

November 10, 2021



ForgeRock Announces Third Quarter 2021 Financial Results

- ARR grew 30% year-over-year to \$164.0 million
- Revenue grew 38% year-over-year to \$44.2 million

SAN FRANCISCO--(BUSINESS WIRE)-- ForgeRock (NYSE: FORG), a global leader in digital identity, today announced financial results for its third quarter ended September 30, 2021.

"We are very pleased with the results we achieved in our first quarter as a public company, highlighted by strong ARR and revenue growth," said Fran Rosch, CEO of ForgeRock. "Identity is critical to digital transformation as more companies recognize the need to deliver both safe and seamless experiences to engage their customers and keep employees productive to grow their businesses. We see these trends continuing into our fiscal fourth quarter, bolstering our confidence that we are well positioned to capitalize on a large and growing market opportunity for enterprise-grade identity."

Third Quarter 2021 Financial Highlights:

- **ARR:** Annualized Recurring Revenue was \$164.0 million, an increase of 30% year-over-year.
- **Revenue:** Total revenue was \$44.2 million, an increase of 38% year-over-year.
- **Operating Loss:** GAAP operating loss was \$8.8 million, or (20)% of total revenue, compared to \$6.7 million, or (21)% of total revenue, in the third quarter of 2020. Non-GAAP operating loss was \$5.7 million, or (13)% of total revenue, compared to \$4.9 million, or (15)% of total revenue, in the third quarter of 2020.
- **Net Loss:** GAAP net loss was \$15.3 million, compared to \$7.8 million in the third quarter of 2020. GAAP net loss per share was \$0.44 compared to \$0.32 in the third quarter of 2020. Non-GAAP net loss was \$12.1 million, compared to \$6.0 million in the third quarter of 2020. Non-GAAP net loss per share was \$0.35, compared to \$0.25 in the third quarter of 2020.
- **Cash Flow:** Net cash used in operations was \$2.0 million compared to \$5.7 million in the third quarter of 2020. Free cash flow was (\$2.2) million, or (5)% of total revenue, compared to (\$5.8) million, or (18)% of total revenue, in the third quarter of 2020.
- **Cash, cash equivalents and short-term investments** were \$378.1 million as of September 30, 2021.

ForgeRock uses certain non-GAAP financial measures, which are described further below and reconciled to the most comparable GAAP financial measure after the presentation of our GAAP financial statements.

"Our strong third quarter results were highlighted by the growth we are seeing in our large enterprise customer base and our ongoing traction with the ForgeRock Identity Cloud," said

John Fernandez, CFO of ForgeRock. “In particular, our customers with \$100K of ARR or greater grew 18% year over year, an increase from the prior quarter.”

Financial Outlook:

For the fourth quarter of 2021, ForgeRock expects:

- Total ARR of \$175.0 million to \$176.0 million, representing 29% year-over-year growth;
- Total revenue of \$46.5 million to \$47.5 million;
- Non-GAAP operating loss of \$9.0 million to \$8.0 million; and
- Non-GAAP net loss per share of \$0.14 to \$0.12, assuming weighted-average shares outstanding of approximately 82.3 million.

For the full year 2021, ForgeRock expects:

- Total revenue of \$175.5 million to \$176.5 million;
- Non-GAAP operating loss of \$20.5 million to \$19.5 million; and
- Non-GAAP net loss per share of \$0.96 to \$0.94, assuming weighted-average shares outstanding of approximately 41.8 million.

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.

ForgeRock does not provide forward-looking guidance for certain financial data, such as depreciation, stock-based compensation, income (loss) from operations and net income (loss), and as a result, is not able to provide a reconciliation of GAAP to non-GAAP financial measures for forward-looking data without unreasonable effort. The impact of such adjustments could be significant.

Conference Call Information:

ForgeRock will host a conference call and webcast at 2:00 p.m. Pacific Time (5:00 p.m. Eastern Time) on Wednesday, November 10, 2021 to discuss its financial results and business highlights. To access this conference call, dial 1-800-437-2398 or 1-323-289-6576 and use the conference ID 6948154. The live webcast and a webcast replay of the conference call can be accessed from the investor relations page of ForgeRock's website at investors.forgerock.com.

