

Q2 2023 Investor Presentation

August 8, 2023

LEGALZOOM



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Forward-Looking Statements

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You should read this presentation with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this presentation, whether as a result of any new information, future events or otherwise.

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About Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures including Adjusted EBITDA, Adjusted EBITDA margin, non-GAAP net income (loss), non-GAAP net income (loss) margin, adjusted gross profit, adjusted gross profit margin, certain non-GAAP expenses (including non-GAAP cost of revenue, non-GAAP sales and marketing, non-GAAP technology and development, and non-GAAP general and administrative), free cash flow and free cash flow margin. To supplement our consolidated financial statements, which are prepared and presented in accordance with U.S. generally accepted accounting principles, or GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different from similarly titled measures used by other companies, are presented to enhance investors' overall understanding of our financial performance and liquidity and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We believe that these non-GAAP financial measures provide useful information about our financial performance and liquidity, enhance the overall understanding of our past performance and future prospects and allow for greater transparency with respect to important measures used by our management for financial and operational decision-making. We are presenting these non-GAAP measures to assist investors in seeing our financial performance using a management view and because we believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry. The tables in the Appendix contain more details on the GAAP financial measures that are most directly comparable to non-GAAP financial measures and the related reconciliations between these financial measures. In addition, please see our earnings release and our filings with the SEC for the definitions of these non-GAAP financial measures and limitations on the use of such non-GAAP financial measures.

Our mission is to
unleash entrepreneurship



We protect businesses, their ideas, and the families that create them

BUSINESS FORMATION | COMPLIANCE | INTELLECTUAL PROPERTY

Key Pain Points



Legal matters
are **difficult to navigate**
on your own



Expertise is
expensive and difficult
to find



Remaining compliant is
a **complex, evergreen**
problem

LegalZoom

The easiest way to form, protect and keep your business compliant

Formation Solutions

- Formation Package (LLC, INC, Non-Profit)
- DBAs and EINs
- Annual Reports, Operating Agreement

3.9M

Businesses formed
since inception (2003)

Compliance Solutions

- Registered Agent / Virtual Mail
- Legal Expertise / Legal Forms & e-Signature
- Tax Expertise / Accounting
- Compliance Expertise

1.6M

Active subscribers of
compliance & legal solutions
at 6/30/23

Intellectual Property

- Trademarks
- Copyrights
- Patents

391K

Trademarks filed since
inception (2003)

Strategic Pillars



Scale the Business

- Improve marketing efficiency
- Reimagine current offerings and launch new products
- Enhance fulfillment and cross-sell of additional services



Build the Ecosystem

- Build core offerings
- Expand partner channels
- Drive greater customer engagement



Integrate Experts

- Assisted tax services
- Assisted legal services
- Enhance service delivery

Recent Launch: LZ Books

Building the ecosystem of offerings to help small businesses succeed

LEGALZOOM Sunny Sample Co. Invoice #01 UNPAID

Invoice for \$1,000.00
Due: November 5, 2023

Books > Transactions SUBSCRIBED

Total expenses **\$11,568.91** (This month)

Top spending categories:

- \$2,780.45 Rent: Building
- \$2,000.00 Travel
- \$1,543.21 Insurance

Connected accounts:

- Chase Checking (1122) \$22,781.15 (48 transactions)
- AmEx (1234) \$22,781.15 (32 transactions)

Available money 2023 **\$13,500** (As of August 3, 2023)

For you 3

- Send invoice reminders (You have 2 overdue invoices)
- Open a business bank account (Separate your personal and business finances with Bank of America)
- You have a new active project! (Oscar Gast approved Marathon Training)

Recent

- Invoice #08 PAID
- Invoice #13 OVERDUE
- Personal training SENT

Insights

- Projects: 4 Active, 1 Complete
- Invoices: \$11,568 Paid, \$1,920 Unpaid
- Transactions: 85 Downloaded, 13 Uncategorized

A simple accounting solution designed for solopreneurs. Capabilities include:

- Customized proposals and invoices
- Payments
- Automated income and expense categorization
- Seamless integration with LZ Tax

Reaches across all strategic pillars

- New product and customer entry point
- Promotes ongoing customer engagement and cross-selling opportunities
- Cohesive integration with expert offerings

Our management team

Our team is experienced in small business and consumer innovation at scale



Dan Wernikoff
Chief Executive Officer



Noel Watson
Chief Financial Officer



Rich Preece
Chief Operations & Product Officer



Shrisha Radhakrishna
Chief Technology Officer



Nicole Miller
General Counsel



Sheily Chhabria Panchal
Chief People Officer



Kathy Tsitovich
Chief Partnerships Officer



Daniel Lysaught
Chief Marketing Officer



Financial Update

Quarterly Q2 2023 Snapshot

\$169M

total revenue

+4% yoy

\$109M

adjusted gross profit⁽¹⁾

65% margin⁽¹⁾

\$30M

adjusted ebitda⁽¹⁾

18% margin⁽¹⁾

161K

business formations

+42% yoy

283K

transaction units

+26% yoy

1,553K

subscription units

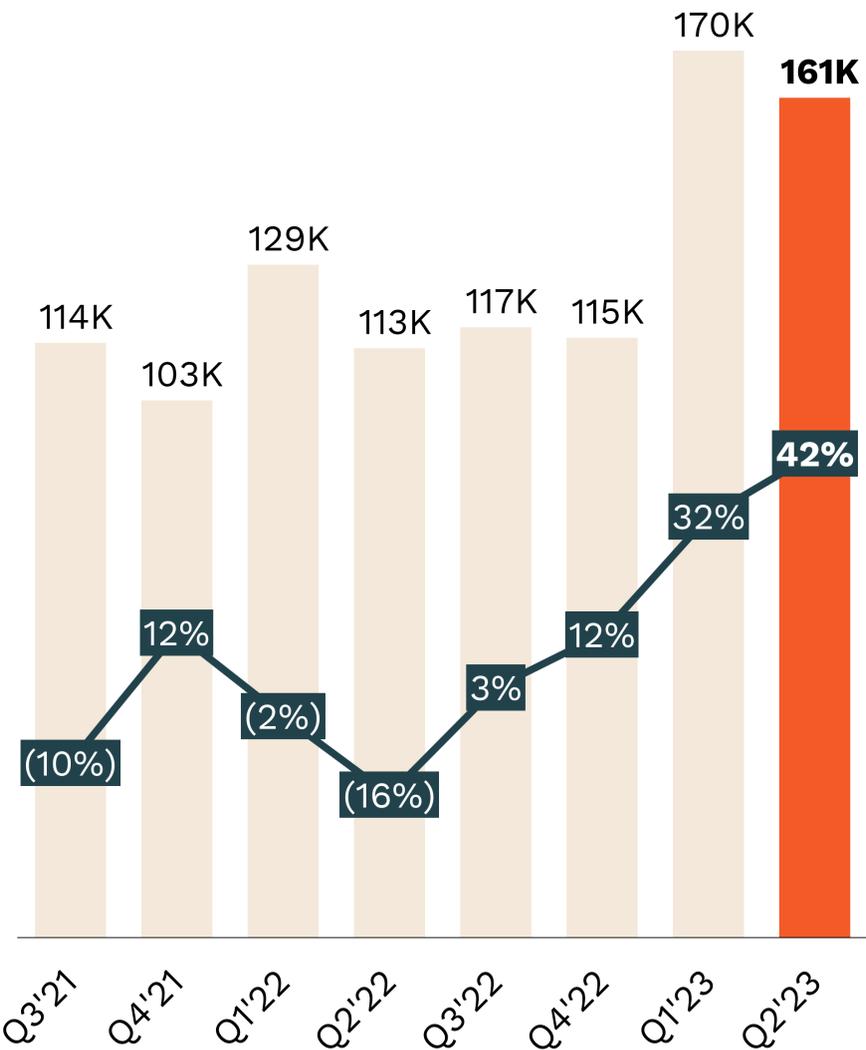
+11% yoy

(1) This is a non-GAAP financial measure. Refer to the Appendix for a reconciliation of this measure to the most directly comparable GAAP measure.

