



AvidXchange Announces Third Quarter 2023 Financial Results

November 8, 2023 at 6:45 AM EST

--Strong Q3'23 year over year (Y-O-Y) revenue growth, yield and unit cost-driven gross margin expansion and operating leverage fuel strong financial performance

--Q3'23 Y-O-Y net income loss of \$(8.1) million sharply lower vs. loss of \$(25.4) million while non-GAAP net income loss swings positively to a profit of \$5.8 million from a loss of \$(11.7) million

--Q3'23 adjusted EBITDA swings positively and sharply to \$11.4 million from a loss of \$(3.7) million

--Raising full year 2023 business outlook

CHARLOTTE, N.C., Nov. 08, 2023 (GLOBE NEWSWIRE) -- AvidXchange Holdings, Inc. (Nasdaq: AVDX), a leading provider of accounts payable (AP) automation software and payment solutions for middle market businesses and their suppliers, today announced financial results for the third quarter ended September 30, 2023.

"Our solid third quarter financial results highlight continued strong operational execution across all key levers of the business. On key financial measures, from revenue growth to gross margin to EBITDA, we exceeded – significantly in some instances – our implied third quarter business outlook. Furthermore, we maintained our strong balance sheet, which we believe provides us additional optionality to accelerate our long-term path of progress. Our value proposition for cost containment and reduction continues to have tremendous resonance with our B2B middle market customers. And the recent integration partnership with AppFolio, a real estate focused provider of solutions with a base of 19,000 customers, is a great testament to that recognition and the large addressable market opportunity ahead of us. And while it is unclear how the macro cross currents play out, we remained focused on executing strategies that we believe will position us to achieve our medium and long-term Rule of 40 and 40-plus targets," said Michael Praeger, CEO & Co-Founder of AvidXchange.

Third Quarter 2023 Financial Highlights:

- Total revenue was \$98.7 million, an increase of 19.7% year-over-year, compared with \$82.4 million in the third quarter of 2022.
- GAAP net loss was \$(8.1) million, compared with a GAAP net loss of \$(25.4) million in the third quarter of 2022.
- Non-GAAP net income was \$5.8 million, compared with a Non-GAAP net loss of \$(11.7) million in the third quarter of 2022.
- GAAP gross profit was \$62.3 million, or 63.2% of total revenue, compared with \$47.6 million, or 57.8% of revenue in the third quarter of 2022.
- Non-GAAP gross profit was \$69.1 million, or 70.0% of total revenue, compared with \$53.5 million, or 65.0% of revenue in the third quarter of 2022.
- Adjusted EBITDA was \$11.4 million compared with \$(3.7) million in the third quarter of 2022.

A reconciliation of GAAP to non-GAAP financial measures has been provided in the tables following the financial statements in this press release. An explanation of these measures is also included below under the heading "Non-GAAP Measures and Other Performance Metrics."

Third Quarter 2023 Key Business Metrics and Highlights:

- Total transactions processed in the third quarter of 2023 were 19.2 million, an increase of 6.4% from 18.0 million in the third quarter of 2022.
- Total payment volume in the third quarter of 2023 was \$19.6 billion, an increase of 8.4% from \$18.1 billion in the third quarter of 2022.
- Transaction yield in the third quarter of 2023 was \$5.15, an increase of 12.7% from \$4.57 in the third quarter of 2022.

Full Year 2023 Financial Outlook

As of November 8, 2023, AvidXchange anticipates its Full Year 2023 revenue and adjusted EBITDA to be in the following ranges (in millions):

	Current FY 2023 Guidance	Previous FY 2023 Guidance
Revenue	\$374.5 - \$375.5	\$368.0 - \$370.0
Adjusted EBITDA ⁽¹⁾	\$22.0 - \$23.0	\$7.0 - \$8.0

(1) A reconciliation of adjusted EBITDA to GAAP net loss on a forward-looking basis is not available without unreasonable efforts due to the high variability, complexity and low visibility with respect to the items excluded from this non-GAAP measure.