Supplemental Financial and Other Information:

Supplemental financial and other information can be accessed through ForgeRock's investor relations website at investors.forgerock.com.

Non-GAAP Financial Measures and Key Metrics:

ForgeRock provides all information required in accordance with generally accepted accounting principles (“GAAP”), but it believes that evaluating its ongoing operating results may be difficult if limited to reviewing only GAAP financial measures. Accordingly, ForgeRock uses non-GAAP financial measures to evaluate its operations. We use non-GAAP financial measures to understand and evaluate our core operating performance and

trends, to prepare our annual budget, to monitor and assess our liquidity, and to develop short-term and long-term operating plans. We believe that the non-GAAP financial measures we review are each a useful measure to us and to our investors because they provide consistency and comparability with our past performance and between periods, as these metrics generally eliminate the effects of the variability of certain charges and expenses that may not reflect our overall operating performance and liquidity. We believe that non-GAAP financial measures, when taken collectively with GAAP financial information, can be helpful to us and to investors because it provides consistency and comparability with past performance and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results.

ForgeRock presents non-GAAP gross profit, non-GAAP gross margin, non-GAAP research and development, non-GAAP sales and marketing, non-GAAP general and administrative, non-GAAP operating loss, non-GAAP operating margin and non-GAAP net loss per share, all of which exclude stock-based compensation expense and some of which exclude restructuring and impairment charges and tax effect on the provision for (benefit from) income taxes. ForgeRock excludes stock-based compensation expense as it can vary significantly from period to period based on share price and the timing, size and nature of equity awards. As such, ForgeRock and many investors and analysts exclude stock-based compensation expense to better evaluate its operating performance and cash spending levels relative to its industry sector and competitors.

ForgeRock presents adjusted EBITDA, which is also a non-GAAP financial measure. We define adjusted EBITDA as GAAP operating loss before tax, adjusted for depreciation, stock-based compensation expense and some of which exclude restructuring and impairment charges and tax effect on the provision for (benefit from) income taxes. ForgeRock excludes certain items that it believes are not good indicators of ForgeRock's current or future operating performance. These items are depreciation, stock-based compensation (as discussed above), and restructuring and impairment charges. ForgeRock excludes depreciation given its standard exclusion in EBITDA and adjusted EBITDA results. ForgeRock excludes restructuring charges and impairment charges as they are generally not relevant to assessing the long-term performance of ForgeRock. In addition, the frequency and amount of such charges can vary significantly based on the size and timing of the transactions. Management believes items such as restructuring and impairment charges are non-core transactions; however, these types of costs may occur in future periods.

ForgeRock also presents free cash flow, which is also a non-GAAP financial measure. We define free cash flow as net cash used in operating activities less cash used for purchases of property and equipment. ForgeRock provides free cash flow as it is a commonly used non-GAAP financial measure to indicate the amount of cash needed to fund its operations and capital expenditures.

The non-GAAP financial information is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with GAAP and may be different from similarly-titled non-GAAP measures used by other companies. The principal limitation of these non-GAAP financial measures is that they exclude expenses that are required by GAAP to be recorded in our consolidated financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by our management about which expenses are excluded or included in

determining these non-GAAP financial measures. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

ForgeRock also uses the key metric Annualized Recurring Revenue (“ARR”), to evaluate its operations. We believe that ARR is a key metric because it is driven by our ability to acquire new customers and to maintain and expand our relationship with existing customers. We define ARR as the annualized value of all contractual subscription agreements as of the end of the period. To the extent that we are negotiating a renewal with a customer after the expiration of the subscription, we continue to include that revenue in ARR if we are actively in discussion with such an organization for a new subscription or renewal, or until such organization notifies us that it is not renewing its subscription. We perform this calculation on an individual customer basis by dividing the total dollar amount of the customer’s contract by the total contract term stated in months and multiplying this amount by 12 to annualize. Calculated ARR for each individual customer is then aggregated to arrive at total ARR.

