

# FiscalNote, Inc.

## Q1 2024 Financial Results

(Supplemental slides accompanying press release and management sponsored conference call)

May 9, 2024

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# Q1 2024 Financials

# Q1 2024 Financial Summary

## FINANCIAL HIGHLIGHTS

Total Revenues	Gross Profit	Net Income	Adjusted Gross Profit <sup>1</sup>	Adjusted EBITDA <sup>1</sup>	Cash <sup>2</sup>
<b>\$32.1M</b> (+2% YoY)	<b>\$24.9M</b> (77% gross margin)	<b>\$50.6M</b>	<b>\$27.3M</b> (85% adjusted gross margin)	<b>\$1.2M</b> (4% adjusted EBITDA margin)	<b>\$43.6M</b>

(1) Non-GAAP measure. Please see "Non-GAAP Financial Measures" for definitions and important disclosures regarding these financial measures, including reconciliations to the most directly comparable GAAP measure.

(2) As of March 31, 2024 and inclusive of short-term investments.

# Q1 2024 Financial Summary

## KEY PERFORMANCE INDICATORS<sup>1</sup>

Run-Rate  
Revenue  
(RRR)

**\$122M**

Annual  
Recurring  
Revenue  
(ARR)

**\$110M**

Net  
Revenue  
Retention

**96%**

(1) "Run-Rate Revenue," "Annual Recurring Revenue," and "Net Retention Revenue" are key performance indicators (KPIs). See "Key Performance Indicators" for the definitions and important disclosures related to these measures.

# Forecast

## Full Year 2024

Metric	Forecast as of May 9, 2024	Vs. Prior Guidance Provided on March 12, 2024
Total Revenue	<b>\$123M to \$127M</b>	UNCHANGED
Run-Rate Revenue <sup>1</sup>	<b>\$126M to \$134M</b>	UNCHANGED
Adjusted EBITDA <sup>2,3</sup>	<b>\$7M to \$9M</b>	UNCHANGED

## Q2 2024

Metric	Initial Range as of May 9, 2024
Total Revenue	<b>~ \$29M</b>
Adjusted EBITDA <sup>2,3</sup>	<b>~ \$1M</b>

(1) Run-Rate Revenue is a key performance indicators (KPI). See "Key Performance Indicators" for the definitions and important disclosures related to these measures

(2) Non-GAAP measure. Please see "Non-GAAP Financial Measures" for definitions and important disclosures regarding these financial measures.

(3) Because of the variability of items impacting net income and unpredictability of future events, management is unable to reconcile without unreasonable effort the Company's forecasted adjusted EBITDA to a comparable GAAP measure.

# AI Product Strategy

*Building the most powerful legal, regulatory, and geopolitical AI assistant and eventually the world's most powerful AI lawyer*

# Accelerating Our AI Products to Drive Growth

Exploring licensing opportunities to broaden impact

## Data and AI Agent Licensing

Launched AI Agents and Copilots blending AI with authoritative information

StressLens

Global Intelligence Copilot

Legislative Copilot (Beta)

*Future Copilots and Agents*

Created Reasoning Platform to facilitate creation of AI Agents adapted for legal, regulatory, and geopolitical

## FN AI and LLM Technology Platform

Copilot Creator

FiscalNoteGPT

Partnerships with OpenAI, Microsoft, Google

Developed proprietary technology and deep expertise in aggregating and creating valuable global content and data sets

## Proprietary Aggregation of Content and Data Sets

International, federal, state, and local legislation/regulations across 80 countries, 80,000+ cities, all 50 states, every major federal regulatory agency; deep profiles of tens of thousands of policymakers, millions of legislative and regulatory votes, geopolitical and risk information from around the world

# Constellation of Skills

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## Building a powerful legal, regulatory, and geopolitical AI assistant, powered by Generative AI



Policy Impact Assessment



Document Q&A



Contract Review & Analysis



Geopolitical Risk Assessment



Regulatory Analysis



Compliance Monitoring



Communication Drafting



Legislative Analysis



Issue & Trend Reporting

**Sample present and future AI skills powering FiscalNote's products to perform domain-specific workflows using generative AI**

# Why FiscalNote Can Win

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## Over a decade of building a unique global dataset and AI capabilities

**AI and Workflow Expertise:** FiscalNote is already the leading provider of AI-powered software for people to understand policy, legislation, and regulations. We have been investing in AI since 2013 with deep embedded workflows and already announced partnerships in 2023 with OpenAI, Microsoft, and Google with FiscalNote's world class AI team.

**Decade of Data Accumulation and Content Creation:** Developed proprietary technology and deep expertise in aggregating global policy, regulatory, geopolitical, economic and related data sets. Acquired, created and continue to add to our library of proprietary, high quality, and authoritative data for legal, regulatory and global intelligence.

