



## **Sprout Social Announces Second Quarter 2024 Financial Results Ahead of Guidance Range Reiterates 2024 Guidance**

**CHICAGO, August 1, 2024** – Sprout Social, Inc. (“Sprout Social”, the “Company”) (Nasdaq: SPT), an industry-leading provider of cloud-based social media management software, today announced financial results for its second quarter ended June 30, 2024.

*“We’re pleased to share that we’re tracking ahead of the plan outlined last quarter,” said Ryan Barretto, President and incoming CEO. “Through the dedication and hard work of our teams and strong customer success, we further extended our product leadership, continued to improve our competitive position, and generated record pipeline. We’re building momentum for a stronger second half of the year.”*

### **Second Quarter 2024 Financial Highlights**

#### **Revenue**

- Revenue was \$99.4 million, up 25% compared to the second quarter of 2023.
- Total remaining performance obligations (RPO) of \$295.1 million as of June 30, 2024, up 43% year-over-year.
- Current remaining performance obligations (cRPO) of \$212.5 million as of June 30, 2024, up 38% year-over-year.

#### **Operating Income (Loss)**

- GAAP operating loss was (\$16.5) million, compared to (\$14.9) million in the second quarter of 2023.
- Non-GAAP operating income was \$5.3 million, compared to \$1.9 million in the second quarter of 2023.

#### **Net Loss**

- GAAP net loss was (\$16.9) million, compared to (\$13.1) million in the second quarter of 2023.
- Non-GAAP net income was \$4.9 million, compared to \$3.8 million in the second quarter of 2023.
- GAAP net loss per share was (\$0.30) based on 56.7 million weighted-average shares of common stock outstanding, compared to (\$0.24) based on 55.5 million weighted-average shares of common stock outstanding in the second quarter of 2023.
- Non-GAAP net income per share was \$0.09 based on 56.7 million weighted-average shares of common stock outstanding, compared to \$0.07 based on 55.5 million weighted-average shares of common stock outstanding in the second quarter of 2023.

#### **Cash**

- Cash and equivalents and marketable securities totaled \$93.2 million as of June 30, 2024, compared to \$95.2 million as of March 31, 2024.
- Net cash generated by operating activities was \$2.1 million, compared to \$6.3 million in the second quarter of 2023.
- Non-GAAP free cash flow was \$2.5 million, compared to \$6.0 million in the second quarter of 2023.

See “Use of Non-GAAP Financial Measures” below for definitions of Non-GAAP operating income (loss), Non-GAAP net income (loss), Non-GAAP net income (loss) per share, non-GAAP free cash flow, dollar-based net retention rate and dollar-based net retention rate excluding small-and-medium-sized business customers and the financial tables that accompany this release for reconciliations of our non-GAAP measures to their closest comparable GAAP measures. See “Customer Metrics” below for how Sprout Social defines number of customers contributing over \$10,000 in ARR and number of customers contributing over \$50,000 in ARR.

### **Customer Metrics**

- Grew number of customers contributing over \$10,000 in ARR to 8,966 customers as of June 30, 2024, up 21% compared to June 30, 2023.
- Grew number of customers contributing over \$50,000 in ARR to 1,545 customers as of June 30, 2024, up 38% compared to June 30, 2023.

### **Recent Customer Highlights**

- During the second quarter, we had the opportunity to expand with great existing customers like: Salesforce, Honda, Applied Materials, Church and Dwight, Carhart, Cummins, Netgear, Cintas, Porter Airlines Canada, Heidrick & Struggles International, Bausch & Lomb Americas, Auto Trader, Alterra Mountain, SentinelOne, Oliver Wyman, MasTec, Abu Dhabi Commercial Bank, Fareway Stores, and Allianz Partners.
- During the second quarter, we had the opportunity to land with great new customers like: Metropolitan Transportation Authority, American Outdoor Brands, GreenState Credit Union, Elanco Animal Health, Washington State University, University of Oklahoma, and Amentum.

