

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2026
OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to
Commission File Number: 001-37461



ALARM.COM HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

8281 Greensboro Drive Suite 100 Tysons Virginia

(Address of principal executive offices)

26-4247032

(I.R.S. Employer
Identification Number)

22102

(Zip Code)

Tel: (877) 389-4033

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, \$0.01 par value per share	ALRM	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-Accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of July 30, 2026, there were 49,090,228 outstanding shares of the registrant's common stock, par value \$0.01 per share.

ALARM.COM HOLDINGS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE FISCAL QUARTER ENDED JUNE 30, 2026

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (unaudited)

ALARM.COM HOLDINGS, INC.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenue:				
SaaS and license revenue	\$ 188,778	\$ 169,993	\$ 370,302	\$ 333,793
Hardware and other revenue	88,956	84,315	172,625	159,337
Total revenue	277,734	254,308	542,927	493,130
Cost of revenue⁽¹⁾:				
Cost of SaaS and license revenue	29,917	23,653	57,812	45,221
Cost of hardware and other revenue	65,736	63,809	128,352	120,475
Total cost of revenue	95,653	87,462	186,164	165,696
Operating expenses:				
Sales and marketing	32,979	31,136	67,413	59,685
General and administrative	36,646	27,084	64,100	54,085
Research and development	71,008	69,070	143,067	137,437
Amortization and depreciation	8,964	7,534	18,056	14,558
Total operating expenses	149,597	134,824	292,636	265,765
Operating income	32,484	32,022	64,127	61,669
Interest expense	(3,543)	(4,321)	(7,215)	(8,635)
Interest income	4,491	11,808	9,422	24,179
Other expense, net	(2,336)	(175)	(6,245)	(2,835)
Income before income taxes	31,096	39,334	60,089	74,378
Provision for income taxes	7,737	5,458	13,593	12,765
Income from equity method investments, net	(849)	(341)	(1,094)	(316)
Net income	24,208	34,217	47,590	61,929
Net loss attributable to redeemable noncontrolling interests	38	335	239	573
Net income attributable to common stockholders	<u>\$ 24,246</u>	<u>\$ 34,552</u>	<u>\$ 47,829</u>	<u>\$ 62,502</u>
Per share information attributable to common stockholders:				
Net income attributable to common stockholders per share:				
Basic	\$ 0.49	\$ 0.69	\$ 0.97	\$ 1.26
Diluted	\$ 0.48	\$ 0.63	\$ 0.95	\$ 1.15
Weighted average common shares outstanding:				
Basic	49,328,402	49,806,105	49,463,300	49,733,328
Diluted	55,924,506	60,137,204	56,160,666	60,159,849

(1) Exclusive of amortization and depreciation shown in operating expenses below.

See accompanying notes to the condensed consolidated financial statements.

ALARM.COM HOLDINGS, INC.
Condensed Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Net income	\$ 24,208	\$ 34,217	\$ 47,590	\$ 61,929
Other comprehensive (loss) / income				
Foreign currency translation adjustment	(101)	959	(661)	1,788
Total other comprehensive (loss) / income	(101)	959	(661)	1,788
Comprehensive income	24,107	35,176	46,929	63,717
Comprehensive loss attributable to redeemable noncontrolling interests	38	335	239	573
Comprehensive income attributable to common stockholders	<u>\$ 24,145</u>	<u>\$ 35,511</u>	<u>\$ 47,168</u>	<u>\$ 64,290</u>

See accompanying notes to the condensed consolidated financial statements.

