

1st Quarter 2024 Results

May 1, 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: progress towards our long-term financial targets; the benefits and competitive strengths of our solutions and their ability to drive expansion, including its integration as a single platform, the benefits of innovation studio and AI capabilities and ease of expansion; the breadth and strength of our customer base and the expansion opportunities it presents; the strength of our sales pipeline; future bookings performance; the sales success of our Centrix and fraud and relationship pricing solutions; the strength of the demand environment; the strategic importance of our partner ecosystem and its benefits to our customers; the benefits of innovation studio and its ability to drive renewal and expansion activity; the banking as a service market; the benefits and competitive advantages of our Helix solution; our ability to capture value from customers and extend contract duration; expectations regarding professional services revenues; trends in our backlog; expected gross margin improvements; future expenses and free cash flows; growth of our subscription ARR; confidence in our guidance; expectations of achieving Rule of 30; progress on our profitable growth strategy; our position to execute towards our long-term targets; our sales momentum; our win rates; our optimism for the rest of the year and opportunities ahead of us;; and, Q2's quarterly and annual financial guidance.

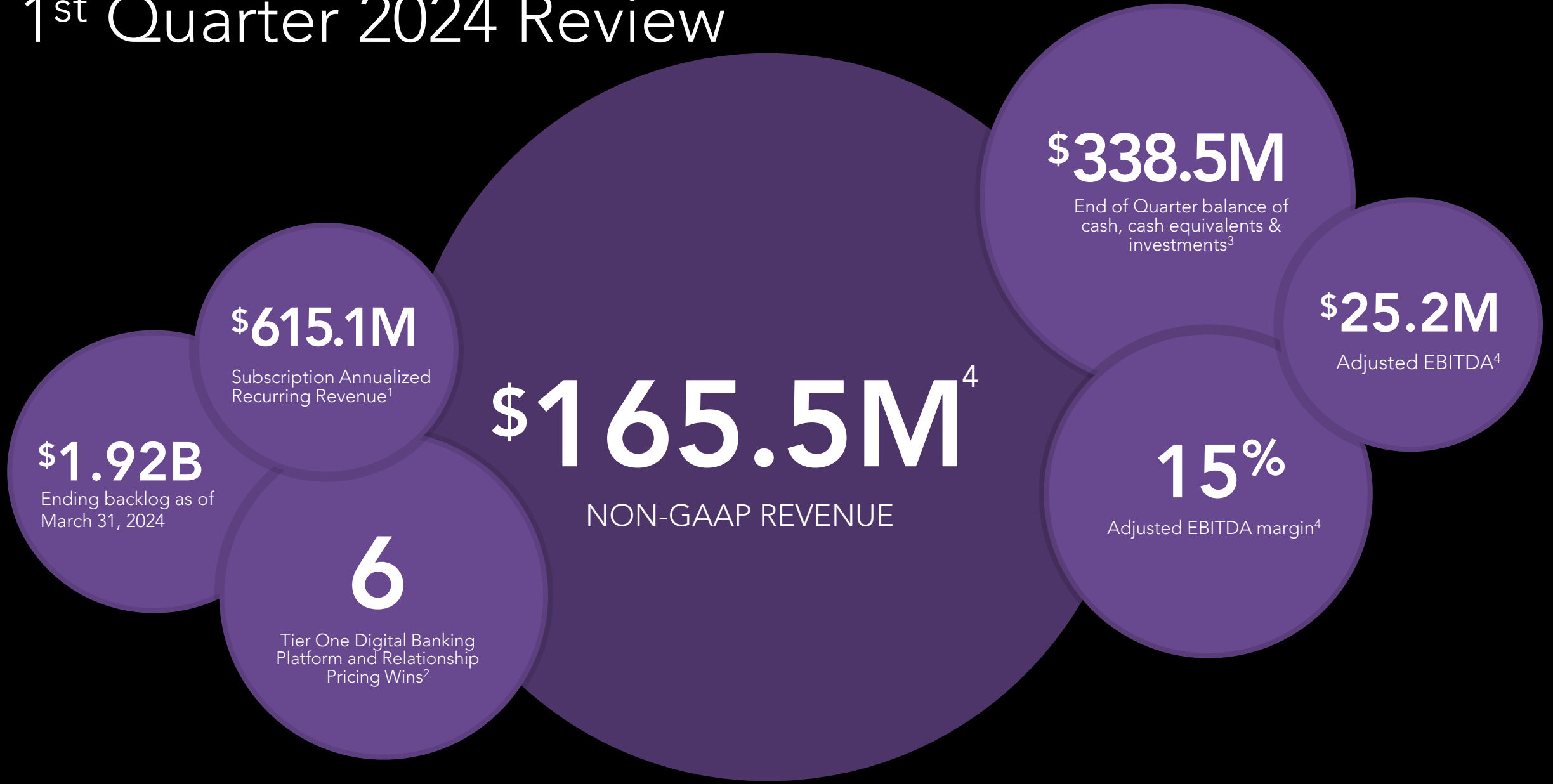
Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would, " "strategy," "future," "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 quarter ending March 31, 2024 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. 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, transaction-related costs, lease and other restructuring charges, gain 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.



