4th Quarter and Full Year 2023 Results

February 21, 2024

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, including statements about: the ability of our solutions to help financial institutions grow deposits; future uses and benefits of A.I. and our ability to lead in innovations utilizing A.I.; the strength of our business model and our trajectory for 2024 and beyond; our product differentiation; our progress on profitable growth; the future success of Q2 Innovation Studio and its benefits for our customers; financial institution demand for Helix and Q2 Fabric and their ability to grow deposits; the ability of our emerging businesses to transform our customer relationships and create an ecosystem which broadens their use of our solutions and improves their financial position; our subscription revenue growth and its relative contribution to overall revenue mix; our future operational investments; the trajectory of lower margin transactional and services revenues; future cost efficiencies measures; our new financial targets; continuation of our profitable growth strategy; the strength of our sales pipeline; the impacts of recent bookings on future periods; adjusted EBITDA margin expansion; continued progress on profitability improvements; future settlement of our convertible debt and remaining cash; confidence in our future; the demand environment; future focus on deposits; our addressable market and its expansion; our achievement of Rule of 30; our cross sell opportunities; increasing demand for our commercial solutions; the increasing scope and size of new opportunities; average selling price increases; 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. Factors that may cause such differences include, but are not limited to, the risks described in our earnings press release for the period ending December 31, 2023 and under "Risk Factors" in our Annual Report on Form 10-K and those discussed in other documents we file and furnish with the SEC.

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, transaction-related costs, lease and other restructuring charges, (gain) loss on extinguishment of debt, deferred revenue reduction from purchase accounting. This presentation also references non-GAAP revenue, which excludes the impact of purchase accounting. This presentation also references non-GAAP gross profit, which adjusts GAAP gross margin to exclude the effects of stock-based compensation, amortization of acquired technology, transaction-related costs, lease and other restructuring charges, and deferred revenue reduction from 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, transaction-related costs, lease and other restructuring charges, and deferred revenue reduction from purchase accounting. This presentation also references free cash flow, which adjusts net cash provided by (used in) operating activities for purchases of property and equipment and capitalized software development costs. This presentation also references adjusted EBITDA margin, which is determined by dividing adjusted EBITDA by non-GAAP revenue. 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.

4th Quarter 2023 Review



[1] Subscription Annualized Recurring Revenue as of December 31, 2023. [2] Number of contracts signed with customers above $5 billion in assets (Tier 1) and $50B in assets (Enterprise) collectively, to utilize our digital banking or lending and relationship pricing platforms, respectively, throughout the fourth quarter 2023. [3] As of December 31, 2023, excludes restricted cash. [4] For the fourth quarter ended December 31, 2023.

4th Quarter & Full-Year 2023 Review

		4Q'23		FY'23	
		Totals	Y/Y Change	Totals	Y/Y Change
GAAP	Revenue	$162,118	11%	$624,624	10%
	Gross Profit	$81,393	23%	$302,651	18%
	Net Loss	($18,079)	44%	($65,384)	40%
Non-GAAP	Revenue	$162,187	11%	$624,968	10%
	Gross Profit	$90,795	20%	$340,860	17%
	Adj EBITDA	$23,185	178%	$76,940	109%

$ in thousands

We closed out 2023 with our best bookings performance in company history, which included our two largest deals ever.

Our customers' focus on deposit growth drove heightened demand for our solutions throughout 2023, and our competitive differentiation enabled us to make 2023 a record year that included our highest-ever net new bookings, renewals, and backlog growth. This, coupled with our marked improvements in profitability expansion in the year, gives me confidence in our trajectory for 2024 and beyond.

Matt Flake
CEO

Q2

4th Quarter 2023 Highlights

4 Tier 1
Digital Banking Platform

- **Top 10 U.S. Credit Union to utilize our retail solutions.**
- **Three banks to utilize our commercial and small business solutions.**

2 Enterprise
Relationship Pricing

- **Signed a Top 4 U.S. bank to a relationship pricing solution contract.**
- **Signed an expansion with a Top 4 U.S. bank to further utilize our relationship pricing solutions.**

Record
Bookings Quarter

- **Subscription Annualized Recurring Revenue increased to $593.9 million, up 19% year-over-year from $500.9 million at the end of 2022.**
- **Remaining Performance Obligation total, or Backlog, increased by $269.2 million sequentially, resulting in total committed Backlog of approximately $1.8 billion at quarter-end, representing 17% sequential growth and 23% year-over-year growth.**

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

Annualized Recurring Revenue

Contribution from Subscription ARR growth of 19% was partially offset by continued pressure on non-Subscription based ARR





Subscription Annualized Recurring Revenue and Total Annualized Recurring Revenue (ARR) are defined in the appendix of this presentation.

