



Sprout Social Announces Fourth Quarter 2023 Financial Results Above Guidance Range

Expects durable, efficient growth in 2024

CHICAGO, February 20, 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 fourth quarter ended December 31, 2023.

“We’re pleased to share incredibly strong fourth quarter results,” said Justyn Howard, Sprout Social’s CEO and co-founder. “We’re building an enduring software company centered on amazing products, amazing people and overdelivering for our customers every day. We delivered step change growth in current & total contract value bookings and were recently named the #1 best software product by G2, which we believe position Sprout to build on our momentum in 2024.”

Fourth Quarter 2023 Financial Highlights

Revenue

- Revenue was \$93.6 million, up 34% compared to the fourth quarter of 2022.
- ARR was \$385.2 million as of December 31, 2023, up 30% compared to December 31, 2022.
- Total remaining performance obligations (RPO) of \$275.0 million, up 69% year-over-year.

Operating Loss

- GAAP operating loss was (\$18.2) million, compared to (\$13.1) million in the fourth quarter of 2022.
- Non-GAAP operating income was \$1.7 million, compared to \$0.6 million in the fourth quarter of 2022.

Net Loss

- GAAP net loss was (\$20.1) million, compared to (\$11.9) million in the fourth quarter of 2022.
- Non-GAAP net income was \$1.0 million, compared to \$1.8 million in the fourth quarter of 2022.
- GAAP net loss per share was (\$0.36) based on 56.1 million weighted-average shares of common stock outstanding, compared to (\$0.22) based on 54.9 million weighted-average shares of common stock outstanding in the fourth quarter of 2022.
- Non-GAAP net income per share was \$0.02 based on 56.1 million weighted-average shares of common stock outstanding, compared to \$0.03 based on 55.2 million weighted-average shares of common stock outstanding in the fourth quarter of 2022.

Cash

- Cash and equivalents and marketable securities totaled \$98.1 million as of December 31, 2023, compared to \$121.4 million as of September 30, 2023.
- Net cash (used in) provided by operating activities was (\$2.6) million, compared to \$3.0 million in the fourth quarter of 2022.
- Non-GAAP free cash flow was (\$0.3) million, compared to \$2.6 million in the fourth quarter of 2022.

See “Customer Metrics” and “Use of Non-GAAP Financial Measures” below for how Sprout Social defines total number of customers, number of customers contributing over \$10,000 in ARR, number of customers contributing over \$50,000 in ARR, ARR, 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, dollar-based net retention rate excluding small-and-medium-sized business customers and the financial tables that accompany this release for reconciliations of these measures to their closest comparable GAAP measures.

Fiscal Year 2023 Financial Highlights

Revenue

- Total revenue was \$333.6 million, up 31% compared to fiscal 2022.

Operating Loss

- GAAP operating loss was (\$69.3) million, compared to (\$51.7) million in fiscal 2022.
- Non-GAAP operating income was \$4.7 million, compared to a Non-GAAP operating loss of (\$3.9) million in fiscal 2022.

Customer Metrics

- Grew number of customers contributing over \$10,000 in ARR to 8,689 customers as of December 31, 2023, up 31% compared to December 31, 2022.
- Grew number of customers contributing over \$50,000 in ARR to 1,399 customers as of December 31, 2023, up 44% compared to December 31, 2022.
- Total number of customers as of December 31, 2023 was 31,320, down 9% compared to December 31, 2022.
- Dollar-based net retention rate was 107% in 2023, compared with 109% in 2022.
- Dollar-based net retention rate excluding small-and-medium-sized business (SMB) customers was 111% in 2023, compared with 116% in 2022.

Recent Customer Highlights

- During the fourth quarter, we had the opportunity to grow with great new & existing customers like X (fka Twitter), DHL International, Brown-Forman Corporation, Kenvue, The CW Network, Archer-Daniels-Midland, U.S. Chamber of Commerce, American Honda Motor Company, Whirlpool, Avis Budget Group, PG&E Corporation, Panasonic, Nationwide Children's Hospital, Segal of America, Grab Taxi, Becton Dickinson and CoStar Group.

