

KnowBe4, Inc.**Non-GAAP Financial Measures and Other Key Metrics**

To supplement KnowBe4's financial information presented in accordance with generally accepted accounting principles in the United States ("GAAP"), we consider certain financial measures that are not prepared in accordance with GAAP, including Non-GAAP Operating Income (Loss), Non-GAAP Operating Margin and Free Cash Flow, as useful in evaluating our operating performance. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it assists investors in seeing our operating results through the eyes of management, and because we believe that these measures provide an additional tool for investors to use in comparing our operating results over multiple periods with other companies in our industry.

Non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool, and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP. Other companies, including companies in our industry, may calculate similarly-titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures and not rely on any single financial measure to evaluate our business.

KnowBe4, Inc.
GAAP Consolidated Statement of Operations - Quarterly
(in thousands)

	<u>September 30, 2020</u>	<u>December 31, 2020</u>	<u>March 31, 2021</u>	<u>June 30, 2021</u>	<u>September 30, 2021</u>	<u>December 31, 2021</u>	<u>March 31, 2022</u>	<u>June 30, 2022</u>
Revenues, net	\$ 44,932	\$ 49,287	\$ 53,550	\$ 59,350	\$ 64,091	\$ 69,307	\$ 75,033	\$ 80,762
Cost of revenues	6,918	7,466	7,343	8,591	9,609	9,572	10,145	10,909
Gross profit	<u>38,014</u>	<u>41,821</u>	<u>46,207</u>	<u>50,759</u>	<u>54,482</u>	<u>59,735</u>	<u>64,888</u>	<u>69,853</u>
Operating expenses:								
Sales and marketing	20,752	21,934	23,071	31,510	27,731	25,207	30,747	34,684
Technology and development	4,822	5,685	5,742	6,760	7,579	8,029	8,909	8,764
General and administrative	13,440	13,170	14,629	28,284	19,852	19,377	22,640	23,587
Total operating expenses	<u>39,014</u>	<u>40,789</u>	<u>43,442</u>	<u>66,554</u>	<u>55,162</u>	<u>52,613</u>	<u>62,296</u>	<u>67,035</u>
Operating (loss) income	(1,000)	1,032	2,765	(15,795)	(680)	7,122	2,592	2,818
Other income (expense):								
Interest income	20	38	18	7	16	16	30	503
Interest expense	(16)	(15)	(196)	(66)	(67)	(67)	(86)	(65)
Other income (expense)	29	665	(143)	(416)	114	(585)	(538)	264
(Loss) income before income tax expense	(967)	1,720	2,444	(16,270)	(617)	6,486	1,998	3,520
Income tax expense	(735)	(1,516)	(244)	(593)	(963)	(2,088)	(638)	(172)
Net (loss) income	<u>\$ (1,702)</u>	<u>\$ 204</u>	<u>\$ 2,200</u>	<u>\$ (16,863)</u>	<u>\$ (1,580)</u>	<u>\$ 4,398</u>	<u>\$ 1,360</u>	<u>\$ 3,348</u>

KnowBe4, Inc.
Non-GAAP Consolidated Statement of Operations - Quarterly
(in thousands)