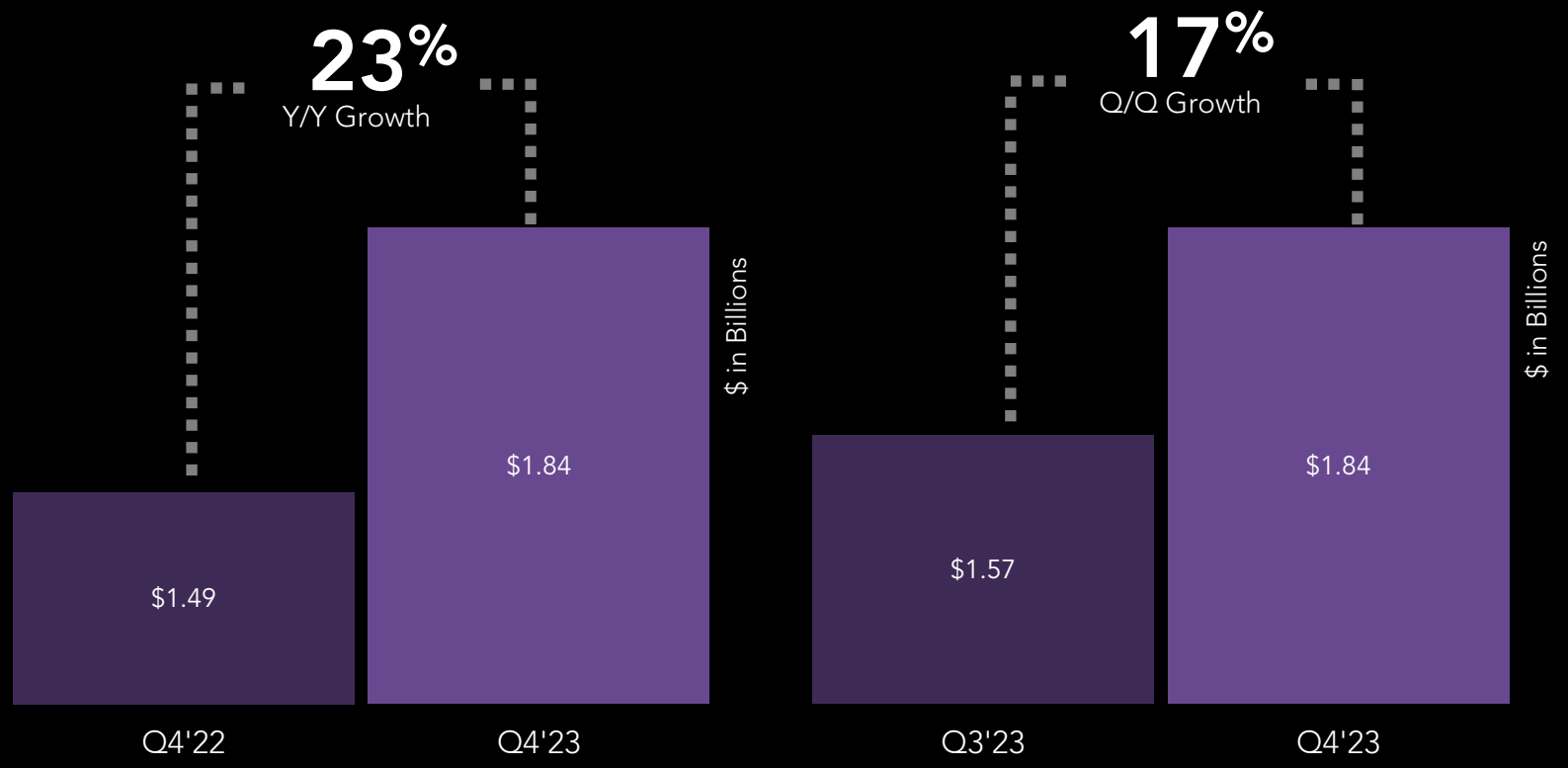
Remaining Performance Obligations (RPO, Backlog)