ALARM.COM HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

	June 30, 2026	December 31, 2025
Assets		
Current assets:		
Cash and cash equivalents	\$ 479,418	\$ 960,584
Accounts receivable, net of allowance for credit losses of \$8,016 and \$5,171, and net of allowance for product returns of \$2,050 and \$2,140 as of June 30, 2026 and December 31, 2025, respectively	161,709	141,852
Inventory	94,349	94,429
Other current assets, net of allowance for credits losses of \$750 and \$749 as of June 30, 2026 and December 31, 2025, respectively	65,879	75,646
Total current assets	801,355	1,272,511
Property and equipment, net	67,966	64,799
Intangible assets, net	87,791	99,352
Goodwill	224,641	224,987
Deferred tax assets	147,694	152,255
Operating lease right-of-use assets	52,283	52,636
Investments in unconsolidated entities	232,470	226,931
Other assets, net of allowance for credit losses of \$2 and \$0 as of June 30, 2026 and December 31, 2025, respectively	42,778	43,120
Total assets	\$ 1,656,978	\$ 2,136,591
Liabilities, redeemable noncontrolling interests and stockholders' equity		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 108,201	\$ 107,195
Accrued compensation	27,522	31,126
Deferred revenue	17,912	16,428
Convertible senior notes, net	—	499,867
Operating lease liabilities	7,941	8,524
Total current liabilities	161,576	663,140
Deferred revenue	13,902	13,456
Convertible senior notes, net, noncurrent	491,094	489,641
Operating lease liabilities	68,430	67,609
Other liabilities	11,656	11,735
Total liabilities	746,658	1,245,581
Commitments and contingencies (Note 12)		
Redeemable noncontrolling interests	45,865	42,847
Stockholders' equity		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding as of June 30, 2026 and December 31, 2025	—	—
Common stock, \$0.01 par value, 300,000,000 shares authorized; 53,941,823 and 53,540,939 shares issued; and 49,033,533 and 49,630,714 shares outstanding as of June 30, 2026 and December 31, 2025, respectively	540	536
Additional paid-in capital	564,053	549,913
Treasury stock, at cost; 4,908,290 and 3,910,225 shares as of June 30, 2026 and December 31, 2025, respectively	(272,872)	(227,852)
Accumulated other comprehensive income	2,029	2,690
Retained earnings	570,705	522,876
Total stockholders' equity	864,455	848,163
Total liabilities, redeemable noncontrolling interests and stockholders' equity	\$ 1,656,978	\$ 2,136,591

See accompanying notes to the condensed consolidated financial statements.

ALARM.COM HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2026	2025
Cash flows from operating activities:		
Net income	\$ 47,590	\$ 61,929
Adjustments to reconcile net income to net cash flows from operating activities:		
Provision for credit losses on accounts receivable	3,346	1,552
Reserve for product returns	987	1,111
Provision for credit losses on notes receivable	3	749
Amortization and depreciation	18,056	14,558
Amortization of debt issuance costs	1,586	3,002
Amortization of operating leases	7,587	7,829
Deferred income taxes	6,205	(15,673)
Stock-based compensation	15,625	18,392
Distributions on investments in unconsolidated entities	6,430	—
Loss from investments in unconsolidated entities	4,422	3,454
Other adjustments	710	67
Changes in operating assets and liabilities (net of business acquisitions):		
Accounts receivable	(24,204)	1,574
Inventory	(24)	(1,544)
Other current and non-current assets	5,471	(4,732)
Accounts payable and other current liabilities	5,193	(39,711)
Deferred revenue	1,930	682
Operating lease liabilities	(8,320)	(6,393)
Other liabilities	(71)	(73)
Cash flows from operating activities	<u>92,522</u>	<u>46,773</u>
Cash flows used in investing activities:		
Business acquisitions, net of cash acquired	—	(23,412)
Additions to property and equipment	(5,759)	(10,667)
Issuances of notes receivable	(4,342)	(23,500)
Receipt of payments on notes receivable	61	49
Capitalized software development costs	(538)	(758)
Proceeds from sale of investments in unconsolidated entities	6,039	—
Purchase of investments in unconsolidated entities	(16,173)	(174,700)
Cash flows used in investing activities	<u>(20,712)</u>	<u>(232,988)</u>
Cash flows used in financing activities:		
Repayments of convertible senior notes	(500,000)	—
Payments of deferred consideration for acquisitions and investments in unconsolidated entities	(12,089)	(1,741)
Purchases of treasury stock, including transaction costs	(45,020)	(10,167)
Issuances of common stock from equity-based plans	2,102	2,314
Cash flows used in financing activities	<u>(555,007)</u>	<u>(9,594)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	<u>(73)</u>	<u>(184)</u>
Net decrease in cash, cash equivalents and restricted cash	<u>(483,270)</u>	<u>(195,993)</u>
Cash, cash equivalents and restricted cash at beginning of the period	<u>968,807</u>	<u>1,229,132</u>
Cash, cash equivalents and restricted cash at end of the period	<u><u>\$ 485,537</u></u>	<u><u>\$ 1,033,139</u></u>
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 479,418	\$ 1,024,862
Restricted cash included in other current assets, net, and other assets, net	6,119	8,277
Total cash, cash equivalents and restricted cash	<u><u>\$ 485,537</u></u>	<u><u>\$ 1,033,139</u></u>

