4th Quarter and Full-Year 2022 Results

February 21, 2023

Safe Harbor Statement

This presentation and the accompanying oral presentation contain forward-looking statements and information that are based on our management's beliefs and assumptions and on information currently available to our management. The statements and information contained in this presentation that are not purely historical are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements, including statements about: our ability to accelerate subscription revenue growth and improve profitability; our continued sales success and emphasis on cost management; our ability to drive sustained growth and margin expansion for 2023 and beyond; our continued focus on margin accretive growth opportunities, efficiencies and enhanced productivity initiatives; our ability to drive meaningful adjusted EBITDA margin and cash flow expansion in 2023; and, Q2's quarterly and annual financial guidance.

Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipates," "believes," "could," "seeks," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "should," "will," "would, " "strategy," "future," "likely" or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking statements represent our management's beliefs and assumptions only as of the date of this presentation. These statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in some cases beyond our control. Factors that may cause such differences include, but are not limited to, the risks described in our earnings press release for the quarter ending December 31, 2022 and under "Risk Factors" in our Annual Report on Form 10-K and those discussed in other documents we file and furnish with the SEC. Except as required by law, we assume no obligation to update these forward-looking statements publicly, or to update the reasons actual results could differ materially from those anticipated in the forward-looking statements, even if new information becomes available in the future.

This presentation includes references to adjusted EBITDA, which is a non-GAAP financial measure under SEC rules. We define adjusted EBITDA as net loss before, as applicable for the period discussed, interest, taxes, depreciation and amortization, stock-based compensation, acquisition-related costs, lease and other restructuring charges, loss on extinguishment of debt, deferred revenue reduction from purchase accounting. This presentation also references non-GAAP revenue, which excludes the impact of purchase accounting. This presentation also references non-GAAP gross margin, which adjusts GAAP gross margin to exclude the effects of stock-based compensation, amortization of acquired technology acquisition related costs and deferred revenue reduction from purchase accounting. Management believes that these non-GAAP measures are useful measures of operating performance because they exclude items that we do not consider indicative of our core performance. However, these non-GAAP financial measures should be considered in addition to, not as a substitute for or superior to, the most directly comparable GAAP measure, or other financial measures prepared in accordance with GAAP. Our management uses these non-GAAP financial measures as a measure of operating performance; to prepare our annual operating budget; to allocate resources to enhance the financial performance of our business; to evaluate the effectiveness of our business strategies; to provide consistency and comparability with past financial performance; to facilitate a comparison of our results with those of other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and in communication with our board of directors concerning our financial performance. A reconciliation to the closest GAAP measures of these non-GAAP measures is contained in tabular form at the end of this presentation. A reconciliation of forward-looking adjusted EBITDA guidance used in this presentation to GAAP net loss is not available without unreasonable effort due to the uncertainty regarding, and the potential variability of, certain of the adjustments required to calculate adjusted EBITDA that may be incurred in the future.

Unless otherwise indicated, all financial measures discussed in this presentation are presented on a non-GAAP basis.

Full Year 2022 Review

$433.4M
End of Year balance of cash, cash equivalents & investments[3]

$655.2M
End of Year Annualized Recurring Revenue[1]

$36.9M
in Adjusted EBITDA[4]

$566.3M[3]
NON-GAAP REVENUE

$1.49B
ending backlog as of December 31, 2022

13%
non-GAAP revenue growth year-over-year[4]

19
Enterprise and Tier One Digital Banking and Lending Platform Wins[2]

Q2

[1] Total Annualized Recurring Revenue as of December 31, 2022. [2] Number of contracts signed with customers above $5 billion in assets (Tier 1) and $50 billion in assets (Enterprise) collectively, to utilize our digital banking or lending platform, respectively, throughout the full year 2022. [3] As of December 31, 2022. [4] For the full year ended December 31, 2022.

4th Quarter & Full-Year 2022 Review

		4Q'22		FY'22		Customer Termination Impact to 4Q'22 & FY'22 Results[1]
		Totals	Y/Y Change	Totals	Y/Y Change	
GAAP	Revenue	$146,542	11%	$565,673	13%	($3,071)
GAAP	Gross Profit	$66,202	11%	$256,345	14%	($3,771)
GAAP	Net Loss	($32,411)	28%	($108,983)	(3%)	($3,933)
Non-GAAP	Revenue	$146,671	11%	$566,317	13%	($3,071)
Non-GAAP	Gross Profit	$75,542	11%	$291,982	12%	($3,771)
Non-GAAP	Adj EBITDA	$8,350	(23%)	$36,891	(3%)	($3,933)

$ in thousands

"We closed out the year with strong execution across the business and believe we have positioned ourselves well to accelerate subscription revenue growth and improve profitability."

"Our fourth quarter was the largest sales quarter in company history, with several Tier 1 and Enterprise deals across the business, and I was particularly pleased with our digital banking performance in the Tier 2 space. Our continued sales success and emphasis on cost management give me confidence in our ability to drive sustained growth and margin expansion for 2023 and beyond."

Matt Flake
President and CEO

[1]During the fourth quarter, the company executed a mutual termination of a contract with an international alternative finance customer. This resulted in a negative impact to revenue of $3.1 million, an impact to gross profit of $3.8 million, and an impact to adjusted EBITDA of $3.9 million for the fourth quarter. Please see the table at the end of the financial table below for more information regarding these impacts.

4th Quarter Highlights

Q2

Continued Success Across the Business

1 Tier 1

Digital Banking Platform

- Tier 1 digital banking contract to utilize our commercial and SMB banking solutions.
- Tier 2 digital banking contract, our largest single deal in the quarter, to utilize our retail, small business, and commercial solutions.

