

Veritone Fourth Quarter and Full Year 2023 Prepared Remarks

Stefan Norbom, Investor Relations

Thank you, and good afternoon.

After the market-close today, Veritone issued a press release announcing results for the fourth quarter and fiscal year ended December 31, 2023. The press release, and other supplemental information, are available on the Investors section of Veritone's website.

Joining us for today's call are Veritone's Chairman and Chief Executive Officer, Ryan Steelberg; and Chief Financial Officer, Mike Zemetra, who will provide prepared remarks and then open the call up for a live question-and-answer session.

Please note that certain information discussed on the call today, including certain answers to your questions, will include forward-looking statements. This includes, without limitation, statements about our business strategy and future financial and operating performance. These forward-looking statements are subject to risks, uncertainties and assumptions that may cause actual results to differ materially from those statements. Certain of these risks and assumptions are discussed in Veritone's SEC filings, including its Annual Report on Form 10-K. These forward-looking statements are based on assumptions as of today, March 12, 2024, and Veritone undertakes no obligation to revise or update them.

During this call, the actual and forecasted financial measures we will be discussing include non-GAAP measures. Reconciliations of these measures to the corresponding GAAP measures are included in the press release we issued today. Also, when we reference pro forma measures, such measures are presented on a combined pro forma basis treating Broadbean as owned by Veritone during fiscal year 2022.

Finally, I would like to remind everyone that the call today is being recorded and will be made available for replay via a link on the Investors section of Veritone's website at www.veritone.com.

Now, I would like to turn the call over to our Chairman and Chief Executive Officer, Ryan Steelberg.

Ryan Steelberg, Chairman and Chief Executive Officer

Thank you, Stefan, and thank you everyone, for joining us today. I am pleased with our financial performance in the fourth quarter, while also achieving significant progress against the strategic initiatives set in motion last year. We took significant steps to bolster our fundamentals, and now we are targeting to achieve profitability as early as Q4 2024 and for the entirety of 2025. It is nice to get back to focusing on long-term, sustainable growth.

Today, I would like to share more details about the material steps we've taken to right-size our operating structure, while also prioritizing the alignment of our resources toward growth and differentiation.

I am encouraged by the strong foundation we have built and the swiftness of our team's execution over the past year. As I noted on our last earnings call, we see 2024 as a critical transition and inflection year for us as we drive the business towards profitability, while aligning our investments and technical resources to accelerate our AI software and services revenue growth.

We are in the midst of an unprecedented wave of demand for artificial intelligence, strengthening Veritone's value proposition. Key decision makers and leaders across governments and commercial industries are recognizing the necessity of scaled adoption of AI-powered solutions. Veritone's decade-long AI expertise and software and service capabilities in this field gives us a strong competitive advantage in delivering world-class AI applications and solutions. We're seeing an explosion of demand for Veritone's AI applications, aiWARE platform and solution capabilities, with the largest qualified pipeline on record, and we are continuing to accelerate our innovation and development pipeline to adapt and extend our AI capabilities to serve our markets.

Although we've achieved solid results and growth across our core business segments, which I will detail later in the call, we recognize that there's ample opportunity for further improvement. In line with our plans to position Veritone's operating model for long-term agility and serve true customer demand, we have been focused on the disciplined execution of the cost savings initiatives we laid out over a year ago and signaled on our past two earnings calls. The restructuring will be ongoing during the first quarter of 2024, and we expect to realize the full benefits of these efforts beginning in the second quarter of 2024. We anticipate these combined actions to result in material improvements to our 2024 non-GAAP net loss as compared to 2023, netting over a 15% reduction in overall operating expense, which Mike will provide further detail on later. Again, I want to reiterate that we are projecting profitability as early as the fourth quarter of 2024 and in full year fiscal 2025.

We will continue to focus on developing and delivering world-class AI applications and solutions, powered by our aiWARE platform. In conjunction with this focus, our realignment allocates more of our capital and talent to the sectors and customers where we see sustainable and long-term growth. In essence, these organizational adjustments are integral components of our overarching strategy aimed at channeling investments more efficiently into areas of sustainable growth and technological leadership within the AI industry. Now, let me turn to our market verticals.