### **Recent Business Highlights**

Sprout Social recently:

- Recognized by G2's 2024 Summer Reports as a leader across 200 categories, adding to its recognition as the #1 Best Software Product ([here](#))
- Launched a series of AI-powered product enhancements alongside 20 new capabilities across its platform as part of a new quarterly product showcase ([here](#))
- Named Erika Trautman as Chief Product Officer to oversee Sprout's global product organization ([here](#))
- Demonstrated continued Chicago leadership by being named to the 2024 Fortune Best Workplaces in Chicago™ List, the Crain's Fast 50 List and a Best Company to Work for: Midwest by U.S. News & World Report ([here](#))

### **Third Quarter and 2024 Financial Outlook**

For the third quarter of 2024, the Company currently expects:

- Total revenue between \$101.9 million and \$102.1 million, or growth of greater than 19%.
- Non-GAAP operating income to be between \$6.5 million and \$7.5 million.
- Non-GAAP net income per share of between \$0.12 and \$0.13 based on approximately 57.1 million weighted-average shares of common stock outstanding.

*"Our competitive advantages are standing out as we further define industry leadership," said Joe Del Preto, CFO. "Although the software buying environment remains relatively subdued, we're executing well and planning for a stronger second half of the year."*

For the full year 2024, the Company currently expects:

- Total revenue to be between \$405.0 million and \$406.0 million. This assumes >20% organic Sprout revenue growth and accelerated Tagger subscription revenue growth.
- Non-GAAP operating income between \$28.0 million and \$29.0 million, including an estimated benefit from the deferred commission accounting change which will affect all future periods. Excluding this change, the Company expects Non-GAAP operating income between \$15.0 million and \$16.0 million.
- This implies year-over-year Non-GAAP operating margin improvement of roughly 560bps. Excluding the accounting change this implies year-over-year non-GAAP operating margin improvement of roughly 240bps.
- Non-GAAP net income per share between \$0.45 and \$0.46 based on approximately 57.1 million weighted-average shares of common stock outstanding.

The Company's third quarter and 2024 financial outlook is based on a number of assumptions that are subject to change and many of which are outside the Company's control. If actual results vary from these assumptions, the Company's expectations may change. There can be no assurance that the Company will achieve these results.

The Company does not provide guidance for operating loss, the most directly comparable GAAP measure to non-GAAP operating income, net loss per share, the most directly comparable GAAP measure to non-GAAP net income per share, or operating margin, the most directly comparable GAAP measure to Non-GAAP operating margin, and similarly cannot provide a reconciliation between its forecasted non-GAAP operating income, non-GAAP net income per share and non-GAAP operating

margin and these comparable GAAP measures without unreasonable effort due to the unavailability of reliable estimates for certain items. These items are not within the Company's control and may vary greatly between periods and could significantly impact future financial results.

### **Conference Call Information**

The financial results and business highlights will be discussed on a conference call and webcast scheduled at 4:00 p.m. Central Time (5:00 p.m. Eastern Time) today, August 1, 2024. Online registration for this event conference call can be found at <https://conferencingportals.com/event/LOdFlxuX>. The live webcast of the conference call can be accessed from Sprout Social's investor relations website at <http://investors.sproutsocial.com>.

Following completion of the events, a webcast replay will also be available at <http://investors.sproutsocial.com> for 12 months.

### **About Sprout Social**

[Sprout Social](https://sproutsocial.com) is a global leader in social media management and analytics software. Sprout's unified platform puts powerful social data into the hands of more than 30,000 brands so they can make strategic decisions that drive business growth and innovation. With a full suite of social media management solutions, Sprout offers comprehensive publishing and engagement functionality, customer care, connected workflows and AI-powered business intelligence. Sprout's [award-winning](#) software operates across all major social media networks and digital platforms. For more information about Sprout Social (NASDAQ: SPT), visit [sproutsocial.com](https://sproutsocial.com).

