



Q1 2023 Investor Presentation

May 9, 2023

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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, free cash flow margin, unlevered free cash flow, and unlevered 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.





GENNA WILLIAMS

**Our mission is to
unleash entrepreneurship**



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

BUSINESS FORMATION | INTELLECTUAL PROPERTY | COMPLIANCE

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

Compliance Solutions

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

Intellectual Property

- Trademarks
- Copyrights
- Patents

3.8M

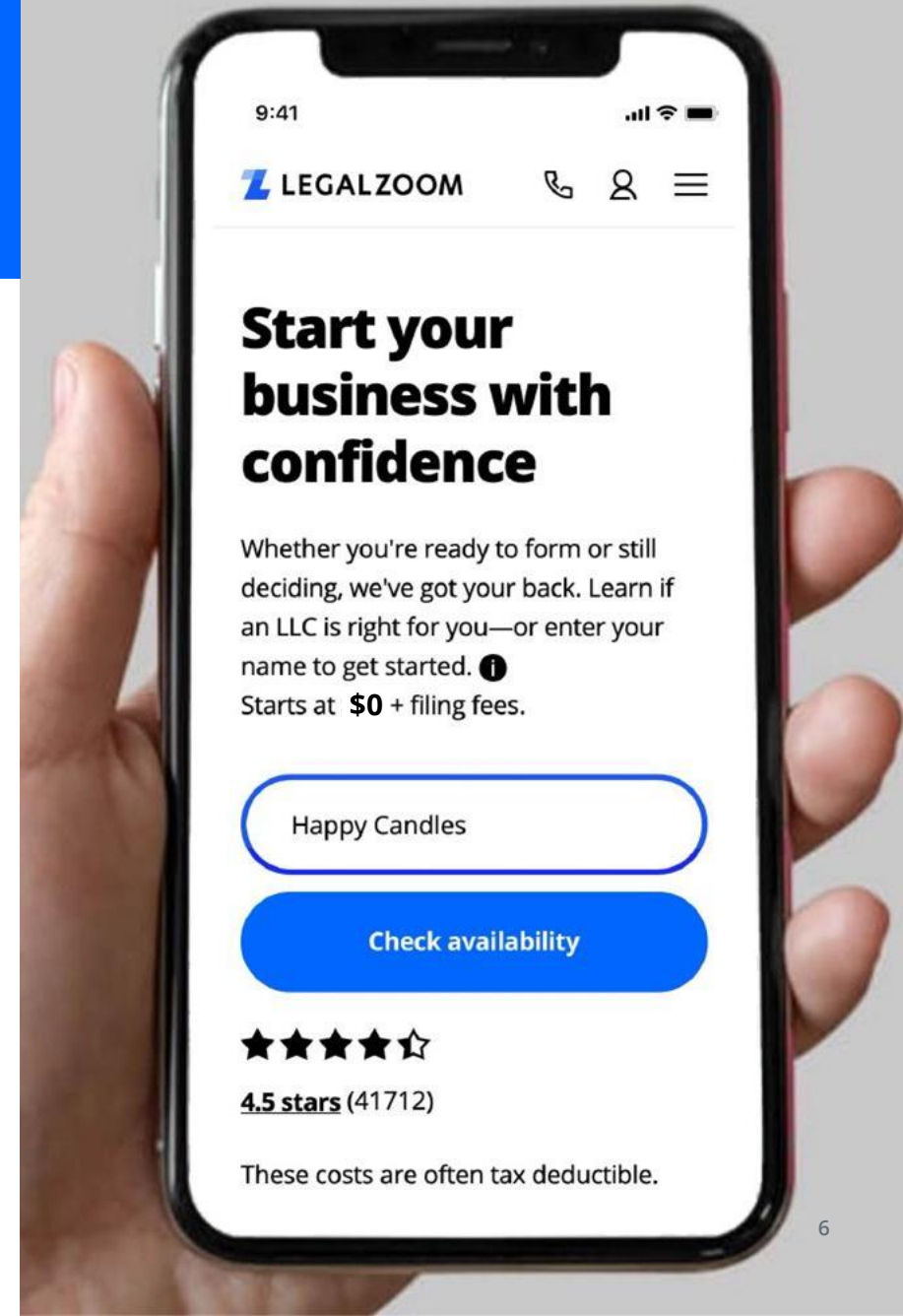
Businesses
formed since
inception (2003)

1.5M+

Active
subscribers of
compliance &
legal solutions
at 3/31/23

387K

Trademarks
filed since
inception (2003)



We have multiple ways to drive growth



Improve marketing efficiency

Reimagine current offerings and launch new products

Enhance fulfillment and cross-sell of additional services



Build core offerings

Expand partner channels

Drive greater customer engagement



Assisted tax services

Assisted legal services

Enhance service delivery

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



Dan Wernikoff
Chief Executive Officer



Noel Watson
Chief Financial Officer



Sheily Chhabria Panchal
Chief People Officer



Rich Preece
Chief Operating & Product Officer



Nicole Miller
General Counsel



Shrisha Radhakrishna
Chief Technology Officer

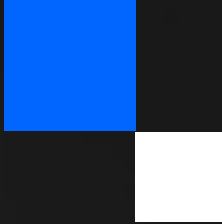


Kathy Tsitovich
Chief Partnerships Officer



Financial Update





Quarterly Q1 2023 Snapshot

\$166M

total revenue

+7% yoy

\$109M

adjusted gross profit⁽¹⁾

66% margin⁽¹⁾

\$22M

adjusted ebitda⁽¹⁾

13% margin⁽¹⁾

170K

business formations

+32% yoy

308K

transaction units

+15% yoy

1,501K

subscription units

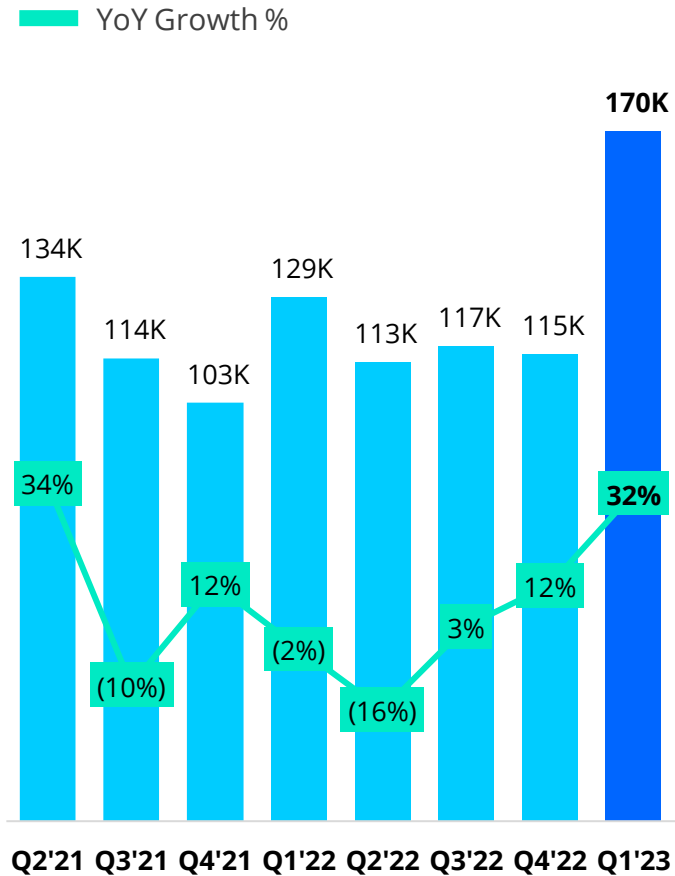
+10% yoy

(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.