Key Metrics

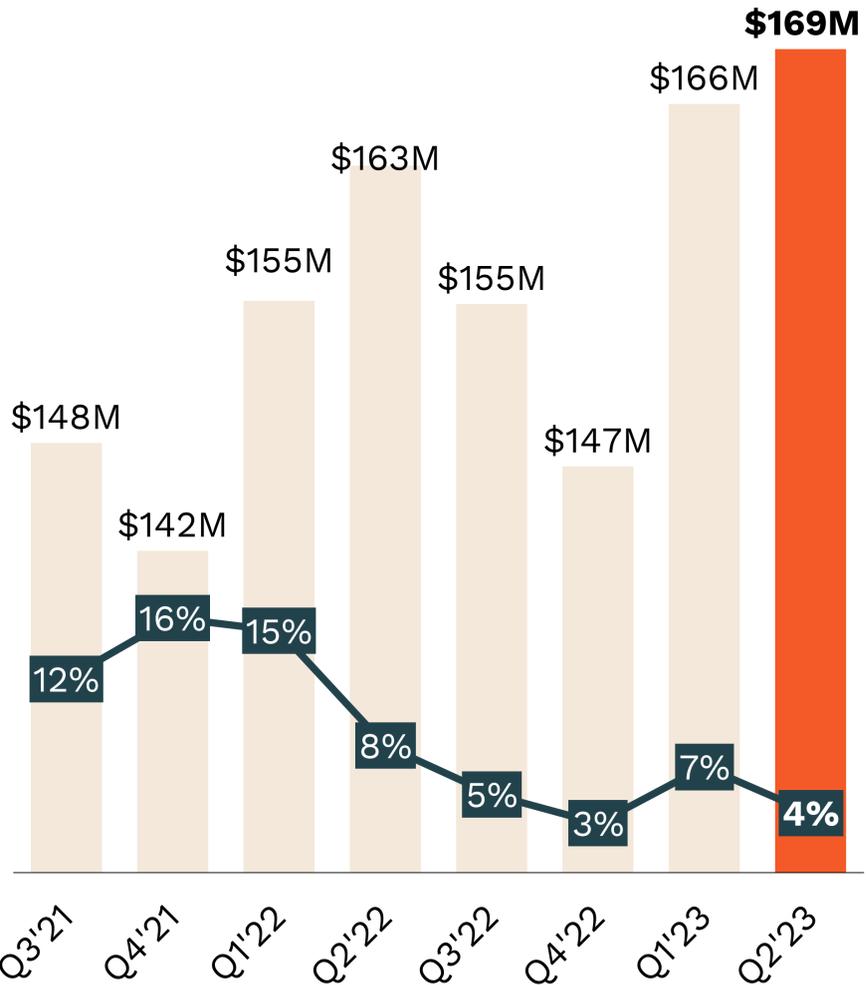
Business Formations⁽¹⁾

— YoY Growth %



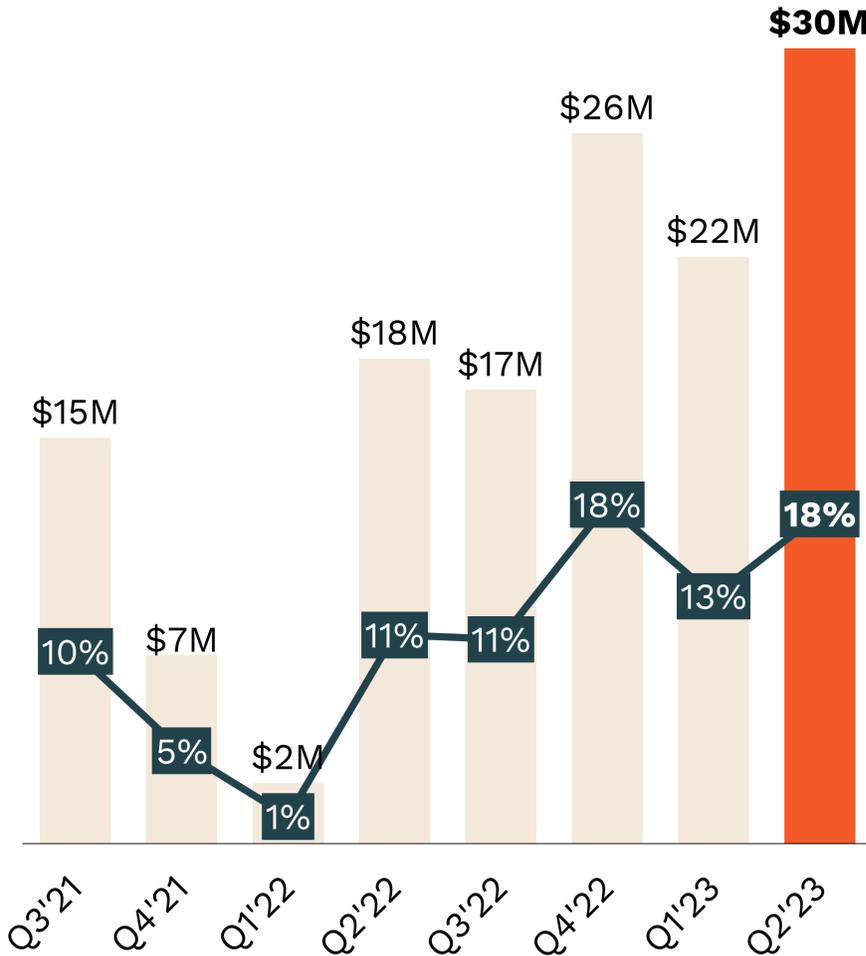
GAAP Revenue

— YoY Growth %



Adjusted EBITDA⁽²⁾

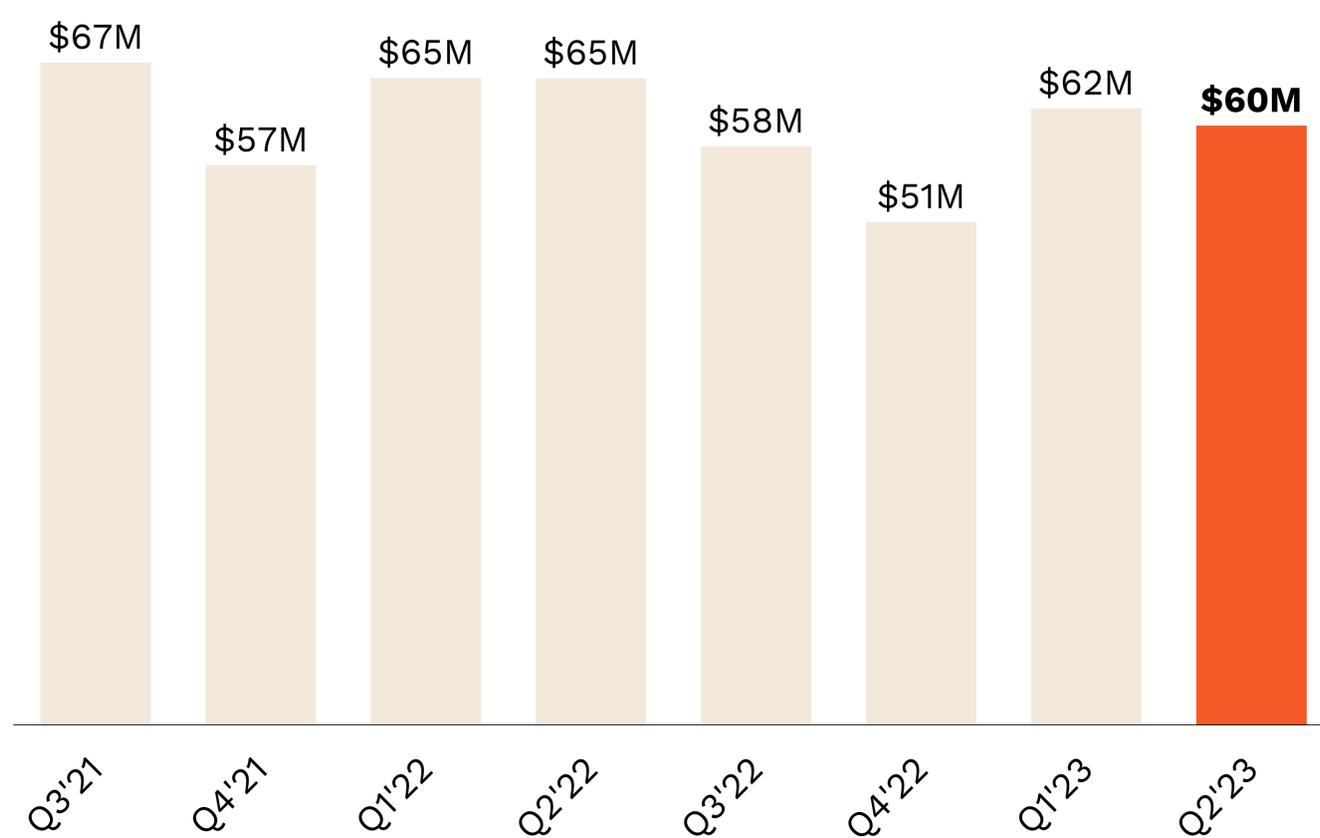
— % of Revenue⁽²⁾



(1) We define the number of business formations in a given period as the number of LLC, incorporation, not-for-profit and DBA orders placed through our platform in such period, excluding such orders from our operations in the United Kingdom. (2) This is a non-GAAP measure. Refer to the Appendix for a reconciliation of this measure to the most directly comparable GAAP measure.