### **Forward-Looking Statements**

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "explore," "intend," "long-term model," "may," "might," "outlook," "plan," "potential," "predict," "project," "should," "strategy," "target," "will," "would," or the negative of these terms, and similar expressions intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words. These statements may relate to our market size and growth strategy, our estimated and projected costs, margins, revenue, expenditures and customer and financial growth rates, our Q3 2024 and full year 2024 financial outlook, our plans and objectives for future operations, growth, initiatives or strategies. By their nature, these statements are subject to numerous uncertainties and risks, including factors beyond our control, that could cause actual results, performance or achievement to differ materially and adversely from those anticipated or implied in the forward-looking statements. These assumptions, uncertainties and risks include that, among others: we may not be able to sustain our revenue and customer growth rate in the future; price increases have and may continue to negatively impact demand for our products, customer acquisition and retention and reduce the total number of customers or customer additions; our business would be harmed by any significant interruptions, delays or outages in services from our platform, our API providers, or certain social media platforms; if we are unable to attract potential customers through unpaid channels, convert this traffic to free trials or convert free trials to paid subscriptions, our business and results of operations may be adversely affected; we may be unable to successfully enter new markets, manage our international expansion and comply with any applicable international laws and regulations; we may be unable to integrate acquired businesses or technologies successfully or achieve the expected benefits of such acquisitions and investments; unstable market and economic conditions, such as recession risks, effects of inflation, labor shortages, supply chain issues, high interest rates, and the impacts of current and potential future bank failures and impacts of ongoing overseas conflicts, could adversely impact our business and that of our existing and prospective customers, which may result in reduced demand for our products; we may not be able to generate sufficient cash to service our indebtedness; covenants in our credit agreement may restrict our operations, and if we do not effectively manage our business to comply with these covenants, our financial condition could be adversely impacted; any cybersecurity-related attack, significant data breach or disruption of the information technology systems or networks on which we rely could negatively affect our business; changing regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and harm our brand; and risks related to ongoing legal proceedings. Additional risks and uncertainties that could cause actual outcomes and results to differ materially from those contemplated by the forward-looking statements are included under the caption "Risk Factors" and elsewhere in our filings with the Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 23, 2024, as well as any future reports that we file with the SEC. Moreover, you should interpret many of the risks identified in those reports as being heightened as a result of the current instability in market and economic conditions. Forward-looking statements speak only as of the date the statements are made and are based on information available to Sprout Social at the time those statements are made and/or management's good faith belief as of that time with respect to future events. Sprout Social assumes no obligation to update forward-looking statements to reflect events or circumstances after the date they were made, except as required by law.

### **Use of Non-GAAP Financial Measures**

We have provided in this press release certain financial information that has not been prepared in accordance with generally

accepted accounting principles in the United States (“GAAP”). Our management uses these non-GAAP financial measures internally in analyzing our financial results and believes that use of these non-GAAP financial measures is useful to investors as an additional tool to evaluate ongoing operating results and trends and in comparing our financial results with other companies in our industry, many of which present similar non-GAAP financial measures. Non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable financial measures prepared in accordance with GAAP and should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. A reconciliation of our historical non-GAAP financial measures to the most directly comparable GAAP measures has been provided in the financial statement tables included in this press release, and investors are encouraged to review these reconciliations.

**Non-GAAP gross profit.** We define non-GAAP gross profit as GAAP gross profit, excluding stock-based compensation expense and amortization expense associated with the acquired developed technology from our acquisition of Tagger Media, Inc. (the “Tagger acquisition”). We believe non-GAAP gross profit provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as it eliminates the effect of stock-based compensation and amortization expense, which are often unrelated to overall operating performance. In 2023, we revised our definition of non-GAAP gross profit to exclude amortization expense associated with the acquired developed technology from the Tagger acquisition.

**Non-GAAP gross margin.** We define non-GAAP gross margin as non-GAAP gross profit as a percentage of revenue.

**Non-GAAP operating income (loss).** We define non-GAAP operating income (loss) as GAAP loss from operations, excluding stock-based compensation expense, acquisition-related expenses and amortization expense associated with the acquired intangible assets from the Tagger acquisition. We believe non-GAAP operating income (loss) provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as it eliminates the effect of stock-based compensation, acquisition-related expenses and amortization expense, which are often unrelated to overall operating performance. In 2023, we revised our definition of non-GAAP operating income (loss) to exclude acquisition-related expenses in connection with the Tagger acquisition and amortization expense associated with the acquired intangible assets from the Tagger acquisition.