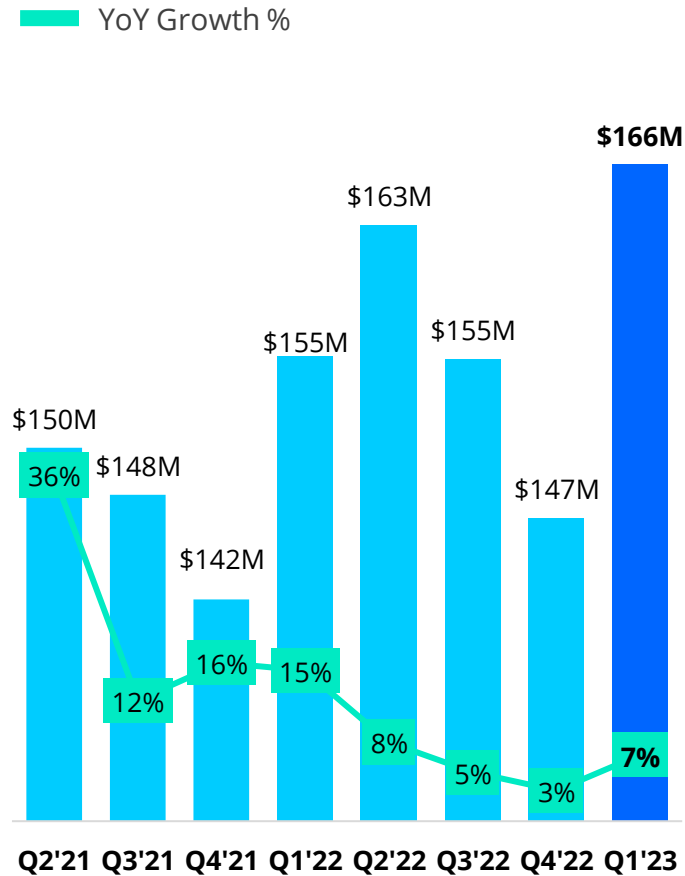


Key Metrics

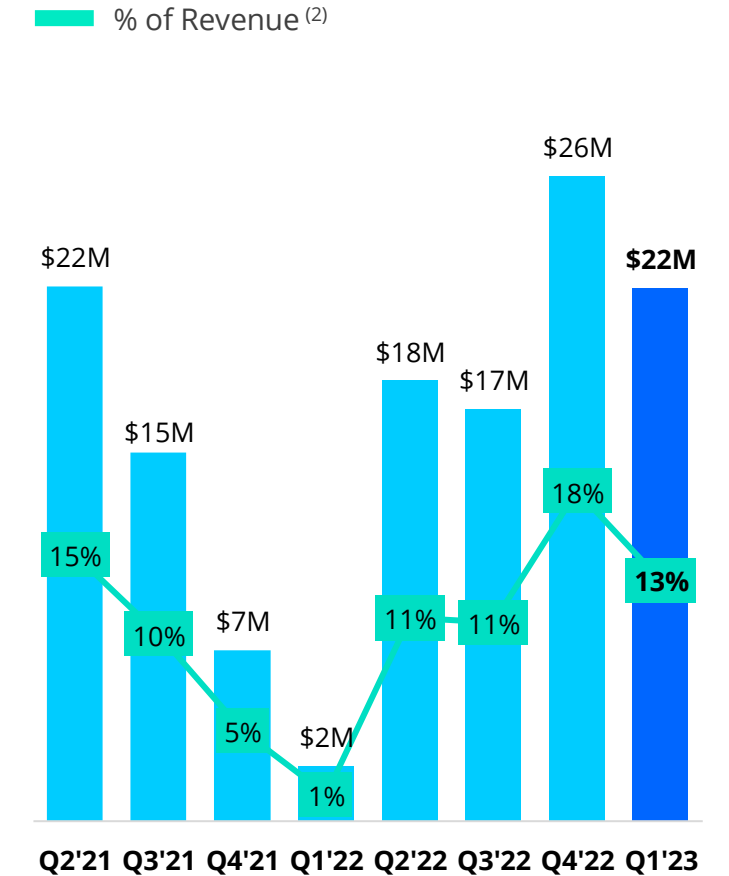
Business Formations⁽¹⁾



GAAP Revenue



Adjusted EBITDA⁽²⁾

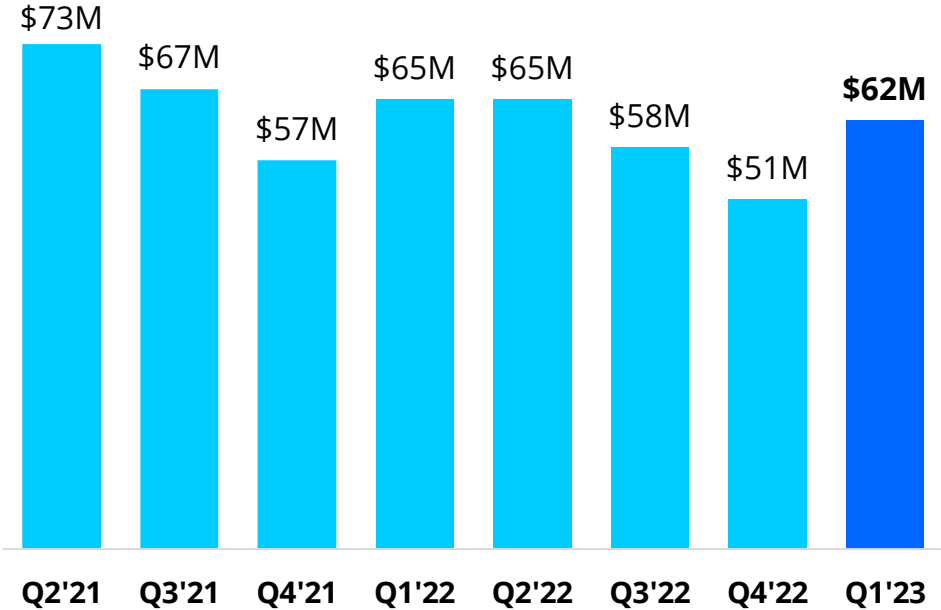


(1) We define the number of business formations in a given period as the number of LLC, incorporation, not-for-profit and DBA orders placed through our platform in such period, excluding such orders from our operations in the United Kingdom. (2) This is a non-GAAP measure. Refer to the Appendix for a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