2 Enterprise & 2 Tier 1

Digital Lending Platform

- Expansion with an Enterprise, Top 10 U.S. bank
- Expansion with an Enterprise, Top 5 Canadian bank
- Two New Tier 1 U.S. banks
- Multiple digital loan and leasing contracts including a leasing agreement with a multinational auto manufacturer.

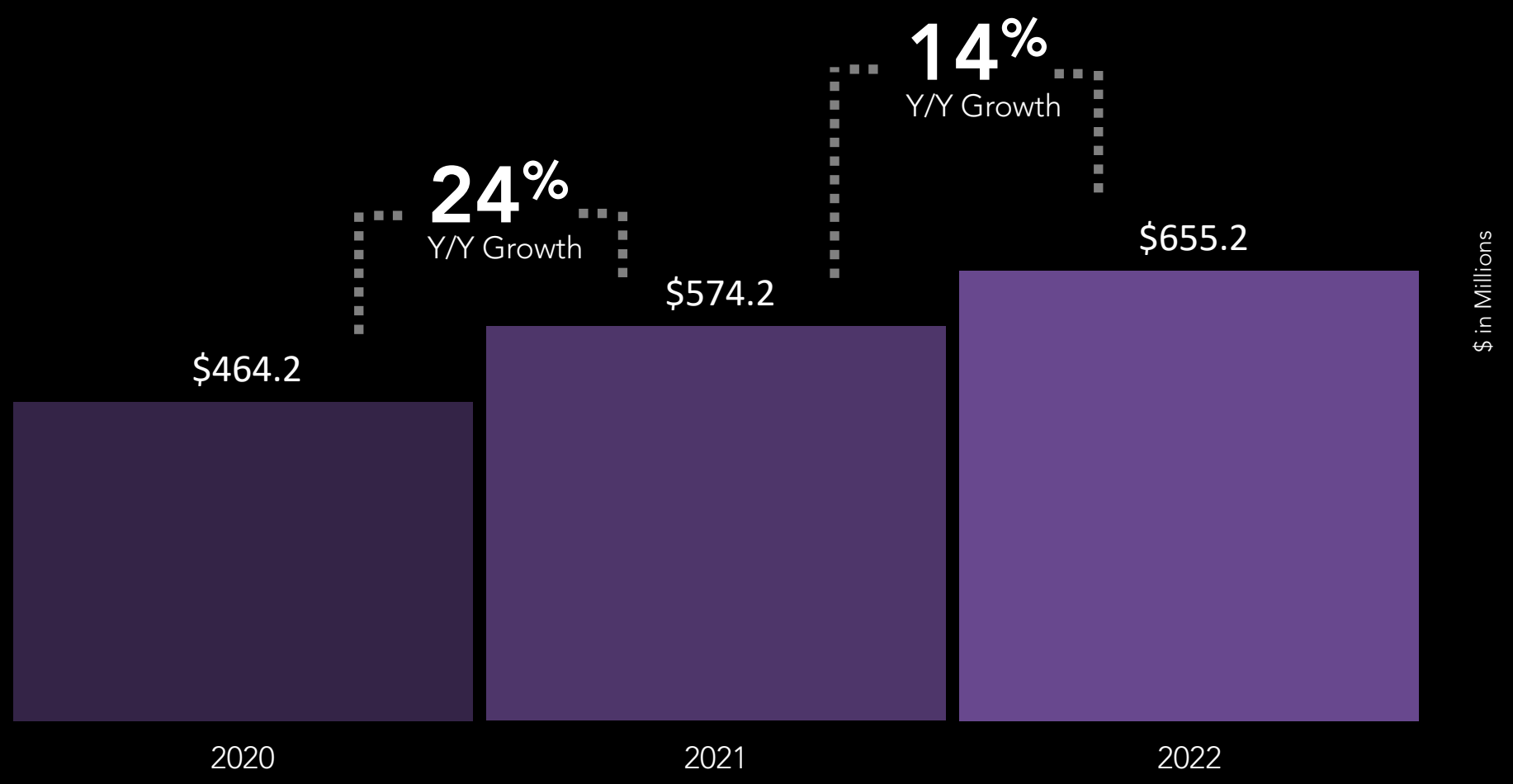
helix

- Signed a multi-year renewal with one of our largest Helix customers.
- Exited the year with over 13 million users on our CorePro platform.

See the "Customer Tiering" definition in the Appendix to this presentation for further information on how we define Enterprise and the various Tiers of our customers.

Annualized Recurring Revenue

Year-over-year growth driven largely by new and cross sale subscription-based bookings



Annualized Recurring Revenue (ARR) is defined in the appendix of this presentation.