Transaction Revenue Details

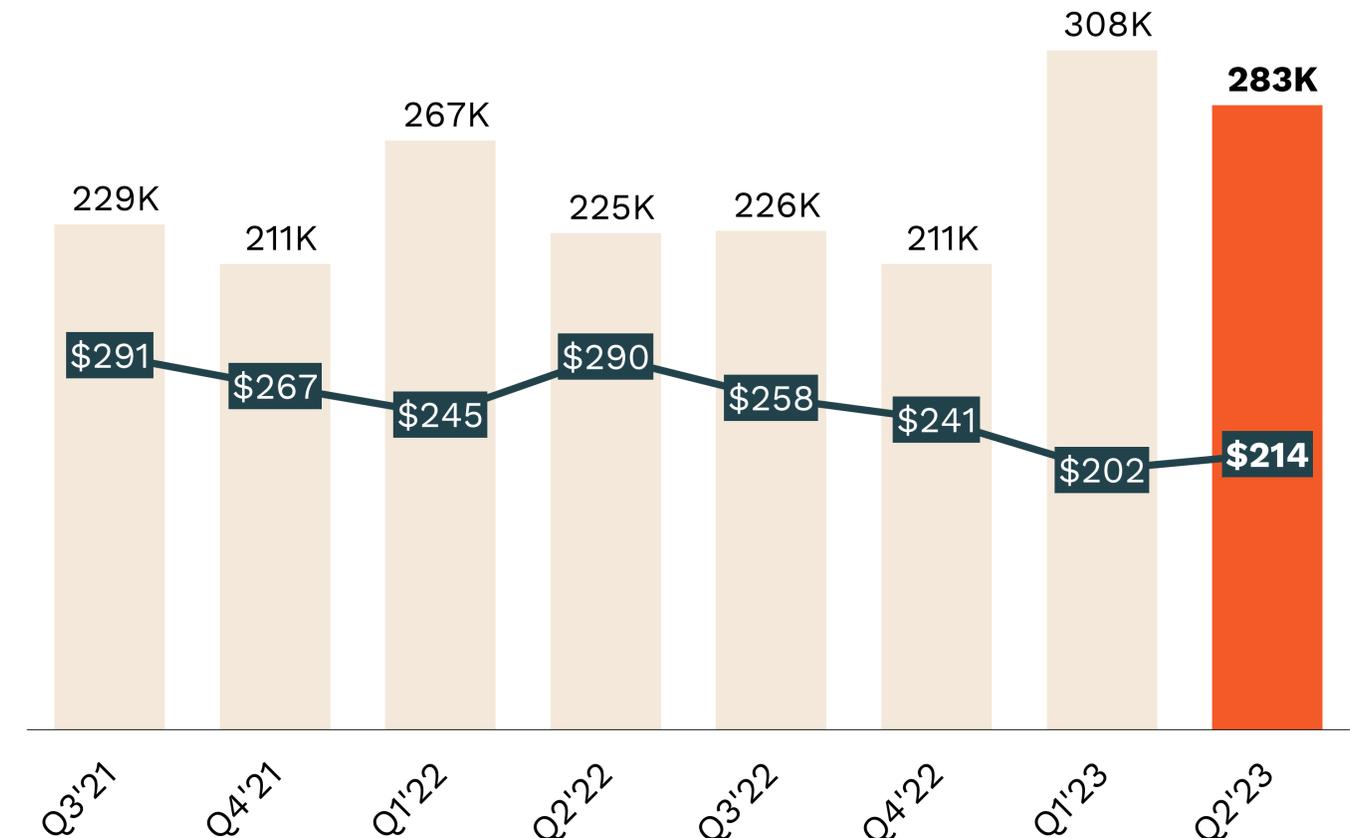
Transaction Revenue



Year-over-year Growth %							
5%	8%	6%	(11%)	(13%)	(10%)	(5%)	(7%)

Transaction Units⁽¹⁾

AOV⁽²⁾

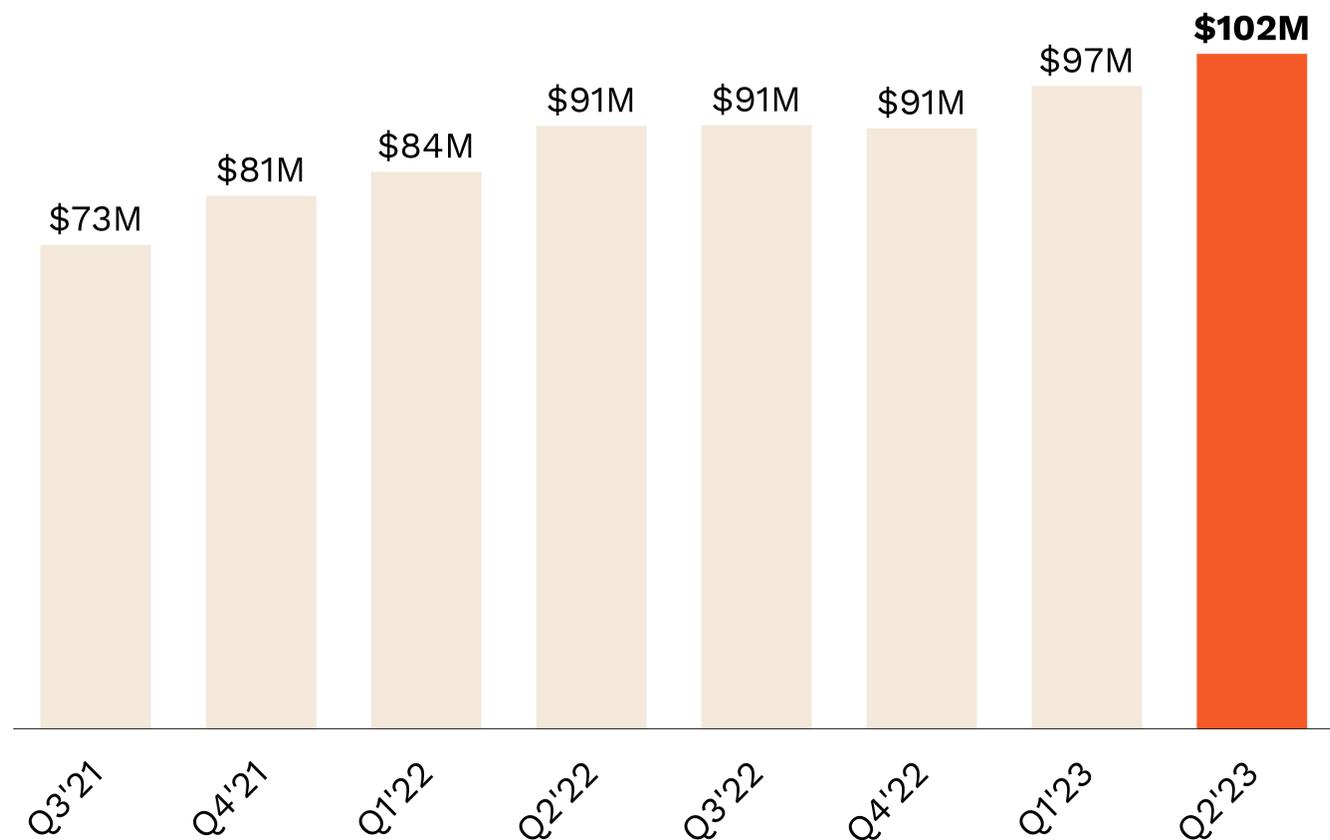


Year-over-year Growth %								
Trx Units	(10%)	8%	(3%)	(13%)	(1%)	0%	15%	26%
AOV	16%	0%	10%	3%	(11%)	(10%)	(18%)	(26%)

(1) We define the number of transaction units in a given period as gross transaction order volume, prior to refunds, on our platform during such period. Refunds, or partial refunds, may be issued under certain circumstances, pursuant to the terms of our customer satisfaction guarantee. (2) We define average order value for a given period as total transaction revenue divided by total number of transactions in such period.