Growth driven by record performance across net new, cross sale, and renewal bookings

$1.84B

RPO Balance as of December 31, 2023

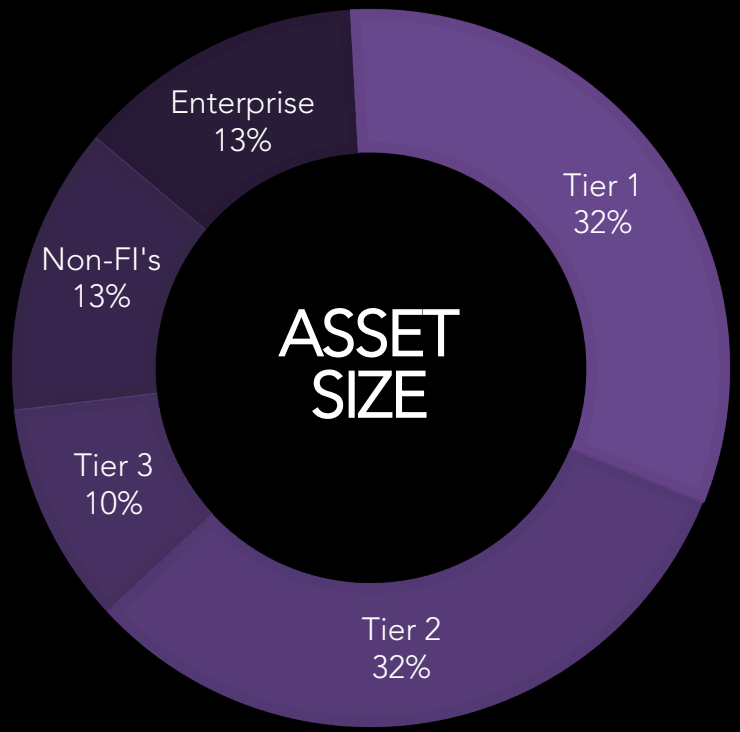
RPO Expected to be Recognized in the Next:	% of Total RPO Amount
24 months	**54%**
25-48 months	**30%**