Transaction Revenue Details

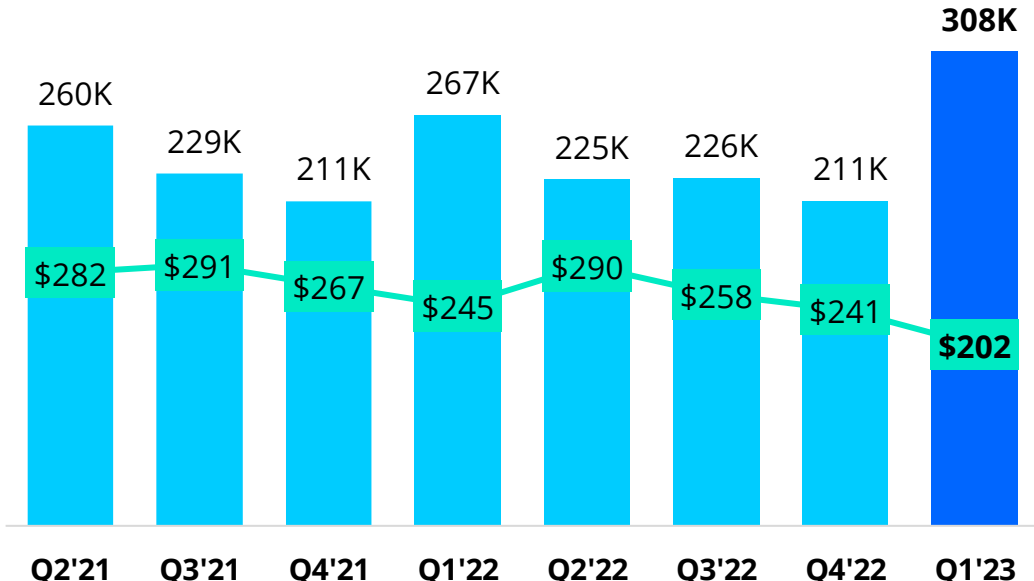
Transaction Revenue



Year-over-year Growth %							
45%	5%	8%	6%	(11%)	(13%)	(10%)	(5%)

Transaction Units⁽¹⁾

AOV⁽²⁾



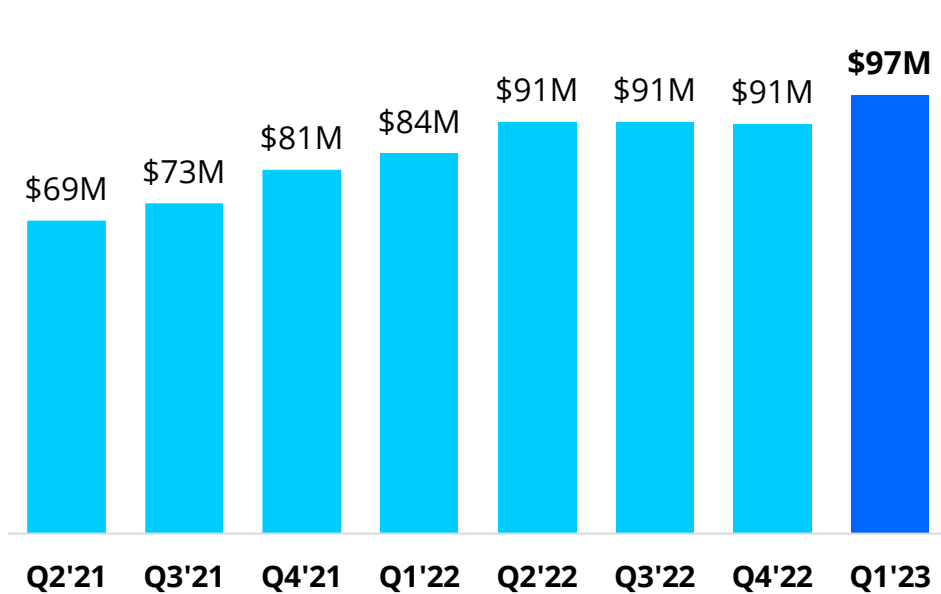
Year-over-year Growth %								
Trx Units	12%	(10%)	8%	(3%)	(13%)	(1%)	0%	15%
AOV	30%	16%	0%	10%	3%	(11%)	(10%)	(18%)