First, Veritone's hiring platform. 2023 was marked by our strategic acquisition of Broadbean in Q2, which further solidified our position in the talent acquisition industry. Our Veritone Hire platform continued to demonstrate our ability to deliver intelligent talent acquisition and down funnel analytics solutions for clients in the marketplace to enable better cost savings, time to hire KPIs and superior advertising performance in Q4. Collectively, our Hire vertical achieved quarter over quarter revenue growth in Q4, and Broadbean revenues grew year over year against the backdrop of a challenging job advertising market with key global leaders reporting double-digit year over year reductions in revenue. Veritone Hire demonstrated resilience, capitalizing on its strong commercial strategy and focus on multi year subscription engagements, leading ATS integrations and dynamic pricing management. Broadbean's ability to expand into controlling not just the job distribution software budget, but the advertising budget as well for EMEA clients led to its recognition from both Indeed (Strategic Agency

Partner) and LinkedIn (Golden Partner Status) as a key media partner in EMEA in 2024. Beginning in the second half of 2024, we expect to see material growth on a global basis.

We remain committed to diversifying our customer and revenue base, and the notable increase in ARR associated with our subscription-based customers this year has contributed to greater stability in our revenues and earnings, reducing vulnerability to the actions of a single customer or market segment. Key wins and renewals in Q4 included global brands such as KPMG, Walmart, Staples, Sthree, FedEx, Moderna, Renault and others. Further, with the expanded customer base and growth, we've eliminated the risks of our customer concentration. As Mike will discuss later, we are forecasting Amazon's contribution will be less than 5% of our consolidated revenue.

We made substantial progress onboarding Broadbean this year, building onto Broadbean's year over year growth, with the successful integration of the sales and marketing organizations in Q3 and accelerated IT systems integration in Q4. We anticipate finalizing the full integration in the first half of 2024, with the expectation of beginning to realize further synergies in the latter half of the year.

Shifting focus to media and entertainment, Veritone continues to lead the industry in advancing AI innovation in the media and entertainment sector. Our comprehensive range of services spans content and advertising analytics, asset management, licensing and bespoke cognitive and generative AI solutions. In Q4, we saw an increased demand for our tools among content organizations, who look to Veritone to equip them and their teams with the facilitation of swift and efficient management, creation, monetization and innovation surrounding their proprietary data assets.

Our content licensing business delivered exceptional results and demonstrated significant partner growth across core customers. In Q4, our team successfully implemented expanded CBS Evening News content Ingestions, which includes the delivery of all news segments in near real-time across the Veritone marketplace, providing an unmatched user experience for content buyers. Specific to our partnership, CBS News licensing revenues grew 43% year over year internationally. 2023 new customer signings included World Poker Tour, Major League Baseball, Orchard Clips and the Women's Tennis Association. Furthermore, Veritone AI-assisted licensing contributed into 12 projects that received 32 nominations for Emmys, Golden Globes and Oscar and efficiently provided content into key blockbusters such as the Amazon series "Prime" and the AppleTV series "Eleven."

Despite a difficult advertising market backdrop in 2023, our agency group diversified our media portfolio and seized new opportunities to expand customer advertising campaigns. This strategy helped to mitigate the concentration in some legacy media channels, such as radio, and fueled material growth in streaming media and dynamic ad inserted podcasting. Our digital efforts grew 43% year over year and have become a new, pivotal element of our media portfolio. 58% of our Veritone One new clients signed under MSA for fiscal year 2023, with over 55% of new client billings for Veritone One occurring in Q4, setting the stage for strong performance in the quarters to come. As of March 1st, our booked media placements for 2024 represents our largest bookings to date at this point in any other year. We therefore see not only a rebound for the media business, but material growth prospects for the year.