**Non-GAAP operating margin.** We define non-GAAP operating margin as non-GAAP operating income (loss) as a percentage of revenue.

**Non-GAAP net income (loss).** We define non-GAAP net income (loss) as GAAP net loss, excluding stock-based compensation expense, acquisition-related expenses, and amortization expense associated with the acquired intangible assets from the Tagger acquisition. We believe non-GAAP net income (loss) provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as this non-GAAP financial measure eliminates the effect of stock-based compensation, acquisition-related expenses and amortization expense, which are often unrelated to overall operating performance. In 2023, we revised our definition of non-GAAP net income (loss) to exclude acquisition-related expenses in connection with the Tagger acquisition and amortization expense associated with the acquired intangible assets from the Tagger acquisition.

**Non-GAAP net income (loss) per share.** We define non-GAAP net income (loss) per share as GAAP net loss per share attributable to common shareholders, basic and diluted, excluding stock-based compensation expense, acquisition-related expenses and amortization expense associated with the acquired intangible assets from the Tagger acquisition. We believe non-GAAP net income (loss) per share provides our management and investors consistency and comparability with our past financial performance and facilitates period-to-period comparisons of operations, as this non-GAAP financial measure eliminates the effect of stock-based compensation, acquisition-related expenses and amortization expense, which are often unrelated to overall operating performance. In 2023, we revised our definition of non-GAAP net income (loss) per share to exclude acquisition-related expenses in connection with the Tagger acquisition and amortization expense associated with the acquired intangible assets from the Tagger acquisition.

**Non-GAAP free cash flow.** We define non-GAAP free cash flow as net cash provided by (used in) operating activities less expenditures for property and equipment, acquisition-related costs and interest. Non-GAAP free cash flow does not reflect our future contractual obligations or represent the total increase or decrease in our cash balance for a given period. We believe non-GAAP free cash flow is a useful indicator of liquidity that provides information to management and investors about the amount of cash used in our core operations that, after expenditures for property and equipment, acquisition-related costs and interest, is not available for strategic initiatives. In 2023, we revised our definition of non-GAAP free cash flow to exclude payments related to acquisition-related costs associated with the Tagger acquisition (which are not applicable for the periods presented) and cash paid for interest on our revolving line of credit.

**Non-GAAP free cash flow margin.** We define non-GAAP free cash flow margin as non-GAAP free cash flow as a percentage of revenue.

**Non-GAAP sales and marketing expenses, non-GAAP research and development expenses and non-GAAP general and administrative expenses.** Non-GAAP sales and marketing expenses, non-GAAP research and development expenses and non-GAAP general and administrative expenses are defined as sales and marketing expenses, research and development expenses and general and administrative expenses, respectively, less stock-based compensation expense and acquisition-related expenses. We believe these non-GAAP measures provide our management and investors with insight into day-to-day operating expenses given that these measures eliminate the effect of stock-based compensation and acquisition-related expenses. In 2023, we revised our definition of non-GAAP general and administrative expenses to exclude acquisition-related expenses in connection with the Tagger acquisition and amortization expense associated with the acquired intangible assets from the Tagger acquisition.

## **Key Business Metrics**

**Annual recurring revenue (“ARR”).** We define ARR as the annualized revenue run-rate of subscription agreements from all customers as of the last date of the specified period. We believe ARR is an indicator of the scale of our entire platform while mitigating fluctuations due to seasonality and contract term.

**Remaining performance obligations (“RPO”).** RPO, or remaining performance obligations, represents contracted revenue that has not yet been recognized, and includes deferred revenue and amounts that will be invoiced and recognized in future periods.

**Current remaining performance obligations (“cRPO”).** cRPO, or current RPO, represents contracted revenue that has not yet been recognized, and includes deferred revenue and amounts that will be invoiced and recognized in the next 12 months.

**Number of customers.** We define a customer as a unique account, multiple accounts containing a common non-personal email domain, or multiple accounts governed by a single agreement or entity. We believe that the number of customers using our platform is an indicator of our market penetration.