Subscription Revenue Details

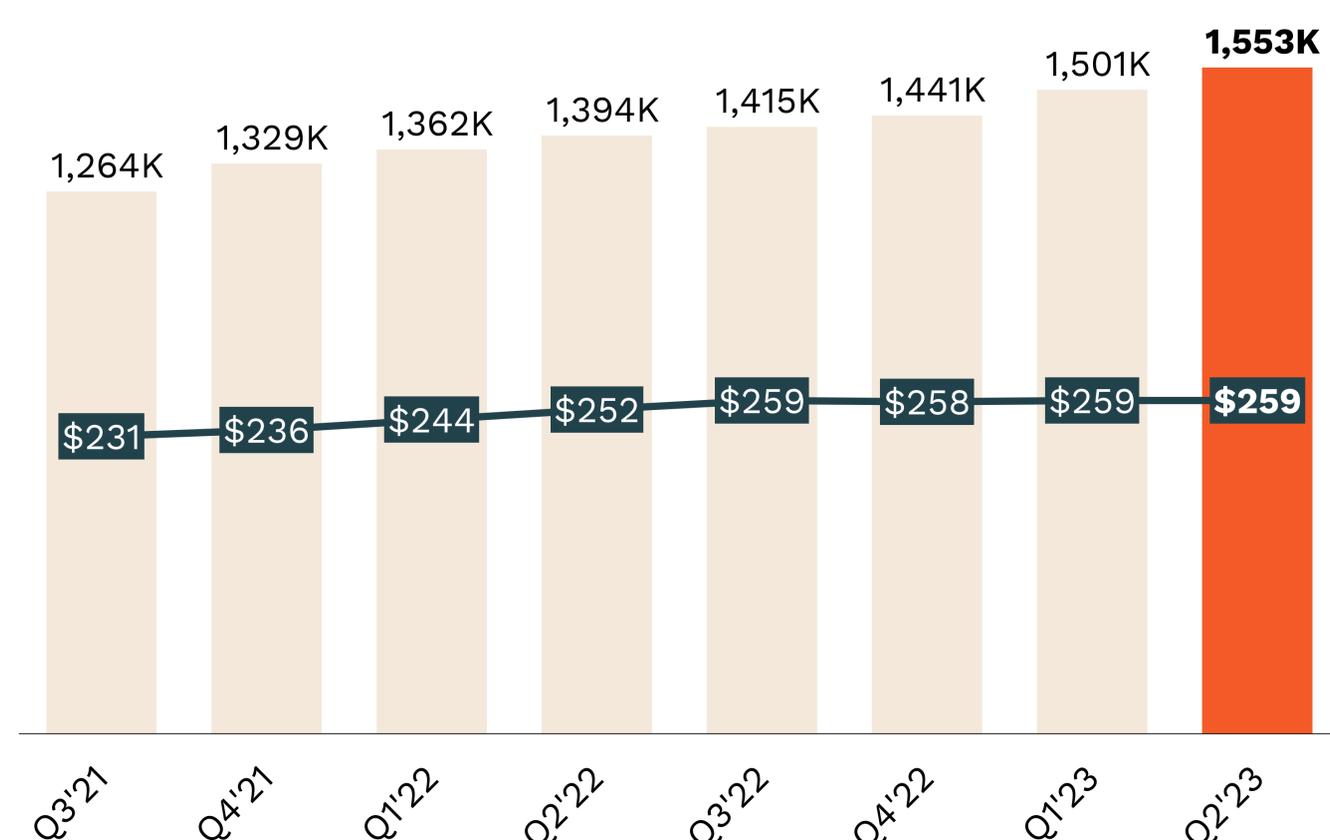
Subscription Revenue



Year-over-year Growth %							
24%	29%	29%	32%	25%	13%	15%	12%

Subscription Units⁽¹⁾

ARPU⁽²⁾

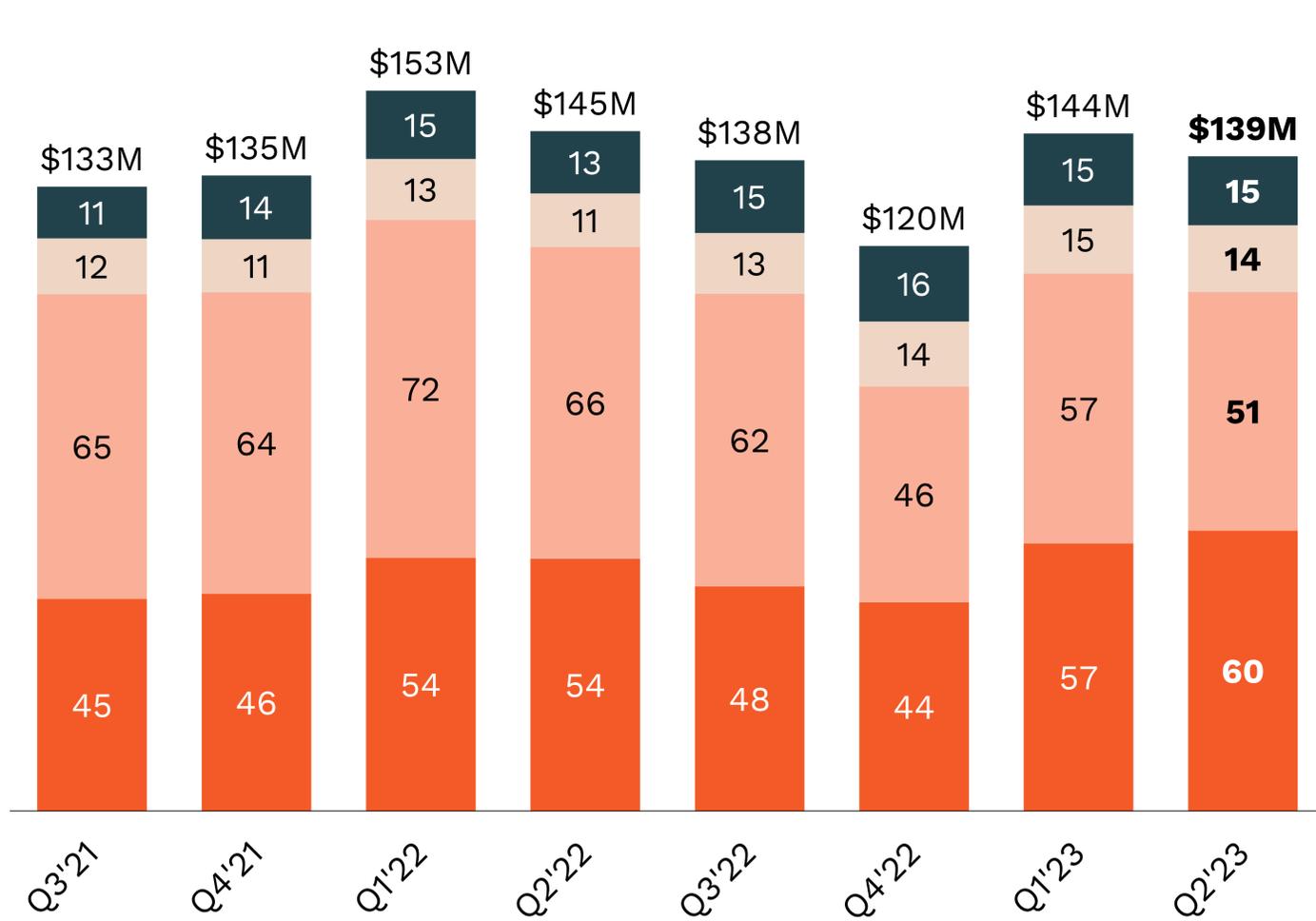


Year-over-year Growth %								
Sub Units	21%	22%	19%	15%	12%	8%	10%	11%
ARPU	5%	6%	8%	10%	12%	9%	6%	3%

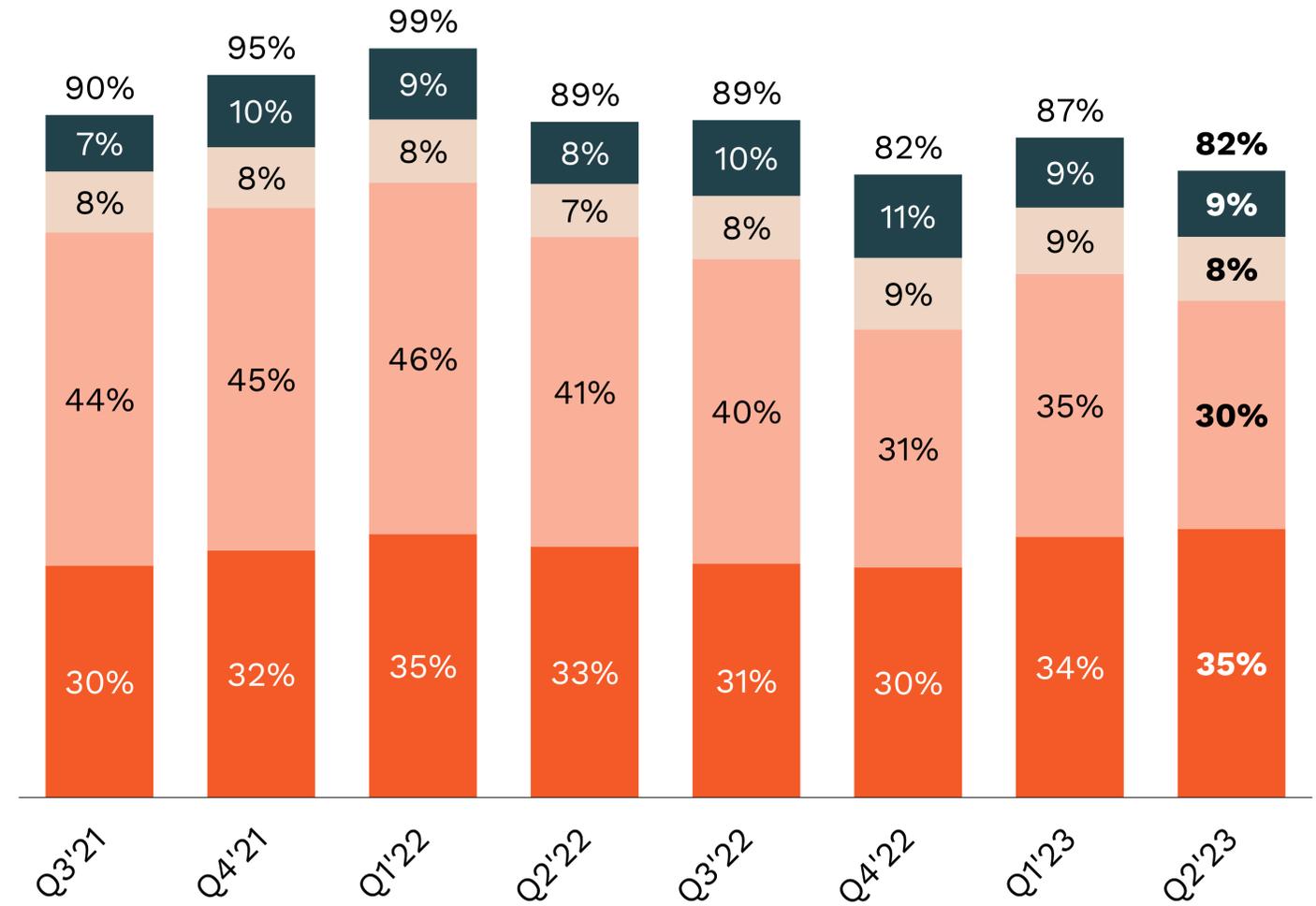
(1) We define the number of subscription units in a given period as the paid subscriptions that remain active at the end of such period, including those that are not yet 60 days past their subscription order dates, excluding subscriptions from our employer group legal plan and small business concierge subscription service, for which we ceased acquiring new subscribers in October 2020. Refunds, or partial refunds, may be issued under certain circumstances pursuant to the terms of our customer satisfaction guarantee. (2) We define average revenue per subscription unit, or ARPU, as of a given date as subscription revenue for the 12-month period ended on such date, or LTM, divided by the average number of subscription units at the beginning and end of the LTM period, excluding revenue and subscription units from our employer group legal plan and small business concierge subscription services, for which we ceased acquiring new subscribers in October 2020.