These statements are forward-looking and actual results may differ materially. Refer to the Forward-Looking Statements safe harbor below for information on the factors that could cause our actual results to differ materially from these forward-looking statements.

Earnings Teleconference Information

AvidXchange will discuss its third quarter 2023 financial results during a teleconference today, November 8, 2023, at 10:00 AM ET. The call will be broadcast simultaneously via webcast at <https://ir.avidxchange.com/>. Following the completion of the call, a recorded replay of the webcast will be available on AvidXchange's website. In addition to the conference call, supplemental information is available on the Investor Relations section of AvidXchange's website at <https://ir.avidxchange.com/>.

About AvidXchange™

AvidXchange is a leading provider of accounts payable ("AP") automation software and payment solutions for middle market businesses and their suppliers. AvidXchange's software-as-a-service-based, end-to-end software and payment platform digitizes and automates the AP workflows for more than 8,800 businesses and it has made payments to more than 965,000 supplier customers of its buyers over the past five years. To learn more about how AvidXchange is transforming the way companies pay their bills, visit www.AvidXchange.com.

Forward-Looking Statements

This press release may contain "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. In this context, forward-looking statements generally relate to future events or our future financial or operating performance and often contain words such as: "anticipate," "intend," "plan," "goal," "seek," "believe," "outlook," "project," "estimate," "expect," "future," "likely," "may," "should," "will" and similar words and phrases indicating future results. The information presented in this press release related to our expectations of future performance, including guidance for our revenue and EBITDA for the full year 2023, statements related to our ability to achieve our medium and long-term Rule of 40 and Rule of 40-plus targets, our continued strong operational execution, our customers' perception of the value proposition associated with our products and services, our addressable market opportunity, the role our balance sheet plays in accelerating long-term growth, the impact of the macroeconomic environment on our business, and other statements that are not purely statements of historical fact, are forward-looking in nature. These forward-looking statements are made on the basis of management's current expectations, assumptions, estimates and projections and are subject to significant risks and uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements. We therefore cannot guarantee future results, performance or achievements.

Factors which could cause actual results or effects to differ materially from those reflected in forward-looking statements include, but are not limited to, the risk factors and other cautionary statements described, from time to time, in AvidXchange's filings with the Securities and Exchange Commission ("SEC"), including, without limitation, AvidXchange's Annual Report on Form 10-K, Quarterly Report on Form 10-Q filed for the periods ended March 31, 2023 and June 30, 2023, Quarterly Report on Form 10-Q to be filed for the period ended September 30, 2023, and other documents filed with the SEC, which may be obtained on the investor relations section of our website (<https://ir.avidxchange.com/>) and on the SEC website at www.sec.gov. Any forward-looking statements made by us in this press release are based only on information currently available to us and speak only as of the date they are made, and we assume no obligation to update any of these statements in light of new information, future events or otherwise unless required under the federal securities laws.

Non-GAAP Measures and Other Performance Metrics

To supplement the financial measures presented in our press release and related conference call in accordance with generally accepted accounting principles in the United States ("GAAP"), we also present the following non-GAAP measures of financial performance: Non-GAAP Gross Profit, Adjusted EBITDA, and Non-GAAP Net Income (Loss).

A "non-GAAP financial measure" refers to a numerical measure of our historical or future financial performance or financial position that is included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in our financial statements. We provide certain non-GAAP measures as additional information relating to our operating results as a complement to results provided in accordance with GAAP. The non-GAAP financial information presented herein should be considered in conjunction with, and not as a substitute for or superior to, the financial information presented in accordance with GAAP and should not be considered a measure of liquidity. There are significant limitations associated with the use of non-GAAP financial measures. Further, these measures may differ from the non-GAAP information, even where similarly titled, used by other companies and therefore should not be used to compare our performance to that of other companies.