**Number of customers contributing more than \$10,000 in ARR.** We define number of customers contributing more than \$10,000 in ARR as those on a paid subscription plan that had more than \$10,000 in ARR as of a period end. We view the number of customers that contribute more than \$10,000 in ARR as a measure of our ability to scale with our customers and attract larger organizations. We define a customer as a unique account, multiple accounts containing a common non-personal email domain, or multiple accounts governed by a single agreement or entity. We believe this represents potential for future growth, including expanding within our current customer base.

**Number of customers contributing more than \$50,000 in ARR.** We define number of customers contributing more than \$50,000 in ARR as those on a paid subscription plan that had more than \$50,000 in ARR as of a period end. We view the number of customers that contribute more than \$50,000 in ARR as a measure of our ability to scale with large customers and attract sophisticated organizations. We define a customer as a unique account, multiple accounts containing a common non-personal email domain, or multiple accounts governed by a single agreement or entity. We believe this represents potential for future growth, including expanding within our current customer base.

**Dollar-based net retention rate.** We calculate dollar-based net retention rate by dividing the ARR from our customers as of December 31st in the reported year by the ARR from those same customers as of December 31st in the previous year. This calculation is net of upsells, contraction, cancellation or expansion during the period but excludes ARR from new customers. We use dollar-based net retention to evaluate the long-term value of our customer relationships, because we believe this metric reflects our ability to retain and expand subscription revenue generated from our existing customers.

**Dollar-based net retention rate excluding SMB customers.** We calculate dollar-based net retention rate excluding SMB customers by dividing the ARR from all customers excluding ARR from customers that we have identified or that self-identified as having less than 50 employees as of December 31st in the reported year by the ARR from those same customers as of December 31st of the previous year. This calculation is net of upsells, contraction, cancellation or expansion during the period but excludes ARR from new customers. We used dollar-based net retention excluding SMB customers to evaluate the long-term value of our larger customer relationships, because we believe this metric reflects our ability to retain and expand subscription revenue generated from our existing customers.

While we no longer believe that ARR and number of customers are key performance indicators of Sprout Social’s business, these metrics are necessary for an understanding of how we define number of customers contributing over \$10,000 in ARR and number of customers contributing over \$50,000 in ARR. For this purpose, we define ARR as the annualized revenue run-rate of subscription agreements from all customers as of the last date of the specified period and we define a customer as a unique account, multiple accounts containing a common non-personal email domain, or multiple accounts governed by a single agreement or entity.

### Availability of Information on Sprout Social's Website and Social Media Profiles

Investors and others should note that Sprout Social routinely announces material information to investors and the marketplace using SEC filings, press releases, public conference calls, webcasts and the Sprout Social Investors website. We also intend to use the social media profiles listed below as a means of disclosing information about us to our customers, investors and the public. While not all of the information that the Company posts to the Sprout Social Investors website or to social media profiles is of a material nature, some information could be deemed to be material. Accordingly, the Company encourages investors, the media, and others interested in Sprout Social to review the information that it shares at the Investors link located at the bottom of the page on [www.sproutsocial.com](http://www.sproutsocial.com) and to regularly follow our social media profiles. Users may automatically receive email alerts and other information about Sprout Social when enrolling an email address by visiting "Email Alerts" in the "Shareholder Services" section of Sprout Social's Investor website at <https://investors.sproutsocial.com/>.

### Social Media Profiles:

[www.twitter.com/SproutSocial](http://www.twitter.com/SproutSocial)  
[www.twitter.com/SproutSocialIR](http://www.twitter.com/SproutSocialIR)  
[www.facebook.com/SproutSocialInc](http://www.facebook.com/SproutSocialInc)  
[www.linkedin.com/company/sprout-social-inc/](http://www.linkedin.com/company/sprout-social-inc/)  
[www.instagram.com/sproutsocial](http://www.instagram.com/sproutsocial)

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### Sprout Social, Inc.