Non-GAAP Expenses⁽¹⁾

\$M by Spend Category



% of Revenue by Spend Category

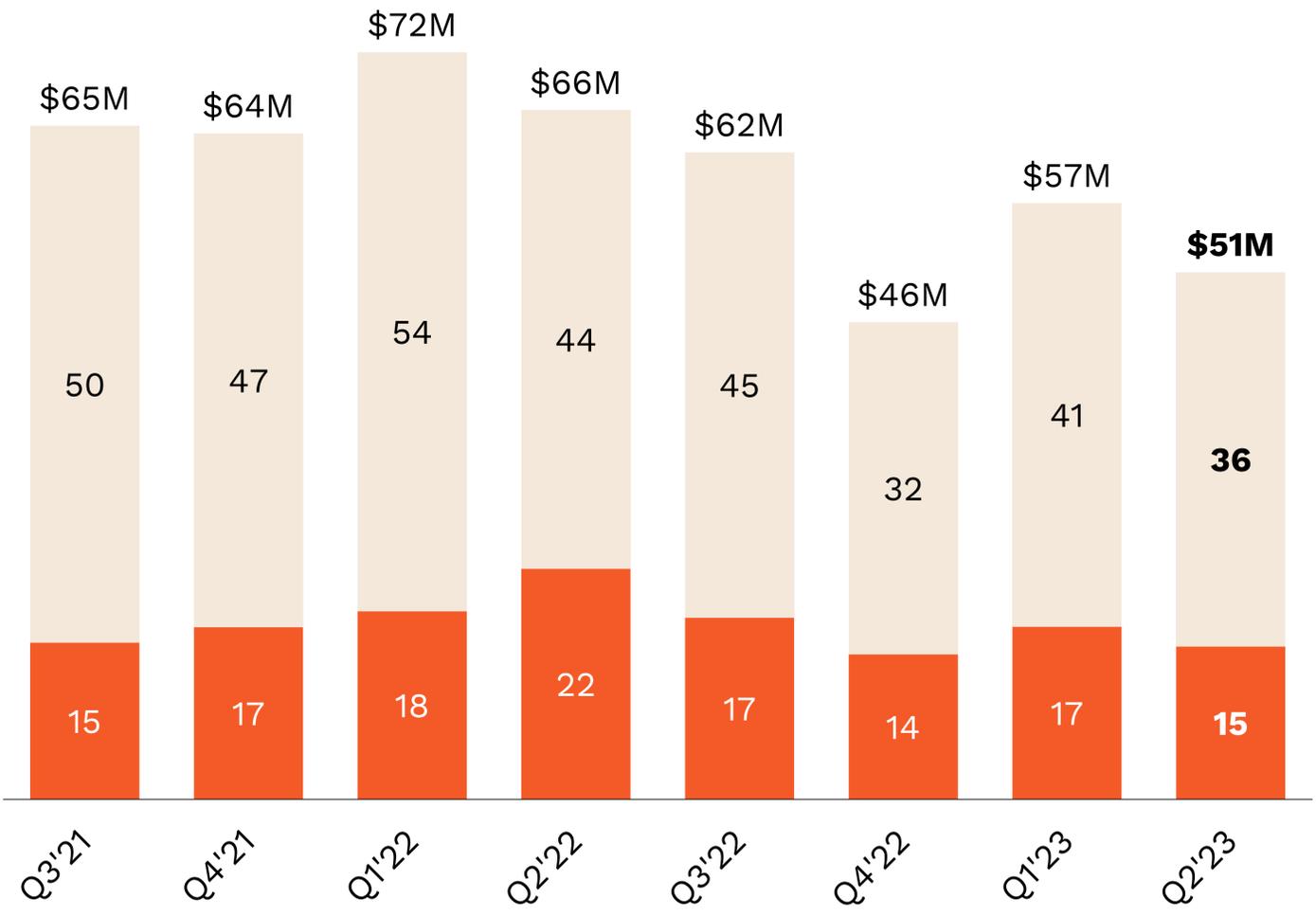


(1) These are non-GAAP financial measures. Refer to the Appendix for a reconciliation of these measures to the most directly comparable GAAP measures.