(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

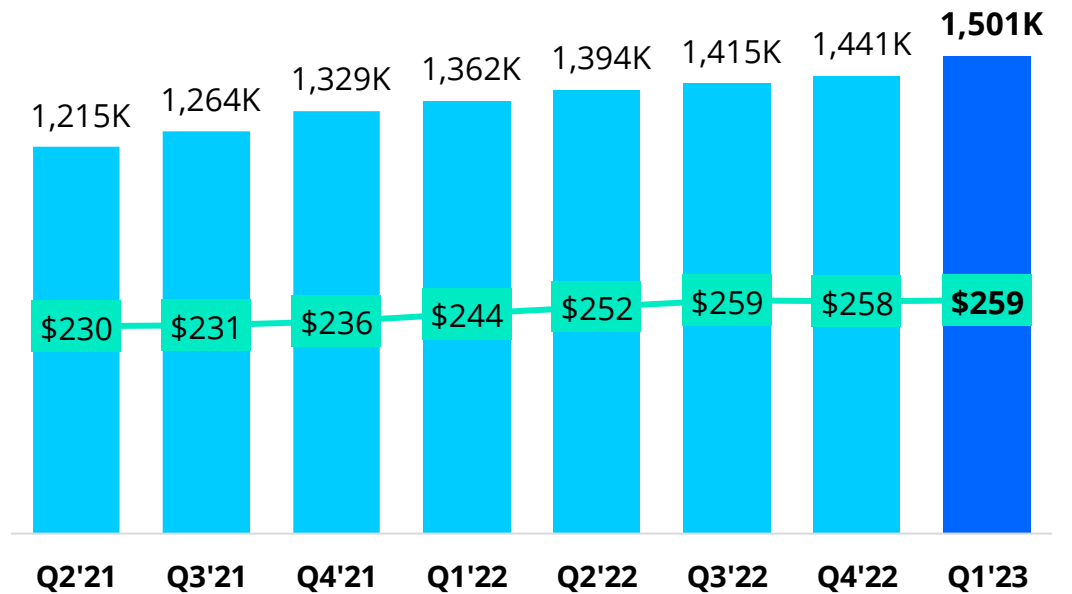
Subscription Revenue



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

Subscription Units⁽¹⁾

ARPU⁽²⁾



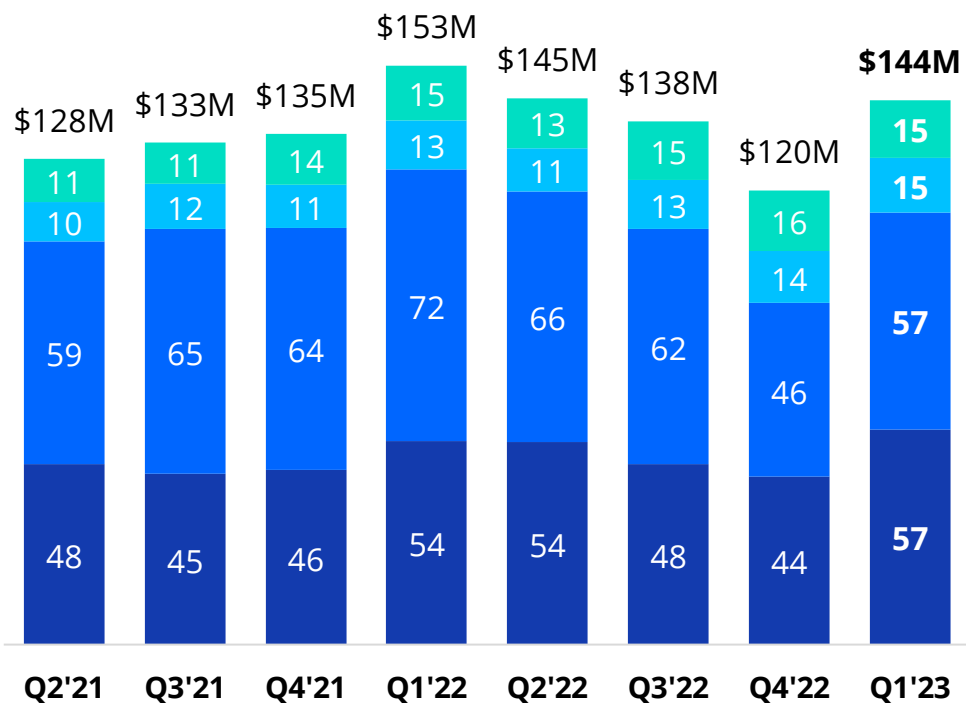
Year-over-year Growth %								
Sub Units	25%	21%	22%	19%	15%	12%	8%	10%
ARPU	3%	5%	6%	8%	10%	12%	9%	6%

(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.

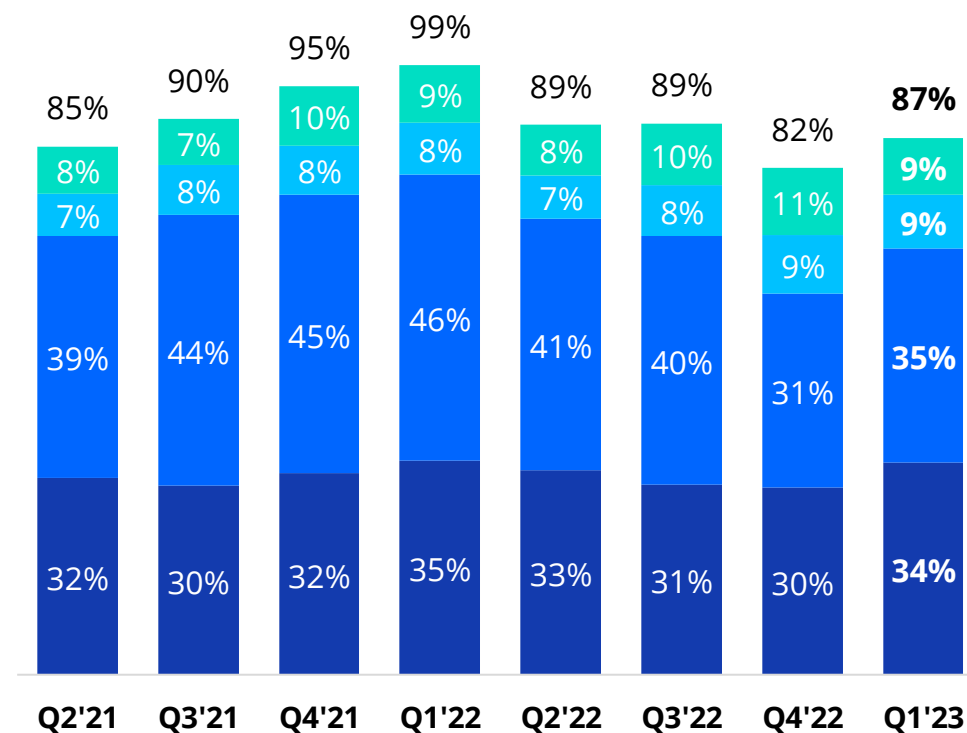


Non-GAAP Expenses⁽¹⁾

\$M by Spend Category



% of Revenue by Spend Category



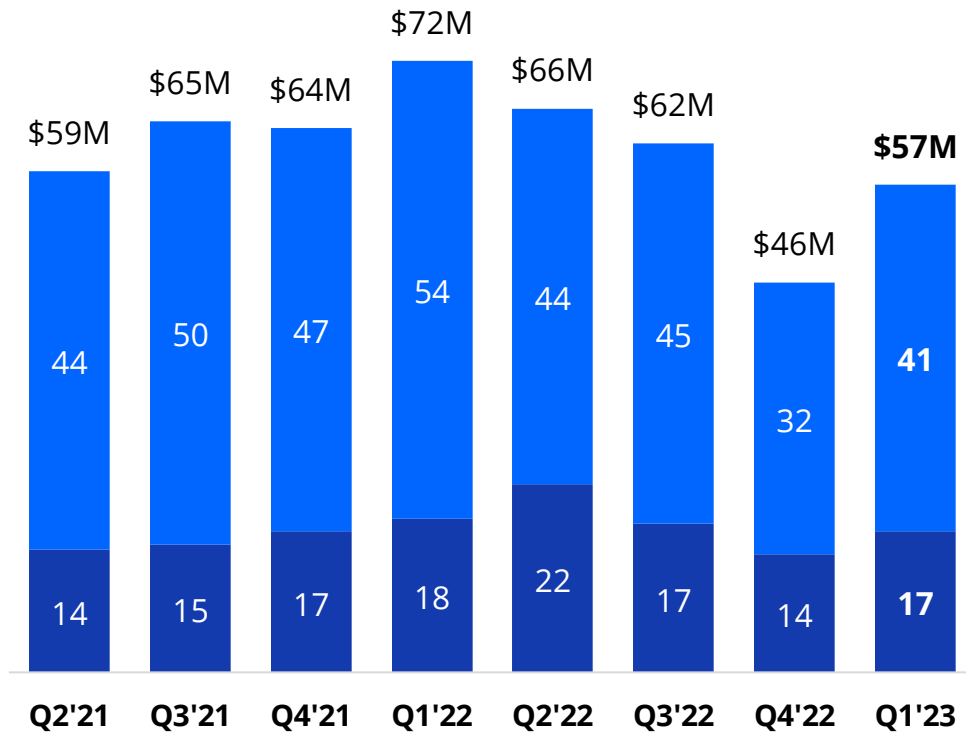
(1) These are non-GAAP financial measures. Refer to the Appendix for a reconciliation of these measures to the most directly comparable GAAP measures.