ARR does not have a standardized meaning and therefore may not be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue, deferred revenue and remaining performance obligations computed and/or disclosed in accordance with GAAP and is not intended to be combined with or to replace any of those items. Specifically, ARR, as calculated under the definition herein, has the effect of normalizing the impact of revenue recognition for term-based subscription license agreements. ARR is calculated based upon annualized contract value and not actual GAAP revenue. Under ASC 606, for term-based subscription license agreements, we recognize approximately half of the total contract value upfront as license revenue, with the remainder attributable to maintenance and support that is recognized ratably over the license term. Annualizing actual GAAP revenue for any particular period could result in a meaningful difference from our ARR calculation, particularly when we are experiencing increases or decreases in the mix of multi-year term licenses. ARR is not a forecast and the active contracts at the date used in calculating ARR may or may not be extended by our customers.

Forward-Looking Statements:

This press release contains forward-looking statements within the meaning of the federal securities laws, including but not limited to the quotations of management, the section titled “Financial Outlook,” and statements regarding our strategy and the market for our products and services. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond our control. Our actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including but not limited to our ability to attract new customers and retain and sell additional functionality and services to our existing customers, our ability to sustain and manage our growth, our ability to successfully add new features and functionality to our platform, our ability to compete effectively in an increasingly competitive market, and general market, political, economic, and business conditions, including the impact of COVID-19, and other risks detailed in our filings with the Securities and Exchange Commission (“SEC”), including our final IPO prospectus filed with the SEC on September

17, 2021 and our quarterly report on Form 10-Q which will subsequently be filed with the SEC.

Past performance is not necessarily indicative of future results. The forward-looking statements included in this press release represent our views as of the date of this press release. These forward-looking statements should not be relied upon as representing our views as of any date subsequent to the date of this press release. We anticipate that subsequent events and developments could cause our views to change. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

About ForgeRock

ForgeRock®, a global leader in digital identity, delivers modern identity and access management solutions for consumers, employees and things to simply and safely access the connected world. Using ForgeRock, more than 1,300 organizations around the world orchestrate, manage, and secure the complete lifecycle of identities from dynamic access controls, governance, APIs, and storing authoritative data – consumable in cloud or hybrid environments.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (In thousands, except per share amounts) (Unaudited)

	Three months ended September 30,	
	2021	2020
Revenue:		
Subscription term licenses	\$ 19,364	\$ 16,102
Subscription SaaS, support & maintenance	22,940	14,910
Perpetual licenses	183	158
Total subscriptions and perpetual licenses	42,487	31,170
Professional services	1,739	953
Total revenue	44,226	32,123
Cost of revenue:		
Subscriptions and perpetual licenses	4,517	2,976
Professional services	3,977	2,069
Total cost of revenue (1)	8,494	5,045
Gross profit	35,732	27,078
Operating expenses:		
Research and development (1)	10,827	9,432
Sales and marketing (1)	22,509	18,135
General and administrative (1)	11,188	6,214
Total operating expenses	44,524	33,781
Operating loss	(8,792)	(6,703)
Foreign currency gain (loss)	(2,684)	2,699

Fair value adjustment on warrants and preferred stock tranche option	(2,729)	(2,415)
Interest expense	(1,195)	(1,201)
Other, net	339	(65)
Interest and other expense, net	(6,269)	(982)
Loss before income taxes	(15,061)	(7,685)
Provision for income taxes	205	124
Net loss	\$ (15,266)	\$ (7,809)

Net loss per share attributable to Class A and Class B common stockholders:

Basic and diluted	\$ (0.44)	\$ (0.32)
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Weighted-average shares used in computing net loss per share attributable to Class A and Class B common stockholders:

Basic and diluted	34,680	24,039
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(1) Includes stock-based compensation as follows (in thousands):

	Three months ended September 30,	
	2021	2020
Cost of revenue	\$ 26	\$ 35
Research and development	564	167
Sales and marketing	1,078	619
General and administrative	1,441	583
Total stock-based compensation expense	\$ 3,109	\$ 1,404

CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	September 30, 2021	December 31, 2020
Assets		
Cash and cash equivalents	\$ 197,221	\$ 99,953
Short-term investments	180,872	—
Accounts receivable, net of allowances of \$26 and \$159, respectively	36,071	35,372
Contract assets	23,079	11,167
Deferred commissions	6,267	5,923
Prepaid expenses and other assets	7,224	3,802
Total current assets	450,734	156,217

