

## **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)**

	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Revenues, net .....	\$ 39,178	\$ 41,489	\$ 44,932	\$ 49,287	\$ 53,550	\$ 59,350	\$ 64,091	\$ 69,307
Cost of revenues .....	6,043	6,303	6,918	7,466	7,343	8,591	9,609	9,572
Gross profit .....	<u>33,135</u>	<u>35,186</u>	<u>38,014</u>	<u>41,821</u>	<u>46,207</u>	<u>50,759</u>	<u>54,482</u>	<u>59,735</u>
Operating expenses:								
Sales and marketing .....	19,627	19,875	20,752	21,934	23,071	31,510	27,731	25,207
Technology and development .....	4,906	4,391	4,822	5,685	5,742	6,760	7,579	8,029
General and administrative .....	10,120	10,976	13,440	13,170	14,629	28,284	19,852	19,377
Total operating expenses .....	<u>34,653</u>	<u>35,242</u>	<u>39,014</u>	<u>40,789</u>	<u>43,442</u>	<u>66,554</u>	<u>55,162</u>	<u>52,613</u>
Operating (loss) income .....	(1,518)	(56)	(1,000)	1,032	2,765	(15,795)	(680)	7,122
Other income (expense):								
Interest income .....	125	14	20	38	18	7	16	16
Interest expense .....	(13)	(16)	(16)	(15)	(196)	(66)	(67)	(67)
Other income (expense) .....	<u>33</u>	<u>80</u>	<u>29</u>	<u>665</u>	<u>(143)</u>	<u>(416)</u>	<u>114</u>	<u>(585)</u>
(Loss) income before income tax expense .....	(1,373)	22	(967)	1,720	2,444	(16,270)	(617)	6,486
Income tax expense .....	12	407	(735)	(1,516)	(244)	(593)	(963)	(2,088)
Net income (loss) .....	<u>\$ (1,361)</u>	<u>\$ 429</u>	<u>\$ (1,702)</u>	<u>\$ 204</u>	<u>\$ 2,200</u>	<u>\$ (16,863)</u>	<u>\$ (1,580)</u>	<u>\$ 4,398</u>

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

	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Revenues, net.....	\$ 39,178	\$ 41,489	\$ 44,932	\$ 49,287	\$ 53,550	\$ 59,350	\$ 64,091	\$ 69,307
Cost of revenues.....	5,962	6,212	6,788	7,340	7,196	8,368	9,343	8,890
Gross profit.....	<u>33,216</u>	<u>35,277</u>	<u>38,144</u>	<u>41,947</u>	<u>46,354</u>	<u>50,982</u>	<u>54,748</u>	<u>60,417</u>
Operating expenses:								
Sales and marketing <sup>(1)</sup> .....	19,476	19,624	20,329	21,180	22,182	25,848	27,005	24,010
Technology and development <sup>(1)</sup> .....	4,836	4,291	4,669	5,112	5,602	6,612	7,337	6,853
General and administrative <sup>(1)</sup> .....	9,636	10,019	12,829	12,559	12,660	14,017	17,452	14,498
Total operating expenses.....	<u>33,948</u>	<u>33,934</u>	<u>37,827</u>	<u>38,851</u>	<u>40,444</u>	<u>46,477</u>	<u>51,794</u>	<u>45,361</u>
Operating (loss) income.....	(732)	1,343	317	3,096	5,910	4,505	2,954	15,056
Other income (expense):								
Interest income.....	125	14	20	38	18	7	16	16
Interest expense.....	(13)	(16)	(16)	(15)	(196)	(66)	(67)	(67)
Other income (expense).....	<u>33</u>	<u>80</u>	<u>29</u>	<u>665</u>	<u>(143)</u>	<u>(416)</u>	<u>114</u>	<u>(585)</u>
(Loss) income before income tax benefit (expense).....	(587)	1,421	350	3,784	5,589	4,030	3,017	14,420
Income tax benefit (expense).....	12	407	(735)	(1,516)	(244)	(593)	(963)	(2,088)
Net (loss) income.....	<u>\$ (575)</u>	<u>\$ 1,828</u>	<u>\$ (385)</u>	<u>\$ 2,268</u>	<u>\$ 5,345</u>	<u>\$ 3,437</u>	<u>\$ 2,054</u>	<u>\$ 12,332</u>

