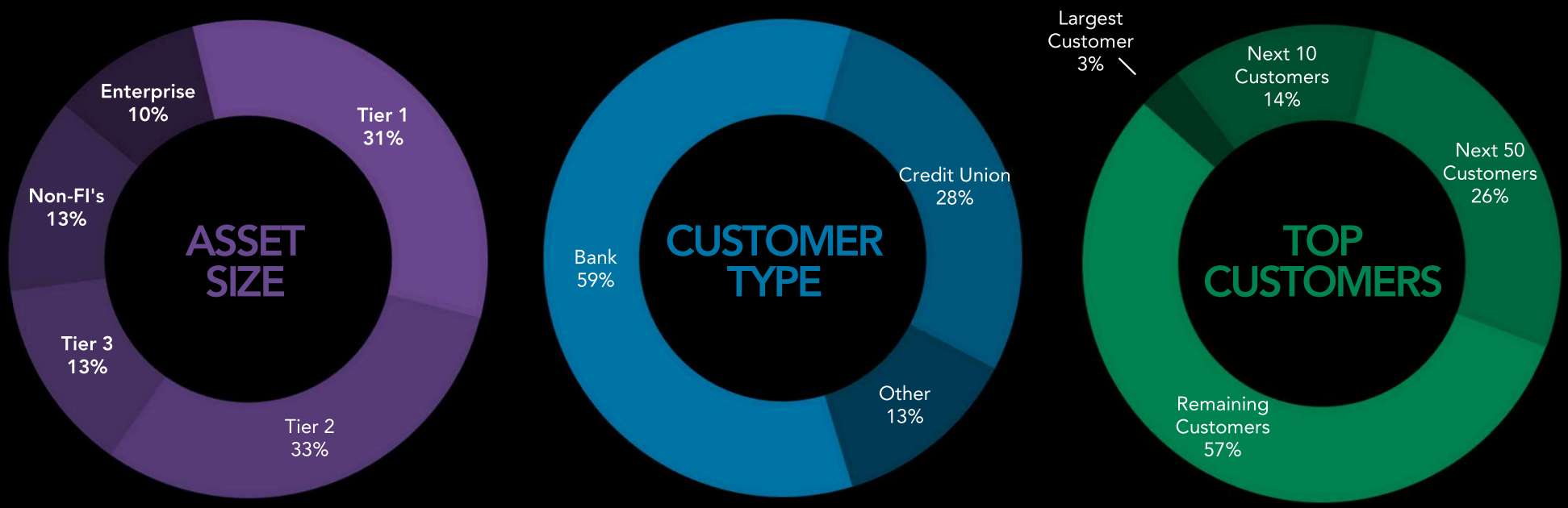
Revenue growth over time driven by organic user growth and product adoption




[1] Represents the average customer increase in contracted revenue from all digital banking platform customers that went live from 2010 through 2020, for 12 months, 24 months, 36 months, and 48 months, respectively.

# Revenue Breakout

Diverse base of customers across asset size and customer type




See "Customer Tiering" in the Appendix to this presentation for further information on how we define the various Tiers of our customers.

# Financial Outlook

## Reflects 15-16% full year revenue growth and full year EBITDA margins of 7% to 8%

| | Q1 2022 | |
|---|---|---|
| | Low | High |
| **Non-GAAP Revenue** | $131.5 | $133.0 |
| **Adj EBITDA** | $7.7 | $8.7 |