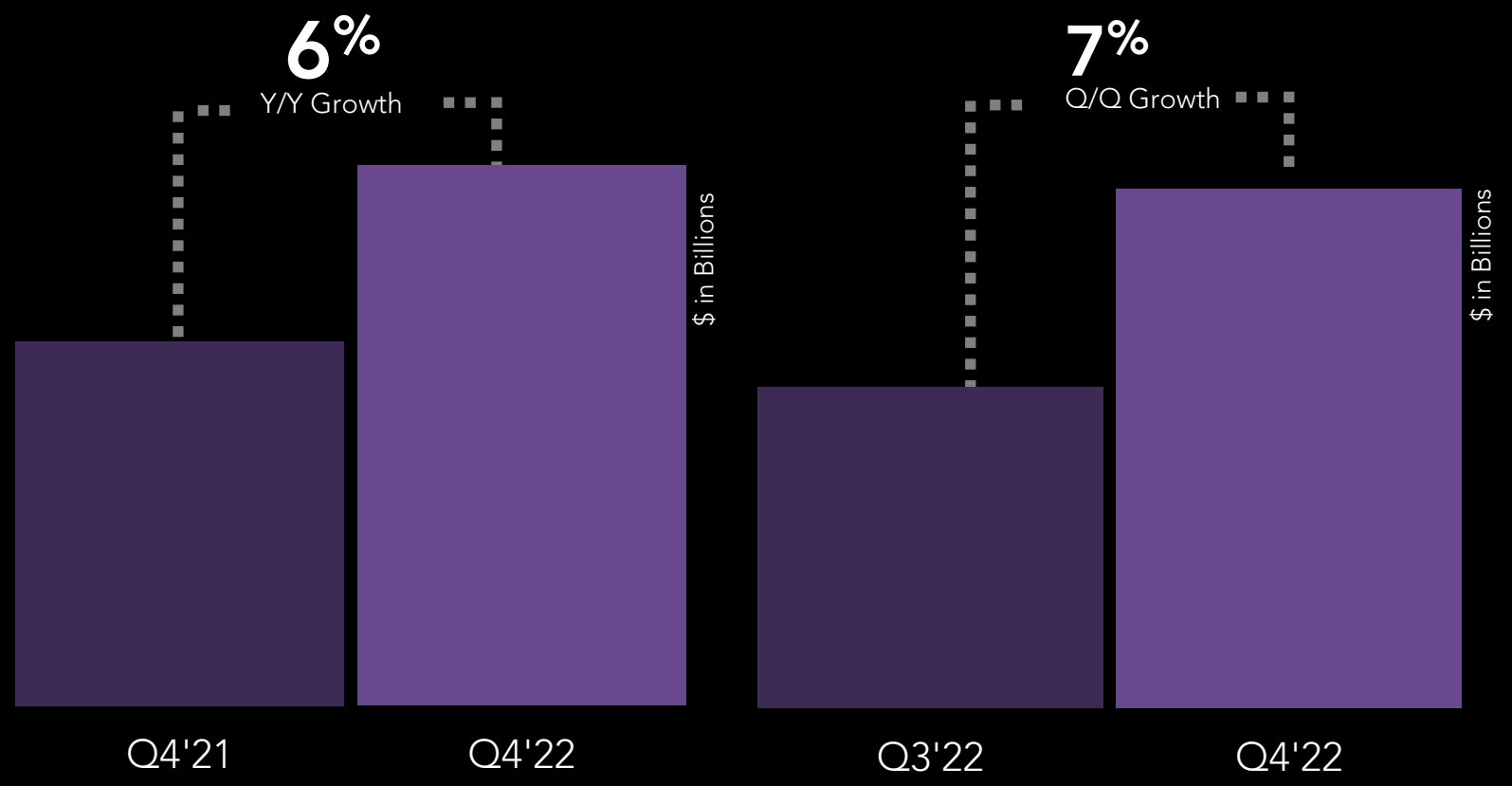
Remaining Performance Obligation, “Backlog”

Year-over-year growth driven from Net New Deals. Fourth quarter strongest bookings quarter in company history.

$1.49B

RPO Balance as of Dec 31, 2022

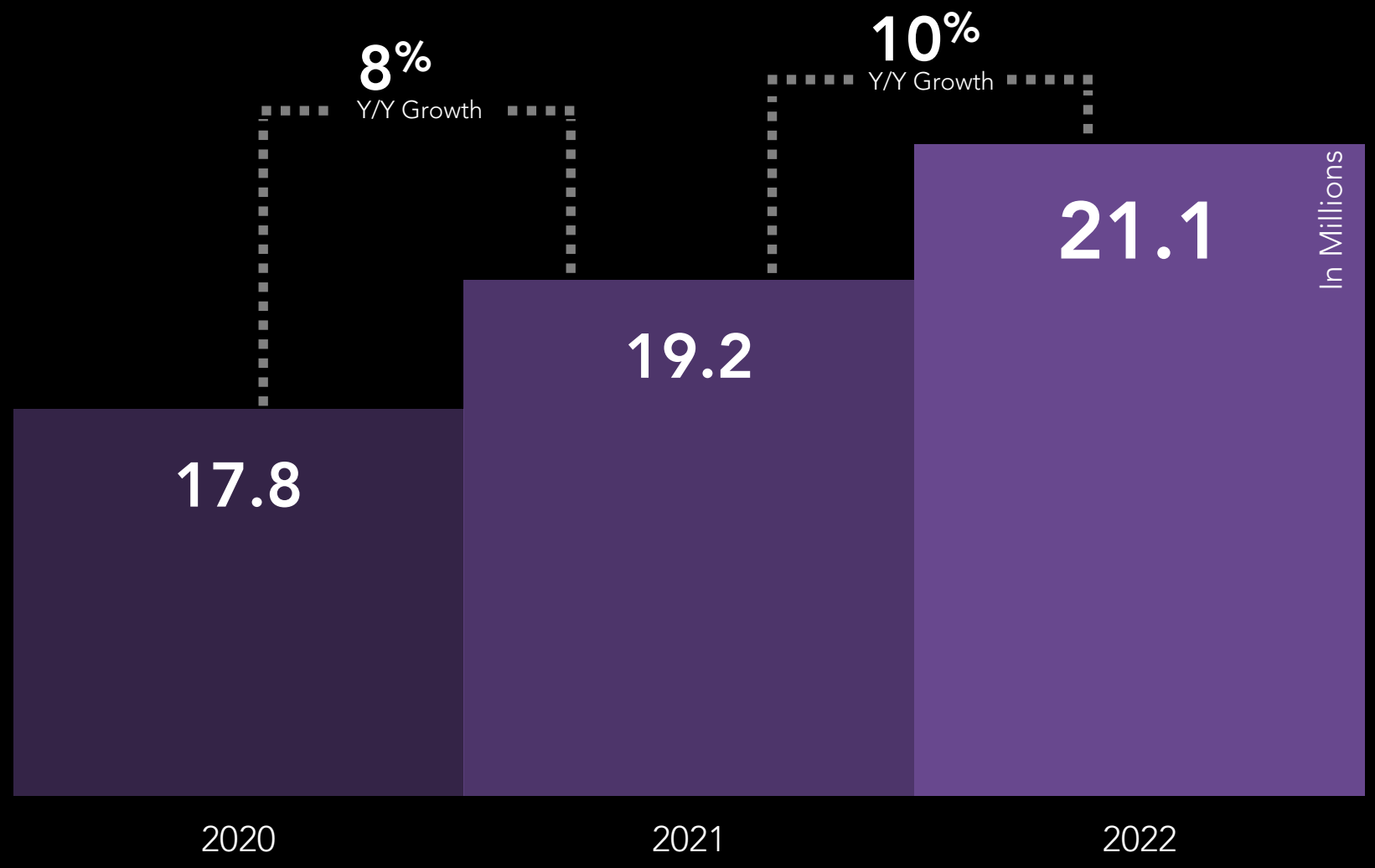
RPO Expected to be Recognized in the Next:	% of Total RPO Amount
24 months	**50%**
25-48 months	**36%**