Recent Business Highlights

Sprout Social recently:

- Named #1 best software product by G2 ([here](#)).
- Recognized by G2's 2023 Winter Reports as a leader across 150 categories ([here](#)).
- Launched new Social Customer Care solution to power exceptional customer experience ([here](#)).
- Announced an expanded partnership with Reddit to deliver deeper, real-time Reddit insights to customers ([here](#)).
- Named Scott Morris as CMO ([here](#)) and announced the promotion of Alan Boyce to CTO ([here](#)).
- Featured as a Great Place to Work for Parents for the 4th consecutive year and as a Built In Best Place to Work in Chicago and Seattle.
- Received ISO 27001 and ISO 27701 certifications for information management and privacy management ([here](#)).

First Quarter and 2024 Financial Outlook

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

- Total revenue between \$97.2 million and \$97.3 million, or growth of greater than 29%.
- Non-GAAP operating income to be between \$0.6 million and \$0.7 million.
- Non-GAAP net income per share of between \$0.00 and \$0.01 based on approximately 56.4 million weighted-average shares of common stock outstanding.

"Our execution and leading indicators in Q4 were strong," said Joe Del Preto, CFO. "We've largely moved away from our low end growth anchor. We believe the step change in quality of our Q4 outperformance and notable momentum with leading social-first brands position Sprout to continue to execute well on our journey towards \$1B in annual revenue."

For the full year 2024, the Company currently expects:

- Total revenue to be between \$425.3 million and \$425.5 million.
- Non-GAAP operating income between \$15.0 million and \$16.0 million.
- This implies year-over-year Non-GAAP operating margin improvement of roughly 220bps.
- Non-GAAP net income per share between \$0.22 and \$0.23 based on approximately 57.0 million weighted-average shares of common stock outstanding.

The Company's first 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, February 20, 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.

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 Q1 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; and 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. 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, 2022 filed with the SEC on February 22, 2023, as supplemented by our Quarterly Report on Form 10-Q for the quarter ended September 30, 2023 filed with the SEC on November 2, 2023, and our Annual Report on Form 10-K for the year ended December 31,

2023, to be filed with the SEC 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, amortization expense associated with the acquired intangible assets from the Tagger acquisition and tax expense due to changes in the valuation allowance 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, amortization expense and tax expense due to changes in valuation allowances, 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, amortization expense associated with the acquired intangible assets from the Tagger acquisition and tax expense due to changes in the valuation allowance associated with our acquisition of Tagger.

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, amortization expense associated with the acquired intangible assets from the Tagger acquisition and tax expense due to changes in the valuation allowance 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, amortization expense and tax expense due to changes in valuation allowances,

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 and tax expense due to changes in the valuation allowance associated with our acquisition of Tagger.

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 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.

Customer 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.

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 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 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.

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 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
www.twitter.com/SproutSocialIR
www.facebook.com/SproutSocialInc
www.linkedin.com/company/sprout-social-inc/
www.instagram.com/sproutsocial

Contact

Media:

Kaitlyn Gronek
Email: pr@sproutsocial.com
Phone: (773) 904-9674

Investors:

Jason Rechel
Twitter: @SproutSocialIR
Email: jason.rechel@sproutsocial.com
Phone: (312) 528-9166

Sprout Social, Inc.