$ In Millions

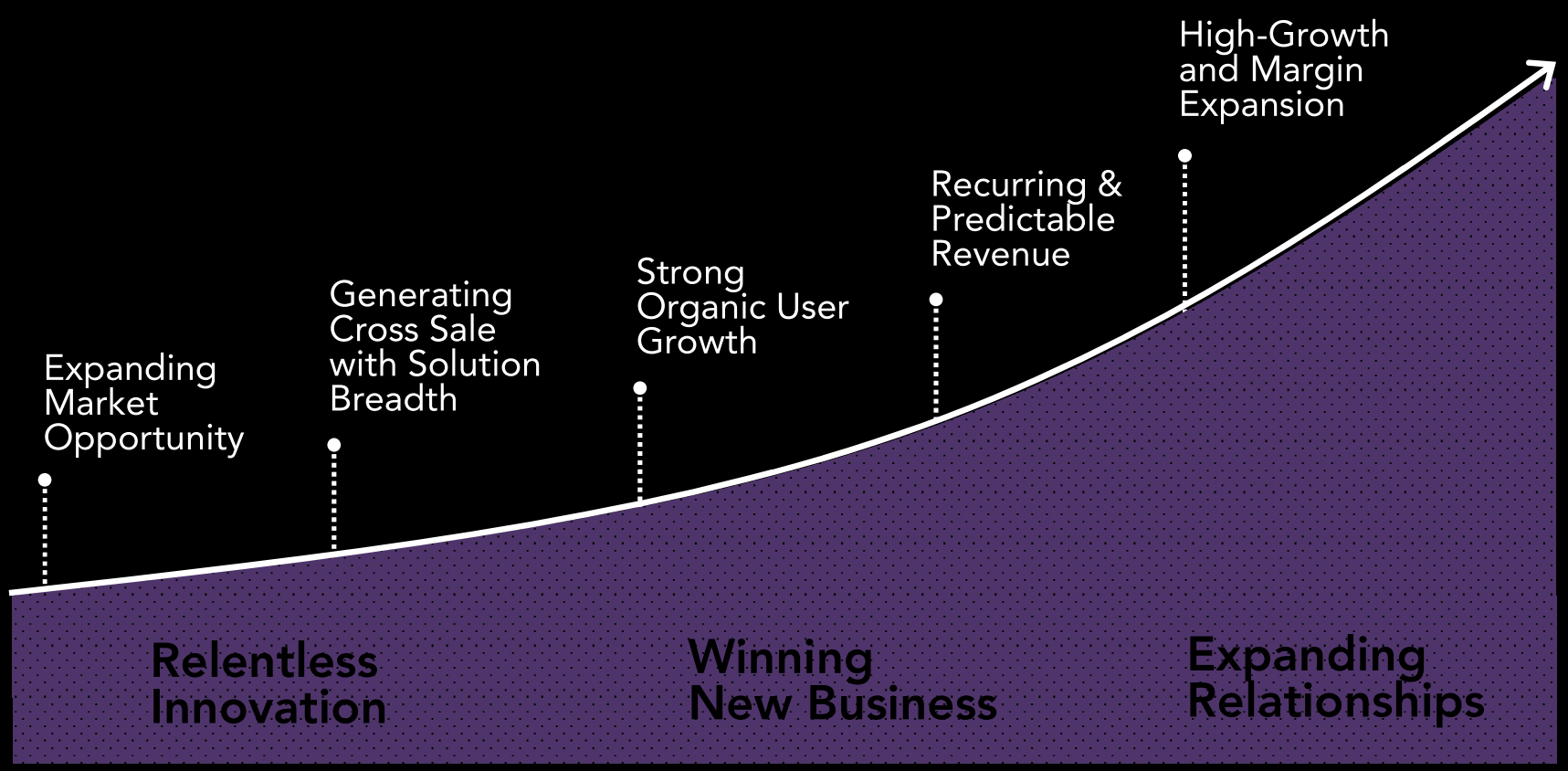
| | Full Year 2022 | |
|---|---|---|
| | Low | High |
| **Non-GAAP Revenue** | $576.0 | $581.0 |
| **Adj EBITDA** | $40.9 | $43.9 |