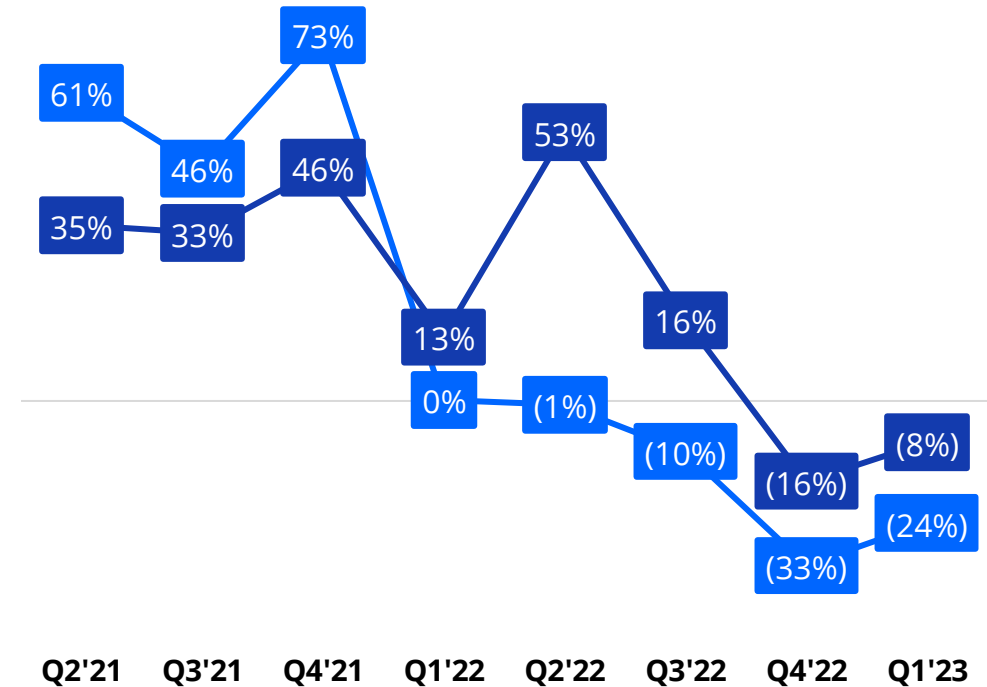
Non-GAAP Sales & Marketing Detail⁽¹⁾

\$M by Category

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



% YoY Growth by Category



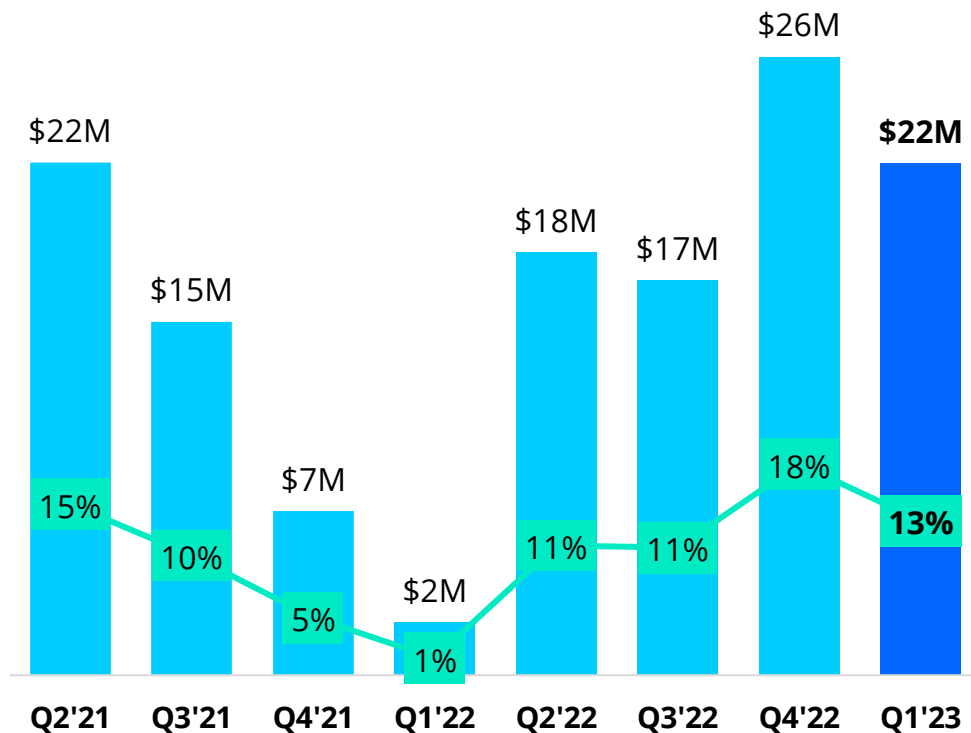
(1) This is a non-GAAP financial measure. Refer to the Appendix for a reconciliation of this measure to the most directly comparable GAAP measure.