	<u>September 30, 2020</u>	<u>December 31, 2020</u>	<u>March 31, 2021</u>	<u>June 30, 2021</u>	<u>September 30, 2021</u>	<u>December 31, 2021</u>	<u>March 31, 2022</u>	<u>June 30, 2022</u>
Revenues, net	\$ 44,932	\$ 49,287	\$ 53,550	\$ 59,350	\$ 64,091	\$ 69,307	\$ 75,033	\$ 80,762
Cost of revenues	<u>6,788</u>	<u>7,340</u>	<u>7,196</u>	<u>8,368</u>	<u>9,343</u>	<u>8,890</u>	<u>9,334</u>	<u>9,770</u>
Gross profit	<u>38,144</u>	<u>41,947</u>	<u>46,354</u>	<u>50,982</u>	<u>54,748</u>	<u>60,417</u>	<u>65,699</u>	<u>70,992</u>
Operating expenses:								
Sales and marketing	20,329	21,180	22,182	25,848	27,005	24,010	29,593	33,263
Technology and development	4,669	5,112	5,602	6,612	7,337	6,853	7,656	7,436
General and administrative	<u>12,829</u>	<u>12,559</u>	<u>12,660</u>	<u>14,017</u>	<u>17,452</u>	<u>14,498</u>	<u>19,426</u>	<u>19,339</u>
Total operating expenses	<u>37,827</u>	<u>38,851</u>	<u>40,444</u>	<u>46,477</u>	<u>51,794</u>	<u>45,361</u>	<u>56,675</u>	<u>60,038</u>
Operating income	317	3,096	5,910	4,505	2,954	15,056	9,024	10,954
Other income (expense):								
Interest income	20	38	18	7	16	16	30	503
Interest expense	(16)	(15)	(196)	(66)	(67)	(67)	(86)	(65)
Other income (expense)	<u>29</u>	<u>665</u>	<u>(143)</u>	<u>(416)</u>	<u>114</u>	<u>(585)</u>	<u>(538)</u>	<u>264</u>
Income (loss) before income tax expense	350	3,784	5,589	4,030	3,017	14,420	8,430	11,656
Income tax expense	(735)	(1,516)	(244)	(593)	(963)	(2,088)	(638)	(172)
Net (loss) income	<u>\$ (385)</u>	<u>\$ 2,268</u>	<u>\$ 5,345</u>	<u>\$ 3,437</u>	<u>\$ 2,054</u>	<u>\$ 12,332</u>	<u>\$ 7,792</u>	<u>\$ 11,484</u>

KnowBe4, Inc.

GAAP to Non-GAAP Reconciliations - Quarterly
(in thousands, except percentages)

	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
GAAP gross profit	\$ 38,014	\$ 41,821	\$ 46,207	\$ 50,759	\$ 54,482	\$ 59,735	\$ 64,888	\$ 69,853
Add: Stock compensation expense	70	66	53	76	124	217	166	179
Add: Amortization of acquired technology and intangible assets	60	60	94	147	142	465	645	960
Non-GAAP gross profit	<u>\$ 38,144</u>	<u>\$ 41,947</u>	<u>\$ 46,354</u>	<u>\$ 50,982</u>	<u>\$ 54,748</u>	<u>\$ 60,417</u>	<u>\$ 65,699</u>	<u>\$ 70,992</u>
<i>Non-GAAP gross margin</i>	<u>84.9 %</u>	<u>85.1 %</u>	<u>86.6 %</u>	<u>85.9 %</u>	<u>85.4 %</u>	<u>87.2 %</u>	<u>87.6 %</u>	<u>87.9 %</u>
GAAP sales and marketing expense	\$ 20,752	\$ 21,934	\$ 23,071	\$ 31,510	\$ 27,731	\$ 25,207	\$ 30,747	\$ 34,684
Less: Stock compensation expense	423	754	889	5,662	726	1,197	1,154	1,421
Add: Amortization of acquired intangible assets	—	—	—	—	—	—	—	—
Non-GAAP sales and marketing expense	<u>\$ 20,329</u>	<u>\$ 21,180</u>	<u>\$ 22,182</u>	<u>\$ 25,848</u>	<u>\$ 27,005</u>	<u>\$ 24,010</u>	<u>\$ 29,593</u>	<u>\$ 33,263</u>
<i>As a percent of revenues</i>	<u>45.2 %</u>	<u>43.0 %</u>	<u>41.4 %</u>	<u>43.6 %</u>	<u>42.1 %</u>	<u>34.6 %</u>	<u>39.4 %</u>	<u>41.2 %</u>
GAAP technology and development expense	\$ 4,822	\$ 5,685	\$ 5,742	\$ 6,760	\$ 7,579	\$ 8,029	\$ 8,909	\$ 8,764
Less: Stock compensation expense	153	573	140	148	242	1,176	1,253	1,328
Add: Amortization of acquired intangible assets	—	—	—	—	—	—	—	—
Non-GAAP technology and development expense	<u>\$ 4,669</u>	<u>\$ 5,112</u>	<u>\$ 5,602</u>	<u>\$ 6,612</u>	<u>\$ 7,337</u>	<u>\$ 6,853</u>	<u>\$ 7,656</u>	<u>\$ 7,436</u>
<i>As a percent of revenues</i>	<u>10.4 %</u>	<u>10.4 %</u>	<u>10.5 %</u>	<u>11.1 %</u>	<u>11.4 %</u>	<u>9.9 %</u>	<u>10.2 %</u>	<u>9.2 %</u>
GAAP general and administrative expense	\$ 13,440	\$ 13,170	\$ 14,629	\$ 28,284	\$ 19,852	\$ 19,377	\$ 22,640	\$ 23,587
Less: Stock compensation expense	588	588	577	12,983	1,652	3,483	3,054	4,053
Less: Amortization of acquired technology and intangible assets	23	23	81	147	160	161	160	161
Less: Acquisition and integration related costs	—	—	1,311	1,137	588	1,235	—	34
Non-GAAP general and administrative expense	<u>\$ 12,829</u>	<u>\$ 12,559</u>	<u>\$ 12,660</u>	<u>\$ 14,017</u>	<u>\$ 17,452</u>	<u>\$ 14,498</u>	<u>\$ 19,426</u>	<u>\$ 19,339</u>
<i>As a percent of revenues</i>	<u>28.6 %</u>	<u>25.5 %</u>	<u>23.6 %</u>	<u>23.6 %</u>	<u>27.2 %</u>	<u>20.9 %</u>	<u>25.9 %</u>	<u>23.9 %</u>