See accompanying notes to the condensed consolidated financial statements.

ALARM.COM HOLDINGS, INC.
Condensed Consolidated Statements of Equity
(in thousands)
(unaudited)

	Redeemable Noncontrolling Interests	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Income / (Loss)	Retained Earnings	Total Stockholders' Equity
		Shares	Amount		Shares	Amount			
Balance as of December 31, 2025	\$ 42,847	53,541	\$ 536	\$ 549,913	3,910	\$ (227,852)	\$ 2,690	\$ 522,876	\$ 848,163
Common stock issued in connection with equity-based plans	—	182	2	2,057	—	—	—	—	2,059
Purchase of treasury stock, including transaction costs and excise tax	—	—	—	(155)	428	(19,995)	—	—	(20,150)
Stock-based compensation expense	—	—	—	8,049	—	—	—	—	8,049
Accretion adjustments of redeemable noncontrolling interest to redemption value	1,332	—	—	(1,332)	—	—	—	—	(1,332)
Net income / (loss) attributable to common stockholders	(201)	—	—	—	—	—	—	23,583	23,583
Other comprehensive loss	—	—	—	—	—	—	(560)	—	(560)
Balance as of March 31, 2026	\$ 43,978	53,723	\$ 538	\$ 558,532	4,338	\$ (247,847)	\$ 2,130	\$ 546,459	\$ 859,812
Common stock issued in connection with equity-based plans	—	219	2	41	—	—	—	—	43
Purchase of treasury stock, including transaction costs and excise tax	—	—	—	(186)	570	(25,025)	—	—	(25,211)
Stock-based compensation expense	—	—	—	7,591	—	—	—	—	7,591
Accretion adjustments of redeemable noncontrolling interest to redemption value	1,925	—	—	(1,925)	—	—	—	—	(1,925)
Net income / (loss) attributable to common stockholders	(38)	—	—	—	—	—	—	24,246	24,246
Other comprehensive loss	—	—	—	—	—	—	(101)	—	(101)
Balance as of June 30, 2026	\$ 45,865	53,942	\$ 540	\$ 564,053	4,908	\$ (272,872)	\$ 2,029	\$ 570,705	\$ 864,455

ALARM.COM HOLDINGS, INC.
Condensed Consolidated Statements of Equity — (Continued)
(in thousands)
(unaudited)

	Redeemable Noncontrolling Interests	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
		Shares	Amount		Shares	Amount			
Balance as of December 31, 2024	\$ 44,747	52,756	\$ 528	\$ 521,192	3,138	\$ (186,291)	\$ 815	\$ 390,302	\$ 726,546
Common stock issued in connection with equity-based plans	—	148	1	1,582	—	—	—	—	1,583
Purchase of treasury stock, including transaction costs and excise tax	—	—	—	(3)	86	(5,059)	—	—	(5,062)
Stock-based compensation expense	—	—	—	9,481	—	—	—	—	9,481
Noncontrolling interest assumed through acquisition	6,352	—	—	—	—	—	—	—	—
Accretion adjustments of redeemable noncontrolling interest to redemption value	1,724	—	—	(1,724)	—	—	—	—	(1,724)
Net income / (loss) attributable to common stockholders	(238)	—	—	—	—	—	—	27,950	27,950
Other comprehensive income	—	—	—	—	—	—	829	—	829
Balance as of March 31, 2025	\$ 52,585	52,904	\$ 529	\$ 530,528	3,224	\$ (191,350)	\$ 1,644	\$ 418,252	\$ 759,603
Common stock issued in connection with equity-based plans	—	243	2	729	—	—	—	—	731
Purchase of treasury stock, including transaction costs and excise tax	—	—	—	3	88	(5,108)	—	—	(5,105)
Stock-based compensation expense	—	—	—	8,943	—	—	—	—	8,943
Accretion adjustments of redeemable noncontrolling interest to redemption value	2,338	—	—	(2,338)	—	—	—	—	(2,338)
Net income / (loss) attributable to common stockholders	(335)	—	—	—	—	—	—	34,552	34,552
Other comprehensive income	—	—	—	—	—	—	959	—	959
Balance as of June 30, 2025	\$ 54,588	53,147	\$ 531	\$ 537,865	3,312	\$ (196,458)	\$ 2,603	\$ 452,804	\$ 797,345