**Deep Market Insight and Distribution:** Leveraging FiscalNote distribution of Fortune 500s, governments, and NGO's to bring new customer-driven AI capabilities.

# FiscalNote's AI Master Plan

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## Building the future of AI solutions for law and strategic risk

- 1. Build the Data Foundation:** Aggregate, clean, and structure a massive repository of legislative, regulatory, and geopolitical information
- 2. Develop and Launch AI Solutions:** Create AI Copilots and Agents that integrate this data to drive customer value and enhance decision-making for existing customers.
- 3. Develop and Launch *More* AI Solutions:** Expand AI Copilots and Agents to new markets and sectors.
- 4. License and Co-Sell AI Technology:** Partner with other industry players to extend the reach and functionality of our AI solutions.

# Key Takeaways

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- 1 FiscalNote already a leading provider of AI-powered sector-specific, information, and analytics for the legal, regulatory, and policy industry
- 2 Invested the last 10 years to create a deep reservoir of technical expertise, world-class team, proprietary data and analytical tools
- 3 Launched FiscalNoteGPT and Co-Pilot Creator to rapidly accelerate creation of AI Agents and Co-Pilots without incremental R&D expenses
- 4 Exploring opportunity to license data to LLMs and white label AI Co-Pilots to other verticals
- 5 Accelerating our AI offerings to broad distribution of thousands of customers / extensive sales and customer support in N. America, Europe, and APAC to accelerate revenue growth and improve retention

**Building the most powerful legal, regulatory, and geopolitical AI assistant and eventually the world's most powerful AI lawyer**

# APPENDIX

# Non-GAAP Financial Measures

In addition to financial measures prepared in accordance with U.S. generally accepted accounting principles (“GAAP”), we use certain non-GAAP financial measures to clarify and enhance our understanding, and aid in the period-to-period comparison, of our performance. Where applicable, we provide reconciliations of these non-GAAP measures to the corresponding most closely related GAAP measure. Investors are encouraged to review the reconciliation of each of these non-GAAP financial measures to its most comparable GAAP financial measure. While we believe that these non-GAAP financial measures provide useful supplemental information, non-GAAP financial measures have limitations and should not be considered in isolation from, or as a substitute for, their most comparable GAAP measures. These non-GAAP financial measures are not prepared in accordance with GAAP, do not reflect a comprehensive system of accounting and may not be comparable to similarly titled measures of other companies due to potential differences in their financing and accounting methods, the book value of their assets, their capital structures, the method by which their assets were acquired and the manner in which they define non-GAAP measures.

## **Adjusted Gross Profit and Adjusted Gross Profit Margin**

We define Adjusted Gross Profit as Total Revenue minus cost of revenues, before amortization of intangible assets that are included in costs of revenues. We define Adjusted Gross Profit Margin as Adjusted Gross Profit divided by Total Revenues.

We use Adjusted Gross Profit and Adjusted Gross Profit Margin to understand and evaluate our core operating performance and trends. We believe these metrics are useful measures to us and to our investors to assist in evaluating our core operating performance because they provide consistency and direct comparability with our past financial performance and between fiscal periods, as the metrics eliminate the non-cash effects of amortization of intangible assets and deferred revenue, which are non-cash impacts that may fluctuate for reasons unrelated to overall operating performance.

Adjusted Gross Profit and Adjusted Gross Profit Margin have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. They should not be considered as replacements for gross profit and gross profit margin, as determined by GAAP, or as measures of our profitability. We compensate for these limitations by relying primarily on our GAAP results and using non-GAAP measures only for supplemental purposes. Adjusted Gross Profit and Adjusted Gross Profit Margin as presented herein are not necessarily comparable to similarly titled measures presented by other companies.

## **EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin**

EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are non-GAAP financial measures. EBITDA represents earnings before interest expense, income taxes, depreciation and amortization. Adjusted EBITDA reflects further adjustments to EBITDA to exclude certain non-cash items and other items that management believes are not indicative of ongoing operations. We define Adjusted EBITDA Margin as Adjusted EBITDA divided by Total Revenue.

We disclose EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin herein because these non-GAAP measures are key measures used by management to evaluate our business, measure our operating performance and make strategic decisions. We believe that EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are useful for investors and others in understanding and evaluating our operating results in the same manner as management. EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not financial measures calculated in accordance with GAAP and should not be considered as substitutes for net loss, net loss before income taxes, or any other operating performance measure calculated in accordance with GAAP. Using these non-GAAP financial measures to analyze our business would have material limitations because the calculations are based on the subjective determination of management regarding the nature and classification of events and circumstances that investors may find significant. In addition, although other companies in our industry may report measures titled EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin or similar measures, such non-GAAP financial measures may be calculated differently from how we calculate non-GAAP financial measures, which reduces their comparability. Because of these limitations, you should consider EBITDA, Adjusted EBITDA, and Adjusted EBITDA Margin alongside other financial performance measures, including net income and our other financial results presented in accordance with GAAP.