Across Software Products and Services, within media and entertainment, our customer retention and engagement metrics remained resilient, highlighting our critical role with existing customers. We closed 40 deals, totaling \$6.34 million in annual contract value, or \$6.87 million in total contract value, in the fourth quarter, and secured 139 deals with \$9.91 in annual contract value, or \$10.74 million in total contract value, for fiscal year 2023. Additionally, we signed several key new business agreements with

prominent media organizations such as Fox Corporation, CAA and ABC Television, alongside notable Q4 deals with Sesame Street, Guinness World Records and the Football Association. The quarter also saw substantial upsells with Sinclair, All3Media, Dentsu and Urban One, in addition to contract renewals with major partners, including the Tennis Channel, Hearst Media, U.S. Swimming, Augusta National and Sony Pictures.

As media-rich organizations seek innovative avenues for growth in an area in which content consumption has soared to unprecedented levels, I'm excited to spotlight our recently announced technology partnership with Dalet, a leading technology provider for media-rich organizations. Our partnership enables media and entertainment companies to maximize the return on investment of their content assets to generate new revenue streams and automatically deliver content to partners while remaining in control of their content catalog.

Amidst a challenging 2023 backdrop and lingering uncertainty driven by the SAG-AFTRA and WGA strikes, Veritone Media & Entertainment continued to sign significant customers that will provide meaningful, long-term growth. Heading further into 2024, we're well positioned to capitalize on the rebounding ad market and improving outlook in the media and entertainment space overall.

Finally, **I would like to comment on Veritone's Public Sector business.** 2023 was a pivotal year in the growth of our Public Sector business, and our investments are showing signs of material traction with yearly and quarterly revenue growth of 55% and 29%, respectively. Our focus and passion for providing AI-powered solutions to government agencies and legal organizations resulted in the addition of 87 new public sector customers in fiscal year 2023, as well as the significant expansion of our pipeline, including opportunities globally in the United States, Canada, UK and the EU. Veritone was awarded a \$15 million sole contractor blanket purchase agreement with the Department of Justice, of which we are already fulfilling task orders against. We also launched a new Managed Service offering, Veritone Redact, to help agencies cost effectively reduce their redaction backlog for release of body cam video to the public, and executed a significant Digital Media Hub and professional services project for a Legislative Branch agency.

Along with our other market verticals, Public Sector customers continue to be drawn to our proven track record of AI partner-model success, expertise in handling vast data sets and experience leading ethical AI practices. New partner activations and growing our partner ecosystem with technical integration partners, resellers and distributors represented over 30% of our Public Sector revenue in both Q4 and fiscal year 2023.

Looking back on Q4 and the fiscal year 2023, we have definitive proof points of the progress we have made in building and scaling our Public Sector vertical. The significant momentum made possible by the accomplishments I've outlined earlier, and our renewed focus has culminated in our formal announcement and launch of Veritone's AI-Powered Intelligent Digital Evidence Management System, or iDEMS, for public safety and judicial organizations. Veritone's iDEMS includes our award-winning applications Investigate, Redact, Illuminate, Tracker and Identify. Built on our aiWARE platform, we are able to leverage over 450 AI models, including a multitude of generative AI and large language models, bringing the power of AI and cloud computing to state, local and federal agencies. Veritone iDEMS helps these agencies expand what is humanly possible and extract more valuable information and insights to solve investigations faster and more cost effectively, and make the digital evidence shareable across law enforcement, prosecution, defense and the public at large. Veritone iDEMS, initially with our Investigate application, is now officially listed and part of the AWS Marketplace. We have a strong pipeline for

iDEMS, while already booking business and expect meaningful revenue contribution in 2024. More specifically, we have commenced the initial phase of two separate custom implementations of the iDEMS solutions with U.S. Federal Government Agencies, the DoJ and DoD, to materially reduce the time and cost associated with the organization, review and analysis of video content and evidence.

Public sector agencies face the daunting task of effectively managing the influx of evidence and other digital data from disparate sources such as social media feeds, citizen-owned phones and cameras, body cams, vehicle and drone cameras and CCTV footage. Looking ahead to 2024 and beyond, I am confident in our ability to serve as a critical partner to the public sector by harnessing AI to improve efficiency, cut costs and increase the effectiveness of investigations and the judicial process.