$ In Millions

As of February 15, 2022, Q2 Holdings is providing guidance for its first quarter of 2022 and full-year 2022, which represents Q2 Holdings' current estimates of the anticipated impacts of the COVID-19 pandemic on Q2 Holdings' operations and financial results. The financial information above represents forward-looking, non-GAAP financial information, including estimates of non-GAAP revenue and adjusted EBITDA. GAAP net loss is the most comparable GAAP measure to adjusted EBITDA. Adjusted EBITDA differs from GAAP net loss in that it excludes items such as depreciation and amortization, stock-based compensation, acquisition-related costs, interest and other (income) expense, income taxes, unoccupied lease charges, partnership termination charges, loss on extinguishment of debt and the impact to deferred revenue from purchase accounting. Q2 Holdings is unable to predict with reasonable certainty the ultimate outcome of these exclusions without unreasonable effort. Therefore, Q2 Holdings has not provided guidance for GAAP net loss or a reconciliation of the foregoing forward-looking adjusted EBITDA guidance to GAAP net loss. However, it is important to note that these excluded items could be material to our results computed in accordance with GAAP in future periods.

# Capitalizing on our Growing Opportunity

Positioned to drive long-term value




**~$1.2B**
**Revenue**[1]

**~+20%**
**Adj EBITDA Margin**[2]

[1]non-GAAP revenue target for full-year 2026 [2] Adjusted EBITDA margin target for full-year 2026. The forward-looking figures in this presentation represent Q2's long-term financial targets, may prove to be inaccurate, and do not constitute guidance.

# Appendix

# Strong Visibility, High Retention, Expanding Opportunity

## Long Runway to sustain High Growth and Margin Expansion

**+1,300**
Total Customers

**30%**
Revenue CAGR since IPO[1]

**+5 Years**
Avg. Contract Length[2]

**70%**
Avg. Customer Gross Margin at Renewal[3]

**448**
Digital Banking Platform Customers[4]

**119%**
Avg. Annual Revenue Retention Rate[5]

**~19.2M**
Registered End Users[6]

**48%**
Avg. Customer Contracted Revenue Growth at 36 months[7]

### 2026 Targets

| $1.2B | +60% | +20% |
|---|---|---|
| Total Revenue | Gross Margin | Adjusted EBITDA |

The forward-looking figures in this table represent Q2's long-term financial targets, may prove to be inaccurate, and do not constitute guidance.

[1] Calculated using full year 2014 to full year 2021, based on historical full year non-GAAP revenue totals. [2] For digital Banking platform customers as of December 31, 2021. [3] Average gross margin of Digital Banking Platform customers that renewed in the first 9 months of 2021. [4] Installed Digital Banking customers as of December 31, 2021. [5] Average Net Revenue Retention for full years 2019 , 2020 and 2021. [6] Registered end users on our digital banking platform, as of December 31, 2021 . [7] Based on digital banking platform customers that went live from 2010-2020. Growth of contracted recurring revenue by Q2 platform customers 36 months after implementation.