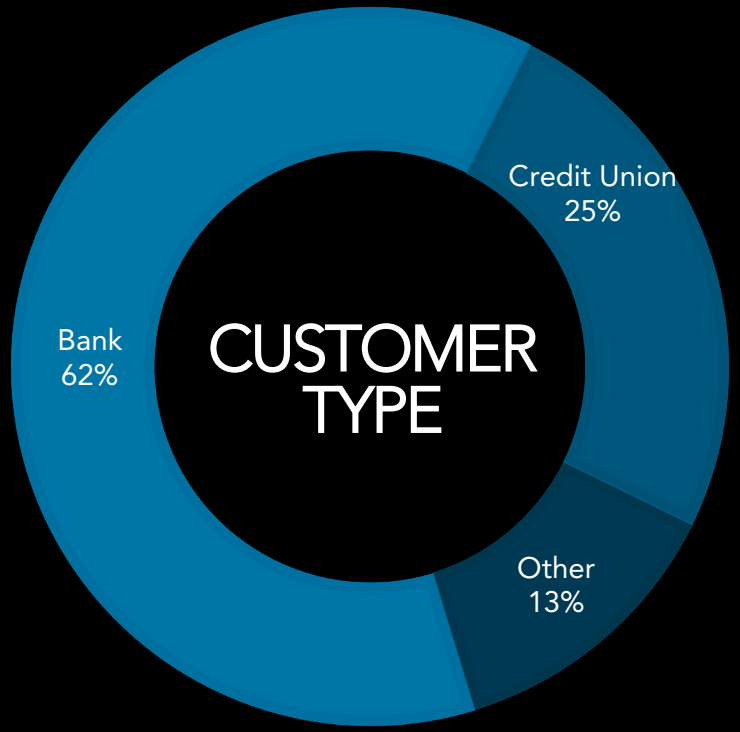


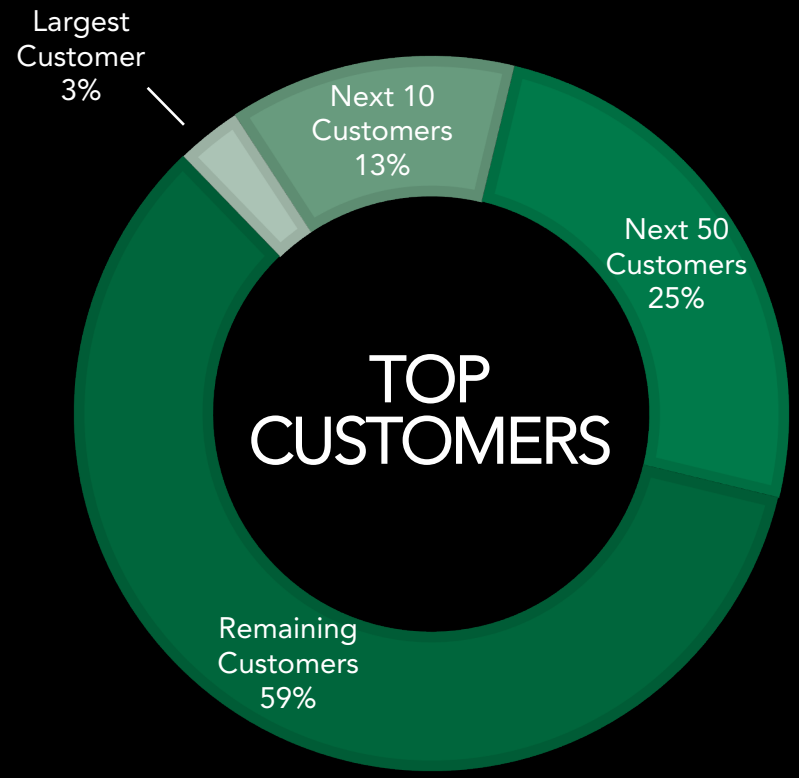
Remaining Performance Obligations, or "Backlog", represents contracted revenue minimums that have not yet been recognized, including amounts that are contracted to be invoiced and recognized as revenue in future periods.

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

Would represent 9% to 10% full year Non-GAAP revenue growth and full year adjusted EBITDA margin of 16%

	Q1 2024	
	Low	High
Non-GAAP Revenue	$161.7	$164.7
Adj EBITDA	$22.0	$24.0

$ In Millions

	Full Year 2024	
	Low	High
Non-GAAP Revenue	$683.0	$689.0
Adj EBITDA	$107.0	$111.0

$ In Millions

As of February 21, 2024, Q2 Holdings is providing guidance for its first quarter of 2024 and full-year 2024, which represents Q2 Holdings' current estimates 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, transaction-related costs, interest and other (income) expense, income taxes, lease and other restructuring charges, (gain) 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.

Financial Targets: 2024 - 2026

Average Annual Subscription Revenue Growth	Average Annual Adjusted EBITDA Margin Expansion	Free Cash Flow Conversion in Full Year 2026
~14%	~300-400bps	>70%
Strong demand driving an increasing mix of subscription revenue	Driven by revenue mix and scaling both cost of sales & operating expenses	Flexibility to service debt and have ample cash to run the business

The forward-looking figures in this presentation represent Q2's long-term financial targets, may prove to be inaccurate, and do not constitute guidance. We define Free Cash Flow Conversion as Free Cash Flow as a percentage of adjusted EBITDA in a defined time period.

Appendix

Strong Visibility, Increasing Profitability, Expanding Opportunity

Long Runway to sustain High Growth and Margin Expansion

+1,400 Total Customers[1]	**19%** YoY Growth in Subscription ARR[2]	**+5 Years** Avg. Contract Length[3]	**78%** Subscription revenue as a % of Total[4]
450 Digital Banking Platform Customers[5]	**+110%** ASP increase over last 5 years[6]	**+22.0M** Registered End Users[7]	**64%** Avg. Customer Contracted Revenue Growth at 48 months[8]

$17B Total Addressable Market[9]

Late 2024 Target

Rule of

~30%

Y/Y Non-GAAP Revenue Growth + Adj EBITDA Margins[10]