**KnowBe4, Inc.**

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

	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
GAAP gross profit .....	\$ 33,135	\$ 35,186	\$ 38,014	\$ 41,821	\$ 46,207	\$ 50,759	\$ 54,482	\$ 59,735
Add: Stock-based compensation expense .....	21	31	70	66	53	76	124	217
Add: Amortization of acquired technology and intangible assets .....	60	60	60	60	94	147	142	465
Non-GAAP gross profit .....	<u>\$ 33,216</u>	<u>\$ 35,277</u>	<u>\$ 38,144</u>	<u>\$ 41,947</u>	<u>\$ 46,354</u>	<u>\$ 50,982</u>	<u>\$ 54,748</u>	<u>\$ 60,417</u>
Non-GAAP gross margin .....	<u>84.8 %</u>	<u>85.0 %</u>	<u>84.9 %</u>	<u>85.1 %</u>	<u>86.6 %</u>	<u>85.9 %</u>	<u>85.4 %</u>	<u>87.2 %</u>
GAAP sales and marketing expense ...	\$ 19,627	\$ 19,875	\$ 20,752	\$ 21,934	\$ 23,071	\$ 31,510	\$ 27,731	\$ 25,207
Less: Stock-based compensation expense .....	151	251	423	754	889	5,662	726	1,197
Non-GAAP sales and marketing expense .....	<u>\$ 19,476</u>	<u>\$ 19,624</u>	<u>\$ 20,329</u>	<u>\$ 21,180</u>	<u>\$ 22,182</u>	<u>\$ 25,848</u>	<u>\$ 27,005</u>	<u>\$ 24,010</u>
As a percent of revenue .....	<u>49.7 %</u>	<u>47.3 %</u>	<u>45.2 %</u>	<u>43.0 %</u>	<u>41.4 %</u>	<u>43.6 %</u>	<u>42.1 %</u>	<u>34.6 %</u>
GAAP technology and development expense .....	\$ 4,906	\$ 4,391	\$ 4,822	\$ 5,685	\$ 5,742	\$ 6,760	\$ 7,579	\$ 8,029
Less: Stock-based compensation expense .....	70	100	153	573	140	148	242	1,176
Non-GAAP technology and development expense .....	<u>\$ 4,836</u>	<u>\$ 4,291</u>	<u>\$ 4,669</u>	<u>\$ 5,112</u>	<u>\$ 5,602</u>	<u>\$ 6,612</u>	<u>\$ 7,337</u>	<u>\$ 6,853</u>
As a percent of revenue .....	<u>12.3 %</u>	<u>10.3 %</u>	<u>10.4 %</u>	<u>10.4 %</u>	<u>10.5 %</u>	<u>11.1 %</u>	<u>11.4 %</u>	<u>9.9 %</u>
GAAP general and administrative expense .....	\$ 10,120	\$ 10,976	\$ 13,440	\$ 13,170	\$ 14,629	\$ 28,284	\$ 19,852	\$ 19,377
Less: Stock-based compensation expense .....	461	934	588	588	577	12,983	1,652	3,483
Less: Amortization of acquired technology and intangible assets .....	23	23	23	23	81	147	160	161
Less: Acquisition and integration related costs .....	—	—	—	—	1,311	1,137	588	1,235
Non-GAAP general and administrative expense .....	<u>\$ 9,636</u>	<u>\$ 10,019</u>	<u>\$ 12,829</u>	<u>\$ 12,559</u>	<u>\$ 12,660</u>	<u>\$ 14,017</u>	<u>\$ 17,452</u>	<u>\$ 14,498</u>
As a percent of revenue .....	<u>24.6 %</u>	<u>24.1 %</u>	<u>28.6 %</u>	<u>25.5 %</u>	<u>23.6 %</u>	<u>23.6 %</u>	<u>27.2 %</u>	<u>20.9 %</u>