# Condensed Consolidated Balance Sheets

**Q2 Holdings, Inc.**
**Condensed Consolidated Balance Sheets**
(in thousands)
(unaudited)

| | December 31, 2021 | December 31, 2020 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 322,848 | $ 407,703 |
| Restricted cash | 2,973 | 3,482 |
| Investments | 104,878 | 131,352 |
| Accounts receivable, net | 46,979 | 36,430 |
| Contract assets, current portion, net | 1,845 | 1,088 |
| Prepaid expenses and other current assets | 10,531 | 8,861 |
| Deferred solution and other costs, current portion | 25,076 | 19,042 |
| Deferred implementation costs, current portion | 7,320 | 8,258 |
| Total current assets | 522,450 | 616,216 |
| Property and equipment, net | 66,608 | 49,558 |
| Right of use assets | 52,278 | 34,709 |
| Deferred solution and other costs, net of current portion | 26,930 | 32,782 |
| Deferred implementation costs, net of current portion | 17,039 | 15,184 |
| Intangible assets, net | 162,461 | 184,859 |
| Goodwill | 512,869 | 462,274 |
| Contract assets, net of current portion and allowance | 22,103 | 18,694 |
| Other long-term assets | 2,307 | 2,426 |
| Total assets | $ 1,385,045 | $ 1,416,702 |
| | | |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | $ 60,665 | $ 57,047 |
| Deferred revenues, current portion | 98,692 | 81,935 |
| Lease liabilities, current portion | 9,001 | 6,844 |
| Total current liabilities | 168,358 | 145,826 |
| Convertible notes, net of current portion | 551,598 | 557,468 |
| Deferred revenues, net of current portion | 29,168 | 29,203 |
| Lease liabilities, net of current portion | 61,374 | 36,739 |
| Other long-term liabilities | 4,251 | 4,102 |
| Total liabilities | 814,749 | 773,338 |
| | | |
| Stockholders' equity: | | |
| Common stock | 6 | 6 |
| Additional paid-in capital | 1,064,358 | 1,024,577 |
| Accumulated other comprehensive loss | (135) | (32) |
| Accumulated deficit | (493,933) | (381,187) |
| Total stockholders' equity | 570,296 | 643,364 |
| Total liabilities and stockholders' equity | $ 1,385,045 | $ 1,416,702 |

# Condensed Consolidated Statements of Comprehensive Loss

**Q2 Holdings, Inc.**
**Condensed Consolidated Statements of Comprehensive Loss**
(in thousands, except per share data)
(unaudited)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Revenues [1] | $ 131,891 | $ 108,986 | $ 498,720 | $ 402,751 |
| Cost of revenues [2] | 72,407 | 64,476 | 273,685 | 228,152 |
| Gross profit | 59,484 | 44,510 | 225,035 | 174,599 |
| Operating expenses: | | | | |
| Sales and marketing | 22,497 | 17,726 | 85,564 | 72,323 |
| Research and development | 29,965 | 25,213 | 116,952 | 97,381 |
| General and administrative | 20,025 | 17,061 | 77,915 | 70,937 |
| Acquisition related costs | 176 | 500 | 2,690 | 478 |
| Amortization of acquired intangibles | 4,436 | 4,441 | 17,901 | 17,888 |
| Partnership termination charges | - | - | - | 13,244 |
| Unoccupied lease charges (benefit) [3] | (48) | 45 | 2,008 | 2,181 |
| Total operating expenses | 77,051 | 64,986 | 303,030 | 274,432 |
| Loss from operations | (17,567) | (20,476) | (77,995) | (99,833) |
| Total other income (expense), net [4] | (7,080) | (16,550) | (33,108) | (36,371) |
| Loss before income taxes | (24,647) | (37,026) | (111,103) | (136,204) |
| Provision for income taxes | (734) | (795) | (1,643) | (1,416) |
| Net loss | $ (25,381) | $ (37,821) | $ (112,746) | $ (137,620) |
| Other comprehensive loss: | | | | |
| Unrealized loss on available-for-sale investments | (210) | (52) | (213) | (118) |
| Foreign currency translation adjustment | (19) | 58 | 110 | 72 |
| Comprehensive loss | $ (25,610) | $ (37,815) | $ (112,849) | $ (137,666) |
| Net loss per common share: | | | | |
| Net loss per common share, basic and diluted | $ (0.45) | $ (0.69) | $ (2.00) | $ (2.65) |
| Weighted average common shares outstanding, basic and diluted | 56,846 | 54,632 | 56,394 | 52,019 |

(1) Includes deferred revenue reduction from purchase accounting of $0.5 million and $0.7 million for the three months ended December 31, 2021 and 2020, respectively, and $2.1 million and $4.4 million for the twelve months ended December 31, 2021 and 2020, respectively.

(2) Includes amortization of acquired technology of $5.6 million and $5.2 million for the three months ended December 31, 2021 and 2020, respectively, and $22.0 million and $21.3 million for the twelve months ended December 31, 2021 and 2020, respectively.