We have presented Non-GAAP Gross Profit, Adjusted EBITDA, and Non-GAAP Net Income (Loss) in this press release. We define Non-GAAP Gross Profit as revenue less cost of revenue excluding the portion of depreciation and amortization and stock-based compensation expense allocated to cost of revenues. We define Adjusted EBITDA as our net loss before depreciation and amortization, impairment and write-off of intangible assets, interest income and expense, income tax expense (benefit), stock-based compensation expense, transaction and acquisition-related costs expensed, change in fair value of derivative instrument, non-recurring items not indicative of ongoing operations, and charitable contributions of common stock. We define Non-GAAP Net Income (Loss) as net loss before amortization of acquired intangible assets, impairment and write-off of intangible assets, stock-based compensation expense, transaction and acquisition-related costs expensed, change in fair value of derivative instrument, non-recurring items not indicative of ongoing operations, acquisition-related effects on income tax, and charitable contributions of common stock. Non-GAAP income tax expense is calculated using our blended statutory rate except in periods of non-GAAP net loss when it is based on our GAAP income tax expense. In each case, non-GAAP income tax expense excludes the effects of acquisitions in the period on tax expense.

We believe the use of non-GAAP financial measures, as a supplement to GAAP measures, is useful to investors in that they eliminate items that are either not part of our core operations or do not require a cash outlay, such as stock-based compensation expense. Management uses these non-GAAP financial measures when evaluating operating performance and for internal planning and forecasting purposes. We believe that these non-GAAP financial measures help indicate underlying trends in the business, are important in comparing current results with prior period results and are useful to investors and financial analysts in assessing operating performance.

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Unaudited Consolidated Statements of Operations
(in thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 98,680	\$ 82,411	\$ 276,656	\$ 230,175
Cost of revenues (exclusive of depreciation and amortization expense)	30,767	29,890	90,461	86,676
Operating expenses				
Sales and marketing	18,735	20,241	58,946	57,928
Research and development	24,754	21,997	72,616	62,176
General and administrative	25,002	24,042	75,345	62,704
Depreciation and amortization	9,051	8,365	26,515	24,384
Total operating expenses	77,542	74,645	233,422	207,192
Loss from operations	(9,629)	(22,124)	(47,227)	(63,693)
Other income (expense)				
Interest income	5,100	2,031	14,820	2,906
Interest expense	(3,428)	(5,209)	(10,106)	(15,261)
Other income (expense)	1,672	(3,178)	4,714	(12,355)
Loss before income taxes	(7,957)	(25,302)	(42,513)	(76,048)
Income tax expense	134	69	339	207
Net loss	\$ (8,091)	\$ (25,371)	\$ (42,852)	\$ (76,255)
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.04)	\$ (0.13)	\$ (0.21)	\$ (0.39)
Weighted average number of common shares used to compute net loss per share attributable to common stockholders, basic and diluted	202,526,844	198,234,392	201,338,550	197,710,104

AvidXchange Holdings, Inc.
Unaudited Consolidated Balance Sheets
(in thousands, except share and per share data)

	As of September 30, 2023		As of December 31, 2022	
	Assets			
Current assets				
Cash and cash equivalents	\$ 339,932	\$ 350,563		
Restricted funds held for customers	1,226,216	1,283,824		
Marketable securities	100,643	110,986		
Accounts receivable, net of allowances of \$3,866 and \$3,123, respectively	40,892	39,668		
Supplier advances receivable, net of allowances of \$1,313 and \$1,872 respectively	10,203	10,016		
Prepaid expenses and other current assets	13,414	12,561		
Total current assets	1,731,300	1,807,618		
Property and equipment, net	101,463	103,892		
Operating lease right-of-use assets	1,903	2,343		
Deferred customer origination costs, net	27,499	28,284		
Goodwill	165,921	165,921		
Intangible assets, net	88,583	98,749		
Other noncurrent assets and deposits	4,129	5,189		
Total assets	\$ 2,120,798	\$ 2,211,996		
Liabilities and Stockholders' Equity				
Current liabilities				
Accounts payable	\$ 18,759	\$ 13,453		
Accrued expenses	46,878	73,535		
Payment service obligations	1,226,216	1,283,824		
Deferred revenue	12,526	12,063		
Current maturities of lease obligations under finance leases	305	477		
Current maturities of lease obligations under operating leases	1,593	1,380		
Current maturities of long-term debt	6,425	6,425		
Total current liabilities	1,312,702	1,391,157		
Long-term liabilities				