1st Quarter 2024 Review



[1] Subscription Annualized Recurring Revenue as of March 31, 2024. [2] Number of net new and expansion contracts signed with customers above $5 billion in assets (Tier 1) collectively, to utilize our digital banking or lending and relationship pricing platforms, respectively, throughout the first quarter 2024. [3] As of March 31, 2024. Excludes restricted cash. [4] For the first quarter ended March 31, 2024.

1st Quarter 2024 Results

		1Q'24		1Q'23
		Totals	Y/Y Change	Totals
GAAP	Revenue	$165,508	8%	$153,008
	Gross Profit	$82,252	12%	$73,297
	Net Loss	($13,843)	*N/A*	($516)
Non-GAAP	Revenue	$165,508	8%	$153,124
	Gross Profit	$90,928	10%	$82,666
	Adj EBITDA	$25,233	53%	$16,472

$ in thousands

We had a strong start to the year with highlights across the business. We saw continued favorable sales execution with a broad mix of new and expansion wins in the quarter.

Our single-platform approach that allows customers to serve both retail and commercial users, paired with the strength and diversity of our customer base, continues to drive meaningful expansion opportunities as a complement to our net new execution.

And as we continue to execute on our profitable growth strategy, we believe we're well positioned to drive long-term value creation.

Matt Flake
CEO

1st Quarter 2024 Highlights

WINS

4 Tier 1
Digital Banking Platform

- Two new banks to utilize our retail and SMB solutions, with one also adding commercial in their initial agreement.
- Two expansion agreements with existing customers, resulting in both customers now utilizing the Q2 digital banking platform for retail, SMB and commercial solutions.

WINS

2 Tier 1
Digital Lending Platform

- Two Tier 1 expansion deals with existing customers utilizing our relationship pricing solutions.

SUBSCRIPTION REVENUE

$615.1 million
Subscription Annualized Recurring Revenue

18% YoY
From $521.3 million in Q1 '23

- Subscription Annualized Recurring Revenue increased to $615.1 million, up 18 percent year-over-year from $521.3 million at the end of the first quarter of 2023.