#### Consolidated Statements of Operations (Unaudited)

*(in thousands, except share and per share data)*

	Three Months Ended June 30,	
	2024	2023
<b>Revenue</b>		
Subscription	\$ 98,498	\$ 78,690
Professional services and other	898	625
Total revenue	99,396	79,315
<b>Cost of revenue(1)</b>		
Subscription	22,078	17,972
Professional services and other	324	262
Total cost of revenue	22,402	18,234
Gross profit	76,994	61,081
<b>Operating expenses</b>		

Research and development(1)	25,126	18,956
Sales and marketing(1)	46,194	39,307
General and administrative(1)	22,187	17,735
Total operating expenses	93,507	75,998
Loss from operations	(16,513)	(14,917)
Interest expense	(972)	(35)
Interest income	1,053	2,140
Other expense, net	(257)	(148)
Loss before income taxes	(16,689)	(12,960)
Income tax expense	203	125
Net loss	\$ (16,892)	\$ (13,085)
Net loss per share attributable to common shareholders, basic and diluted	\$ (0.30)	\$ (0.24)
Weighted-average shares outstanding used to compute net loss per share, basic and diluted	56,699,148	55,499,399

(1) Includes stock-based compensation expense as follows:

	Three Months Ended June 30,	
	2024	2023
Cost of revenue	\$ 906	\$ 857
Research and development	6,036	4,327
Sales and marketing	8,189	7,206
General and administrative	5,467	3,986
Total stock-based compensation expense	\$ 20,598	\$ 16,376

**Sprout Social, Inc.**

**Consolidated Statements of Operations (Unaudited)**

*(in thousands, except share and per share data)*

	Six Months Ended June 30,	
	2024	2023
<b>Revenue</b>		
Subscription	\$ 194,287	\$ 153,432
Professional services and other	1,893	1,095
Total revenue	196,180	154,527
<b>Cost of revenue(1)</b>		

Subscription	44,283	34,605
Professional services and other	547	504
Total cost of revenue	44,830	35,109
Gross profit	151,350	119,418
<b>Operating expenses</b>		
Research and development(1)	48,895	36,832
Sales and marketing(1)	90,734	76,212
General and administrative(1)	41,521	33,224
Total operating expenses	181,150	146,268
Loss from operations	(29,800)	(26,850)
Interest expense	(2,018)	(63)
Interest income	2,088	4,160
Other expense, net	(663)	(357)
Loss before income taxes	(30,393)	(23,110)
Income tax expense	74	227
Net loss	\$ (30,467)	\$ (23,337)
Net loss per share attributable to common shareholders, basic and diluted	\$ (0.54)	\$ (0.42)
Weighted-average shares outstanding used to compute net loss per share, basic and diluted	56,521,490	55,331,151

(1) Includes stock-based compensation expense as follows:

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
Cost of revenue	\$ 1,831	\$ 1,358
Research and development	11,486	7,929
Sales and marketing	15,565	13,776
General and administrative	9,782	6,969
Total stock-based compensation expense	\$ 38,664	\$ 30,032

**Sprout Social, Inc.**  
**Consolidated Balance Sheets (Unaudited)**  
*(in thousands, except share and per share data)*



	<b>June 30, 2024</b>	<b>December 31, 2023</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 80,873	\$ 49,760
Marketable securities	12,333	44,645
Accounts receivable, net of allowances of \$2,232 and \$2,177 at June 30, 2024 and December 31, 2023, respectively	58,614	63,489
Deferred Commissions	16,196	27,725
Prepaid expenses and other assets	15,067	10,324
Total current assets	<u>183,083</u>	<u>195,943</u>
Marketable securities, noncurrent	-	3,699
Property and equipment, net	11,236	11,407
Deferred commissions, net of current portion	44,190	26,240
Operating lease, right-of-use asset	7,844	8,729
Goodwill	121,315	121,404
Intangible assets, net	24,941	28,065
Other assets, net	992	1,098
Total assets	<u>\$ 393,601</u>	<u>\$ 396,585</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 9,799	\$ 6,933
Deferred revenue	148,323	140,536
Operating lease liability	4,003	3,948
Accrued wages and payroll related benefits	15,407	18,362
Accrued expenses and other	9,584	11,260
Total current liabilities	<u>187,116</u>	<u>181,039</u>
Revolving credit facility	40,000	55,000
Deferred revenue, net of current portion	940	920
Operating lease liability, net of current portion	13,071	15,083
Other non-current liabilities	351	351
Total liabilities	<u>241,478</u>	<u>252,393</u>
Stockholders' equity		