Remaining Performance Obligation, or “Backlog”, represents contracted revenue minimums that have not yet been recognized, including amounts that are contracted to be invoiced and recognized as revenue in future periods.

Registered User Growth

Full-Year User growth acceleration driven by increasing number of go-lives



Added over
1.9M Users
in Full-Year 2022

Q2

[1] Registered Users as defined in the appendix of this presentation.

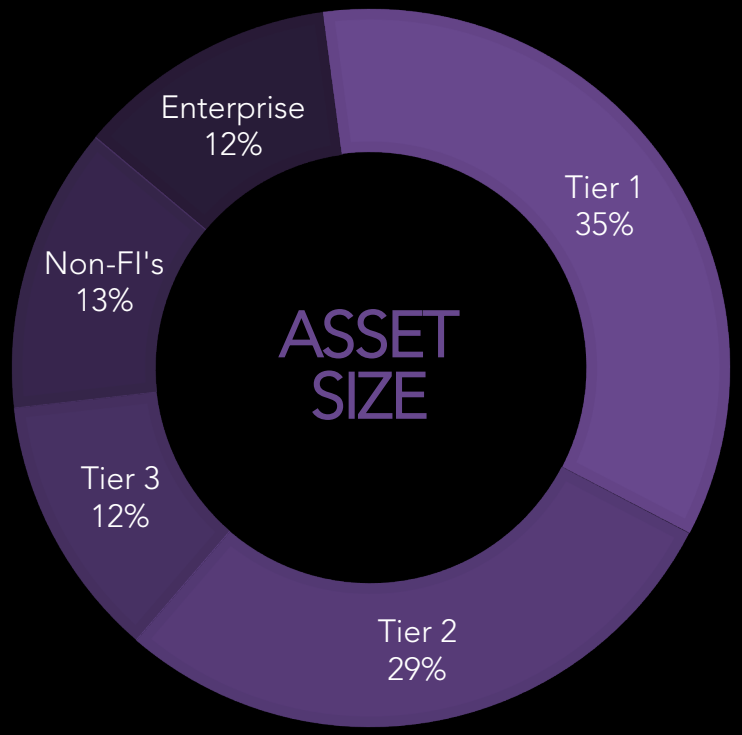
Revenue Growth from Existing Digital Banking Platform Customers

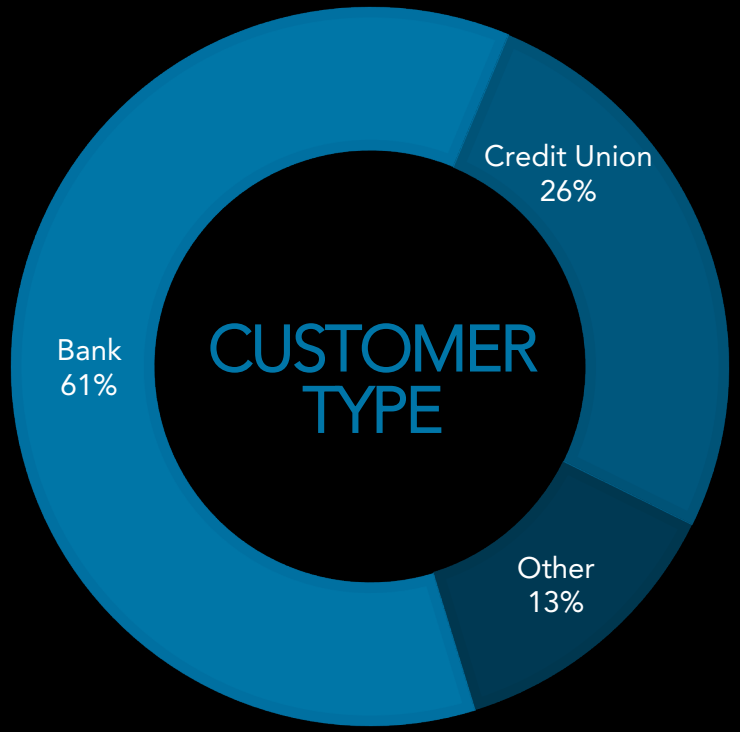
Revenue growth over time driven by organic user growth and product adoption