KnowBe4, Inc.
GAAP to Non-GAAP Reconciliations, continued - Quarterly
(in thousands, except percentages)

	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
GAAP operating (loss) income	\$ (1,000)	\$ 1,032	\$ 2,765	\$ (15,795)	\$ (680)	\$ 7,122	\$ 2,592	\$ 2,818
Add: Stock compensation expense	1,234	1,981	1,659	18,869	2,744	6,073	5,627	6,981
Add: Amortization of acquired technology and intangible assets	83	83	175	294	302	626	805	1,121
Add: Acquisition and integration related costs	—	—	1,311	1,137	588	1,235	—	34
Non-GAAP operating income	\$ 317	\$ 3,096	\$ 5,910	\$ 4,505	\$ 2,954	\$ 15,056	\$ 9,024	\$ 10,954
Non-GAAP operating margin	0.7 %	6.3 %	11.0 %	7.6 %	4.6 %	21.7 %	12.0 %	13.6 %
GAAP net (loss) income	\$ (1,702)	\$ 204	\$ 2,200	\$ (16,863)	\$ (1,580)	\$ 4,398	\$ 1,360	\$ 3,348
Add: Stock compensation expense	1,234	1,981	1,659	18,869	2,744	6,073	5,627	6,981
Add: Amortization of acquired technology and intangible assets	83	83	175	294	302	626	805	1,121
Add: Acquisition and integration related costs	—	—	1,311	1,137	588	1,235	—	34
Non-GAAP net (loss) income	\$ (385)	\$ 2,268	\$ 5,345	\$ 3,437	\$ 2,054	\$ 12,332	\$ 7,792	\$ 11,484
GAAP net (loss) income per share, diluted	\$ (0.04)	\$ —	\$ 0.01	\$ (0.14)	\$ (0.01)	\$ 0.03	\$ 0.01	\$ 0.02
Add: Stock compensation expense	0.03	0.01	0.01	0.15	0.02	0.03	0.03	0.04
Add: Amortization of acquired technology and intangible assets	—	—	—	—	—	—	—	0.01
Add: Acquisition and integration related costs	—	—	0.01	0.01	—	0.01	—	—
Non-GAAP net (loss) income per share, diluted	\$ (0.01)	\$ 0.01	\$ 0.03	\$ 0.02	\$ 0.01	\$ 0.07	\$ 0.04	\$ 0.07
GAAP weighted-average shares, diluted	42,169	166,078	168,253	122,274	170,359	172,721	182,649	182,221
Adjustments to weighted-average shares outstanding ⁽¹⁾	—	—	—	50,868	5,293	7,321	—	—
Non-GAAP weighted-average shares ⁽¹⁾	42,169	166,078	168,253	173,142	175,652	180,042	182,649	182,221