Deferred revenue, less current portion	15,373	17,487
Contingent consideration, less current portion	70	70
Obligations under finance leases, less current maturities	62,340	61,974
Obligations under operating leases, less current maturities	3,627	4,657
Long-term debt	74,898	75,912
Other long-term liabilities	3,385	3,295
Total liabilities	<u>1,472,395</u>	<u>1,554,552</u>
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.001 par value; 50,000,000 shares authorized, no shares issued and outstanding as of September 30, 2023 and December 31, 2022	-	-
Common stock, \$0.001 par value; 1,600,000,000 shares authorized as of September 30, 2023 and December 31, 2022; 202,896,081 and 199,433,998 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively	203	199
Additional paid-in capital	1,665,887	1,632,080
Accumulated deficit	(1,017,687)	(974,835)
Total stockholders' equity	<u>648,403</u>	<u>657,444</u>
Total liabilities and stockholders' equity	<u>\$ 2,120,798</u>	<u>\$ 2,211,996</u>

AvidXchange Holdings, Inc.
Unaudited Consolidated Statements of Cash Flows
(in thousands)

	<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Net loss	\$ (42,852)	\$ (76,255)
Adjustments to reconcile net loss to net cash used by operating activities		
Depreciation and amortization expense	26,515	24,384
Amortization of deferred financing costs	326	1,018
Provision for credit losses	2,118	3,751
Stock-based compensation	31,181	23,767
Accrued interest	1,509	1,765
Loss on fixed asset disposal	-	36
Accretion of investments held to maturity	(4,091)	(1,123)
Deferred income taxes	158	162
Changes in operating assets and liabilities		
Accounts receivable	(2,221)	(9,493)
Prepaid expenses and other current assets	(851)	(2,337)
Other noncurrent assets	1,369	(1,061)
Deferred customer origination costs	785	(66)
Accounts payable	4,679	167
Deferred revenue	(1,650)	(511)
Accrued expenses and other liabilities	(27,588)	6,097
Operating lease liabilities	(378)	(165)
Total adjustments	<u>31,861</u>	<u>46,391</u>
Net cash used in operating activities	<u>(10,991)</u>	<u>(29,864)</u>
Cash flows from investing activities		
Purchase of marketable securities held to maturity	(262,994)	(310,025)
Proceeds from maturity of marketable securities held to maturity	277,428	213,872
Purchases of equipment	(1,001)	(2,677)
Purchases of real estate	-	(767)
Purchases of intangible assets	(11,898)	(20,363)
Supplier advances, net	(1,309)	(4,699)
Net cash provided by (used in) investing activities	<u>226</u>	<u>(124,659)</u>
Cash flows from financing activities		
Proceeds from the issuance of long-term debt	-	2,367
Repayments of long-term debt	(1,219)	-
Principal payments on finance leases	(435)	(666)
Proceeds from issuance of common stock	1,452	828
Proceeds from issuance of common stock under ESPP	1,178	602

Debt issuance costs	(743)	-
Payment of acquisition-related liability	(100)	(344)
Payment service obligations	(57,607)	(314,603)
Net cash used in financing activities	(57,474)	(311,816)
Net decrease in cash, cash equivalents, and restricted funds held for customers	(68,239)	(466,339)
Cash, cash equivalents, and restricted funds held for customers		
Cash, cash equivalents, and restricted funds held for customers, beginning of year	1,634,387	1,805,163
Cash, cash equivalents, and restricted funds held for customers, end of period	\$ 1,566,148	\$ 1,338,824
Supplementary information of noncash investing and financing activities		
Right-of-use assets obtained in exchange for new finance lease obligations	\$ 81	\$ 689
Right-of-use assets obtained in exchange for new operating lease obligations	362	2,831
Common stock issued as contingent consideration	-	344
Property and equipment purchases in accounts payable and accrued expenses	939	1
Interest paid on notes payable	3,889	8,134
Interest paid on finance leases	4,386	4,323