Profitability Metrics

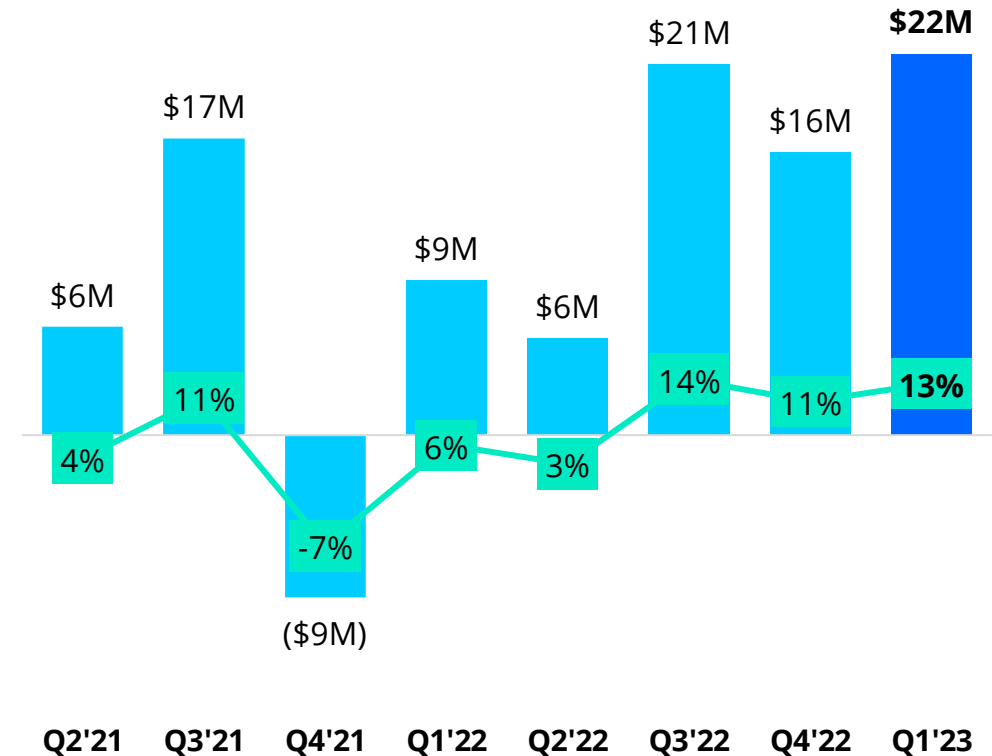
Adjusted EBITDA⁽¹⁾

■ % 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.



Q2 and FY23 Guidance Commentary

Q2 2023

Total Revenue	\$166M - \$168M
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Adj. EBITDA ⁽¹⁾	\$27M - \$29M
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FY 2023

Total Revenue	\$630M - \$650M
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Adj. EBITDA ⁽¹⁾	\$105M
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Commentary

- We continue to navigate a fluid macro environment and have increased our Q2 macro assumption while maintaining a mid-single-digit decline expectation in the second half of FY 2023
- We remain confident in our target of growing market share by 15% while also expanding our Adjusted EBITDA margin to 16% in FY 2023

(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 Target ⁽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 (excl. 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	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Cost of revenue	\$154,563	\$189,364	\$211,095	\$49,859	\$47,267	\$48,278	\$56,182	\$57,151	\$50,314	\$47,448	\$60,395
Stock-based compensation ⁽¹⁾	108	1,662	2,931	707	779	148	277	1,331	597	726	874
Depreciation and amortization	8,324	6,430	8,581	1,398	1,403	1,951	2,070	2,184	1,966	2,361	2,622
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP cost of revenue	146,131	181,272	199,583	47,754	45,085	46,179	53,835	53,636	47,751	44,361	56,899
Sales and marketing	171,390	279,281	263,884	65,431	72,572	69,917	76,874	71,721	67,369	47,920	60,150
Stock-based compensation ⁽¹⁾	923	15,721	10,144	5,151	6,364	4,040	3,125	3,536	2,972	511	1,532
Depreciation and amortization	6,913	6,017	7,014	1,323	1,401	1,818	1,875	1,879	1,754	1,506	1,257
Other non-recurring items ⁽²⁾	—	—	400	—	—	—	—	—	400	—	—
Non-GAAP sales and marketing	163,554	257,543	246,326	58,957	64,807	64,059	71,874	66,306	62,243	45,903	57,361
Customer Acquisition Marketing⁽³⁾	119,226	195,383	174,636	44,497	49,739	47,495	53,769	44,137	44,755	31,975	40,745
Technology and development	41,863	84,003	70,434	28,426	26,865	18,213	17,959	16,197	17,457	18,821	19,683
Stock-based compensation ⁽¹⁾	2,450	38,726	16,574	17,566	14,459	6,205	4,298	4,148	3,857	4,271	4,320
Depreciation and amortization	2,800	2,361	2,834	584	538	652	726	692	694	722	858
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP technology and development	36,613	42,916	51,026	10,276	11,868	11,356	12,935	11,357	12,906	13,828	14,505
General and administrative	51,017	106,584	116,057	33,845	28,192	31,382	29,488	28,969	30,103	27,497	26,504
Stock-based compensation ⁽¹⁾	9,413	56,487	50,820	21,374	16,539	15,478	14,165	13,832	12,352	10,471	9,741
Depreciation and amortization	2,060	1,878	3,316	358	433	661	723	784	840	969	832
Other non-recurring items ⁽²⁾	3,181	2,577	2,593	635	222	1,720	70	1,083	1,440	—	628
Non-GAAP general and administrative	36,363	45,642	59,328	11,478	10,998	13,523	14,530	13,270	15,471	16,057	15,303

(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 other 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	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Cost of revenue	33%	33%	34%	33%	32%	34%	36%	35%	32%	32%	36%
Stock-based compensation ⁽¹⁾	0%	0%	0%	0%	1%	0%	0%	1%	0%	0%	1%
Depreciation and amortization	2%	1%	1%	1%	1%	1%	1%	1%	1%	2%	2%
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP cost of revenue	31%	32%	32%	32%	30%	32%	35%	33%	31%	30%	34%
Sales and marketing	36%	49%	43%	43%	49%	49%	49%	44%	43%	33%	36%
Stock-based compensation ⁽¹⁾	0%	3%	2%	3%	4%	3%	2%	2%	2%	0%	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%	39%	44%	45%	46%	41%	40%	31%	35%
Customer Acquisition Marketing⁽³⁾	25%	34%	28%	30%	34%	33%	35%	27%	29%	22%	25%
Technology and development	9%	15%	11%	19%	18%	13%	12%	10%	11%	13%	12%
Stock-based compensation ⁽¹⁾	1%	7%	3%	12%	10%	4%	3%	3%	2%	3%	3%
Depreciation and amortization	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP technology and development	8%	7%	8%	7%	8%	8%	8%	7%	8%	9%	9%
General and administrative	11%	19%	19%	22%	19%	22%	19%	18%	19%	19%	16%
Stock-based compensation ⁽¹⁾	2%	10%	8%	14%	11%	11%	9%	9%	8%	7%	6%
Depreciation and amortization	0%	0%	1%	0%	0%	0%	0%	0%	1%	1%	1%
Other non-recurring items ⁽²⁾	1%	0%	0%	0%	0%	1%	0%	1%	1%	—	0%
Non-GAAP general and administrative	8%	8%	10%	8%	7%	10%	9%	8%	10%	11%	9%