(1) During Q2, Q3 and Q4 of 2021, Non-GAAP weighted average shares assumes that all shares of pre-IPO outstanding preferred and common stock were reclassified into Class B common stock as of January 1, 2021 and that all vested and exercisable stock options were exercised as of the earlier of January 1, 2021 or the quarter in which they became vested and exercisable. For Q1-2022 and Q2-2022, GAAP weighted-average shares outstanding reflects the dilutive impact of outstanding equity awards.

KnowBe4, Inc.**Other Key Metrics - Free Cash Flow****(in thousands, except percentages)**

	<u>September 30, 2020</u>	<u>December 31, 2020</u>	<u>March 31, 2021</u>	<u>June 30, 2021</u>	<u>September 30, 2021</u>	<u>December 31, 2021</u>	<u>March 31, 2022</u>	<u>June 30, 2022</u>
Net cash provided by operating activities	\$ 12,661	\$ 5,240	\$ 21,852	\$ 14,094	\$ 19,853	\$ 20,979	\$ 25,141	\$ 22,252
Less: Purchases of property and equipment	(837)	(734)	(519)	(536)	(1,159)	(796)	(1,031)	(1,590)
Less: Capitalized internal-use software ..	(798)	(378)	(362)	(759)	(774)	(611)	(738)	(1,522)
Less: Principal payments on finance leases	(9)	(11)	(10)	(10)	(10)	(10)	(10)	(11)
Free Cash Flow	<u>\$ 11,017</u>	<u>\$ 4,117</u>	<u>\$ 20,961</u>	<u>\$ 12,789</u>	<u>\$ 17,910</u>	<u>\$ 19,562</u>	<u>\$ 23,362</u>	<u>\$ 19,129</u>
<i>Free cash flow margin</i>	<u>24.5 %</u>	<u>8.4 %</u>	<u>39.1 %</u>	<u>21.5 %</u>	<u>27.9 %</u>	<u>28.2 %</u>	<u>31.1 %</u>	<u>23.7 %</u>

KnowBe4, Inc.**Other Key Metrics****(in thousands, except customer count and percentages)**

	<u>September 30, 2020</u>	<u>December 31, 2020</u>	<u>March 31, 2021</u>	<u>June 30, 2021</u>	<u>September 30, 2021</u>	<u>December 31, 2021</u>	<u>March 31, 2022</u>	<u>June 30, 2022</u>
Number of customers	34,604	36,753	38,975	41,601	44,319	47,174	49,646	52,216
Customers with multiple products.....	12.3 %	13.7 %	14.9 %	17.0 %	19.3 %	22.1 %	24.5 %	26.3 %
Annual recurring revenue	\$181,924	\$198,369	\$222,270	\$240,595	\$262,172	\$285,437	\$305,867	\$328,325
Revenues generated in North America	\$ 39,521	\$ 42,535	\$ 46,067	\$ 50,353	\$ 53,324	\$ 57,477	\$ 62,398	\$ 66,720
Revenues generated in international jurisdictions	\$ 5,411	\$ 6,752	\$ 7,483	\$ 8,997	\$ 10,767	\$ 11,830	\$ 12,635	\$ 14,042

Number of Customers

We define a customer as a separate and distinct buying entity, such as a company, an educational or government institution or a distinct business unit of a large company that has an active contract with us to access our platform. We do not consider our channel partners as separate customers as our contracts are executed with the end user, and we treat MSPs, who may purchase our products on behalf of multiple companies, as a single customer.

Customers with Multiple Products

We calculate the percentage of customers who subscribe to more than one of our products by summing the number of customers who have active subscriptions to two, three or four of our products at the end of a given period and dividing by our total number of customers for the same period.