[1] Total numbers of customers signed as of December 31, 2023. [2] Subscription Annualized Recurring Revenue (ARR) growth as measured from the total balance of Subscription ARR on December 31, 2023 compared to the total balance of Subscription ARR on December 31, 2022. [3]For digital banking platform customers as of December 31, 2023. [4]Non-GAAP subscription revenue as a percentage of total company revenue for the fourth quarter of 2023. [5] Installed Digital Banking customers as of December 31, 2023. [6]Average Selling Price (ASP) is derived from Digital Banking Platform deals sold in full year 2023 compared to the prior five years. [7] Registered end users on our digital banking platform, as of December 31, 2023 . [8] Based on digital banking platform customers that went live from 2013-2023. Growth of contracted recurring revenue by Q2 platform customers 48 months after implementation. [9] We believe our expanded solution offerings and the continued growth of our customer base and market opportunity have increased the addressable market for our solutions to greater than $17.0 billion as discussed in our annual report on 10-K filed on February 21st, 2024. [10] Represents Q2's targets for revenue growth and Adjusted EBITDA Margin by late 2024. These forward-looking figures represent Q2's financial targets, may prove to be inaccurate, and do not constitute guidance

Condensed Consolidated Balance Sheets

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

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 229,655	$ 199,600
Restricted cash	3,977	2,302
Investments	94,353	233,753
Accounts receivable, net	42,899	46,735
Contract assets, current portion, net	9,193	8,909
Prepaid expenses and other current assets	11,625	10,832
Deferred solution and other costs, current portion	27,521	21,117
Deferred implementation costs, current portion	8,741	7,828
Total current assets	427,964	531,076
Property and equipment, net	41,178	56,695
Right of use assets	35,453	39,837
Deferred solution and other costs, net of current portion	26,090	26,410
Deferred implementation costs, net of current portion	21,480	18,713
Intangible assets, net	121,572	145,681
Goodwill	512,869	512,869
Contract assets, net of current portion and allowance	12,210	16,186
Other long-term assets	2,609	2,259
Total assets	$ 1,201,425	$ 1,349,726
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 62,404	$ 54,263
Convertible notes, current portion	-	10,903
Deferred revenues, current portion	118,723	117,468
Lease liabilities, current portion	10,436	9,408
Total current liabilities	191,563	192,042
Convertible notes, net of current portion	490,464	657,789
Deferred revenues, net of current portion	17,350	21,691
Lease liabilities, net of current portion	45,588	52,991
Other long-term liabilities	7,981	6,189
Total liabilities	752,946	930,702
Stockholders' equity:		
Common stock	6	6
Additional paid-in capital	1,075,278	982,300
Accumulated other comprehensive loss	(1,111)	(2,972)
Accumulated deficit	(625,694)	(560,310)
Total stockholders' equity	448,479	419,024
Total liabilities and stockholders' equity	$ 1,201,425	$ 1,349,726

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,	
	2023	2022	2023	2022
Revenues [1]	$ 162,118	$ 146,542	$ 624,624	$ 565,673
Cost of revenues [2]	80,725	80,340	321,973	309,328
Gross profit	81,393	66,202	302,651	256,345
Operating expenses:				
Sales and marketing	26,554	28,505	109,522	108,214
Research and development	34,271	34,041	137,334	130,103
General and administrative	30,283	23,696	110,186	90,163
Transaction-related costs	-	294	24	1,176
Amortization of acquired intangibles	4,903	4,982	20,667	18,248
Lease and other restructuring charges	3,399	7,171	10,975	13,202
Total operating expenses	99,410	98,689	388,708	361,106
Loss from operations	(18,017)	(32,487)	(86,057)	(104,761)
Total other income (expense), net [3]	1,997	811	24,235	(1,314)
Loss before income taxes	(16,020)	(31,676)	(61,822)	(106,075)
Provision for income taxes	(2,059)	(735)	(3,562)	(2,908)
Net loss	$ (18,079)	$ (32,411)	$ (65,384)	$ (108,983)
Other comprehensive income (loss):				
Unrealized gain (loss) on available-for-sale investments	515	490	1,800	(1,873)
Foreign currency translation adjustment	368	141	61	(964)
Comprehensive loss	$ (17,196)	$ (31,780)	$ (63,523)	$ (111,820)
Net loss per common share:				
Net loss per common share, basic and diluted	$ (0.31)	$ (0.56)	$ (1.12)	$ (1.90)
Weighted average common shares outstanding, basic and diluted	58,742	57,582	58,354	57,300

(1) Includes deferred revenue reduction from purchase accounting of $0.1 million for each of the three months ended December 31, 2023 and 2022, and $0.3 million and $0.6 million for the twelve months ended December 31, 2023 and 2022, respectively.

(2) Includes amortization of acquired technology of $5.8 million and $5.9 million for the three months ended December 31, 2023 and 2022, respectively, and $23.4 million and $22.7 million for the twelve months ended December 31, 2023 and 2022, respectively.