BACKLOG

$1.9 billion
Total Committed Backlog

25% YoY
Compared to Q1 '23

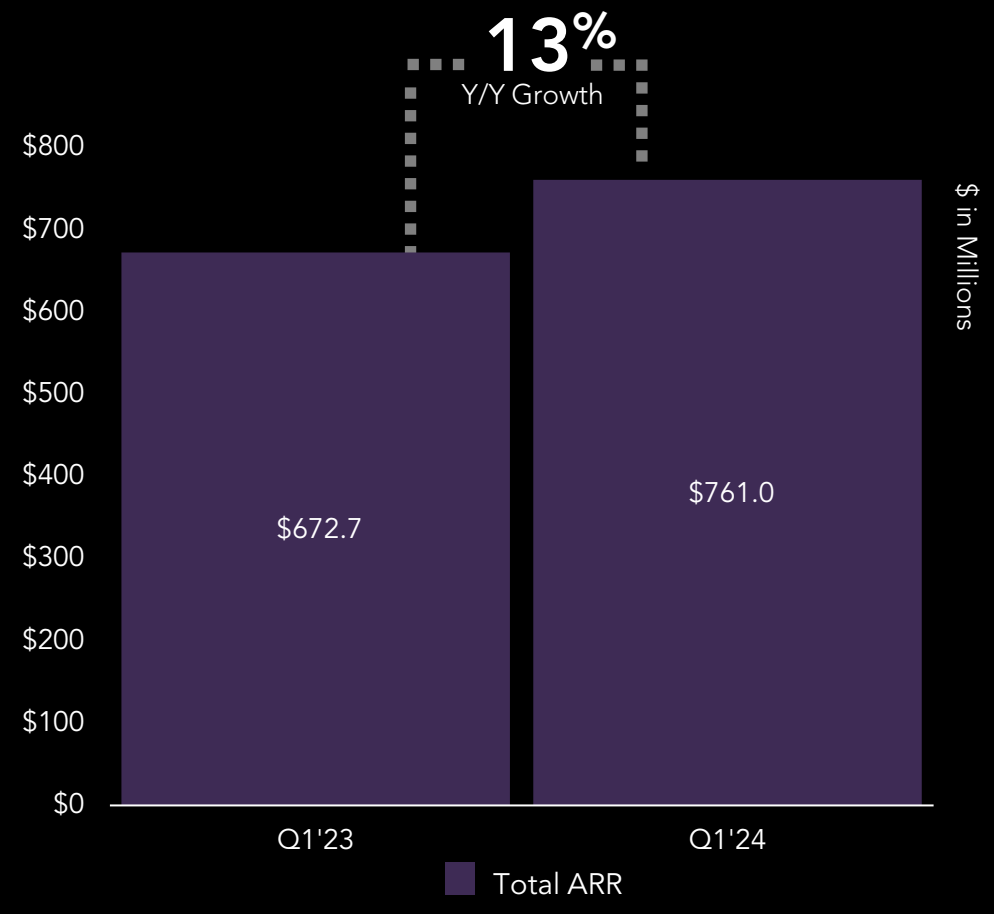
- Remaining Performance Obligation total, or Backlog, increased by $83 million sequentially, resulting in total committed Backlog of approximately $1.9 billion at quarter-end, representing 5 percent sequential growth and 25 percent year-over-year growth.

See the "Customer Tiering" and Subscription Annualized Recurring Revenue (Subscription ARR) definitions in the Appendix to this presentation.

Annualized Recurring Revenue

Year-over-year Subscription ARR growth of 18%; Total ARR growth impacted by continued pressure in non-Subscription ARR