	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
GAAP operating (loss) income	\$ (1,518)	\$ (56)	\$ (1,000)	\$ 1,032	\$ 2,765	\$ (15,795)	\$ (680)	\$ 7,122
Add: Stock-based compensation expense	703	1,316	1,234	1,981	1,659	18,869	2,744	6,073
Add: Amortization of acquired technology and intangible assets	83	83	83	83	175	294	302	626
Add: Acquisition and integration related costs	—	—	—	—	1,311	1,137	588	1,235
Non-GAAP operating (loss) income	<u>\$ (732)</u>	<u>\$ 1,343</u>	<u>\$ 317</u>	<u>\$ 3,096</u>	<u>\$ 5,910</u>	<u>\$ 4,505</u>	<u>\$ 2,954</u>	<u>\$ 15,056</u>
Non-GAAP operating margin	<u>(1.9)%</u>	<u>3.2 %</u>	<u>0.7 %</u>	<u>6.3 %</u>	<u>11.0 %</u>	<u>7.6 %</u>	<u>4.6 %</u>	<u>21.7 %</u>
GAAP net (loss) income	\$ (1,361)	\$ 429	\$ (1,702)	\$ 204	\$ 2,200	\$ (16,863)	\$ (1,580)	\$ 4,398
Add: Stock-based compensation expense	703	1,316	1,234	1,981	1,659	18,869	2,744	6,073
Add: Amortization of acquired technology and intangible assets	83	83	83	83	175	294	302	626
Add: Acquisition and integration related costs	—	—	—	—	1,311	1,137	588	1,235
Non-GAAP net (loss) income	<u>\$ (575)</u>	<u>\$ 1,828</u>	<u>\$ (385)</u>	<u>\$ 2,268</u>	<u>\$ 5,345</u>	<u>\$ 3,437</u>	<u>\$ 2,054</u>	<u>\$ 12,332</u>
GAAP net (loss) income per share, diluted	\$ (0.03)	\$ —	\$ (0.04)	\$ —	\$ 0.01	\$ (0.14)	\$ (0.01)	\$ 0.03
Add: Stock-based compensation expense	0.02	0.01	0.03	0.01	0.01	0.15	0.02	0.03
Add: Amortization of acquired technology and intangible assets	—	—	—	—	—	—	—	—
Add: Acquisition and integration related costs	—	—	—	—	0.01	0.01	—	0.01
Non-GAAP net (loss) income per share, diluted	<u>\$ (0.01)</u>	<u>\$ 0.01</u>	<u>\$ (0.01)</u>	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ 0.02</u>	<u>\$ 0.01</u>	<u>\$ 0.07</u>
GAAP weighted-average shares, diluted	42,061	164,160	42,169	166,078	168,253	122,274	170,359	172,721
Adjustments to weighted-average shares outstanding <sup>(1)</sup>	—	—	—	—	—	50,868	5,293	7,321
Non-GAAP weighted-average shares <sup>(1)</sup>	<u>42,061</u>	<u>164,160</u>	<u>42,169</u>	<u>166,078</u>	<u>168,253</u>	<u>173,142</u>	<u>175,652</u>	<u>180,042</u>

(1) Non-GAAP weighted average shares assumes that all previously outstanding preferred stock and all common stock outstanding prior to the Company's IPO 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.

	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
Net cash provided by operating activities.....	\$ 13,929	\$ 13,034	\$ 12,661	\$ 5,240	\$ 21,852	\$ 14,094	\$ 19,853	\$ 20,979
Less: Purchases of property and equipment.....	(2,670)	(1,185)	(837)	(734)	(519)	(536)	(1,159)	(796)
Less: Capitalized internal-use software.....	(867)	(639)	(798)	(378)	(362)	(759)	(774)	(611)
Less: Principal payments on finance leases.....	(6)	(9)	(9)	(11)	(10)	(10)	(10)	(10)
Free Cash Flow.....	<u>\$ 10,386</u>	<u>\$ 11,201</u>	<u>\$ 11,017</u>	<u>\$ 4,117</u>	<u>\$ 20,961</u>	<u>\$ 12,789</u>	<u>\$ 17,910</u>	<u>\$ 19,562</u>
Free cash flow margin.....	<u>26.5 %</u>	<u>27.0 %</u>	<u>24.5 %</u>	<u>8.4 %</u>	<u>39.1 %</u>	<u>21.5 %</u>	<u>27.9 %</u>	<u>28.2 %</u>