(1) Stock-based compensation expense excludes amounts paid in cash to certain employees as part of a buyback that concluded in 2022. (2) Includes acquisition-related expenses, restructuring expenses, legal reserves and settlements, and other 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	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Cost of revenue	13%	23%	11%	39%	8%	21%	28%	15%	6%	(2%)	7%
Stock-based compensation ⁽¹⁾	(7%)	1,439%	76%	2,519%	2,497%	429%	889%	88%	(23%)	391%	216%
Depreciation and amortization	23%	(23%)	33%	(28%)	(26%)	(23%)	23%	56%	40%	21%	27%
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP cost of revenue	12%	24%	10%	41%	8%	24%	27%	12%	6%	(4%)	6%
Sales and marketing	48%	63%	(6%)	63%	55%	71%	8%	10%	(7%)	(31%)	(22%)
Stock-based compensation ⁽¹⁾	38%	1,603%	(35%)	7,054%	5,434%	2,786%	1783%	(31%)	(53%)	(87%)	(51%)
Depreciation and amortization	7%	(13%)	17%	(25%)	2%	(6%)	27%	42%	25%	(17%)	(33%)
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP sales and marketing	50%	57%	(4%)	54%	43%	65%	3%	12%	(4%)	(28%)	(20%)
Customer Acquisition Marketing⁽³⁾	77%	64%	(11%)	61%	46%	73%	0%	(1%)	(10%)	(33%)	(24%)
Technology and development	13%	101%	(16%)	180%	146%	78%	71%	(43%)	(35%)	3%	10%
Stock-based compensation ⁽¹⁾	232%	1,481%	(57%)	3,291%	2,633%	1,066%	767%	(76%)	(73%)	(31%)	1%
Depreciation and amortization	165%	(16%)	20%	(12%)	(18%)	(21%)	24%	18%	29%	11%	18%
Other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP technology and development	3%	17%	19%	14%	22%	28%	37%	11%	9%	22%	12%
General and administrative	(12%)	109%	9%	168%	170%	105%	124%	(14%)	7%	(12%)	(10%)
Stock-based compensation ⁽¹⁾	158%	500%	(10%)	764%	712%	572%	358%	(35%)	(25%)	(32%)	(31%)
Depreciation and amortization	(2%)	(9%)	77%	(23%)	(9%)	1%	70%	119%	94%	47%	15%
Other non-recurring items ⁽²⁾	(79%)	(19%)	1%	892%	(69%)	(16%)	0%	71%	549%	(100%)	797%
Non-GAAP general and administrative	(2%)	26%	30%	19%	53%	31%	51%	16%	41%	19%	5%

(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 other 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 Gross Profit to Non-GAAP Gross Profit

<i>FYE Dec 31, \$K</i>	2020	2021	2022	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Gross profit	\$316,073	\$385,716	\$408,884	\$100,573	\$100,612	\$93,859	\$99,245	\$105,498	\$104,963	\$ 99,178	\$105,541
Cost of revenue stock-based compensation ⁽¹⁾	108	1,662	2,931	707	779	148	277	1,331	597	726	874
Cost of revenue depreciation & amortization	8,324	6,430	8,581	1,398	1,403	1,951	2,070	2,184	1,966	2,361	2,622
Cost of revenue other non-recurring items ⁽²⁾	—	—	—	—	—	—	—	—	—	—	—
Non-GAAP gross profit⁽³⁾	\$324,505	\$393,808	\$420,396	\$102,678	\$102,794	\$95,958	\$101,592	\$109,013	\$107,526	\$ 102,265	\$109,037
<i>Gross profit margin⁽³⁾</i>	67%	67%	66%	67%	68%	66%	64%	65%	68%	68%	64%
<i>Non-GAAP gross profit margin⁽³⁾</i>	69%	68%	68%	68%	70%	68%	65%	67%	69%	70%	66%

(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 other 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 from Net Income (Loss) to Adjusted EBITDA

<i>FYE Dec 31, \$K</i>	2020	2021	2022	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Net income (loss)	\$9,896	(\$108,664)	(\$48,733)	(\$38,395)	(\$39,675)	(\$20,771)	(\$25,753)	(\$12,743)	(\$11,981)	\$1,744	(\$2,358)
Interest expense (income), net	35,504	27,984	(1,543)	9,312	9,957	61	53	(29)	(535)	(1,032)	(1,581)
Provision for (benefit from) income taxes	2,429	(10,951)	1,060	1,995	(5,908)	(4,102)	(920)	(639)	(223)	2,842	3,837
Depreciation and amortization	20,097	16,686	21,745	3,663	3,775	5,082	5,394	5,539	5,254	5,558	5,569
Other (income) expense, net	(3,713)	(1,193)	4,477	(420)	368	(893)	1,544	2,022	2,536	(1,625)	(694)
Stock-based compensation ⁽¹⁾	12,894	112,596	80,469	44,798	38,141	25,871	21,865	22,847	19,778	15,979	16,467
Loss on debt extinguishment	—	7,748	—	—	7,748	—	—	—	—	—	—
Impairment of goodwill, long-lived & other assets	1,105	924	237	379	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
Legal reserves and settlements ⁽⁴⁾	525	—	40	—	—	—	40	—	—	—	—
IPO-related costs & other transaction-related expenses ⁽⁵⁾	—	852	—	635	217	—	—	—	—	—	—
Certain other non-recurring expenses ⁽⁶⁾	1,764	369	400	—	5	364	—	—	400	—	—
Adjusted EBITDA⁽⁷⁾	\$87,975	\$47,707	\$63,705	\$21,967	\$15,121	\$7,020	\$2,253	\$18,080	\$16,906	\$26,466	\$21,868
Revenue	470,636	575,080	619,979	150,432	147,879	142,137	155,427	162,649	155,277	146,626	165,936
<i>Adjusted EBITDA margin⁽⁸⁾</i>	<i>19%</i>	<i>8%</i>	<i>10%</i>	<i>15%</i>	<i>10%</i>	<i>5%</i>	<i>1%</i>	<i>11%</i>	<i>11%</i>	<i>18%</i>	<i>13%</i>