As we close out financial year 2023, I am proud of the disciplined actions we took to align our resources, talent and investments to not only meet the current demands of our customers and partners, but to secure our growth and lead in delivering advanced, efficient AI solutions in the years to come. Our aiWARE-powered solutions, designed to seamlessly adapt and evolve alongside the development of AI technology, remain the cornerstone of our operations. I firmly believe that our renewed sense of focus, together with our expertise in software, professional services and digital media, will allow us to come out of this transition stronger, more competitive and better positioned to capitalize on the opportunities presented by the dynamic AI market.

Now, I would like to hand the call off to Mike Zemetra, our CFO, to go through the financial results and guidance. Mike?

Mike Zemetra, CFO

Thank you, Ryan.

I am happy to report that we continued to make substantial financial progress, ending the year with solid customer metrics and contributions made across our Software Products and Services and Managed Services. More importantly, we've made critical changes to our cost structure throughout 2023 and more recently in Q1 2024, which I will explain in more detail, to bring us to profitability on a non-GAAP net income basis as early as Q4 2024. While 2023 was a challenging year across most of our consumption based products and services, we did make meaningful progress to reduce our dependence on consumption based customers, better align our near and long term growth targets and more importantly, bring us closer to operating profitability as we head into fiscal 2024.

During my prepared remarks, I will discuss our:

- Fiscal 2023 and Q4 year over year performance and KPIs;
- Our December 2023 debt transaction;
- Q1 2024 cost reduction initiatives;
- And, Q1 and fiscal 2024 guidance – highlighting the scalability of our revenue and business, risks heading into fiscal 2024, focus on near term profitability and projected full year results.

Starting with 2023 performance.

Revenue was \$127.6 million, down 14.8% year over year from \$149.7 million in 2022. Driving this was Software Products and Services, which decreased \$16.2 million or 19.1%, to \$68.4 million in revenue, and secondarily from Managed Services which decreased \$6.0 million or 9.2%.

The Software Products and Services decline was largely attributed to lower consumption across our Veritone Hire solution's customer base, including Amazon, offset by the addition of Broadbean in Q2 2023, which contributed \$19.2 million of revenue in 2023. In addition, Software Products and Services declined due to the loss of over \$9.0 million in certain non-recurring one-time software revenue in 2023 versus 2022. Excluding the impact of Amazon and certain one-time revenue in 2023 and 2022, Software Products and Services revenue would have been up over 44% year over year. Offsetting this was an increase in Public Sector, which saw revenue improvement of 56.5% year over year. In 2023, Amazon represented 11.2% of our consolidated revenue, down from 24.7% in 2022.

The decline in Managed Services was driven in large part by advertising, which declined \$5.8 million year over year primarily driven by lower ad net revenue contribution, due in part to the challenging macro environment coupled with customer deferral of budgeted ad spend to future periods.

On a pro forma basis, which assumes ownership of Broadbean since January 1, 2022, fiscal 2023 revenue was \$142.6 million versus \$182.3 million, a decline of \$39.7 million or 21.8% year over year. Driving this pro forma variance was Software Products and Services, which decreased \$33.7 million or 28.8%, coupled with the \$6.0 million decrease in Managed Services as previously discussed. The pro forma decline in Software Products and Services was driven by the previously discussed declines in certain one-time revenue and from our hiring solutions, the latter of which decreased \$29.0 million, or 31.9%, largely from declines in consumption based revenues, including Amazon, offset slightly by a 4.6% increase in Broadbean year over year.

As I will discuss later in our guidance, we expect the challenging macro economy to persist at least throughout the first half of 2024, showing an improvement into the second half of 2024. While we expect to see marked improvements and continuing growth from new and existing customers across our entire software platform, we are forecasting our projected revenue from Amazon to be less than 5% of our consolidated revenue in 2024, down year over year from approximately 11% in 2023. We expect customer growth and strong net revenue retention to further reduce this revenue concentration in 2024.