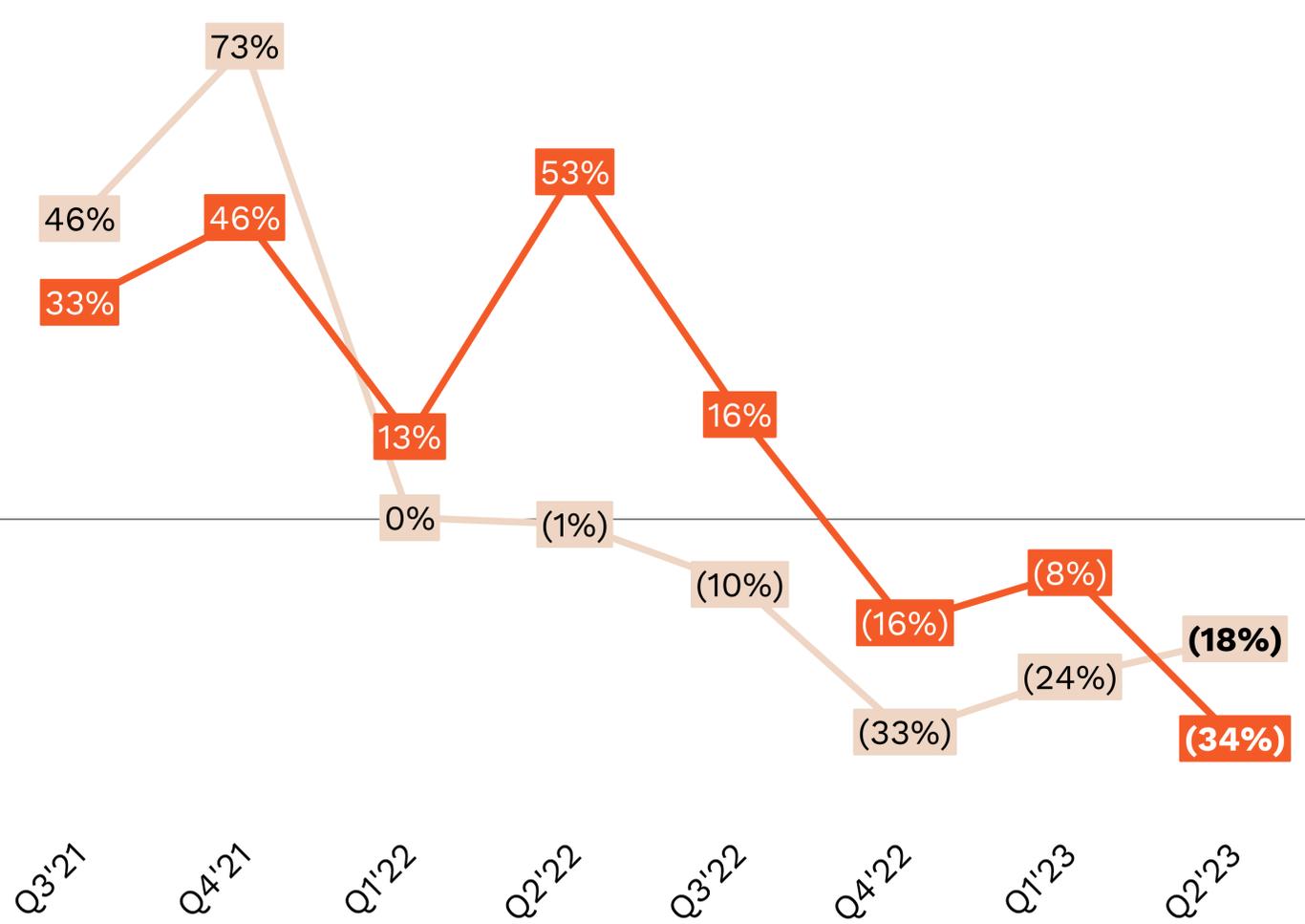
Non-GAAP Sales & Marketing Detail⁽¹⁾

\$M by Spend Category

- Customer Acquisition Media "CAM"
- Other Sales & Marketing



% YoY Growth by Spend Category

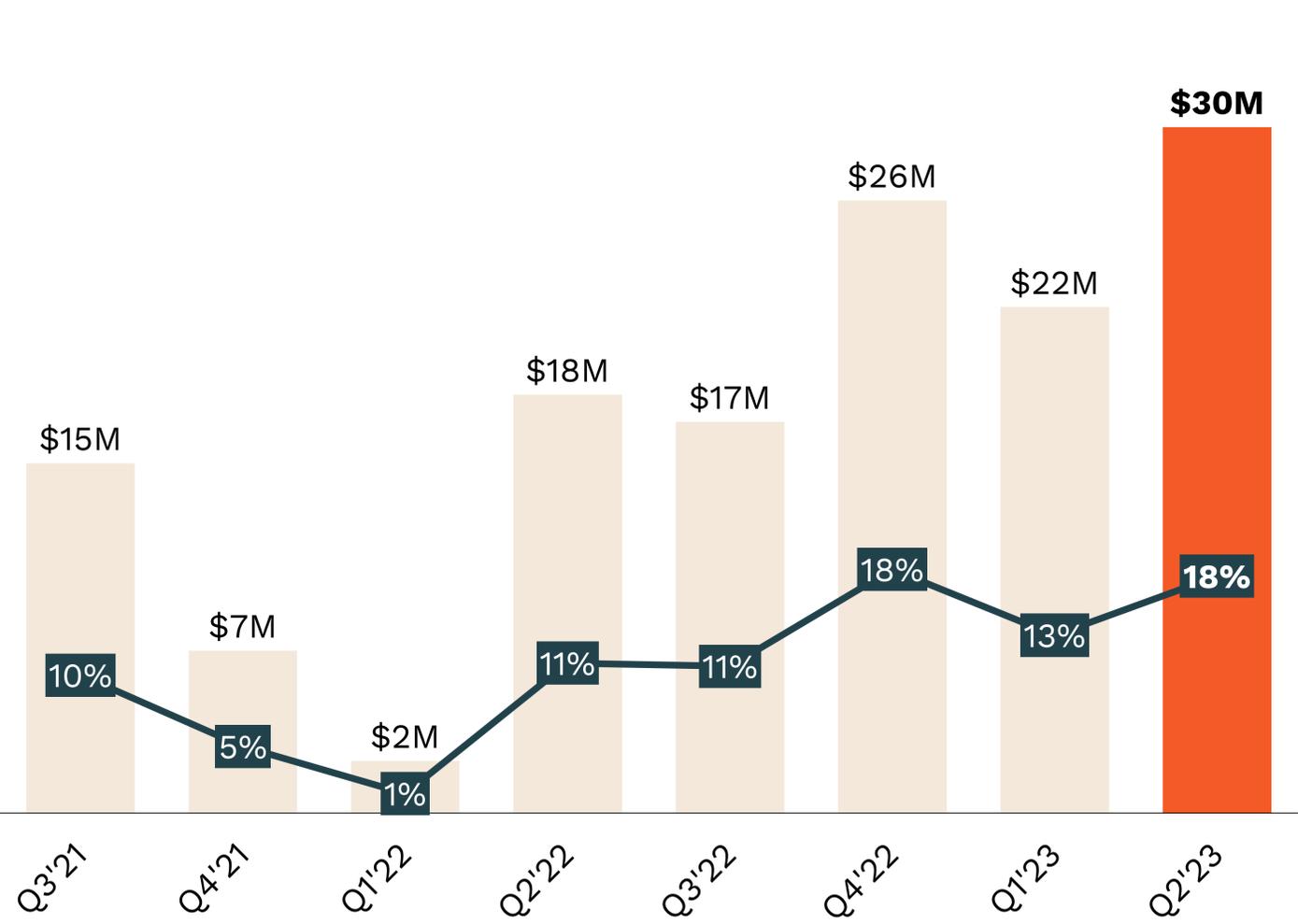


(1) These are non-GAAP financial measures. Refer to the Appendix for a reconciliation of these measures to the most directly comparable GAAP measures.

Profitability Metrics

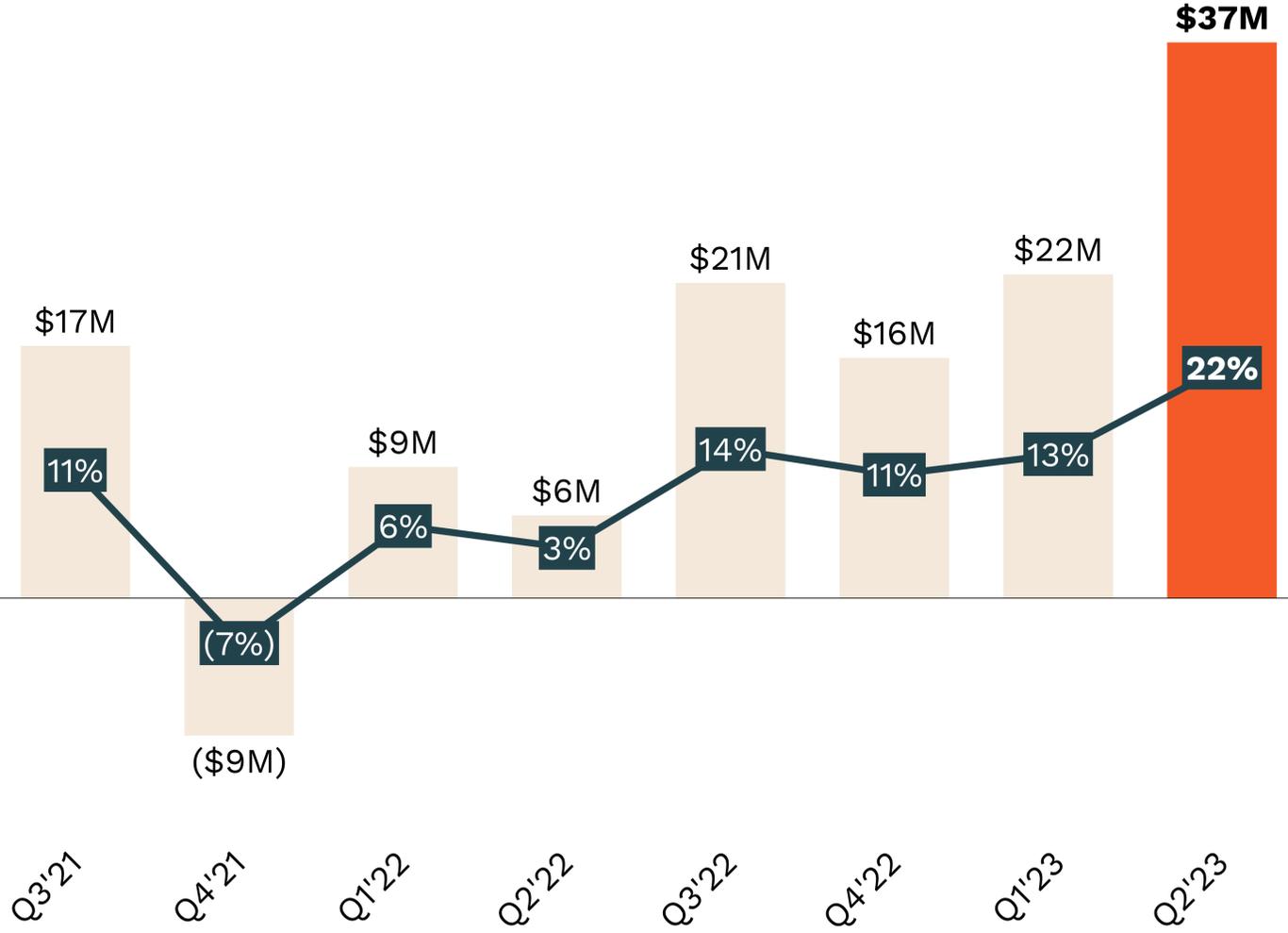
Adjusted EBITDA⁽¹⁾

— % of Revenue⁽¹⁾



Free Cash Flow⁽¹⁾

— % of Revenue⁽¹⁾



(1) These are non-GAAP financial measures. Refer to the Appendix for a reconciliation of these measures to the most directly comparable GAAP measures.

Q3 and FY23 Guidance Commentary

Q3 2023

Total Revenue	\$159M - \$161M
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Adj. EBITDA ⁽¹⁾	\$26M - \$28M
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FY 2023

Total Revenue	\$642M - \$652M
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Adj. EBITDA ⁽¹⁾	\$105M - \$110M
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Commentary

- Remain confident in growing market share by 15% in FY 2023
- Continued improvement in FY 2023 Adjusted EBITDA margin to 17% at the midpoint (vs. 16% previously)

(1) This is a non-GAAP financial measure. The company has not reconciled this non-GAAP measure to the most comparable GAAP measure because we are unable to provide a meaningful calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that would impact the most directly comparable forward-looking GAAP financial measure that have not yet occurred, are out of the Company's control and/or cannot be reasonably predicted.

GAAP and Non-GAAP Long-term Financial Goals

GAAP and Non-GAAP Measures	'20A	'21A	'22A	Long-Term Targets ⁽²⁾
Revenue Growth	15%	22%	8%	24% +
Gross Margin (GAAP)	67%	67%	66%	71-73%
Customer Acquisition Marketing "CAM"	25%	34%	28%	18-22%
OpEx (exc. CAM) ⁽¹⁾	25%	26%	29%	21-23%
Adj. EBITDA Margin ⁽¹⁾	19%	8%	10%	30% +
FCF Margin ⁽¹⁾	18%	7%	8%	25% +

(1) This is a non-GAAP financial measure. Refer to the Appendix for a reconciliation of this measure to the most directly comparable GAAP measure for the historical periods provided above. The company has not reconciled this non-GAAP measure to the most comparable GAAP measure because we are unable to provide a meaningful calculation or estimation of reconciling items and the information is not available without unreasonable effort. This is due to the inherent difficulty of forecasting the timing or amount of various items that would impact the most directly comparable forward-looking GAAP financial measure that have not yet occurred, are out of the Company's control and/or cannot be reasonably predicted. (2) These are not projections; they are goals and are forward-looking, subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the company and its management, and are based upon assumptions with respect to future decisions, which are subject to change. Actual results will vary and those variations may be material. Please see the LegalZoom.com, Inc. Disclaimer slide at the beginning of this presentation. Nothing in this presentation should be regarded as a representation by any person that these goals will be achieved and the company undertakes no duty to update its goals.