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

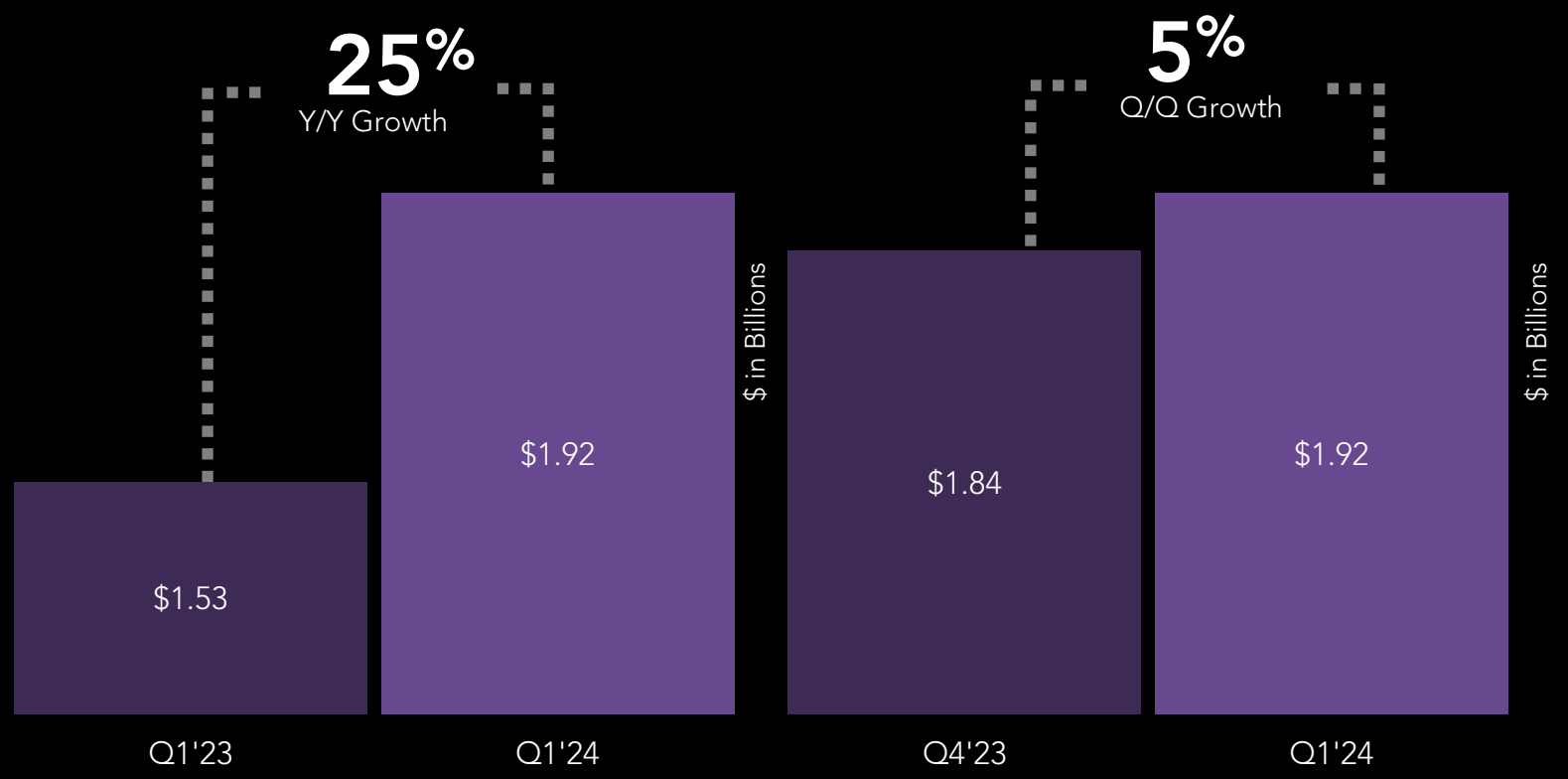
Remaining Performance Obligations (RPO, Backlog)

Record year-over-year growth across net new and expansion-based bookings

$1.92B

RPO Balance as of March 31, 2024

RPO Expected to be Recognized in the Next:	% of Total RPO Amount
24 months	**52%**
25-48 months	**31%**



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.

Financial Outlook

Represents 10% to 11% full year Non-GAAP revenue growth; full year adjusted EBITDA margin of 16% to 17%

Q2 2024

	Low	High
Non-GAAP Revenue	$169.0	$172.0
Adj EBITDA	$26.0	$28.0

$ In Millions

Full Year 2024

Low	High
$686.0	$692.0
$110.0	$114.0

$ In Millions

As of May 1, 2024, Q2 Holdings is providing guidance for its second 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 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.