(3) Unoccupied lease charges include costs related to the early vacating of various facilities, partially offset by anticipated sublease income from these facilities. For the three and twelve months ended December 31, 2021, the charges related to an updated assessment and vacating of facilities in Georgia, Texas, North Carolina and Nebraska, and for the three and twelve months ended December 31, 2020, the charges related to the vacating of facilities in California, North Carolina, and Texas.

(4) Includes a reduction of $1.5 million and $8.9 million related to the early extinguishment of a portion of our 2023 Notes for the twelve months ended December 31, 2021 and the three and twelve months ended December 31, 2020, respectively.

# Condensed Consolidated Statements of Cash Flows

**Q2 Holdings, Inc.**
**Condensed Consolidated Statements of Cash Flows**
(in thousands)
(unaudited)

| | Twelve Months Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Cash flows from operating activities:** | | |
| Net loss | $ (112,746) | $ (137,620) |
| Adjustments to reconcile net loss to net cash from operating activities: | | |
| Amortization of deferred implementation, solution and other costs | 24,496 | 22,936 |
| Depreciation and amortization | 54,833 | 51,840 |
| Amortization of debt issuance costs | 2,038 | 1,977 |
| Amortization of debt discount | 25,824 | 21,317 |
| Amortization of premiums on investments | 1,117 | 366 |
| Stock-based compensation expense | 55,903 | 50,682 |
| Deferred income taxes | 180 | 946 |
| Loss on extinguishment of debt | 1,513 | 8,932 |
| Other non-cash charges | 2,411 | 2,626 |
| Changes in operating assets and liabilities | (24,644) | (26,892) |
| Net cash provided by (used in) operating activities | 30,925 | (2,890) |
| **Cash flows from investing activities:** | | |
| Net maturities (purchases) of investments | 25,142 | (99,496) |
| Purchases of property and equipment | (19,754) | (23,715) |
| Business combinations, net of cash acquired | (64,652) | - |
| Capitalization of software development costs | (5,865) | (952) |
| Net cash used in investing activities | (65,129) | (124,163) |
| **Cash flows from financing activities:** | | |
| Proceeds from issuance of common stock, net of issuance costs | - | 311,321 |
| Proceeds from issuance of convertible notes, net of issuance costs | - | 132,589 |
| Purchase of capped call transactions | - | (39,830) |
| Payments for repurchases of convertible notes | (63,692) | - |
| Proceeds from bond hedges related to convertible notes | 26,295 | 171,679 |
| Payments for warrants related to convertible notes | (19,655) | (137,538) |
| Proceeds from exercise of stock options to purchase common stock | 5,892 | 13,317 |
| Payment of contingent consideration | - | (16,862) |
| Net cash provided by (used in) financing activities | (51,160) | 434,676 |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | (85,364) | 307,623 |
| Cash, cash equivalents, and restricted cash, beginning of period | 411,185 | 103,562 |
| Cash, cash equivalents, and restricted cash, end of period | $ 325,821 | $ 411,185 |