Deferred commissions	12,242	8,825
Property and equipment, net	2,106	2,535
Operating lease right-of-use assets	4,358	—
Contract and other assets	1,543	817
Total assets	\$ 470,983	\$ 168,394
Liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)		
Accounts payable	\$ 878	\$ 1,370
Accrued compensation	15,319	13,891
Accrued expenses	5,927	3,179
Current portion of long-term debt	—	58
Current portion of operating lease liability	1,766	—
Deferred revenue	49,890	50,341
Other liabilities	2,700	10,192
Total current liabilities	76,480	79,031
Long-term debt	39,451	39,338
Long-term operating lease liability	2,876	—
Deferred revenue	7,300	5,162
Other liabilities	1,568	3,538
Total liabilities	127,675	127,069
Redeemable convertible preferred stock	—	231,503
Stockholders' equity (deficit):		
Common stock	82	24
Additional paid-in capital	587,371	20,602
Accumulated other comprehensive income	7,322	5,253
Accumulated deficit	(251,467)	(216,057)
Total stockholders' equity (deficit)	343,308	(190,178)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	\$ 470,983	\$ 168,394

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three months ended September 30,	
	2021	2020
Operating activities:		
Net loss	\$ (15,266)	\$ (7,809)
Adjustments to reconcile net loss to net cash used in operating activities:		

Depreciation	259	281
Noncash operating lease expense	249	—
Restructuring and impairment charges	—	356
Stock-based compensation expense	3,109	1,404
Amortization of deferred commissions	3,203	3,281
Foreign currency remeasurement loss	2,640	(2,688)
Change in fair value of redeemable convertible preferred stock warrant liability	2,689	399
Change in fair value of preferred stock tranche option liability	—	2,014
Accretion of premium/ amortization of discount on short-term investments	237	(4)
Other non-cash	15	444
Changes in operating assets and liabilities:		
Deferred commissions	(4,789)	(4,315)
Accounts receivable	1,043	1,476
Contract and other non-current assets	(4,324)	(1,440)
Prepaid expenses and other current assets	3,080	493
Operating lease liabilities	(414)	—
Accounts payable	682	(558)
Accrued expenses and other liabilities	1,339	1,908
Deferred revenue	4,213	(978)
Net cash used in operating activities	(2,035)	(5,736)
Investing activities:		
Purchases of property and equipment	(118)	(83)
Purchases of short-term investments	(138,132)	—
Sales of short-term investments	15,700	—
Net cash used in investing activities	(122,550)	(83)
Financing activities:		
Proceeds from initial public offering, net of underwriting discounts and commissions	295,694	—
Payment of offering costs	(4,076)	—
Proceeds from exercises of employee stock options	719	128
Employee payroll taxes paid for net shares settlement of restricted stock units	(3,528)	—
Proceeds from issuance of debt, net of issuance costs	—	115
Principal repayments on debt	(74)	—
Net cash provided by financing activities	288,735	243
Effect of exchange rates on cash and cash equivalents and restricted cash	(390)	252
Net decrease in cash, cash equivalents and restricted cash	163,760	(5,324)

Cash, cash equivalents and restricted cash, beginning of year	33,484	106,687
Cash, cash equivalents and restricted cash, end of year	\$ 197,244	\$ 101,363

Reconciliation of cash and cash equivalents and restricted cash:

Cash and cash equivalents	\$ 197,221	\$ 101,307
Restricted cash included in prepaids and other current assets	23	56
Total cash and cash equivalents and restricted cash	\$ 197,244	\$ 101,363

FORGEROCK, INC.

NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS TO GAAP RESULTS

Non-GAAP Gross Profit and Non-GAAP Gross Margin

Gross profit is defined as GAAP revenue less cost of revenue and gross margin is GAAP gross profit as a percentage of total revenue. We define non-GAAP gross profit and non-GAAP gross margin as GAAP gross profit and GAAP gross margin adjusted to exclude stock-based compensation expense, and restructuring and impairment charges (if applicable) as presented below (in thousands, except percentages):

	Three months ended September 30,	
	2021	2020
Gross profit	\$ 35,732	\$ 27,078
Stock-based compensation	26	35
Non-GAAP gross profit	\$ 35,758	\$ 27,113
Gross margin	81%	84%
Non-GAAP gross margin	81%	84%