As a percentage of total revenue, Software Products and Services represented approximately 59% of consolidated revenue in fiscal 2023 versus 64% in fiscal 2022 on a pro forma basis.

Full year non-GAAP gross profit reached \$99.3 million as compared to \$122.3 million in 2022, declining \$23.0 million, or 18.8%, consistent with the decline in revenue over the same period. Overall non-GAAP gross margins were 77.8% in 2023 as compared to 81.7% in 2022 driven in large part by the mix of revenue in 2023 as compared to 2022.

Non-GAAP net loss was \$37.3 million, as compared to \$15.9 million in 2022, an increase of \$21.4 million, driven by the decline in non-GAAP gross margin and the net impact of various cost reductions made in fiscal 2023 offset by the acquisition of Broadbean operating expenses beginning in late Q2 2023. On a pro forma basis, non-GAAP Net Income from Broadbean was relatively flat year over year.

Turning to Q4 2023 performance.

Revenue was \$34.2 million, down 22.1% or \$9.7 million from Q4 of 2022, driven by declines of \$7.4 million from Software Products and Services and \$2.3 million from Managed Services. The decline in Software Products and Services revenue was largely due to a decline of \$5.5 million in certain one-time non-recurring revenue in Q4 2022 as compared to Q4 2023, coupled with the net decline of \$1.9 million in Veritone Hire, offset by a 30% year over year improvement in Public Sector. The net decline in Veritone Hire was largely driven by Amazon, which represented less than 10% of consolidated revenue in Q4 2023 as compared to approximately 25% in Q4 2022, offset by the Q2 2023 acquisition of Broadbean which generated \$8.7 million in revenue in Q4 2023. Excluding the impact of Amazon and certain one-time revenue declines, Q4 Software Products and Services revenue would have increased over 64% in Q4 2023 versus Q4 2022.

Our revenue pipeline and long-term outlook remain strong. As we continued to diversify our customer base throughout fiscal 2023, our partner-driven channel strategy continues to deliver results. In Q4, we delivered strong key performance metrics, on a pro forma basis:

- ARR of \$82.1 million, including over \$48 million from subscription versus consumption based customers. While our subscription based ARR grew 4% year over year, our overall ARR declined given the trailing twelve month pull-back in consumption spending principally from customers, including Amazon. We expect consumption based ARR to continue to decline in the first half of 2024 as we exit Amazon dependencies over the trailing twelve month periods.
- Total New bookings were \$17.5million, down year over year largely due to Amazon's reduced spend.
- Gross revenue retention continued to be in the high 90th percentile,
- And, Total Software Products & Services customers of 3,460, which were down slightly year over year principally due to ongoing run off of legacy Career Builder customers transitioning off of Broadbean's platform, which had a minimal impact as overall ARR at Broadbean on a standalone basis improved year over year.

Q4 Managed Services advertising gross billings per active client were \$647,000, declining 21% from Q4 2022. While the macro environment remains challenging, gross billings per active client did improve 4% sequentially from Q3 2023. Given our performance, bookings through today and expected macro-economic improvements in the second half of 2024, we do expect advertising to be relatively flat in Q1 2024 versus 2023, however, improving throughout the remainder of 2024 as compared to 2023, and to approach or exceed levels experienced in fiscal 2022.

Q4 2023 non-GAAP gross profit reached \$27.7 million, declining \$9.5 million or 25.5% from Q4 of 2022 largely due to the decrease in revenue. As a result of the mix of revenue in Q4 2023 as compared to Q4 2022, which includes declines in our hiring solutions which generate non-GAAP gross margins in excess of 90%, overall non-GAAP gross margin came down to 81.0% in Q4 2023 as compared to 84.7% in 2022. We expect non-GAAP gross margins to approximate 78% to 80% throughout fiscal 2024.

Q4 non-GAAP net loss was \$6.8 million, as compared to non-GAAP net income of \$2.2 million in Q4 2022 driven largely by the decline in non-GAAP gross margin, offset by net improvements in our cost structure throughout fiscal 2023. Q4 2023 non-GAAP net loss was slightly worse versus our original guidance largely due to the decision to delay certain cost reductions from Q4 2023 to Q1 2024, which I will explain in detail later, and slightly lower than expected capitalized software costs in Q4 2023.