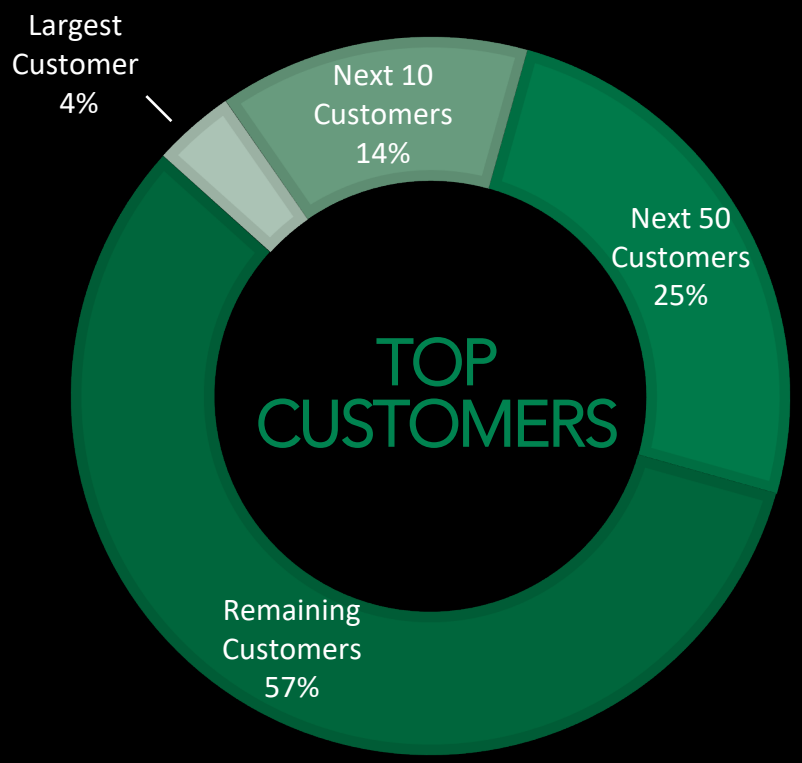
[1] Represents the average customer increase in contracted revenue from all digital banking platform customers that went live from 2012 through 2022, for 12 months, 24 months, 36 months, and 48 months, respectively.

Revenue Breakout

Diverse base of customers across asset size and customer type







Based on full year 2022 Non-GAAP revenue results. See "Customer Tiering" in the Appendix to this presentation for further information on how we define the various Tiers of our customers.

Financial Outlook

Representing 12-13% full year revenue growth and full year adjusted EBITDA margins of ~10%

	Q1 2023		Full Year 2023	
	Low	High	Low	High
Non-GAAP Revenue	$149.0	$152.0	$632.0	$640.0
Adj EBITDA	$10.0	$12.5	$62.0	$66.0

$ In Millions

$ In Millions

As of February 21, 2023, Q2 Holdings is providing guidance for its first quarter of 2023 and full-year 2023, which represents Q2 Holdings' current estimates on Q2 Holdings' operations and financial results. The financial information above represents forward-looking, non-GAAP financial information, including estimates of non-GAAP revenue and adjusted EBITDA. GAAP net loss is the most comparable GAAP measure to adjusted EBITDA. Adjusted EBITDA differs from GAAP net loss in that it excludes items such as depreciation and amortization, stock-based compensation, acquisition-related costs, interest and other (income) expense, income taxes, lease and other restructuring charges, loss on extinguishment of debt and the impact to deferred revenue from purchase accounting. Q2 Holdings is unable to predict with reasonable certainty the ultimate outcome of these exclusions without unreasonable effort. Therefore, Q2 Holdings has not provided guidance for GAAP net loss or a reconciliation of the foregoing forward-looking adjusted EBITDA guidance to GAAP net loss. However, it is important to note that these excluded items could be material to our results computed in accordance with GAAP in future periods.

Appendix

Strong Visibility, Increasing Profitability, Expanding Opportunity

Long Runway to sustain High Growth and Margin Expansion

+1,400 Total Customers[1]	**14%** YoY Growth in ARR[2]	**+5 Years** Avg. Contract Length[3]	**+70%** Subscription revenue as a % of Total[4]
444 Digital Banking Platform Customers[5]	**+80%** ASP increase over last 5 years[6]	**~21.1M** Registered End Users[7]	**54%** Avg. Customer Contracted Revenue Growth at 48 months[8]

$15B Total Addressable Market[9]

Intermediate Target

YoY Revenue Growth + Adj EBITDA Margins =

~30%

Late 2024

[1] Total numbers of customers signed as of December 31, 2022. [2] Annualized Recurring Revenue (ARR) growth as measured from the total balance on December 31, 2022 compared to the total balance of ARR on December 31, 2021. [3] For digital Banking platform customers as of December 31, 2022. [4] Non-GAAP subscription revenue as a percentage of total company revenue for the full year of 2022. [5] Installed Digital Banking customers as of December 31, 2022. [6] Average selling price is derived from digital banking platform deals sold within each respective time period. [7] Registered end users on our digital banking platform, as of December 31, 2022 . [8] Based on digital banking platform customers that went live from 2012-2022. Growth of contracted recurring revenue by Q2 platform customers 48 months after implementation. [9] We believe our expanded solution offerings and the continued growth of our customer base and market opportunity have increased the addressable market for our solutions to greater than $15.0 billion as discussed in our 10-K filed on February 21st, 2023.