Consolidated Statements of Operations (Unaudited)

(in thousands, except share and per share data)

	Three Months Ended December 31,	
	2023	2022
Revenue		
Subscription	\$ 92,224	\$ 69,165
Professional services and other	1,360	495
Total revenue	93,584	69,660
Cost of revenue(1)		
Subscription	20,597	15,126
Professional services and other	364	289
Total cost of revenue	20,961	15,415

Gross profit	72,623	54,245
Operating expenses		
Research and development(1)	22,661	16,719
Sales and marketing(1)	47,380	35,322
General and administrative(1)	20,805	15,353
Total operating expenses	90,846	67,394
Loss from operations	(18,223)	(13,149)
Interest expense	(1,544)	(25)
Interest income	1,210	1,363
Other income (expense), net	(118)	(22)
Loss before income taxes	(18,675)	(11,833)
Income tax (benefit) expense	1,402	109
Net loss	\$ (20,077)	\$ (11,942)
Net loss per share attributable to common shareholders, basic and diluted	\$ (0.36)	\$ (0.22)
Weighted-average shares outstanding used to compute net loss per share, basic and diluted	56,098,243	54,913,095

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

	Three Months Ended December 31,	
	2023	2022
Cost of revenue	\$ 895	\$ 603
Research and development	5,529	3,373
Sales and marketing	7,770	6,725
General and administrative	4,465	3,007
Total stock-based compensation expense	\$ 18,659	\$ 13,708

Sprout Social, Inc.
Consolidated Statements of Operations (Unaudited)
(in thousands, except share and per share data)

	Twelve Months Ended December 31,	
	2023	2022
Revenue		
Subscription	\$ 330,458	\$ 251,213
Professional services and other	3,185	2,615
Total revenue	333,643	253,828
Cost of revenue(1)		
Subscription	75,076	58,767
Professional services and other	1,192	1,091
Total cost of revenue	76,268	59,858
Gross profit	257,375	193,970
Operating expenses		
Research and development(1)	79,550	61,436
Sales and marketing(1)	168,091	123,695
General and administrative(1)	79,011	60,515
Total operating expenses	326,652	245,646
Loss from operations	(69,277)	(51,676)
Interest expense	(2,754)	(153)
Interest income	7,021	2,535
Other expense, net	(768)	(580)
Loss before income taxes	(65,778)	(49,874)
Income tax (benefit) expense	649	366
Net loss	\$ (66,427)	\$ (50,240)
Net loss per share attributable to common shareholders, basic and diluted	\$ (1.19)	\$ (0.92)
Weighted-average shares outstanding used to compute net loss per share, basic and diluted	55,664,404	54,611,616

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

	Twelve Months Ended December 31,	
	2023	2022
Cost of revenue	\$ 3,224	\$ 2,491
Research and development	18,478	11,280
Sales and marketing	30,116	23,066
General and administrative	15,886	10,901
Total stock-based compensation expense	\$ 67,704	\$ 47,738

Sprout Social, Inc.

Consolidated Balance Sheets (Unaudited)

(in thousands, except share and per share data)

	December 31, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 49,760	\$ 79,917
Marketable securities	44,645	92,929
Accounts receivable, net of allowances of \$2,177 and \$1,789 at December 31, 2023 and December 31, 2022, respectively	63,489	35,833
Deferred Commissions	27,725	20,369
Prepaid expenses and other assets	10,324	6,418
Total current assets	195,943	235,466
Marketable securities, noncurrent	3,699	12,995
Property and equipment, net	11,407	11,949
Deferred commissions, net of current portion	26,240	19,638
Operating lease, right-of-use asset	8,729	9,503
Goodwill	121,404	2,299
Intangible assets, net	28,065	2,006
Other assets, net	1,098	64