Class A common stock, par value \$0.0001 per share; 1,000,000,000 shares authorized; 53,322,896 and 50,399,375 shares issued and outstanding, respectively, at June 30, 2024; 52,133,594 and 49,241,563 shares issued and outstanding, respectively, at December 31, 2023

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Class B common stock, par value \$0.0001 per share; 25,000,000 shares authorized; 6,887,582 and 6,680,638 shares issued and outstanding, respectively, at June 30, 2024; 7,201,140 and 6,994,196 shares issued and outstanding, respectively, at December 31, 2023

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Additional paid-in capital

511,887

471,789

Treasury stock, at cost

(36,861)

(35,113)

Accumulated other comprehensive loss

(29)

(77)

Accumulated deficit

(322,879)

(292,412)

Total stockholders' equity

152,123

144,192

Total liabilities and stockholders' equity

\$ 393,601

\$ 396,585

**Sprout Social, Inc.**

**Consolidated Statements of Cash Flows (Unaudited)**

*(in thousands)*

**Three Months Ended June 30,**

**2024**

**2023**

**Cash flows from operating activities**

Net loss

\$ (16,892)

\$ (13,085)

Adjustments to reconcile net loss to net cash provided by operating activities

Depreciation and amortization of property, equipment and software

979

804

Amortization of line of credit issuance costs

51

-

Amortization of premium (accretion of discount) on marketable securities

(102)

(1,007)

Amortization of acquired intangible assets

1,554

372

Amortization of deferred commissions

3,888

6,316

Amortization of right-of-use operating lease asset

449

368

Stock-based compensation expense

20,598

16,376

Provision for accounts receivable allowances

685

507

Changes in operating assets and liabilities, excluding impact from business acquisition

Accounts receivable

(8,883)

(6,048)

Prepaid expenses and other current assets

2,957

(35)

Deferred commissions

(7,049)

(8,803)

Accounts payable and accrued expenses	2,652	4,592
Deferred revenue	2,158	6,810
Lease liabilities	(982)	(873)
Net cash provided by operating activities	<u>2,063</u>	<u>6,294</u>
<b>Cash flows from investing activities</b>		
Expenditures for property and equipment	(493)	(261)
Purchases of marketable securities	-	(33,007)
Proceeds from maturity of marketable securities	13,830	24,621
Proceeds from sale of marketable securities	-	(33)
Net cash provided by (used in) investing activities	<u>13,337</u>	<u>(8,680)</u>
<b>Cash flows from financing activities</b>		
Repayments of line of credit	(5,000)	-
Proceeds from exercise of stock options	27	29
Proceeds from employee stock purchase plan	1,238	1,427
Employee taxes paid related to the net share settlement of stock-based awards	(272)	(270)
Net cash (used in) provided by financing activities	<u>(4,007)</u>	<u>1,186</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>11,393</u>	<u>(1,200)</u>
<b>Cash, cash equivalents, and restricted cash</b>		
Beginning of period	73,437	78,411
End of period	<u>\$ 84,830</u>	<u>\$ 77,211</u>

**Sprout Social, Inc.**  
**Consolidated Statements of Cash Flows (Unaudited)**  
*(in thousands)*

	<b>Six Months Ended June 30,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (30,467)	\$ (23,337)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization of property, equipment and software	1,866	1,512
Amortization of line of credit issuance costs	103	-
Amortization of premium (accretion of discount) on marketable securities	(325)	(1,889)