Turning to our balance sheet. At December 31, 2023, we held cash and restricted cash of \$80.3 million, compared to \$185.3 million at December 31, 2022. The \$105.0 million decrease reflects net cash outflows from operations of approximately \$76.4 million, driven principally by the timing of payments in Managed Services in the first half of 2023 and by our non-GAAP net loss. In addition, we had net cash outflows from investing activities of \$54.9 million, driven by the net \$50.3 million acquisition of Broadbean in June 2023 and \$5.1 million of capital expenditures. Offsetting these were net cash inflows from financing activities of \$26.3 million, largely associated with net cash inflows of \$36.9 million from our December 2023 debt facility, which includes new term debt proceeds of \$77.5 million offset by \$37.5 million of proceeds used to repurchase \$50.0 million of existing November 2026 convertible notes, offset by deferred purchase price consideration of \$11.7 million attributable to Pandologic's 2022 earnout and certain 2022 acquisitions.

In Q4 2023, we completed our four-year, \$77.5 million senior secured debt facility due December 2027. Key terms of the debt facility include a rate of SOFR plus 850 basis points, amortization of payments of 2.5% per quarter beginning in June 2024, 10% warrant coverage and a minimum liquidity covenant of \$15.0 million of consolidated cash. \$37.5 million of proceeds from the debt facility were used to repurchase existing convertible debt at 75% of par, with the remaining \$40.0 million, net of approximately \$3.1 million in direct deal fees, to be used for general and corporate purposes. Post deal, our consolidated pro forma debt is \$168.5 million, including our legacy November 2026 Convertible Notes of \$91 million, down from \$141 million at September 30, 2023. In conjunction with the \$37.5 million repurchase of our existing convertible debt, we recorded a one-time gain of \$30.0 million to reflect the fair value of the exchange for GAAP purposes in Q4 2023.

With respect to our balance sheet and debt position today, we have near term plans to vastly improve our liquidity position on a non-dilutive basis. We will continue to update you on further progress on this initiative when we announce Q1 earnings in May 2024.

Of the total \$80.3 million in cash, approximately \$45.3 million of our reported cash is essentially held for payment to third parties from our Managed Services, down from \$93.1 million at December 31, 2022. The decline in cash held for third parties is partially reflective of the seasonality of our advertising services coupled with certain catch-up payments made in Q1 2023 from delayed payments as we migrated onto our new Oracle ERP system in the second half of 2022.

Turning to our cost savings update. Through December 31, 2023, we executed over \$24.0 million of annualized savings, well above our initial range. During Q4 2023, we had earmarked up to \$3.0 million of additional cost savings, however, elected to defer these into Q1 2024 until we finalized the terms of our December 2023 debt deal. I am happy to report that as a result of our Q1 2024 restructuring efforts, we executed on over \$10.0 million of additional annualized cost reductions through today, which is included in our full year and Q1 2024 financial guidance, and we are not done. As a result of this phase of reorganization, we expect future synergies, both cost and revenue related, to materialize in the latter part of fiscal 2024 – particularly across our Software Products and Services lines. The Q1 restructuring included organizational realignments within sales, engineering and corporate, the result of which was a reduction of approximately 14% of our global workforce.

We ended December 31, 2023 with 37.2 million shares outstanding, total debt of \$168.5 million, including 1.75% convertible debt of \$91 million principal due November 2026, and approximately 3.0 million, five year warrants issued under the debt facility at \$2.57 strike price.

Looking ahead to Q1 2024, I want to point out certain one-time cash items:

- Cash payments of \$2.8 million associated with deferred purchase consideration from legacy 2022 acquisitions;
- Cash payments of up to \$2.0 million in one-time severance and termination-related fees associated with our Q1 2024 restructuring; and
- Cash receipts up to \$1.9 million towards the sale of our investment associated with the divestiture of our energy division in 2023.