Appendix

Strong Visibility, Increasing Profitability, Expanding Opportunity

Long Runway to sustain High Growth and Margin Expansion

+1,400 Total Customers[1]	**18%** YoY Growth in Subscription ARR[2]	**+5 Years** Avg. Contract Length[3]	**79%** Subscription revenue as a % of Total[4]
450 Digital Banking Platform Customers[5]	**+110%** ASP increase over last 5 years[6]	**+23.0M** 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 March 31, 2024 compared to the total balance of Subscription ARR on March 31, 2023. [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 first quarter of 2024. [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 March 31, 2024 . [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)

	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 274,522	$ 229,655
Restricted cash	4,257	3,977
Investments	63,939	94,353
Accounts receivable, net	54,292	42,899
Contract assets, current portion, net	8,579	9,193
Prepaid expenses and other current assets	15,542	11,625
Deferred solution and other costs, current portion	28,355	27,521
Deferred implementation costs, current portion	9,012	8,741
Total current assets	458,498	427,964
Property and equipment, net	37,871	41,178
Right of use assets	34,957	35,453
Deferred solution and other costs, net of current portion	31,861	26,090
Deferred implementation costs, net of current portion	22,172	21,480
Intangible assets, net	115,249	121,572
Goodwill	512,869	512,869
Contract assets, net of current portion and allowance	11,702	12,210
Other long-term assets	3,208	2,609
Total assets	$ 1,228,387	$ 1,201,425
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 49,635	$ 62,404
Deferred revenues, current portion	132,387	118,723
Lease liabilities, current portion	10,630	10,436
Total current liabilities	192,652	191,563
Convertible notes, net of current portion	490,960	490,464
Deferred revenues, net of current portion	26,851	17,350
Lease liabilities, net of current portion	44,429	45,588
Other long-term liabilities	8,524	7,981
Total liabilities	763,416	752,946
Stockholders' equity:		
Common stock	6	6
Additional paid-in capital	1,105,808	1,075,278
Accumulated other comprehensive loss	(1,306)	(1,111)
Accumulated deficit	(639,537)	(625,694)
Total stockholders' equity	464,971	448,479
Total liabilities and stockholders' equity	$ 1,228,387	$ 1,201,425

Condensed Consolidated Statements of Comprehensive Income (Loss)

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

	Three Months Ended March 31,	
	2024	**2023**
Revenues [1]	$ 165,508	$ 153,008
Cost of revenues [2]	83,256	79,711
Gross profit	82,252	73,297
Operating expenses:		
Sales and marketing	25,445	28,144
Research and development	34,862	34,425
General and administrative	30,176	24,692
Transaction-related costs	-	12
Amortization of acquired intangibles	4,828	5,262
Lease and other restructuring charges	1,126	1,961
Total operating expenses	96,437	94,496
Loss from operations	(14,185)	(21,199)
Total other income (expense), net [3]	1,897	20,701
Loss before income taxes	(12,288)	(498)
Provision for income taxes	(1,555)	(18)
Net loss	$ (13,843)	$ (516)
Other comprehensive income (loss):		
Unrealized gain (loss) on available-for-sale investments	126	1,036
Foreign currency translation adjustment	(321)	(17)
Comprehensive income (loss)	$ (14,038)	$ 503
Net loss per common share:		
Net loss per common share, basic and diluted	$ (0.23)	$ (0.01)
Weighted average common shares outstanding, basic and diluted	59,446	57,885

(1) Includes deferred revenue reduction from purchase accounting of zero and $0.1 million for the three months ended March 31, 2024 and 2023, respectively.

(2) Includes amortization of acquired technology of $5.5 million and $5.9 million for the three months ended March 31, 2024 and 2023, 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 three months ended March 31, 2023

Condensed Consolidated Statements of Cash Flows

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

	Three Months Ended March 31	
	2024	**2023**
Cash flows from operating activities:		
Net loss	$ (13,843)	$ (516)
Adjustments to reconcile net loss to net cash from operating activities:		
Amortization of deferred implementation, solution and other costs	6,411	6,069
Depreciation and amortization	17,523	17,543
Amortization of debt issuance costs	496	618
Amortization of premiums and discounts on investments	(371)	(1,097)
Stock-based compensation expense	20,801	18,086
Deferred income taxes	(269)	(526)
Gain on extinguishment of debt	-	(19,312)
Other non-cash items	405	1,576
Changes in operating assets and liabilities	(17,717)	(18,547)
Net cash provided by operating activities	13,436	3,894
Cash flows from investing activities:		
Net maturities of investments	30,911	85,073
Purchases of property and equipment	(1,405)	(1,032)
Capitalized software development costs	(6,010)	(6,049)
Net cash provided by investing activities	23,496	77,992
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	8,404	90
Net cash provided by (used in) financing activities	8,404	(160,319)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(189)	60
Net increase (decrease) in cash, cash equivalents, and restricted cash	45,147	(78,373)
Cash, cash equivalents, and restricted cash, beginning of period	233,632	201,902
Cash, cash equivalents, and restricted cash, end of period	$ 278,779	$ 123,529