Condensed Consolidated Balance Sheets

Q2 Holdings, Inc.
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	December 31, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 199,600	$ 322,848
Restricted cash	2,302	2,973
Investments	233,753	104,878
Accounts receivable, net	46,735	46,979
Contract assets, current portion, net	8,909	1,845
Prepaid expenses and other current assets	10,832	10,531
Deferred solution and other costs, current portion	21,117	25,076
Deferred implementation costs, current portion	7,828	7,320
Total current assets	531,076	522,450
Property and equipment, net	56,695	66,608
Right of use assets	39,837	52,278
Deferred solution and other costs, net of current portion	26,410	26,930
Deferred implementation costs, net of current portion	18,713	17,039
Intangible assets, net	145,681	162,461
Goodwill	512,869	512,869
Contract assets, net of current portion and allowance	16,186	22,103
Other long-term assets	2,259	2,307
Total assets	$ 1,349,726	$ 1,385,045
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 54,263	$ 60,665
Convertible notes, current portion	10,903	-
Deferred revenues, current portion	117,468	98,692
Lease liabilities, current portion	9,408	9,001
Total current liabilities	192,042	168,358
Convertible notes, net of current portion	657,789	551,598
Deferred revenues, net of current portion	21,691	29,168
Lease liabilities, net of current portion	52,991	61,374
Other long-term liabilities	6,189	4,251
Total liabilities	930,702	814,749
Stockholders' equity:		
Common stock	6	6
Additional paid-in capital	982,300	1,064,358
Accumulated other comprehensive loss	(2,972)	(135)
Accumulated deficit	(560,310)	(493,933)
Total stockholders' equity	419,024	570,296
Total liabilities and stockholders' equity	$ 1,349,726	$ 1,385,045

Q2

Condensed Consolidated Statements of Comprehensive Loss

Q2 Holdings, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands, except per share data)
(unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
Revenues [1]	$ 146,542	$ 131,891	$ 565,673	$ 498,720
Cost of revenues [2]	80,340	72,407	309,328	273,685
Gross profit	66,202	59,484	256,345	225,035
Operating expenses:				
Sales and marketing	28,505	22,497	108,214	85,564
Research and development	34,041	29,965	130,103	116,952
General and administrative	23,696	20,025	90,163	77,915
Acquisition related costs	294	176	1,176	2,690
Amortization of acquired intangibles	4,982	4,436	18,248	17,901
Lease and other restructuring charges (benefit) [3]	7,171	(48)	13,202	2,008
Total operating expenses	98,689	77,051	361,106	303,030
Loss from operations	(32,487)	(17,567)	(104,761)	(77,995)
Total other income (expense), net	811	(7,080)	(1,314)	(33,108)
Loss before income taxes	(31,676)	(24,647)	(106,075)	(111,103)
Provision for income taxes	(735)	(734)	(2,908)	(1,643)
Net loss	$ (32,411)	$ (25,381)	$ (108,983)	$ (112,746)
Other comprehensive loss:				
Unrealized gain (loss) on available-for-sale investments	490	(210)	(1,873)	(213)
Foreign currency translation adjustment	141	(19)	(964)	110
Comprehensive loss	$ (31,780)	$ (25,610)	$ (111,820)	$ (112,849)
Net loss per common share:				
Net loss per common share, basic and diluted	$ (0.56)	$ (0.45)	$ (1.90)	$ (2.00)
Weighted average common shares outstanding, basic and diluted	57,582	56,846	57,300	56,394

(1) Includes deferred revenue reduction from purchase accounting of $0.1 million and $0.5 million for the three months ended December 31, 2022 and 2021, respectively, and $0.6 million and $2.1 million for the twelve months ended December 31, 2022 and 2021, respectively.

(2) Includes amortization of acquired technology of $5.9 million and $5.6 million for the three months ended December 31, 2022 and 2021, respectively, and $22.7 million and $22.0 million for the twelve months ended December 31, 2022 and 2021, respectively.

(3) Lease and other restructuring charges include costs related to the early vacating of various facilities and any related impairment of the right of use assets, partially offset by anticipated sublease income from these facilities and severance and other related compensation charges.

Condensed Consolidated Statements of Cash Flows

Q2 Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Twelve Months Ended December 31,	
	2022	**2021**
Cash flows from operating activities:		
Net loss	$ (108,983)	$ (112,746)
Adjustments to reconcile net loss to net cash from operating activities:		
Amortization of deferred implementation, solution and other costs	23,270	24,496
Depreciation and amortization	61,659	54,833
Amortization of debt issuance costs	2,719	2,038
Amortization of debt discount	-	25,824
Amortization of premiums on investments	(302)	1,117
Stock-based compensation expense	65,157	55,903
Deferred income taxes	1,611	180
Loss on extinguishment of debt	-	1,513
Other non-cash charges	11,919	2,411
Changes in operating assets and liabilities	(20,494)	(24,477)
Net cash provided by operating activities	36,556	31,092
Cash flows from investing activities:		
Net maturities (purchases) of investments	(130,463)	25,142
Purchases of property and equipment	(11,142)	(19,754)
Business combinations, net of cash acquired	(5,040)	(64,652)
Capitalized software development costs	(18,910)	(5,865)
Net cash used in investing activities	(165,555)	(65,129)
Cash flows from financing activities:		
Payments for repurchases of convertible notes	-	(63,692)
Proceeds from bond hedges related to convertible notes	-	26,295
Payments for warrants related to convertible notes	-	(19,655)
Proceeds from exercise of stock options and ESPP	5,882	5,892
Net cash provided by (used in) financing activities	5,882	(51,160)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(802)	(167)
Net decrease in cash, cash equivalents, and restricted cash	(123,919)	(85,364)
Cash, cash equivalents, and restricted cash, beginning of period	325,821	411,185
Cash, cash equivalents, and restricted cash, end of period	$ 201,902	$ 325,821