(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. Due to continued decline in the business performance of Beaumont, our conveyancing business in the United Kingdom, we conducted a phased restructuring during 2019. In the fourth quarter of 2019, we restructured our United Kingdom Research and Development team, as part of the reset of our product strategy. 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. In the first quarter of 2023, we incurred \$0.6 million in restructuring expenses related to the reduction of our U.K. headcount. (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 and other transaction-related expenses includes certain non-recurring expenses, which occurred in connection with our IPO in 2021. (6) In the second quarter of 2020, we incurred a loss on sale from the disposal of Beaumont of \$1.8 million. In 2021, we incurred expenses related to early termination of our U.K. lease agreement. In the third quarter of 2022, \$0.4 million of compensation expense was recorded in sales and marketing expenses related to the departure of a member of management. (7) Adjusted EBITDA, a primary performance measure used by management and board of directors to understand and evaluate financial performance, operating trends including period-to-period comparisons, prepare and approve of our annual budget, develop short- and long-term operational plans and determine appropriate compensation plans for our employees. Limitations to this non-GAAP financial measure include, among other things, the following: a) does not reflect interest expense, or the cash requirements necessary to service interest or principal payments, which reduces cash available to us; b) does not reflect provision for income taxes that may result in payments that reduce cash available to us; c) excludes depreciation and amortization and, although these are non-cash expenses, the assets being depreciated may be replaced in the future; d) does not reflect foreign currency exchange or other gains or losses, which are included in other income, net; e) excludes stock-based compensation expense, which has been, and will continue to be, a significant recurring expense for our business and an important part of our compensation strategy; f) excludes losses from impairments of goodwill, long-lived and other assets and available-for-sale debt securities; g) excludes acquisition related expenses, which reduce cash available to us; h) excludes restructuring expenses, which reduce cash available to us; and i) does not reflect certain other non-recurring expenses that are not considered representative of our underlying performance, which reduce cash available to us. We define Adjusted EBITDA as net income adjusted to exclude interest expense, net, provision for income taxes, depreciation and amortization, other income, net, stock-based compensation, losses from impairments of goodwill, long-lived and other assets, impairments of available-for-sale debt securities, acquisition related expenses, restructuring expenses, legal reserves and settlements, and certain other non-recurring expenses. (8) We define Adjusted EBITDA margin as Adjusted EBITDA as a percentage of revenue.



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

<i>FYE Dec 31, \$K</i>	2020	2021	2022	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Net income (loss)	\$9,896	(\$108,664)	(\$48,733)	(\$38,395)	(\$39,675)	(\$20,771)	(\$25,753)	(\$12,743)	(\$11,981)	\$1,744	(\$2,358)
Amortization of acquired intangible assets	2,826	1,039	3,532	52	52	662	670	790	781	1,291	1,291
Stock-based compensation ⁽¹⁾	12,894	112,596	80,469	44,798	38,141	25,871	21,865	22,847	19,778	15,979	16,467
Loss on debt extinguishment	—	7,748	—	—	7,748	—	—	—	—	—	—
Impairment of goodwill, long-lived & other assets	1,105	924	237	379	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
Legal reserves and settlements ⁽⁴⁾	525	—	40	—	—	—	40	—	—	—	—
IPO-related costs & other transaction-related expenses ⁽⁵⁾	—	852	—	635	217	—	—	—	—	—	—
Certain other non-recurring expenses ⁽⁶⁾	1,764	369	400	—	5	364	—	—	400	—	—
Income tax effects	(4,148)	(10,519)	(10,243)	(2,880)	(4,399)	(2,575)	(2,277)	(2,406)	(2,550)	(3,010)	(2,030)
Non-GAAP net income (loss)⁽⁷⁾	\$32,336	\$5,701	\$31,255	\$4,589	\$2,582	\$4,959	(\$5,425)	\$9,571	\$8,105	\$19,004	\$13,998
<i>Net income (loss) margin⁽⁷⁾</i>	2%	(19%)	(8%)	(26%)	(27%)	(15%)	(17%)	(8%)	(8%)	1%	(1%)
<i>Non-GAAP net income (loss) margin⁽⁷⁾</i>	7%	1%	5%	3%	2%	4%	(3%)	6%	5%	13%	8%

(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. Due to continued decline in the business performance of Beaumont, our conveyancing business in the United Kingdom, we conducted a phased restructuring during 2019. In the fourth quarter of 2019, we restructured our United Kingdom Research and Development team, as part of the reset of our product strategy. 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. In the first quarter of 2023, we incurred \$0.6 million in restructuring expenses related to the reduction of our U.K. headcount. (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 and other transaction-related expenses includes certain non-recurring expenses, which occurred in connection with our IPO in 2021. (6) In the second quarter of 2020, we incurred a loss on sale from the disposal of Beaumont of \$1.8 million. In 2021, we incurred expenses related to early termination of our U.K. lease agreement. In the third quarter of 2022, \$0.4 million of compensation expense was recorded in sales and marketing expenses related to the departure of a member of management. (7) We define non-GAAP net income (loss) as net income (loss) 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, impairments of available-for-sale debt securities, acquisition related expenses, restructuring expenses, IPO-related costs and other transaction-related expenses and certain other non-recurring expenses, net of the related income tax impacts. Our non-GAAP net income (loss) financial measure differs from GAAP in that it excludes certain items of income and expense. We define net income (loss) margin as net loss as a percentage of revenue. We define non-GAAP net income (loss) margin as non-GAAP net income (loss) as a percentage of revenue.



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

<i>FYE Dec 31, \$K</i>	2020	2021	2022	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Net cash provided by (used in) operating activities	\$93,049	\$54,152	\$73,837	\$9,281	\$19,460	(\$6,004)	\$13,737	\$11,020	\$27,258	\$21,822	\$29,208
Purchase of property and equipment	(10,587)	(11,740)	(22,098)	(3,093)	(2,496)	(3,240)	(4,911)	(5,468)	(6,062)	(5,657)	(7,428)
Free cash flow⁽¹⁾	82,462	42,412	51,739	6,188	16,964	(9,244)	8,826	5,552	21,196	16,165	21,780
Cash interest paid	27,864	12,284	—	6,086	133	—	—	—	—	—	—
Unlevered free cash flow⁽²⁾	110,326	54,696	51,739	12,274	17,097	(9,244)	8,826	5,552	21,196	16,165	21,780
<i>Operating cash flow margin⁽³⁾</i>	20%	9%	12%	6%	13%	(4%)	9%	7%	18%	15%	18%
<i>Free cash flow margin⁽³⁾</i>	18%	7%	8%	4%	11%	(7%)	6%	3%	14%	11%	13%
<i>Unlevered free cash flow margin⁽³⁾</i>	23%	10%	8%	8%	12%	(7%)	6%	3%	14%	11%	13%

(1) We define free cash flow as cash generated by operations after purchases of property and equipment including capitalized internal-use software. Free cash flow is a liquidity measure used by management in evaluating the cash generated by our operations after purchases of property and equipment including capitalized internal-use software. We consider free cash flow to be an important metric because it provides useful information to management and investors about the amount of cash generated by our business that can be used for strategic opportunities, including investing in our business and strengthening our balance sheet. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future growth. The usefulness of free cash flow as an analytical tool has limitations because it excludes certain items, which are settled in cash, does not represent residual cash flow available for discretionary expenses, does not reflect our future contractual commitments, and may be calculated differently by other companies in our industry. Accordingly, it should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities. (2) We define unlevered free cash flow as free cash flow plus cash interest paid. (3) 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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