Appendix

Reconciliation of GAAP Expenses to Non-GAAP Expenses

<i>FYE Dec 31, \$K</i>	2020	2021	2022	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Cost of revenue	\$154,563	\$189,364	\$211,095	\$47,267	\$48,278	\$56,182	\$57,151	\$50,314	\$47,448	\$60,395	\$63,749
Stock-based compensation ⁽¹⁾	108	1,662	2,931	779	148	277	1,331	597	726	874	1,105
Depreciation and amortization	8,324	6,430	8,581	1,403	1,951	2,070	2,184	1,966	2,361	2,622	3,011
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP cost of revenue	146,131	181,272	199,583	45,085	46,179	53,835	53,636	47,751	44,361	56,899	59,633
Sales and marketing	171,390	279,281	263,884	72,572	69,917	76,874	71,721	67,369	47,920	60,150	53,525
Stock-based compensation ⁽¹⁾	923	15,721	10,144	6,364	4,040	3,125	3,536	2,972	511	1,532	1,447
Depreciation and amortization	6,913	6,017	7,014	1,401	1,818	1,875	1,879	1,754	1,506	1,257	1,354
Other non-recurring items ⁽²⁾	—	—	400	—	—	—	—	400	—	—	—
Non-GAAP sales and marketing	163,554	257,543	246,326	64,807	64,059	71,874	66,306	62,243	45,903	57,361	50,724
Customer Acquisition Marketing⁽³⁾	119,226	195,383	174,636	49,739	47,495	53,769	44,137	44,755	31,975	40,745	36,021
Technology and development	41,863	84,003	70,434	26,865	18,213	17,959	16,197	17,457	18,821	19,683	19,900
Stock-based compensation ⁽¹⁾	2,450	38,726	16,574	14,459	6,205	4,298	4,148	3,857	4,271	4,320	4,875
Depreciation and amortization	2,800	2,361	2,834	538	652	726	692	694	722	858	841
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP technology and development	36,613	42,916	51,026	11,868	11,356	12,935	11,357	12,906	13,828	14,505	14,185
General and administrative	51,017	106,584	116,057	28,192	31,382	29,488	28,969	30,103	27,497	26,504	26,936
Stock-based compensation ⁽¹⁾	9,413	56,487	50,820	16,539	15,478	14,165	13,832	12,352	10,471	9,741	11,530
Depreciation and amortization	2,060	1,878	3,316	433	661	723	784	840	969	832	632
Other non-recurring items ⁽²⁾	3,181	2,577	2,593	222	1,720	70	1,083	1,440	—	628	107
Non-GAAP general and administrative	36,363	45,642	59,328	10,998	13,523	14,530	13,270	15,471	16,057	15,303	14,667

(1) Stock-based compensation expense excludes amounts paid in cash to certain employees as part of a buyback program that concluded in 2022. (2) Includes acquisition-related expenses, restructuring expenses, legal reserves and settlements, and IPO-related costs and other transaction related expenses, as detailed in Reconciliation of Net Income (Loss) to Non-GAAP Net Income (Loss) below. (3) Customer Acquisition Marketing is a component of both GAAP and Non-GAAP sales and marketing expense.

Reconciliation of GAAP Expenses to Non-GAAP Expenses on a % of Revenue Basis

<i>FYE Dec 31, \$K</i>	2020	2021	2022	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Cost of revenue	33%	33%	34%	32%	34%	36%	35%	32%	32%	36%	38%
Stock-based compensation ⁽¹⁾	0%	0%	0%	1%	0%	0%	1%	0%	0%	1%	1%
Depreciation and amortization	2%	1%	1%	1%	1%	1%	1%	1%	2%	2%	2%
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP cost of revenue	31%	32%	32%	30%	32%	35%	33%	31%	30%	34%	35%
Sales and marketing	36%	49%	43%	49%	49%	49%	44%	43%	33%	36%	32%
Stock-based compensation ⁽¹⁾	0%	3%	2%	4%	3%	2%	2%	2%	0%	1%	1%
Depreciation and amortization	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Other non-recurring items ⁽²⁾	—	—	0%	—	—	—	—	0%	—	—	—
Non-GAAP sales and marketing	35%	45%	40%	44%	45%	46%	41%	40%	31%	35%	30%
Customer Acquisition Marketing⁽³⁾	25%	34%	28%	34%	33%	35%	27%	29%	22%	25%	21%
Technology and development	9%	15%	11%	18%	13%	12%	10%	11%	13%	12%	12%
Stock-based compensation ⁽¹⁾	1%	7%	3%	10%	4%	3%	3%	2%	3%	3%	3%
Depreciation and amortization	1%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP technology and development	8%	7%	8%	8%	8%	8%	7%	8%	9%	9%	8%
General and administrative	11%	19%	19%	19%	22%	19%	18%	19%	19%	16%	16%
Stock-based compensation ⁽¹⁾	2%	10%	8%	11%	11%	9%	9%	8%	7%	6%	7%
Depreciation and amortization	0%	0%	1%	0%	0%	0%	0%	1%	1%	1%	0%
Other non-recurring items ⁽²⁾	1%	0%	0%	0%	1%	0%	1%	1%	—	0%	0%
Non-GAAP general and administrative	8%	8%	10%	7%	10%	9%	8%	10%	11%	9%	9%

(1) Stock-based compensation expense excludes amounts paid in cash to certain employees as part of a buyback program that concluded in 2022. (2) Includes acquisition-related expenses, restructuring expenses, legal reserves and settlements, and IPO-related costs and other transaction related expenses, as detailed in Reconciliation of Net Income (Loss) to Non-GAAP Net Income (Loss) below. (3) Customer Acquisition Marketing is a component of both GAAP and Non-GAAP sales and marketing expense.

Reconciliation of GAAP Expenses to Non-GAAP Expenses on a Year-over-Year % Basis

<i>FYE Dec 31, \$K</i>	2020	2021	2022	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Cost of revenue	13%	23%	11%	8%	21%	28%	15%	6%	(2%)	7%	12%
Stock-based compensation ⁽¹⁾	(7%)	1,439%	76%	2,497%	429%	889%	88%	(23%)	391%	216%	(17%)
Depreciation and amortization	23%	(23%)	33%	(26%)	(23%)	23%	56%	40%	21%	27%	38%
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP cost of revenue	12%	24%	10%	8%	24%	27%	12%	6%	(4%)	6%	11%
Sales and marketing	48%	63%	(6%)	55%	71%	8%	10%	(7%)	(31%)	(22%)	(25%)
Stock-based compensation ⁽¹⁾	38%	1,603%	(35%)	5,434%	2,786%	1783%	(31%)	(53%)	(87%)	(51%)	(59%)
Depreciation and amortization	7%	(13%)	17%	2%	(6%)	27%	42%	25%	(17%)	(33%)	(28%)
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP sales and marketing	50%	57%	(4%)	43%	65%	3%	12%	(4%)	(28%)	(20%)	(24%)
Customer Acquisition Marketing⁽³⁾	77%	64%	(11%)	46%	73%	0%	(1%)	(10%)	(33%)	(24%)	(18%)
Technology and development	13%	101%	(16%)	146%	78%	71%	(43%)	(35%)	3%	10%	23%
Stock-based compensation ⁽¹⁾	232%	1,481%	(57%)	2,633%	1,066%	767%	(76%)	(73%)	(31%)	1%	18%
Depreciation and amortization	165%	(16%)	20%	(18%)	(21%)	24%	18%	29%	11%	18%	22%
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP technology and development	3%	17%	19%	22%	28%	37%	11%	9%	22%	12%	25%
General and administrative	(12%)	109%	9%	170%	105%	124%	(14%)	7%	(12%)	(10%)	(7%)
Stock-based compensation ⁽¹⁾	158%	500%	(10%)	712%	572%	358%	(35%)	(25%)	(32%)	(31%)	(17%)
Depreciation and amortization	(2%)	(9%)	77%	(9%)	1%	70%	119%	94%	47%	15%	(19%)
Other non-recurring items ⁽²⁾	(79%)	(19%)	1%	(69%)	(16%)	0%	71%	549%	(100%)	797%	(90%)
Non-GAAP general and administrative	(2%)	26%	30%	53%	31%	51%	16%	41%	19%	5%	11%

(1) Stock-based compensation expense excludes amounts paid in cash to certain employees as part of a buyback program that concluded in 2022. (2) Includes acquisition-related expenses, restructuring expenses, legal reserves and settlements, and IPO-related costs and other transaction related expenses, as detailed in Reconciliation of Net Income (Loss) to Non-GAAP Net Income (Loss) below. (3) Customer Acquisition Marketing is a component of both GAAP and Non-GAAP sales and marketing expense.

Reconciliation of GAAP Gross Profit to Non-GAAP Gross Profit

<i>FYE Dec 31, \$K</i>	2020	2021	2022	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Gross profit	\$316,073	\$385,716	\$408,884	\$100,612	\$93,859	\$99,245	\$105,498	\$104,963	\$ 99,178	\$105,541	\$105,106
Cost of revenue stock-based compensation ⁽¹⁾	108	1,662	2,931	779	148	277	1,331	597	726	874	1,105
Cost of revenue depreciation & amortization	8,324	6,430	8,581	1,403	1,951	2,070	2,184	1,966	2,361	2,622	3,011
Cost of revenue other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP gross profit⁽³⁾	\$324,505	\$393,808	\$420,396	\$102,794	\$95,958	\$101,592	\$109,013	\$107,526	\$ 102,265	\$109,037	\$109,222
<i>Gross profit margin⁽³⁾</i>	67%	67%	66%	68%	66%	64%	65%	68%	68%	64%	62%
<i>Non-GAAP gross profit margin⁽³⁾</i>	69%	68%	68%	70%	68%	65%	67%	69%	70%	66%	65%

(1) Stock-based compensation expense excludes amounts paid in cash to certain employees as part of a buyback program that concludes in 2022. (2) Includes acquisition-related expenses, restructuring expenses, legal reserves and settlements, and IPO-related costs and other transaction related expenses, as detailed in Reconciliation of Net Income (Loss) to Non-GAAP Net Income (Loss) below. (3) We define non-GAAP gross profit as gross profit adjusted to exclude amortization of acquired intangible assets from our business combinations, non-cash stock-based compensation expense, losses from impairments of goodwill, long-lived and other assets, and other non-recurring expenses associated with our cost of revenue. Our non-GAAP gross profit financial measure differs from GAAP in that it excludes certain items of income and expense. We define gross profit margin as gross profit as a percentage of revenue. We define non-GAAP gross profit margin as non-GAAP gross profit as a percentage of revenue.

Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA

<i>FYE Dec 31, \$K</i>	2020	2021	2022	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Net income (loss)	\$9,896	(\$108,664)	(\$48,733)	(\$39,675)	(\$20,771)	(\$25,753)	(\$12,743)	(\$11,981)	\$1,744	(\$2,358)	\$1,395
Interest expense (income), net	35,504	27,984	(1,543)	9,957	61	53	(29)	(535)	(1,032)	(1,581)	(2,152)
Provision for (benefit from) income taxes	2,429	(10,951)	1,060	(5,908)	(4,102)	(920)	(639)	(223)	2,842	3,837	6,127
Depreciation and amortization	20,097	16,686	21,745	3,775	5,082	5,394	5,539	5,254	5,558	5,569	5,837
Other (income) expense, net	(3,713)	(1,193)	4,477	368	(893)	1,544	2,022	2,536	(1,625)	(694)	(625)
Stock-based compensation ⁽¹⁾	12,894	112,596	80,469	38,141	25,871	21,865	22,847	19,778	15,979	16,467	18,956
Loss on debt extinguishment	—	7,748	—	7,748	—	—	—	—	—	—	—
Impairment of goodwill, long-lived & other assets	1,105	924	237	493	52	—	—	237	—	—	—
Impairment of available-for-sale debt securities	4,818	—	—	—	—	—	—	—	—	—	—
Impairment of other equity security ⁽²⁾	—	—	3,000	—	—	—	—	—	3,000	—	—
Acquisition or transaction related expenses	132	1,356	758	—	1,356	30	92	636	—	—	—
Restructuring costs ⁽³⁾	2,524	—	1,795	—	—	—	991	804	—	628	107
Legal reserves and settlements ⁽⁴⁾	525	—	40	—	—	40	—	—	—	—	—
IPO-related costs ⁽⁵⁾	—	852	—	217	—	—	—	—	—	—	—
Certain other non-recurring expenses ⁽⁶⁾	1,764	369	400	5	364	—	—	400	—	—	—
Adjusted EBITDA	\$87,975	\$47,707	\$63,705	\$15,121	\$7,020	\$2,253	\$18,080	\$16,906	\$26,466	\$21,868	\$29,645
Revenue	470,636	575,080	619,979	147,879	142,137	155,427	162,649	155,277	146,626	165,936	168,854
<i>Adjusted EBITDA margin</i>	19%	8%	10%	10%	5%	1%	11%	11%	18%	13%	18%

(1) Stock-based compensation expense excludes amounts paid in cash to certain employees as part of a buyback program that concluded in 2022. (2) In December 2022, we fully impaired our investment in Mylo and incurred a loss of \$3.0 million as the fair value of our investment was determined to be zero based upon an observable sale of their common equity. (3) Restructuring expenses relate to certain one-time severance events for different components of our business. Such expenses are not expected to recur in the near or longer term. In the first half of 2020, we restructured our United Kingdom business, mainly in our leadership and technology team. In the fourth quarter of 2020, we incurred \$2.0 million in severance costs related to a reduction in headcount in our U.S. workforce. In the second quarter of 2022, we incurred \$1.0 million in severance costs related to a reduction in our U.S. workforce. In the third quarter of 2022, we incurred \$0.8 million in severance costs related to a reduction in our U.S. workforce. For 2023, restructuring expenses related to the reduction of our U.K. headcount, which is expected to be substantially complete by December 31, 2023. (4) Legal reserves and settlements include costs accrued or paid for potential litigation settlements, and are net of insurance recoveries, if any. (5) IPO-related costs include certain non-recurring expenses which occurred in connection with our IPO in 2021. (6) In 2020, certain other non-recurring expenses consisted of a loss on sale from the disposal of Beaumont. In 2021, certain other non-recurring expenses consisted of the early termination of our U.K. lease agreement. In 2022, certain other non-recurring expenses consisted of compensation expense was recorded in sales and marketing expenses related to the departure of a member of management.

Reconciliation of GAAP Net Income (Loss) to Non-GAAP Net Income (Loss)

<i>FYE Dec 31, \$K</i>	2020	2021	2022	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Net income (loss)	\$9,896	(\$108,664)	(\$48,733)	(\$39,675)	(\$20,771)	(\$25,753)	(\$12,743)	(\$11,981)	\$1,744	(\$2,358)	\$1,395
Amortization of acquired intangible assets	2,826	1,039	3,532	52	662	670	790	781	1,291	1,291	1,291
Stock-based compensation ⁽¹⁾	12,894	112,596	80,469	38,141	25,871	21,865	22,847	19,778	15,979	16,467	18,956
Loss on debt extinguishment	—	7,748	—	7,748	—	—	—	—	—	—	—
Impairment of goodwill, long-lived & other assets	1,105	924	237	493	52	—	—	237	—	—	—
Impairment of available-for-sale debt securities	4,818	—	—	—	—	—	—	—	—	—	—
Impairment of other equity security ⁽²⁾	—	—	3,000	—	—	—	—	—	3,000	—	—
Acquisition or transaction related expenses	132	1,356	758	—	1,356	30	92	636	—	—	—
Restructuring costs ⁽³⁾	2,524	—	1,795	—	—	—	991	804	—	628	107
Legal reserves and settlements ⁽⁴⁾	525	—	40	—	—	40	—	—	—	—	—
IPO-related costs ⁽⁵⁾	—	852	—	217	—	—	—	—	—	—	—
Certain other non-recurring expenses ⁽⁶⁾	1,764	369	400	5	364	—	—	400	—	—	—
Income tax effects	(4,148)	(10,519)	(10,243)	(4,399)	(2,575)	(2,277)	(2,406)	(2,550)	(3,010)	(2,030)	(2,714)
Non-GAAP net income (loss)	\$32,336	\$5,701	\$31,255	\$2,582	\$4,959	(\$5,425)	\$9,571	\$8,105	\$19,004	\$13,998	\$19,035
<i>Net income (loss) margin</i>	2%	(19%)	(8%)	(27%)	(15%)	(17%)	(8%)	(8%)	1%	(1%)	1%
<i>Non-GAAP net income (loss) margin</i>	7%	1%	5%	2%	4%	(3%)	6%	5%	13%	8%	11%

(1) Stock-based compensation expense excludes amounts paid in cash to certain employees as part of a buyback program that concluded in 2022. (2) In December 2022, we fully impaired our investment in Mylo and incurred a loss of \$3.0 million as the fair value of our investment was determined to be zero based upon an observable sale of their common equity. (3) Restructuring expenses relate to certain one-time severance events for different components of our business. Such expenses are not expected to recur in the near or longer term. In the first half of 2020, we restructured our United Kingdom business, mainly in our leadership and technology team. In the fourth quarter of 2020, we incurred \$2.0 million in severance costs related to a reduction in headcount in our U.S. workforce. In the second quarter of 2022, we incurred \$1.0 million in severance costs related to a reduction in our U.S. workforce. In the third quarter of 2022, we incurred \$0.8 million in severance costs related to a reduction in our U.S. workforce. For 2023, restructuring expenses related to the reduction of our U.K. headcount, which is expected to be substantially complete by December 31, 2023. (4) Legal reserves and settlements include costs accrued or paid for potential litigation settlements, and are net of insurance recoveries, if any. (5) IPO-related costs include certain non-recurring expenses which occurred in connection with our IPO in 2021. (6) In 2020, certain other non-recurring expenses consisted of a loss on sale from the disposal of Beaumont. In 2021, certain other non-recurring expenses consisted of the early termination of our U.K. lease agreement. In 2022, certain other non-recurring expenses consisted of compensation expense was recorded in sales and marketing expenses related to the departure of a member of management.

Reconciliation of Net Cash Provided by (Used in) Operating Activities to Free Cash Flow

<i>FYE Dec 31, \$K</i>	2020	2021	2022	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23
Net cash provided by (used in) operating activities	\$93,049	\$54,152	\$73,837	\$19,460	(\$6,004)	\$13,737	\$11,020	\$27,258	\$21,822	\$29,208	\$45,165
Purchase of property and equipment	(10,587)	(11,740)	(22,098)	(2,496)	(3,240)	(4,911)	(5,468)	(6,062)	(5,657)	(7,428)	(7,799)
Free cash flow⁽¹⁾	82,462	42,412	51,739	16,964	(9,244)	8,826	5,552	21,196	16,165	21,780	\$37,366
<i>Operating cash flow margin⁽²⁾</i>	20%	9%	12%	13%	(4%)	9%	7%	18%	15%	18%	27%
<i>Free cash flow margin⁽²⁾</i>	18%	7%	8%	11%	(7%)	6%	3%	14%	11%	13%	22%

(1) We define free cash flow as cash generated by operations after purchases of property and equipment including capitalized internal-use software. (2) We define operating cash flow margin as net cash provided by operating activities as a percentage of revenue. We define free cash flow margin as free cash flow as a percentage of revenue. We define unlevered free cash flow margin as unlevered free cash flow as a percentage of revenue.

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