Reconciliation of GAAP to Non-GAAP Measures

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

	Three Months Ended March 31	
	2024	2023
GAAP revenue	$ 165,508	$ 153,008
Deferred revenue reduction from purchase accounting	-	116
Non-GAAP revenue	$ 165,508	$ 153,124
GAAP gross profit	$ 82,252	$ 73,297
Stock-based compensation	3,165	3,373
Amortization of acquired technology	5,504	5,880
Lease and other restructuring charges	7	-
Deferred revenue reduction from purchase accounting	-	116
Non-GAAP gross profit	$ 90,928	$ 82,666
Non-GAAP gross margin:		
Non-GAAP gross profit	$ 90,928	$ 82,666
Non-GAAP revenue	165,508	153,124
Non-GAAP gross margin	54.9%	54.0%
GAAP sales and marketing expense	$ 25,445	$ 28,144
Stock-based compensation	(3,871)	(4,260)
Non-GAAP sales and marketing expense	$ 21,574	$ 23,884
GAAP research and development expense	$ 34,862	$ 34,425
Stock-based compensation	(3,843)	(3,776)
Non-GAAP research and development expense	$ 31,019	$ 30,649
GAAP general and administrative expense	$ 30,176	$ 24,692
Stock-based compensation	(9,922)	(6,677)
Non-GAAP general and administrative expense	$ 20,254	$ 18,015
GAAP operating loss	$ (14,185)	$ (21,199)
Deferred revenue reduction from purchase accounting	-	116
Stock-based compensation	20,801	18,086
Transaction-related costs	-	12
Amortization of acquired technology	5,504	5,880
Amortization of acquired intangibles	4,828	5,262
Lease and other restructuring charges	1,133	1,961
Non-GAAP operating income	$ 18,081	$ 10,118
Reconciliation of GAAP net loss to adjusted EBITDA:		
GAAP net loss	$ (13,843)	$ (516)
Deferred revenue reduction from purchase accounting	-	116
Stock-based compensation	20,801	18,086
Transaction-related costs	-	12
Depreciation and amortization	17,523	17,543
Lease and other restructuring charges	1,133	1,961
Provision for income taxes	1,555	18
Gain on extinguishment of debt	-	(19,869)
Interest and other (income) expense, net	(1,936)	(879)
Adjusted EBITDA	$ 25,233	$ 16,472
Adjusted EBITDA margin	15.2%	10.8%

Reconciliation of Free Cash Flow

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

	Three Months Ended March 31,	
	2024	**2023**
Net cash provided by operating activities	$ 13,436	$ 3,894
Purchases of property and equipment	(1,405)	(1,032)
Capitalized software development costs	(6,010)	(6,049)
Free cash flow	$ 6,021	$ (3,187)

Reconciliation of GAAP to Non-GAAP Revenue Guidance

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

	Q2 2024 Outlook		Full Year 2024 Outlook	
	Low	High	Low	High
GAAP revenue	$ 169,000	$ 172,000	$ 686,000	$ 692,000
Deferred revenue reduction from purchase accounting	-	-	-	-
Non-GAAP revenue	$ 169,000	$ 172,000	$ 686,000	$ 692,000

This table reflects the reconciliation provided by Q2 in its first quarter 2024 earnings release on May 1, 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 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.

Free Cash Flow: In the case of free cash flow, we adjust net cash provided by (used in) operating activities for purchases of property and equipment and capitalized software development costs.

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.