Total assets	\$ 396,585	\$ 293,920
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 6,933	\$ 4,988
Deferred revenue	140,536	95,740
Operating lease liability	3,948	3,499
Accrued wages and payroll related benefits	18,362	14,257
Accrued expenses and other	11,260	14,322
Total current liabilities	181,039	132,806
Revolving credit facility	55,000	-
Deferred revenue, net of current portion	920	490
Operating lease liability, net of current portion	15,083	18,287
Other non-current liabilities	351	-
Total liabilities	252,393	151,583
Stockholders' equity		
Class A common stock, par value \$0.0001 per share; 1,000,000,000 shares authorized; 52,133,594 and 49,241,563 shares issued and outstanding, respectively, at December 31, 2023; 50,413,415 and 47,562,911 shares issued and outstanding, respectively, at December 31, 2022		
	4	4
Class B common stock, par value \$0.0001 per share; 25,000,000 shares authorized; 7,201,140 and 6,994,196 shares issued and outstanding, respectively, at December 31, 2023; 7,667,376 and 7,460,432 shares issued and outstanding, respectively, at December 31, 2022		
	1	1
Additional paid-in capital	471,789	401,419
Treasury stock, at cost	(35,113)	(32,733)
Accumulated other comprehensive loss	(77)	(369)
Accumulated deficit	(292,412)	(225,985)
Total stockholders' equity	144,192	142,337
Total liabilities and stockholders' equity	\$ 396,585	\$ 293,920

Sprout Social, Inc.

Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	Three Months Ended December 31,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (20,077)	\$ (11,942)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization of property, equipment and software	835	732
Amortization of premium (accretion of discount) on marketable securities	(470)	(605)
Amortization of acquired intangible assets	1,604	257
Amortization of deferred commissions	7,518	5,328
Amortization of right-of-use operating lease asset	425	339
Amortization of line of credit issuance costs	52	-
Stock-based compensation expense	18,659	13,708
Provision for accounts receivable allowances	835	637
Tax expense due to change in valuation allowance from business acquisition	1,134	-
Changes in operating assets and liabilities, excluding impact from business acquisition		
Accounts receivable	(19,235)	(9,742)
Prepaid expenses and other current assets	3,979	2,083
Deferred commissions	(14,522)	(10,590)
Accounts payable and accrued expenses	(473)	2,243
Deferred revenue	18,051	11,185
Lease liabilities	(919)	(681)
Net cash (used in) provided by operating activities	(2,604)	2,952
Cash flows from investing activities		
Expenditures for property and equipment	(629)	(397)
Payments for business acquisition, net of cash acquired	143	-
Purchases of marketable securities	-	(54,220)
Proceeds from maturity of marketable securities	32,657	35,744

Net cash (used in) provided by investing activities	32,171	(18,873)
Cash flows from financing activities		
Borrowings from line of credit	-	-
Repayments of line of credit	(20,000)	
Payments for line of credit issuance costs	(208)	-
Proceeds from exercise of stock options	-	2
Proceeds from employee stock purchase plan	912	1,048
Employee taxes paid related to the net share settlement of stock-based awards	(537)	(353)
Net cash provided by (used in) financing activities	(19,833)	697
Net decrease in cash, cash equivalents, and restricted cash	9,734	(15,224)
Cash, cash equivalents, and restricted cash		
Beginning of period	43,961	95,141
End of period	\$ 53,695	\$ 79,917

Sprout Social, Inc.

Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	Twelve Months Ended December 31,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (66,427)	\$ (50,240)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization of property, equipment and software	3,137	2,859
Amortization of line of credit issuance costs	86	30
Amortization of premium (accretion of discount) on marketable securities	(3,203)	(625)
Amortization of acquired intangible assets	3,541	1,039
Amortization of deferred commissions	26,582	18,638
Amortization of right-of-use operating lease asset	1,553	1,035