AvidXchange Holdings, Inc.
Unaudited Reconciliation of GAAP to Non-GAAP Measures
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Reconciliation from Revenue to Non-GAAP Gross Profit and Non-GAAP Gross Margin:				
Total revenues ⁽¹⁾	\$ 98,680	\$ 82,411	\$ 276,656	\$ 230,175
Expenses:				
Cost of revenues (exclusive of depreciation and amortization expense)	(30,767)	(29,890)	(90,461)	(86,676)
Depreciation and amortization expense	(5,574)	(4,924)	(16,157)	(13,930)
GAAP Gross profit ⁽¹⁾	\$ 62,339	\$ 47,597	\$ 170,038	\$ 129,569
Adjustments:				
Stock-based compensation expense	1,144	1,010	3,552	3,130
Depreciation and amortization expense	5,574	4,924	16,157	13,930
Non-GAAP gross profit ⁽¹⁾	\$ 69,057	\$ 53,531	\$ 189,747	\$ 146,629
GAAP Gross margin ⁽¹⁾	63.2 %	57.8 %	61.5 %	56.3 %
Non-GAAP gross margin ⁽¹⁾	70.0 %	65.0 %	68.6 %	63.7 %

Reconciliation from Net Loss to Non-GAAP Net Income (Loss):

Net loss ⁽¹⁾	\$ (8,091)	\$ (25,371)	\$ (42,852)	\$ (76,255)
Exclude: Provision for income taxes	134	69	339	207
Loss before taxes ⁽¹⁾	(7,957)	(25,302)	(42,513)	(76,048)
Amortization of acquired intangible assets	3,623	3,623	10,870	10,952
Stock-based compensation expense	11,229	8,718	31,181	23,767
Transaction and acquisition-related costs	-	3	(7)	280
Non-recurring items not indicative of ongoing operations ⁽²⁾	773	1,343	4,408	1,286
Total net adjustments ⁽¹⁾	15,625	13,687	46,452	36,285
Non-GAAP income (loss) before taxes	7,668	(11,615)	3,939	(39,763)
Non-GAAP tax expense ⁽³⁾	1,909	69	981	207
Non-GAAP net income (loss) ⁽¹⁾	\$ 5,759	\$ (11,684)	\$ 2,958	\$ (39,970)

Reconciliation from Net Loss to Adjusted EBITDA:

Net loss ⁽¹⁾	\$ (8,091)	\$ (25,371)	\$ (42,852)	\$ (76,255)
Depreciation and amortization	9,051	8,365	26,515	24,384
Interest income	(5,100)	(2,031)	(14,820)	(2,906)
Interest expense	3,428	5,209	10,106	15,261
Provision for income taxes	134	69	339	207
Stock-based compensation expense	11,229	8,718	31,181	23,767

Transaction and acquisition-related costs	-	3	(7)	280
Non-recurring items not indicative of ongoing operations ⁽²⁾	<u>773</u>	<u>1,343</u>	<u>4,408</u>	<u>1,286</u>
Adjusted EBITDA ⁽¹⁾	<u>\$ 11,424</u>	<u>\$ (3,695)</u>	<u>\$ 14,870</u>	<u>\$ (13,976)</u>

⁽¹⁾The three months ended September 30, 2023 includes a favorable out of period adjustment of \$1,507 primarily related to recognition of deferred revenue.

⁽²⁾For the three and nine months ended September 30, 2023, this amount is comprised of response costs, including professional services and legal fees, incurred in connection with the cybersecurity incident that was detected in April 2023, net of insurance recoveries. For the three and nine months ended September 30, 2022, includes \$1,621 of restructuring costs and a benefit of \$308 for a liability release related to the FastPay acquisition that closed in July 2021.

⁽³⁾Non-GAAP tax expense is based on the Company's blended tax rate of 24.9% in periods the Company has Non-GAAP income before tax. In periods the Company is in a non-GAAP loss position, tax expense is based on GAAP tax expense.