(3) Includes a gain of $19.9 million related to the early extinguishment of a portion of our 2026 Notes and 2025 Notes for the twelve months ended December 31, 2023.

Condensed Consolidated Statements of Cash Flows

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

	Twelve Months Ended December 31	
	2023	**2022**
Cash flows from operating activities:		
Net loss	$ (65,384)	$ (108,983)
Adjustments to reconcile net loss to net cash from operating activities:		
Amortization of deferred implementation, solution and other costs	25,848	23,270
Depreciation and amortization	71,707	61,659
Amortization of debt issuance costs	2,104	2,719
Amortization of premiums and discounts on investments	(3,192)	(302)
Stock-based compensation expense	79,188	65,157
Deferred income taxes	636	1,611
(Gain) loss on extinguishment of debt	(19,312)	-
Other non-cash charges	4,386	11,919
Changes in operating assets and liabilities	(25,689)	(20,494)
Net cash provided by operating activities	70,292	36,556
Cash flows from investing activities:		
Net maturities (purchases) of investments	143,911	(130,463)
Purchases of property and equipment	(5,673)	(11,142)
Capitalized software development costs	(24,970)	(18,910)
Business combinations, net of cash acquired	-	(5,040)
Net cash provided by (used in) investing activities	113,268	(165,555)
Cash flows from financing activities:		
Payment for maturity of 2023 convertible notes	(10,908)	-
Payments for repurchases of convertible notes	(149,640)	-
Proceeds from capped calls related to convertible notes	139	-
Proceeds from exercise of stock options and ESPP	8,397	5,882
Net cash provided by (used in) financing activities	(152,012)	5,882
Effect of exchange rate changes on cash, cash equivalents and restricted cash	182	(802)
Net increase (decrease) in cash, cash equivalents, and restricted cash	31,730	(123,919)
Cash, cash equivalents, and restricted cash, beginning of period	201,902	325,821
Cash, cash equivalents, and restricted cash, end of period	$ 233,632	$ 201,902

Reconciliation of GAAP to Non-GAAP Measures

Q2 Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Measures
(in thousands)
(unaudited)

	Three Months Ended December 31		Twelve Months Ended December 31	
	2023	2022	2023	2022
GAAP revenue	$ 162,118	$ 146,542	$ 624,624	$ 565,673
Deferred revenue reduction from purchase accounting	69	129	344	644
Non-GAAP revenue	$ 162,187	$ 146,671	$ 624,968	$ 566,317
GAAP gross profit	$ 81,393	$ 66,202	$ 302,651	$ 256,345
Stock-based compensation	3,023	3,290	13,346	12,262
Amortization of acquired technology	5,754	5,880	23,402	22,690
Transaction-related costs	-	18	-	18
Lease and other restructuring charges	556	23	1,117	23
Deferred revenue reduction from purchase accounting	69	129	344	644
Non-GAAP gross profit	$ 90,795	$ 75,542	$ 340,860	$ 291,982
Non-GAAP gross margin:				
Non-GAAP gross profit	$ 90,795	$ 75,542	$ 340,860	$ 291,982
Non-GAAP revenue	162,187	146,671	624,968	566,317
Non-GAAP gross margin	56.0%	51.5%	54.5%	51.6%
GAAP sales and marketing expense	$ 26,554	$ 28,505	$ 109,522	$ 108,214
Stock-based compensation	(3,638)	(3,755)	(16,771)	(15,379)
Non-GAAP sales and marketing expense	$ 22,916	$ 24,750	$ 92,751	$ 92,835
GAAP research and development expense	$ 34,271	$ 34,041	$ 137,334	$ 130,103
Stock-based compensation	(3,466)	(3,624)	(15,157)	(13,987)
Non-GAAP research and development expense	$ 30,805	$ 30,417	$ 122,177	$ 116,116
GAAP general and administrative expense	$ 30,283	$ 23,696	$ 110,186	$ 90,163
Stock-based compensation	(9,242)	(6,188)	(33,914)	(23,529)
Non-GAAP general and administrative expense	$ 21,041	$ 17,508	$ 76,272	$ 66,634
GAAP operating loss	$ (18,017)	$ (32,487)	$ (86,057)	$ (104,761)
Deferred revenue reduction from purchase accounting	69	129	344	644
Stock-based compensation	19,369	16,857	79,188	65,157
Transaction-related costs	-	312	24	1,194
Amortization of acquired technology	5,754	5,880	23,402	22,690
Amortization of acquired intangibles	4,903	4,982	20,667	18,248
Lease and other restructuring charges	3,955	7,194	12,092	13,225
Non-GAAP operating income	$ 16,033	$ 2,867	$ 49,660	$ 16,397
Reconciliation of GAAP net loss to adjusted EBITDA:				
GAAP net loss	$ (18,079)	$ (32,411)	$ (65,384)	$ (108,983)
Depreciation and amortization	17,943	16,422	71,707	61,659
Stock-based compensation	19,369	16,857	79,188	65,157
Provision for income taxes	2,059	735	3,562	2,908
Interest and other (income) expense, net	(2,131)	(888)	(4,724)	1,087
Transaction-related costs	-	312	24	1,194
Lease and other restructuring charges	3,955	7,194	12,092	13,225
(Gain) loss on extinguishment of debt	-	-	(19,869)	-
Deferred revenue reduction from purchase accounting	69	129	344	644
Adjusted EBITDA	$ 23,185	$ 8,350	$ 76,940	$ 36,891
Adjusted EBITDA margin	14.3%	5.7%	12.3%	6.5%