Amortization of acquired intangible assets	3,124	738
Amortization of deferred commissions	7,411	12,171
Amortization of right-of-use operating lease asset	885	723
Stock-based compensation expense	38,664	30,032
Provision for accounts receivable allowances	741	860
Changes in operating assets and liabilities, excluding impact from business acquisition		
Accounts receivable	4,134	(7,196)
Prepaid expenses and other current assets	(4,713)	(4,133)
Deferred commissions	(13,832)	(16,560)
Accounts payable and accrued expenses	(213)	3,003
Deferred revenue	7,806	20,364
Lease liabilities	(1,957)	(1,710)
Net cash provided by operating activities	<u>13,227</u>	<u>14,578</u>
<b>Cash flows from investing activities</b>		
Expenditures for property and equipment	(1,585)	(644)
Payments for business acquisition, net of cash acquired	(1,409)	(6,432)
Purchases of marketable securities	-	(63,085)
Proceeds from maturity of marketable securities	36,385	47,252
Proceeds from sale of marketable securities	-	5,538
Net cash provided by (used in) investing activities	<u>33,391</u>	<u>(17,371)</u>
<b>Cash flows from financing activities</b>		
Repayments of line of credit	(15,000)	-
Proceeds from exercise of stock options	27	29
Proceeds from employee stock purchase plan	1,238	1,427
Employee taxes paid related to the net share settlement of stock-based awards	(1,748)	(1,369)
Net cash (used in) provided by financing activities	<u>(15,483)</u>	<u>87</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	31,135	(2,706)
<b>Cash, cash equivalents, and restricted cash</b>		
Beginning of period	<u>53,695</u>	<u>79,917</u>
End of period	<u>\$ 84,830</u>	<u>\$ 77,211</u>

#### Reconciliation of Non-GAAP Financial Measures

Three Months Ended June 30,

Six Months Ended June 30,

	2024	2023	2024	2023
<b>Reconciliation of Non-GAAP gross profit</b>				
Gross profit	\$ 76,994	\$ 61,081	\$ 151,350	\$ 119,418
Stock-based compensation expense	906	857	1,831	1,358
Amortization of acquired developed technology	705	-	1,410	-
<b>Non-GAAP gross profit</b>	<b>\$ 78,605</b>	<b>\$ 61,938</b>	<b>\$ 154,591</b>	<b>\$ 120,776</b>
<b>Reconciliation of Non-GAAP operating income</b>				
Loss from operations	\$ (16,513)	\$ (14,917)	\$ (29,800)	\$ (26,850)
Stock-based compensation expense	20,598	16,376	38,664	30,032
Acquisition-related expenses	-	466	-	466
Amortization of acquired intangible assets	1,213	-	2,426	-
<b>Non-GAAP operating income</b>	<b>\$ 5,298</b>	<b>\$ 1,925</b>	<b>\$ 11,290</b>	<b>\$ 3,648</b>
<b>Reconciliation of Non-GAAP net income</b>				
Net loss	\$ (16,892)	\$ (13,085)	\$ (30,467)	\$ (23,337)
Stock-based compensation expense	20,598	16,376	38,664	30,032
Acquisition-related expenses	-	466	-	466
Amortization of acquired intangible assets	1,213	-	2,426	-
<b>Non-GAAP net income</b>	<b>\$ 4,919</b>	<b>\$ 3,757</b>	<b>\$ 10,623</b>	<b>\$ 7,161</b>
<b>Reconciliation of Non-GAAP net income per share</b>				
Net loss per share attributable to common shareholders, basic and diluted	\$ (0.30)	\$ (0.24)	\$ (0.54)	\$ (0.42)
Stock-based compensation expense	0.37	0.30	0.69	0.54
Acquisition-related expenses	-	0.01	-	0.01
Amortization of acquired intangible assets	0.02	-	0.04	-
<b>Non-GAAP net income per share</b>	<b>\$ 0.09</b>	<b>\$ 0.07</b>	<b>\$ 0.19</b>	<b>\$ 0.13</b>
<b>Reconciliation of Non-GAAP free cash flow</b>				
Net cash provided by operating activities	\$ 2,063	\$ 6,294	\$ 13,227	\$ 14,578
Expenditures for property and equipment	(493)	(261)	(1,585)	(644)
Interest paid on credit facility	918	-	2,178	-
<b>Non-GAAP free cash flow</b>	<b>\$ 2,488</b>	<b>\$ 6,033</b>	<b>\$ 13,820</b>	<b>\$ 13,934</b>