# Reconciliation of GAAP to Non-GAAP Measures

**Q2 Holdings, Inc.**
**Reconciliation of GAAP to Non-GAAP Measures**
(in thousands, except per share data)
(unaudited)

| | Three Months Ended December 31, 2021 | 2020 | Twelve Months Ended December 31, 2021 | 2020 |
|---|---|---|---|---|
| GAAP revenue | $ 131,891 | $ 108,986 | $ 498,720 | $ 402,751 |
| Deferred revenue reduction from purchase accounting | 452 | 684 | 2,129 | 4,404 |
| Non-GAAP revenue | $ 132,343 | $ 109,670 | $ 500,849 | $ 407,155 |
| | | | | |
| GAAP gross profit | $ 59,484 | $ 44,510 | $ 225,035 | $ 174,599 |
| Stock-based compensation | 2,564 | 2,466 | 10,590 | 9,888 |
| Amortization of acquired technology | 5,604 | 5,157 | 21,969 | 21,341 |
| Acquisition related costs | 82 | 194 | 409 | 929 |
| Deferred revenue reduction from purchase accounting | 452 | 684 | 2,129 | 4,404 |
| Non-GAAP gross profit | $ 68,186 | $ 53,011 | $ 260,132 | $ 211,161 |
| | | | | |
| Non-GAAP gross margin: | | | | |
| Non-GAAP gross profit | $ 68,186 | $ 53,011 | $ 260,132 | $ 211,161 |
| Non-GAAP revenue | 132,343 | 109,670 | 500,849 | 407,155 |
| Non-GAAP gross margin | 51.5% | 48.3% | 51.9% | 51.9% |
| | | | | |
| GAAP sales and marketing expense | $ 22,497 | $ 17,726 | $ 85,564 | $ 72,323 |
| Stock-based compensation | (2,801) | (2,417) | (11,153) | (8,770) |
| Non-GAAP sales and marketing expense | $ 19,696 | $ 15,309 | $ 74,411 | $ 63,553 |
| | | | | |
| GAAP research and development expense | $ 29,965 | $ 25,213 | $ 116,952 | $ 97,381 |
| Stock-based compensation | (3,234) | (3,089) | (13,273) | (12,869) |
| Non-GAAP research and development expense | $ 26,731 | $ 22,124 | $ 103,679 | $ 84,512 |
| | | | | |
| GAAP general and administrative expense | $ 20,025 | $ 17,061 | $ 77,915 | $ 70,937 |
| Stock-based compensation | (4,944) | (4,348) | (19,318) | (17,708) |
| Non-GAAP general and administrative expense | $ 15,081 | $ 12,713 | $ 58,597 | $ 53,229 |

**Q2 Holdings, Inc.**
**Reconciliation of GAAP to Non-GAAP Measures**
(in thousands, except per share data)
(unaudited)

| | Three Months Ended December 31, 2021 | 2020 | Twelve Months Ended December 31, 2021 | 2020 |
|---|---|---|---|---|
| GAAP operating loss | $ (17,567) | $ (20,476) | $ (77,995) | $ (99,833) |
| Deferred revenue reduction from purchase accounting | 452 | 684 | 2,129 | 4,404 |
| Partnership termination charges | - | - | - | 13,244 |
| Stock-based compensation | 13,543 | 12,320 | 54,334 | 49,235 |
| Acquisition related costs | 258 | 694 | 3,099 | 1,408 |
| Amortization of acquired technology | 5,604 | 5,157 | 21,969 | 21,341 |
| Amortization of acquired intangibles | 4,436 | 4,441 | 17,901 | 17,888 |
| Unoccupied lease charges (benefit) | (48) | 45 | 2,008 | 2,181 |
| Non-GAAP operating income | $ 6,678 | $ 2,865 | $ 23,445 | $ 9,868 |
| | | | | |
| GAAP net loss | $ (25,381) | $ (37,821) | $ (112,746) | $ (137,620) |
| Deferred revenue reduction from purchase accounting | 452 | 684 | 2,129 | 4,404 |
| Partnership termination charges | - | - | - | 13,244 |
| Loss on extinguishment of debt | - | 8,932 | 1,513 | 8,932 |
| Stock-based compensation | 13,543 | 12,320 | 54,334 | 49,235 |
| Acquisition related costs | 258 | 694 | 3,099 | 1,408 |
| Amortization of acquired technology | 5,604 | 5,157 | 21,969 | 21,341 |
| Amortization of acquired intangibles | 4,436 | 4,441 | 17,901 | 17,888 |
| Unoccupied lease charges (benefit) | (48) | 45 | 2,008 | 2,181 |
| Amortization of debt discount and issuance costs | 6,914 | 6,486 | 27,862 | 23,294 |
| Non-GAAP net income | $ 5,778 | $ 938 | $ 18,069 | $ 4,307 |
| | | | | |
| Reconciliation from diluted weighted-average number of common shares as reported to Non-GAAP diluted weighted-average number of common shares | | | | |
| Diluted weighted-average number of common shares, as reported | 56,846 | 54,632 | 56,394 | 52,019 |
| Non-GAAP weighted-average effect of potentially dilutive shares | 488 | 3,197 | 966 | 2,403 |
| Non-GAAP diluted weighted-average number of common shares | 57,334 | 57,829 | 57,360 | 54,422 |
| | | | | |
| Calculation of non-GAAP income per share: | | | | |
| Non-GAAP net income | $ 5,778 | $ 938 | $ 18,069 | $ 4,307 |
| Non-GAAP diluted weighted-average number of common shares | 57,334 | 57,829 | 57,360 | 54,422 |
| Non-GAAP net income per share | $ 0.10 | $ 0.02 | $ 0.32 | $ 0.08 |
| | | | | |
| Reconciliation of GAAP net loss to adjusted EBITDA: | | | | |
| GAAP net loss | $ (25,381) | $ (37,821) | $ (112,746) | $ (137,620) |
| Depreciation and amortization | 14,253 | 12,865 | 54,833 | 51,840 |
| Stock-based compensation | 13,543 | 12,320 | 54,334 | 49,235 |
| Provision for income taxes | 734 | 795 | 1,643 | 1,416 |
| Interest and other (income) expense, net | 7,007 | 7,594 | 31,063 | 27,180 |
| Acquisition related costs | 258 | 694 | 3,099 | 1,408 |
| Unoccupied lease charges (benefit) | (48) | 45 | 2,008 | 2,181 |
| Loss on extinguishment of debt | - | 8,932 | 1,513 | 8,932 |
| Deferred revenue reduction from purchase accounting | 452 | 684 | 2,129 | 4,404 |
| Partnership termination charges | - | - | - | 13,244 |
| Adjusted EBITDA | $ 10,818 | $ 6,108 | $ 37,876 | $ 22,220 |