Turning to financial guidance for Q1 and Fiscal 2024. As a backdrop to fiscal 2024, we approached our planning with a very conservative approach on revenue, particularly on any consumption-based revenue, and with heightened discipline around costs as we march towards profitability. As previously mentioned, in Q1 2024 we executed over \$10 million of annualized cost savings initiatives, which is included in our guidance, but have intentionally omitted from our 2024 guidance any future cost and revenue synergies expected in the second half of 2024 until they are realized.

With that backdrop, we are guiding:

- Q1 revenue to be between \$30.5 and \$31.5 million, representing a 2% improvement year over year at the midpoint. Driving this is growth from Veritone Hire, including the addition of our Q2 2023 acquisition of Broadbean, growth from our Public Sector and to a lesser extent Managed Services, including advertising. Our Managed Services is expected to be slightly up to flat in Q1 2024 versus 2023, with more significant growth coming in Q2 2024 as we begin to exit a more challenging 2023 macro and continue to grow our bookings with new and existing customers. While we cannot discuss specifics, we are seeing increased annual bookings year over year in excess of 20% from our advertising services starting in Q2 2024. Offsetting these growth drivers will be legacy Veritone Hire applications. More specifically, Q1 2024 assumes Amazon will be less than 5% of our consolidated revenue, as compared to 18% of our consolidated revenue in Q1 2023. Risks to our Q1 revenue guidance include execution on new Enterprise deliverables, namely across our Public Sector, which can be unpredictable, and to a lesser extent consumption based revenue across our Hire and Managed Services.

and

- Q1 non-GAAP net loss to be between \$7.0 million and \$8.0 million, an improvement of 22% at the midpoint versus Q1 2023. Driving this improvement in the bottom line are legacy cost reductions, and to lesser extent the mid-quarter impact of our Q1 2024 restructuring, which we expect to fully begin realizing beginning in Q2 2024. As a reminder, Q1 is our seasonally lowest performing quarter, and the majority of our costs are fixed and payroll driven.

For full year 2024, we expect:

- Revenue to be between \$134.0 million and \$142.0 million, representing a year over year increase of 8.2% at the midpoint and relatively flat versus pro forma 2023. As a reminder, and given the current economic outlook, we are forecasting our revenue conservatively in 2024. Driving 2024, we expect Software Products and Services to benefit from the Q2 2023 Broadbean acquisition, our Public Sector, which is projected to grow between 40% to 50% year over year, of which over 75% of that growth is coming from our exit 2023 run rate. Moreover,

we are in late agreement stages with various federal agencies on larger enterprise level arrangements, which if executed in the first half of 2024 could accelerate this growth projection even further. We expect our Managed Services, including our advertising to improve over 15% year over year, led by advertising and licensing starting in Q2 2024. Offsetting this is a year over year decline in consumption-based revenue, including Amazon, and certain one-time software sales of \$3.0 million revenues in 2023, not recurring in 2024. Amazon is projected to conservatively represent less than 5% of our consolidated revenue at the midpoint, as compared to 11% in 2023. If we exclude the impact of these, our revenue guidance would be over 20% improvement in 2024 versus 2023. Risks to our annual revenue guidance include the macro economy and the result of continued inflation and higher interest rates on our customers, which we expect to continue at least through the of first half 2024, execution on new enterprise deliverables, namely across our Public Sector, and continued customer growth and retention metrics from our Software Products and Services.

- We expect full year non-GAAP net loss to vastly improve in 2024 and be between \$11.0 million and \$15.0 million, with substantial progress towards profitability beginning in the second half of 2024. At the midpoint, this represents a \$24.3 million, or over 65% improvement, when compared to fiscal 2023 non-GAAP net loss. Assuming we reach the higher end of our guidance, we expect we will be cash flow positive as early as Q4 2024. Further, and assuming modest revenue growth in fiscal 2025, we should be cash flow positive for the entirety of fiscal 2025.

That concludes my prepared remarks. Operator, we would like to now open up the call for questions.

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