Non-GAAP Research and Development

We define non-GAAP research and development as GAAP research and development adjusted to exclude stock-based compensation expense, and restructuring and impairment charges (if applicable) as presented below (in thousands):

	Three months ended September 30,	
	2021	2020

Research and development	\$ 10,827	\$ 9,432
Less: stock-based compensation	564	167
Non-GAAP research and development	<u>\$ 10,263</u>	<u>\$ 9,265</u>

Non-GAAP Sales and Marketing

We define non-GAAP sales and marketing as GAAP sales and marketing adjusted to exclude stock-based compensation expense, and restructuring and impairment charges (if applicable) as presented below (in thousands):

	Three months ended September 30,	
	2021	2020
Sales and marketing	\$ 22,509	\$ 18,135
Less: stock-based compensation	1,078	619
Non-GAAP sales and marketing	<u>\$ 21,431</u>	<u>\$ 17,516</u>

Non-GAAP General and Administrative

We define non-GAAP general and administrative as GAAP general and administrative adjusted to exclude stock-based compensation expense, and restructuring and impairment charges (if applicable) as presented below (in thousands):

	Three months ended September 30,	
	2021	2020
General and administrative	\$ 11,188	\$ 6,214
Less: stock-based compensation	1,441	583
Less: restructuring and impairment charges	—	356
Non-GAAP general and administrative	<u>\$ 9,747</u>	<u>\$ 5,275</u>

Non-GAAP Operating Loss and Non-GAAP Operating Margin

We define non-GAAP operating loss and non-GAAP operating margin as GAAP operating loss and GAAP operating margin adjusted to exclude stock-based compensation expense, and restructuring and impairment charges (if applicable) as presented below (in thousands, except percentages):

	Three months ended September 30,	
	2021	2020

Operating loss	\$ (8,792)	\$ (6,703)
Stock-based compensation	3,109	1,404
Restructuring and impairment charges	—	356
Non-GAAP operating loss	<u>\$ (5,683)</u>	<u>\$ (4,943)</u>
Operating margin	(20)%	(21)%
Non-GAAP operating margin	(13)%	(15)%

Adjusted EBITDA

We define adjusted EBITDA as operating loss adjusted to exclude depreciation, stock-based compensation expense, and restructuring and impairment charges (if applicable) as presented below (in thousands):

	Three months ended September 30,	
	2021	2020
Operating loss	\$ (8,792)	\$ (6,703)
Depreciation	259	281
Stock-based compensation	3,109	1,404
Restructuring and impairment charges	—	356
Adjusted EBITDA	<u>\$ (5,424)</u>	<u>\$ (4,662)</u>

Non-GAAP Net Loss and Non-GAAP Net Loss per Share, Basic and Diluted

We define non-GAAP net loss as GAAP net loss adjusted to exclude stock-based compensation expense, including the tax effect of stock-based compensation expense on the provision for (benefit from) income taxes as presented below (in thousands, except per share amounts):

We define non-GAAP net loss per share, basic, as non-GAAP net loss divided by GAAP weighted-average shares used to compute net loss per share, basic.

We define non-GAAP net loss per share, diluted, as non-GAAP net loss divided by GAAP weighted average shares used to compute net loss per share, basic, adjusted for (i) the dilutive effect of employee equity awards, excluding the impact of unrecognized stock-based compensation expense and (ii) warrants; unless these adjustments are anti-dilutive.

	Three months ended September 30,	
	2021	2020
Net loss	\$ (15,266)	\$ (7,809)
Stock-based compensation	3,109	1,404

Restructuring and impairment charges	—	356
Tax effect on the provision for (benefit from) income taxes	14	9
Non-GAAP net loss	<u>\$ (12,143)</u>	<u>\$ (6,040)</u>
Non-GAAP net loss per share, basic and diluted	<u>\$ (0.35)</u>	<u>\$ (0.25)</u>

Free Cash Flow

We define free cash flow as net cash provided by (used in) operating activities less cash used for purchases of property and equipment as presented below (in thousands):

	Three months ended September 30,	
	2021	2020
Net cash used in operating activities	\$ (2,035)	\$ (5,736)
Purchases of property and equipment	(118)	(83)
Free cash flow	<u>\$ (2,153)</u>	<u>\$ (5,819)</u>

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Source: ForgeRock