Q2

Reconciliation of GAAP to Non-GAAP Measures

Q2 Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Measures
(in thousands, except per share data)
(unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
GAAP revenue	$ 146,542	$ 131,891	$ 565,673	$ 498,720
Deferred revenue reduction from purchase accounting	129	452	644	2,129
Non-GAAP revenue	$ 146,671	$ 132,343	$ 566,317	$ 500,849
GAAP gross profit	$ 66,202	$ 59,484	$ 256,345	$ 225,035
Stock-based compensation	3,290	2,564	12,262	10,590
Amortization of acquired technology	5,880	5,604	22,690	21,969
Acquisition related costs	18	82	18	409
Lease and other restructuring charges (benefit)	23	-	23	-
Deferred revenue reduction from purchase accounting	129	452	644	2,129
Non-GAAP gross profit	$ 75,542	$ 68,186	$ 291,982	$ 260,132
Non-GAAP gross margin:				
Non-GAAP gross profit	$ 75,542	$ 68,186	$ 291,982	$ 260,132
Non-GAAP revenue	146,671	132,343	566,317	500,849
Non-GAAP gross margin	51.5%	51.5%	51.6%	51.9%
GAAP sales and marketing expense	$ 28,505	$ 22,497	$ 108,214	$ 85,564
Stock-based compensation	(3,755)	(2,801)	(15,379)	(11,153)
Non-GAAP sales and marketing expense	$ 24,750	$ 19,696	$ 92,835	$ 74,411
GAAP research and development expense	$ 34,041	$ 29,965	$ 130,103	$ 116,952
Stock-based compensation	(3,624)	(3,234)	(13,987)	(13,273)
Non-GAAP research and development expense	$ 30,417	$ 26,731	$ 116,116	$ 103,679
GAAP general and administrative expense	$ 23,696	$ 20,025	$ 90,163	$ 77,915
Stock-based compensation	(6,188)	(4,944)	(23,529)	(19,318)
Non-GAAP general and administrative expense	$ 17,508	$ 15,081	$ 66,634	$ 58,597

Q2 Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Measures
(in thousands, except per share data)
(unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2022	2021	2022	2021
GAAP operating loss	$ (32,487)	$ (17,567)	$ (104,761)	$ (77,995)
Deferred revenue reduction from purchase accounting	129	452	644	2,129
Stock-based compensation	16,857	13,543	65,157	54,334
Acquisition related costs	312	258	1,194	3,099
Amortization of acquired technology	5,880	5,604	22,690	21,969
Amortization of acquired intangibles	4,982	4,436	18,248	17,901
Lease and other restructuring charges (benefit)	7,194	(48)	13,225	2,008
Non-GAAP operating income	$ 2,867	$ 6,678	$ 16,397	$ 23,445
GAAP net loss	$ (32,411)	$ (25,381)	$ (108,983)	$ (112,746)
Deferred revenue reduction from purchase accounting	129	452	644	2,129
Loss on extinguishment of debt	-	-	-	1,513
Stock-based compensation	16,857	13,543	65,157	54,334
Acquisition related costs	312	258	1,194	3,099
Amortization of acquired technology	5,880	5,604	22,690	21,969
Amortization of acquired intangibles	4,982	4,436	18,248	17,901
Lease and other restructuring charges (benefit)	7,194	(48)	13,225	2,008
Amortization of debt discount and issuance costs	676	6,914	2,719	27,862
Non-GAAP net income	$ 3,619	$ 5,778	$ 14,894	$ 18,069
Reconciliation from diluted weighted-average number of common shares as reported to Non-GAAP diluted weighted-average number of common shares				
Diluted weighted-average number of common shares, as reported	57,582	56,846	57,300	56,394
Non-GAAP weighted-average effect of potentially dilutive shares	198	488	322	966
Non-GAAP diluted weighted-average number of common shares	57,780	57,334	57,622	57,360
Calculation of non-GAAP income per share:				
Non-GAAP net income	$ 3,619	$ 5,778	$ 14,894	$ 18,069
Non-GAAP diluted weighted-average number of common shares	57,780	57,334	57,622	57,360
Non-GAAP net income per share	$ 0.06	$ 0.10	$ 0.26	$ 0.32
Reconciliation of GAAP net loss to adjusted EBITDA:				
GAAP net loss	$ (32,411)	$ (25,381)	$ (108,983)	$ (112,746)
Depreciation and amortization	16,422	14,253	61,659	54,833
Stock-based compensation	16,857	13,543	65,157	54,334
Provision for income taxes	735	734	2,908	1,643
Interest and other (income) expense, net	(888)	7,007	1,087	31,063
Acquisition related costs	312	258	1,194	3,099
Lease and other restructuring charges (benefit)	7,194	(48)	13,225	2,008
Loss on extinguishment of debt	-	-	-	1,513
Deferred revenue reduction from purchase accounting	129	452	644	2,129
Adjusted EBITDA	$ 8,350	$ 10,818	$ 36,891	$ 37,876

Reconciliation of GAAP to Non-GAAP Revenue Guidance

Q2 Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Revenue Outlook
(in thousands)

	Q1 2023 Outlook		Full Year 2023 Outlook	
	Low	High	Low	High
GAAP revenue	$ 148,884	$ 151,884	$ 631,655	$ 639,655
Deferred revenue reduction from purchase accounting	116	116	345	345
Non-GAAP revenue	$ 149,000	$ 152,000	$ 632,000	$ 640,000

This table reflects the reconciliation provided by Q2 in its earnings release on February 21, 2023 for the quarter and year ending December 31, 2022 and should be interpreted in this presentation as having been made as of that date. Q2 is not updating such prior guidance as of the date of this presentation.