# Reconciliation Table - Adjusted Gross Profit and Adjusted Gross Profit Margin

	Three Months Ended March 31,	
<i>(\$ in thousands)</i>	2024	2023
Total Revenue	\$ 32,112	\$ 31,529
Costs of revenue	(7,244)	(8,937)
Amortization of intangible assets	2,428	2,597
<b>Adjusted Gross Profit</b>	<b>\$ 27,296</b>	<b>\$ 25,189</b>
<i>Adjusted Gross Margin</i>	85%	80%

# Reconciliation Table - EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin

	Three Months Ended March 31,	
	2024	2023
<i>(\$ in thousands)</i>		
Net loss	\$ 50,599	\$ (19,273)
Income tax provision / (benefit)	1,426	30
Depreciation and amortization	5,417	5,747
Interest expense, net	7,362	6,681
<b>EBITDA</b>	<b>64,804</b>	<b>(6,815)</b>
Gain on sale (a)	(71,599)	-
Stock-based compensation	6,175	6,506
Change in fair value of financial instruments (b)	527	(14,680)
Other non-cash charges (gains) (c)	45	5,873
Acquisition and disposal related costs (d)	704	1,222
Employee severance costs (e)	107	369
Non-capitalizable debt raising costs	254	206
Business Combination with DSAC (f)	-	184
Loss contingency (g)	-	168
Costs incurred related to the Special Committee (h)	200	-
<b>Adjusted EBITDA</b>	<b>\$ 1,217</b>	<b>\$ (6,967)</b>
<i>Adjusted EBITDA Margin</i>	<i>4%</i>	<i>(22)%</i>

- (a) Reflects the gain on disposal from the sale of Board.org on March 11, 2024.
- (a) Reflects the non-cash impact from the mark to market adjustments on our financial instruments.
- (b) Reflects the non-cash impact of the following:
- (i) charge of \$49 in the first quarter of 2024 related to the unrealized loss on investments;
  - (ii) gain of \$4 in the first quarter of 2024 from the change in fair value related to the contingent consideration and contingent compensation related to the 2021, 2022, and 2023 Acquisitions
  - (iii) impairment of goodwill of \$5,837 in the first quarter of 2023,
  - (iv) loss from equity method investment of \$34 in the first quarter of 2023; and
  - (v) charge of \$2 in the first quarter of 2023 from the change in fair value related to the contingent consideration and contingent compensation related to the 2021, 2022, and 2023 Acquisitions.
- (c) In 2024 reflects the costs incurred related to the sale of Board.org, principally consisting of accounting, tax, and legal fees. In 2023 reflects the costs incurred to identify, consider, and complete business combination transactions consisting of advisory, legal, and other professional and consulting costs.
- (d) Severance costs associated with workforce changes related to business realignment actions.
- (e) Includes non-capitalizable transaction costs incurred within one year of the Business Combination with DSAC.
- (f) Reflects accounting and legal costs incurred associated with the settlement with GPO FN Noteholder LLC totaling \$168 in the first quarter of 2023.
- (g) Reflects costs incurred related to the Special Committee..

# Glossary

<b>Agents</b>	An AI agent refers to a system or software that performs automated tasks, often with some degree of autonomy, on behalf of a user or another program. It is designed to make inferences and decisions based on its programming and the data it receives, often having the ability to learn and improve over time.
<b>AI</b>	Artificial intelligence (AI) refers to the simulation of human intelligence in machines that are programmed to think like humans and mimic their actions.
<b>ARR</b>	Annual Recurring Revenue (ARR) is the value of the contracted recurring revenue components of term subscriptions normalized to a one-year period.
<b>NRR</b>	Net Revenue Retention (“NRR”) is calculated as ARR at the end of the period minus ARR contracted from new clients for which there is no historical revenue booked during the period, divided by the beginning ARR for the period. We calculate NRR at a parent account level. Customers from acquisitions are not included in NRR until they have been part of our consolidated results for 12 months.
<b>LLM</b>	A Large Language Model (LLM) is a type of deep learning model used in natural language processing (NLP) tasks. It typically consists of millions or even billions of parameters and is trained on massive text corpora to understand and generate human-like text. LLMs use techniques like self-attention mechanisms and transformer architectures to process and generate text data.
<b>ML</b>	Machine learning (ML) is a branch of artificial intelligence and computer science which focuses on the use of data and algorithms to imitate the way that humans learn, gradually improving its accuracy.
<b>Run-rate revenue</b>	ARR (as defined above) plus non-subscription revenue earned during the last twelve months.

# Contact

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**FiscalNote**