# Reconciliation of GAAP to Non-GAAP Revenue Guidance

**Q2 Holdings, Inc.**
**Reconciliation of GAAP to Non-GAAP Revenue Outlook**
(in thousands)

| | Q1 2022 Outlook | | Full Year 2022 Outlook | |
|---|---|---|---|---|
| | Low | High | Low | High |
| GAAP revenue | $ 131,258 | $ 132,758 | $ 575,320 | $ 580,320 |
| Deferred revenue reduction from purchase accounting | 242 | 242 | 680 | 680 |
| Non-GAAP revenue | $ 131,500 | $ 133,000 | $ 576,000 | $ 581,000 |

This table reflects the reconciliation provided by Q2 in its earnings release on February 16, 2021 for the quarter and year ending December 30, 2021 and should be interpreted in this presentation as having been made as of that date. Q2 is not updating such prior guidance as of the date of this presentation.

# Definitions

Adjusted EBITDA: We define adjusted EBITDA as net loss before depreciation, amortization, stock-based compensation, certain costs related to our recent acquisitions, (benefit from) provision for income taxes, interest and other (income) expense, net, deferred revenue reduction from purchase accounting, partnership termination charges, loss on extinguishment of debt, and unoccupied lease charges. We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results for the following reasons:

- adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;
- our management uses adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, in the preparation of our annual operating budget, as a measure of our operating performance, to assess the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance;
- adjusted EBITDA provides more consistency and comparability with our past financial performance, facilitates period-to-period comparisons of our operations and also facilitates comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and
- our investor and analyst presentations may include adjusted EBITDA as a supplemental measure of our overall operating performance.

Annualized Recurring Revenue: Annualized recurring revenue (ARR) is defined as the annualized value of all recurring revenue recognized in the last month of the reporting period, with the exception of variable revenue in excess of contracted amounts for which we instead take the average monthly run rate of the trailing three months within that reporting period. Our ARR also includes the contracted minimums associated with all contracts in place at the end of the quarter that have not yet commenced, and revenue generated from premier services. Premier Services revenue is generated from select established customer relationships where we have engaged with the customer for more tailored, premium professional services resulting in a deeper and ongoing level of engagement with them, which we deem to be recurring in nature.