Impacts of Customer Termination

Q2 Holdings, Inc.
Impacts of Impairment Charge
(in thousands)

	Three Months Ended December 31, 2022 (unaudited)
Impact to revenue:	
Accounts receivable and contract asset impairment charge	$ (3,071)
Impact to cost of revenue:	
Cost of revenues expenses	700
Impact to operating expenses:	
Deferred commissions	162
Total impact to adjusted EBITDA	$ (3,933)

Definitions

Adjusted EBITDA: We define adjusted EBITDA as net loss before depreciation, amortization, stock-based compensation, certain costs related to our recent acquisitions, (benefit from) provision for income taxes, interest and other (income) expense, net, deferred revenue reduction from purchase accounting, loss on extinguishment of debt, and lease and other restructuring charges. We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results for the following reasons:

- adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;
- our management uses adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, in the preparation of our annual operating budget, as a measure of our operating performance, to assess the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance;
- adjusted EBITDA provides more consistency and comparability with our past financial performance, facilitates period-to-period comparisons of our operations and also facilitates comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and
- our investor and analyst presentations may include adjusted EBITDA as a supplemental measure of our overall operating performance.

Annualized Recurring Revenue: We believe Annualized Recurring Revenue, or ARR, provides important information about our future revenue potential, our ability to acquire new clients, and our ability to maintain and expand our relationship with existing clients. We calculate ARR as the annualized value of all recurring revenue recognized in the last month of the reporting period, with the exception of variable revenue in excess of contracted amounts for which we instead take the average monthly run rate of the trailing three months within that reporting period. Our ARR also includes the contracted minimums associated with all contracts in place at the end of the quarter that have not yet commenced, and revenue generated from Premier Services. Premier Services revenue is generated from select established customer relationships where we have engaged with the customer for more tailored, premium professional services resulting in a deeper and ongoing level of engagement with them, which we deem to be recurring in nature. ARR does not include revenue from professional services or other sources of revenue that are not deemed to be recurring in nature. ARR is not a forecast of future revenue, which can be impacted by contract start and end dates and renewal rates. ARR should be viewed independently of revenue and deferred revenue as ARR is an operating metric and is not intended to be combined with or replace these items. Our use of ARR has limitations as an analytical tool, and investors should not consider it in isolation. Other companies in our industry may calculate ARR differently, which reduces its usefulness as a comparative measure. Variable revenue considerations are described in detail in our Form 10-Q to be filed this week.

Definitions

Cloud Lending Platform: Our Q2 Cloud Lending, or CL, digital lending platform is a cloud-based, end-to-end lending solution that allows financial institutions, FinTechs and Alt-FIs to automate and digitize their lending activities, supporting digital lending applications, scoring, underwriting, servicing and collections for multiple assets classes.

Contracted Revenue: We refer to contracted recurring revenue as being inclusive of all revenue recognized relating to contracted minimums in addition to variable revenue in excess of contracted amounts. Contracted recurring revenue does not include revenue from professional services or other sources of revenue that are not deemed to be recurring in nature.

Customers: We define customers as individuals or entities that have purchased one or more of our products under a unique customer identification number since our inception and individuals or entities that are contracted for at least one of our products. Each unique customer identification number constitutes a separate customer regardless of the amount purchased.

Customer Tiering: For our financial institution customers, we may refer to their designated tiering, which we use to group customers based upon the total assets they report. We define "Enterprise" customers as having total assets equal to or greater than $50 billion. We define "Tier 1" customers as having total assets equal to or greater than $5 billion but less than $50 billion. We define "Tier 2" customers as having total assets equal to or greater than $1 billion but less than $5 billion. We define "Tier 3" customers as having total assets less than $1 billion. Total assets are reported by financial institutions to the FDIC or NCUA, as applicable, and are disclosed on a quarterly basis.

Digital Banking Platform: Our digital banking platform allows financial institutions to offer a comprehensive and unified suite of digital banking services to their End Users. Our open platform architecture, deep integration with other systems and the multi-tenant aspects of our infrastructure, enable us to develop digital banking solutions that allow our customers to harness the power of the information within their other systems to gain greater insights and to improve the overall security of their End Users and themselves.

Digital Lending Platform: Refers to both our PrecisionLender platform, and our Q2 Cloud Lending, or CL, platforms.

Installed Customers: We define Installed Customers as the number of customers on live implementations (or installations) of our digital banking platforms.

Net Revenue Retention Rate: the total revenues in a calendar year, excluding any revenues from solutions of businesses acquired during such year, from customers who were implemented on any of our solutions as of December 31 of the prior year, expressed as a percentage of the total revenues during the prior year from the same group of customers.

Definitions

Non-GAAP Revenue: We define non-GAAP revenue as total revenue excluding the impact of purchase accounting. We monitor these measures to assess our performance because we believe our revenue growth rates would be understated without these adjustments. We believe presenting non-GAAP revenue aids in the comparability between periods and in assessing our overall operating performance.

Prior to the fourth quarter of 2019, there was no impact of purchase accounting on revenue, so our non-GAAP total revenue was equivalent to our GAAP total revenue prior to that point.

PrecisionLender Platform: Our PrecisionLender platform is a cloud-based, data-driven sales enablement, pricing and portfolio management solution that allows financial institutions globally to structure and negotiate commercial lending, deposits and fee-based business transactions more effectively.

Registered Users: We define a registered user as an individual related to an account holder of an Installed Customer on our Digital Banking Platform who has registered to use one or more of our solutions and has current access to use those solutions as of the last day of the reporting period presented.