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

	<b>March 31, 2020</b>	<b>June 30, 2020</b>	<b>September 30, 2020</b>	<b>December 31, 2020</b>	<b>March 31, 2021</b>	<b>June 30, 2021</b>	<b>September 30, 2021</b>	<b>December 31, 2021</b>
Number of customers.....	31,823	33,056	34,604	36,753	38,975	41,601	44,319	47,174
Customers with multiple products .....	9.0 %	10.7 %	12.3 %	13.7 %	14.9 %	17.0 %	19.3 %	22.1 %
Annual recurring revenue .....	\$157,919	\$169,003	\$181,924	\$198,369	\$222,270	\$240,595	\$262,172	\$285,437
Revenue generated in North America ..	\$35,195	\$36,880	\$39,521	\$42,535	\$46,067	\$50,353	\$53,324	\$57,477
Revenue generated in international jurisdictions.....	\$ 3,983	\$ 4,609	\$ 5,411	\$ 6,752	\$ 7,483	\$ 8,997	\$10,767	\$11,830

***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.

***Revenue Disaggregation***

Revenue is 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, 2019	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
<b>Assets</b>						
Current assets						
Cash and cash equivalents .....	\$ 48,864	\$ 85,582	\$ 94,647	\$ 257,056	\$ 272,273	\$ 273,723
Accounts receivable, net .....	32,003	38,664	37,261	42,714	44,814	54,071
Current portion of deferred commissions .....	10,684	13,177	13,947	15,559	17,043	17,842
Prepaid and other current assets .....	6,925	6,124	9,383	13,124	12,462	10,580
Total current assets .....	98,476	143,547	155,238	328,453	346,592	356,216
Deferred commissions, net of current portion .....	18,492	24,022	24,963	27,267	29,370	33,869
Capitalized software and content, net .....	16,023	15,523	14,592	14,473	14,525	27,074
Property and equipment, net .....	8,740	10,284	10,076	9,342	9,117	9,120
Operating lease right of use assets, net .....	7,076	12,067	11,571	11,330	12,460	12,998
Intangible assets, net .....	2,493	2,985	9,065	8,142	8,168	7,992
Goodwill .....	8,873	8,605	41,819	43,028	42,607	89,329
Other assets .....	855	1,177	1,268	1,194	1,074	1,080
<b>Total assets</b> .....	<b>\$ 161,028</b>	<b>\$ 218,210</b>	<b>\$ 268,592</b>	<b>\$ 443,229</b>	<b>\$ 463,913</b>	<b>\$ 537,678</b>
<b>Liabilities and stockholders' deficit (equity)</b>						
Current liabilities:						
Accounts payable and accrued expenses .....	\$ 18,093	\$ 19,265	\$ 25,476	\$ 32,249	\$ 36,040	\$ 37,642
Current portion of deferred revenue <sup>(1)</sup> .....	93,037	127,043	142,904	155,875	170,149	184,496
Current portion of operating lease liabilities .....	2,044	2,651	2,812	2,860	3,245	2,938
Total current liabilities .....	113,174	148,959	171,192	190,984	209,434	225,076
Non-current liabilities:						
Deferred revenue, net of current portion <sup>(1)</sup> .....	45,953	58,653	61,153	66,072	70,425	81,278
Operating lease liabilities, net of current portion .....	5,368	9,766	9,284	9,008	9,765	10,484
Other non-current liabilities .....	1,548	3,991	2,279	2,259	2,184	3,573
<b>Total liabilities</b> .....	<b>166,043</b>	<b>221,369</b>	<b>243,908</b>	<b>268,323</b>	<b>291,808</b>	<b>320,411</b>
<b>Stockholders' deficit (equity)</b>						
Preferred stock .....	—	—	—	—	—	—
Common stock .....	—	—	—	—	—	—
Common stock, Class A .....	—	—	—	—	—	1
Common stock, Class B .....	—	—	—	2	2	2
Additional paid-in capital .....	154,287	158,483	184,325	351,124	350,693	391,803
Accumulated deficit .....	(158,873)	(161,303)	(159,103)	(175,966)	(177,546)	(173,148)
Accumulated other comprehensive loss .....	(429)	(339)	(538)	(254)	(1,044)	(1,391)
Total stockholders' (deficit) equity .....	(5,015)	(3,159)	24,684	174,906	172,105	217,267
<b>Total liabilities and stockholders' deficit (equity)</b> .....	<b>\$ 161,028</b>	<b>\$ 218,210</b>	<b>\$ 268,592</b>	<b>\$ 443,229</b>	<b>\$ 463,913</b>	<b>\$ 537,678</b>