Annual Recurring Revenue

We define ARR as the annualized value of all contractual subscription agreements as of the end of the period. We perform this calculation on an individual contract basis by dividing the total dollar amount of a contract by the total contract term stated in months and multiplying this amount by twelve to annualize. Calculated ARR for each individual contract is then aggregated to arrive at total ARR.

Revenues Disaggregation

Revenues are disaggregated between North America and International jurisdictions based on the shipping address of the customers who have contracted to use our platform.

KnowBe4, Inc.
Consolidated Balance Sheets
(in thousands)

	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021	March 31, 2022	June 30, 2022
Assets							
Current assets							
Cash and cash equivalents	\$ 85,582	\$ 94,647	\$ 257,056	\$ 272,273	\$ 273,723	\$ 298,348	\$ 315,495
Accounts receivable, net	38,664	37,261	42,714	44,814	54,071	52,554	62,486
Current portion of deferred commissions	13,177	13,947	15,559	17,043	17,842	18,586	19,377
Prepaid and other current assets	6,124	9,383	13,124	12,462	10,580	12,558	17,646
Total current assets	143,547	155,238	328,453	346,592	356,216	382,046	415,004
Deferred commissions, net of current portion	24,022	24,963	27,267	29,370	33,869	36,085	38,301
Capitalized software and content, net	15,523	14,592	14,473	14,525	27,074	26,776	29,903
Property and equipment, net	10,284	10,076	9,342	9,117	9,120	9,229	10,056
Operating lease right of use assets, net	12,067	11,571	11,330	12,460	12,998	14,674	14,080
Intangible assets, net	2,985	9,065	8,142	8,168	7,992	8,036	8,009
Goodwill	8,605	41,819	43,028	42,607	89,329	90,176	88,173
Other assets	1,177	1,268	1,194	1,074	1,080	1,295	2,884
Total assets	\$ 218,210	\$ 268,592	\$ 443,229	\$ 463,913	\$ 537,678	\$ 568,317	\$ 606,410
Liabilities and stockholders' (deficit) equity							
Current liabilities:							
Accounts payable and accrued expenses	\$ 19,265	\$ 25,476	\$ 32,249	\$ 36,040	\$ 37,642	\$ 37,260	\$ 39,798
Current portion of deferred revenue ⁽¹⁾	127,043	142,904	155,875	170,149	184,496	199,716	215,631
Current portion of operating lease liabilities	2,651	2,812	2,860	3,245	2,938	3,242	3,274
Total current liabilities	148,959	171,192	190,984	209,434	225,076	240,218	258,703
Non-current liabilities:							
Deferred revenue, net of current portion ⁽¹⁾	58,653	61,153	66,072	70,425	81,278	87,366	95,900
Operating lease liabilities, net of current portion	9,766	9,284	9,008	9,765	10,484	11,875	11,275
Other non-current liabilities	3,991	2,279	2,259	2,184	3,573	3,763	4,012
Total liabilities	221,369	243,908	268,323	291,808	320,411	343,222	369,890
Stockholders' (deficit) equity							
Preferred stock	—	—	—	—	—	—	—
Common stock	—	—	—	—	—	—	—
Common stock, Class A	—	—	—	—	1	1	1
Common stock, Class B	—	—	2	2	2	2	1
Additional paid-in capital	158,483	184,325	351,124	350,693	391,803	397,785	407,620
Accumulated deficit	(161,303)	(159,103)	(175,966)	(177,546)	(173,148)	(171,788)	(168,440)
Accumulated other comprehensive loss	(339)	(538)	(254)	(1,044)	(1,391)	(905)	(2,662)
Total stockholders' (deficit) equity	(3,159)	24,684	174,906	172,105	217,267	225,095	236,520
Total liabilities and stockholders' (deficit) equity	\$ 218,210	\$ 268,592	\$ 443,229	\$ 463,913	\$ 537,678	\$ 568,317	\$ 606,410

(1) The consolidated balance sheets for each period prior to September 30, 2021 differ from those previously presented as they reflect an immaterial adjustment to reclassify amounts from noncurrent deferred revenue to current deferred revenue.