Reconciliation of Free Cash Flow

Q2 Holdings, Inc.
Reconciliation of Free Cash Flow
(in thousands)
(unaudited)

	Twelve Months Ended December 31,	
	2023	**2022**
Net cash provided by operating activities	$ 70,292	$ 36,556
Purchases of property and equipment	(5,673)	(11,142)
Capitalized software development costs	(24,970)	(18,910)
Free cash flow	$ 39,649	$ 6,504

Reconciliation of GAAP to Non-GAAP Revenue Guidance

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

	Q1 2024 Outlook		Full Year 2024 Outlook	
	Low	High	Low	High
GAAP revenue	$ 161,700	$ 164,700	$ 683,000	$ 689,000
Deferred revenue reduction from purchase accounting	-	-	-	-
Non-GAAP revenue	$ 161,700	$ 164,700	$ 683,000	$ 689,000

This table reflects the reconciliation provided by Q2 in its earnings release on February 21, 2024 for the quarter and year ending December 31, 2024 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, transaction-related costs, provision for income taxes, interest and other (income) expense, net, deferred revenue reduction from purchase accounting, (gain) loss on extinguishment of debt, and lease and other restructuring 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 with and 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 include adjusted EBITDA as a supplemental measure of our overall operating performance.

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 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.

Definitions

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 and Relationship Pricing Platforms: 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 acquired customers 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.

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. We do not anticipate any impact from purchase accounting in 2024 and beyond, so our non-GAAP total revenue will be equivalent to GAAP total revenue during throughout those periods.

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 consumer Digital Banking Platform who has registered to use one or more of our digital banking solutions and has current access to use those solutions as of the last day of the reporting period presented.

Definitions

Subscription Annualized Recurring Revenue: We calculate Subscription ARR as the annualized value of all recurring subscription 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 Subscription ARR also includes the contracted minimum subscription amounts associated with all contracts in place at the end of the quarter for which revenue recognition has not yet commenced. Subscription revenues are defined within "Critical Accounting Policies and Significant Judgements and Estimates" in our Form 10-K. Subscription ARR is not a forecast of future revenue, which can be impacted by contract start and end dates and renewal rates. Subscription ARR should be viewed independently of revenue and deferred revenue as Subscription ARR is an operating metric and are not intended to be combined with or replace these items. Our use of Subscription ARR has limitations as an analytical tool, and investors should not consider it in isolation. Other companies in our industry may calculate Subscription ARR differently, which reduces their usefulness as comparative measures.

Total Annualized Recurring Revenue: We calculate Total ARR 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 Total ARR also includes the contracted minimums associated with all contracts in place at the end of the quarter for which revenue recognition has 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. Total ARR does not include revenue from professional services or other sources of revenue that are not deemed to be recurring in nature. Total ARR is not a forecast of future revenue, which can be impacted by contract start and end dates and renewal rates. Total ARR should be viewed independently of revenue and deferred revenue as Total ARR is an operating metric and is not intended to be combined with or replace these items. Our use of Total ARR has limitations as an analytical tool, and investors should not consider it in isolation. Other companies in our industry may calculate Total ARR differently, which reduces their usefulness as comparative measures.