(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)**

	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	September 30, 2021	December 31, 2021
<b>Cash flows from operating activities:</b>								
Net (loss) income	\$ (1,361)	\$ 429	\$ (1,702)	\$ 204	\$ 2,200	\$ (16,863)	\$ (1,580)	\$ 4,398
Adjustments to reconcile net loss to net cash from operating activities:								
Additions to capitalized content	(1,027)	(1,394)	(1,642)	(1,152)	(1,218)	(1,401)	(1,885)	(2,410)
Depreciation and amortization expense	2,696	2,923	3,041	3,102	3,247	3,353	3,399	3,640
Deferred commissions amortization	3,375	3,430	3,597	3,836	4,084	4,651	5,071	5,668
Equity-based compensation expense	710	1,327	1,248	1,996	1,671	18,810	2,670	6,196
Other, net	93	(184)	(1)	940	(124)	524	(73)	1,828
Changes in operating assets and liabilities:								
Accounts receivable	1,914	1,231	(2,317)	(7,806)	2,774	(5,515)	(2,202)	(9,472)
Deferred commissions	(5,167)	(4,791)	(5,469)	(6,734)	(5,847)	(8,539)	(8,726)	(11,228)
Prepaid and other assets	1,128	(2,078)	1,732	(103)	(2,128)	(6,151)	623	1,456
Accounts payable and other liabilities	(1,371)	4,511	3,956	(4,768)	2,523	7,498	3,654	(4,383)
Deferred revenue	12,939	7,630	10,218	15,725	14,670	17,727	18,902	25,286
Net cash provided by operating activities	13,929	13,034	12,661	5,240	21,852	14,094	19,853	20,979
<b>Cash flows from investing activities:</b>								
Business combinations, net of cash acquired	—	—	—	—	(11,305)	(18)	96	(22,597)
Purchases of property and equipment	(2,670)	(1,185)	(837)	(734)	(519)	(536)	(1,159)	(796)
Capitalized internal-use software costs	(867)	(639)	(798)	(378)	(362)	(759)	(774)	(611)
Net cash used in investing activities	(3,537)	(1,824)	(1,635)	(1,112)	(12,186)	(1,313)	(1,837)	(24,004)
<b>Cash flows from financing activities:</b>								
Proceeds from the exercise of stock options	60	75	22	63	347	605	2,483	2,339
Proceeds from issuance of common stock under the employee stock purchase plan	—	—	—	—	—	—	—	3,339
Repurchase of common stock and options	(269)	(228)	—	(4,360)	(1,171)	—	—	—
Proceeds from the issuance of common stock	—	—	—	4,274	—	155,958	—	—
Acquisition-related contingent liability payments	—	(252)	—	—	—	(375)	—	—
Proceeds from finance lease obligations	214	—	—	—	—	—	—	—
Payments for finance lease obligations	(6)	(9)	(9)	(11)	(10)	(10)	(10)	(10)
Taxes paid for the net share settlement of restricted stock units	—	—	—	—	—	(6,782)	(5,110)	(361)
Net cash (used in) provided by financing activities	(1)	(414)	13	(34)	(834)	149,396	(2,637)	5,307
Effect of exchange rate changes	(329)	45	184	498	233	232	(162)	(832)
Net change in cash and cash equivalents	10,062	10,841	11,223	4,592	9,065	162,409	15,217	1,450
Cash and cash equivalents, beginning of period	48,864	58,926	69,767	80,990	85,582	94,647	257,056	272,273
Cash and cash equivalents, end of period	58,926	69,767	80,990	85,582	94,647	257,056	272,273	273,723