Stock-based compensation expense	67,704	47,738
Provision for accounts receivable allowances	2,418	1,199
Changes in operating assets and liabilities, excluding impact from business acquisition		
Accounts receivable	(26,982)	(11,549)
Prepaid expenses and other current assets	444	(125)
Deferred commissions	(40,540)	(30,328)
Accounts payable and accrued expenses	(226)	7,051
Deferred revenue	41,918	26,878
Lease liabilities	(3,549)	(2,932)
Net cash provided by operating activities	<u>6,456</u>	<u>10,668</u>
Cash flows from investing activities		
Expenditures for property and equipment	(2,073)	(1,824)
Payments for business acquisition, net of cash acquired	(145,636)	-
Purchases of marketable securities	(63,085)	(189,962)
Proceeds from maturity of marketable securities	118,621	154,114
Proceeds from sale of marketable securities	5,538	-
Net cash used in investing activities	<u>(86,635)</u>	<u>(37,672)</u>
Cash flows from financing activities		
Borrowings from line of credit	75,000	-
Repayments of line of credit	(20,000)	-
Payments for line of credit issuance costs	(1,031)	(23)
Proceeds from exercise of stock options	29	16
Proceeds from employee stock purchase plan	2,339	1,723
Employee taxes paid related to the net share settlement of stock-based awards	(2,380)	(1,909)
Net cash provided by (used in) financing activities	<u>53,957</u>	<u>(193)</u>
Net decrease in cash, cash equivalents and restricted cash	(26,222)	(27,197)
Cash, cash equivalents, and restricted cash		
Beginning of period	<u>79,917</u>	<u>107,114</u>
End of period	<u>\$ 53,695</u>	<u>\$ 79,917</u>

The following schedule reflects our non-GAAP financial measures and reconciles our non-GAAP financial measures to the related GAAP financial measures (in thousands, except per share data):

Reconciliation of Non-GAAP Financial Measures

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2023	2022	2023	2022
Reconciliation of Non-GAAP gross profit				
Gross profit	\$ 72,623	\$ 54,245	\$ 257,375	\$ 193,970
Stock-based compensation expense	895	603	3,224	2,491
Amortization of acquired developed technology	705	-	1,175	-
Non-GAAP gross profit	\$ 74,223	\$ 54,848	\$ 261,774	\$ 196,461
Reconciliation of Non-GAAP operating income (loss)				
Loss from operations	\$ (18,223)	\$ (13,149)	\$ (69,277)	\$ (51,676)
Stock-based compensation expense	18,659	13,708	67,704	47,738
Acquisition-related expenses	51	-	4,272	-
Amortization of acquired intangible assets	1,213	-	2,022	-
Non-GAAP operating income (loss)	\$ 1,700	\$ 559	\$ 4,721	\$ (3,938)
Reconciliation of Non-GAAP net income (loss)				
Net loss	\$ (20,077)	\$ (11,942)	\$ (66,427)	\$ (50,240)
Stock-based compensation expense	18,659	13,708	67,704	47,738
Acquisition-related expenses	51	-	4,272	-
Amortization of acquired intangible assets	1,213	-	2,022	-
Tax expense due to change in valuation allowance from business acquisition	1,134	-	-	-
Non-GAAP net income (loss)	\$ 980	\$ 1,766	\$ 7,571	\$ (2,502)
Reconciliation of Non-GAAP net income (loss) per share				
Net loss per share attributable to common shareholders, basic and diluted	\$ (0.36)	\$ (0.22)	\$ (1.19)	\$ (0.92)
Stock-based compensation expense	0.34	0.25	1.22	0.87
Acquisition-related expenses	-	-	0.08	-

Amortization of acquired intangible assets	0.02	-	0.03	-
Tax expense due to change in valuation allowance from business acquisition	0.02	-	-	-
Non-GAAP net income (loss) per share	\$ 0.02	\$ 0.03	\$ 0.14	\$ (0.05)

Reconciliation of Non-GAAP free cash flow

Net cash provided by operating activities	\$ (2,604)	\$ 2,952	\$ 6,456	\$ 10,668
Expenditures for property and equipment	(629)	(397)	(2,073)	(1,824)
Acquisition-related costs	1,366	-	4,272	-
Interest paid on credit facility	1,588	-	1,588	-
Non-GAAP free cash flow	\$ (279)	\$ 2,555	\$ 10,243	\$ 8,844