ARR does not include revenue from other professional services or other sources of revenue that are not deemed to be recurring in nature. ARR is not a forecast of future revenue, which can be impacted by contract start and end dates, and renewal rates. ARR should be viewed independently of revenue and deferred revenue as ARR is an operating metric and is not intended to be combined with or replace these items. Our use of ARR has limitations as an analytical tool, and investors should not consider it in isolation. Other companies in our industry may calculate ARR differently, which reduces its usefulness as a comparative measure. Variable revenue considerations are described in detail in our Form 10-Q filed November 4, 2021 and Annual Report on Form 10-K.

# Definitions

Cloud Lending Platform: Our Q2 Cloud Lending, or CL, digital lending platform is a cloud-based, end-to-end lending solution that allows financial institutions, FinTechs and Alt-FIs to automate and digitize their lending activities, supporting digital lending applications, scoring, underwriting, servicing and collections for multiple assets classes.

Contracted Revenue: We refer to contracted recurring revenue as being inclusive of all revenue recognized relating to contracted minimums in addition to variable revenue in excess of contracted amounts. Contracted recurring revenue does not include revenue from professional services or other sources of revenue that are not deemed to be recurring in nature.

Customers: We define customers as individuals or entities that have purchased one or more of our products under a unique customer identification number since our inception and individuals or entities that are contracted for at least one of our products. Each unique customer identification number constitutes a separate customer regardless of the amount purchased.

Customer Tiering: For our financial institution customers, we may refer to their designated tiering, which we use to group customers based upon the total assets they report. We define "Enterprise" customers as having total assets equal to or greater than $50 billion. We define "Tier 1" customers as having total assets equal to or greater than $5 billion but less than $50 billion. We define "Tier 2" customers as having total assets equal to or greater than $1 billion but less than $5 billion. We define "Tier 3" customers as having total assets less than $1 billion. Total assets are reported by financial institutions to the FDIC or NCUA, as applicable, and are disclosed on a quarterly basis.

Digital Banking Platform: Our digital banking platform allows financial institutions to offer a comprehensive and unified suite of digital banking services to their End Users. Our open platform architecture, deep integration with other systems and the multi-tenant aspects of our infrastructure, enable us to develop digital banking solutions that allow our customers to harness the power of the information within their other systems to gain greater insights and to improve the overall security of their End Users and themselves.

Digital Lending Platform: Refers to both our PrecisionLender platform, and our Q2 Cloud Lending, or CL, platforms.

Installed Customers: We define Installed Customers as the number of customers on live implementations (or installations) of our digital banking platforms.

Net Revenue Retention Rate: the total revenues in a calendar year, excluding any revenues from solutions of businesses acquired during such year, from customers who were implemented on any of our solutions as of December 31 of the prior year, expressed as a percentage of the total revenues during the prior year from the same group of customers.

# Definitions

Non-GAAP Revenue: We define non-GAAP revenue as total revenue excluding the impact of purchase accounting. We monitor these measures to assess our performance because we believe our revenue growth rates would be understated without these adjustments. We believe presenting non-GAAP revenue aids in the comparability between periods and in assessing our overall operating performance.

Prior to the fourth quarter of 2019, there was no impact of purchase accounting on revenue, so our non-GAAP total revenue was equivalent to our GAAP total revenue prior to that point.

PrecisionLender Platform: Our PrecisionLender platform is a cloud-based, data-driven sales enablement, pricing and portfolio management solution that allows financial institutions globally to structure and negotiate commercial lending, deposits and fee-based business transactions more effectively.

Registered Users: We define a registered user as an individual related to an account holder of an Installed Customer on our Digital Banking Platform who has registered to use one or more of our solutions and has current access to use those solutions as of the last day of the reporting period presented.