KnowBe4, Inc.
Consolidated Statements of Cash Flows - Quarterly
(in thousands)

	<u>September 30, 2020</u>	<u>December 31, 2020</u>	<u>March 31, 2021</u>	<u>June 30, 2021</u>	<u>September 30, 2021</u>	<u>December 31, 2021</u>	<u>March 31, 2022</u>	<u>June 30, 2022</u>
Cash flows from operating activities:								
Net (loss) income	\$ (1,702)	\$ 204	\$ 2,200	\$ (16,863)	\$ (1,580)	\$ 4,398	\$ 1,360	\$ 3,348
Adjustments to reconcile net (loss) income to net cash from operating activities:								
Additions to capitalized content ..	(1,642)	(1,152)	(1,218)	(1,401)	(1,885)	(2,410)	(1,699)	(1,118)
Depreciation and amortization expense	3,041	3,102	3,247	3,353	3,399	3,640	3,730	3,925
Deferred commissions amortization	3,597	3,836	4,084	4,651	5,071	5,668	5,285	5,448
Stock compensation expense	1,248	1,996	1,671	18,810	2,670	6,196	5,629	6,979
Other, net	(1)	940	(124)	524	(73)	1,828	(268)	(734)
Changes in operating assets and liabilities:								
Accounts receivable	(2,317)	(7,806)	2,774	(5,515)	(2,202)	(9,472)	1,584	(10,324)
Deferred commissions	(5,469)	(6,734)	(5,847)	(8,539)	(8,726)	(11,228)	(8,309)	(9,182)
Prepaid and other assets	1,732	(103)	(2,128)	(6,151)	623	1,456	(2,196)	(4,415)
Accounts payable and other liabilities	3,956	(4,768)	2,523	7,498	3,654	(4,383)	(1,094)	3,077
Deferred revenue	10,218	15,725	14,670	17,727	18,902	25,286	21,119	25,248
Net cash provided by operating activities	12,661	5,240	21,852	14,094	19,853	20,979	25,141	22,252
Cash flows from investing activities:								
Business combinations, net of cash acquired	—	—	(11,305)	(18)	96	(22,597)	40	—
Purchases of investments	—	—	—	—	—	—	—	(2,375)
Purchases of property and equipment	(837)	(734)	(519)	(536)	(1,159)	(796)	(1,031)	(1,590)
Capitalized internal-use software costs	(798)	(378)	(362)	(759)	(774)	(611)	(738)	(1,522)
Net cash used in investing activities	(1,635)	(1,112)	(12,186)	(1,313)	(1,837)	(24,004)	(1,729)	(5,487)
Cash flows from financing activities:								
Proceeds from the exercise of stock options	22	63	347	605	2,483	2,339	1,047	1,175
Proceeds from issuance of common stock under the employee stock purchase plan	—	—	—	—	—	3,339	—	2,932
Repurchase of common stock and options	—	(4,360)	(1,171)	—	—	—	—	—
Proceeds from the issuance of common stock	—	4,274	—	155,958	—	—	—	—
Acquisition-related contingent liability payments	—	—	—	(375)	—	—	—	—
Payments for finance lease obligations	(9)	(11)	(10)	(10)	(10)	(10)	(10)	(11)
Taxes paid for the net share settlement of restricted stock units	—	—	—	(6,782)	(5,110)	(361)	(167)	(1,818)
Net cash provided by (used in) financing activities	13	(34)	(834)	149,396	(2,637)	5,307	870	2,278
Effect of exchange rate changes	184	498	233	232	(162)	(832)	343	(1,896)
Net change in cash and cash equivalents	11,223	4,592	9,065	162,409	15,217	1,450	24,625	17,147
Cash and cash equivalents, beginning of period	69,767	80,990	85,582	94,647	257,056	272,273	273,723	298,348
Cash and cash equivalents, end of period	<u>\$ 80,990</u>	<u>\$ 85,582</u>	<u>\$ 94,647</u>	<u>\$ 257,056</u>	<u>\$ 272,273</u>	<u>\$ 273,723</u>	<u>\$ 298,348</u>	<u>\$ 315,495</u>