See accompanying notes to the condensed consolidated financial statements.

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
June 30, 2026 and 2025

Note 1. Organization

Alarm.com Holdings, Inc. (referred to herein as Alarm.com, the Company, or we) is the leading platform for intelligently connected properties. Our cloud-based platform offers an expansive suite of Internet of Things, or IoT, solutions addressing global opportunities in the residential, multi-family, small business, enterprise commercial and energy markets. Alarm.com's solution suite includes security, video surveillance and video analytics, energy management, access control, electric utility grid management, active shooter detection, water management, personal safety and data-rich emergency response. Our solutions are delivered through an established network of trusted service provider partners, who are experts at selling, installing and supporting our solutions. We derive revenue from the sale of our cloud-based Software-as-a-Service, or SaaS, services, license fees, software, hardware, activation fees and other revenue. Our fiscal year ends on December 31.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include our accounts and those of our majority-owned and controlled subsidiaries after elimination of intercompany accounts and transactions.

These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP, for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission, or SEC. Accordingly, they do not include all the information and footnotes required by GAAP for annual financial statements. They should be read together with our audited consolidated financial statements and related notes thereto for the year ended December 31, 2025 included in our Annual Report on Form 10-K filed with the SEC on February 19, 2026, or the Annual Report. The condensed consolidated balance sheet as of December 31, 2025 was derived from our audited financial statements but does not include all disclosures required by GAAP for annual financial statements.

In the opinion of management, these condensed consolidated financial statements include all normal recurring adjustments necessary for a fair statement of the results of operations, financial position and cash flows for the periods presented. However, the global economy, credit markets and financial markets have and may continue to experience significant volatility as a result of significant worldwide events, including public health crises, and geopolitical upheaval (including the ongoing conflicts in Ukraine, and in the Middle East and surrounding areas), disruptions to global supply chains, fluctuations in interest rates, tariffs, risk of recession and inflation (collectively, the Macroeconomic Conditions). These Macroeconomic Conditions have and may continue to create supply chain disruptions, inventory disruptions, and fluctuations in economic growth, including fluctuations in employment rates, inflation, tariffs, energy prices and consumer sentiment. It remains difficult to assess or predict the ultimate duration and economic impact of the Macroeconomic Conditions. The results of operations for the three and six months ended June 30, 2026 are not necessarily indicative of the results that can be expected for our entire fiscal year ending December 31, 2026, which is increasingly true in periods of uncertainty, such as the uncertainty caused by the Macroeconomic Conditions. Prolonged uncertainties could cause further economic slowdown or cause other unpredictable events, each of which could adversely affect our business, results of operations or financial condition.

Reclassifications

Certain previously reported amounts in the condensed consolidated statements of operations for the three months ended June 30, 2025 have been reclassified to conform to our current presentation to reflect (income) / loss from equity method investments, net, as a separate line item, which was previously included in other expense, net. Certain previously reported amounts in the condensed consolidated statement of cash flows for the six months ended June 30, 2025 have been reclassified to conform to our current presentation, including the addition of other adjustments as a separate line item within the adjustments to reconcile net income to net cash flows from the operating activities section.

Significant Accounting Policies and Use of Estimates

There have been no material changes to our significant accounting policies or our use of estimates during the three and six months ended June 30, 2026 from those disclosed in our Annual Report.

Recent Accounting Pronouncements

Adopted

During the three and six months ended June 30, 2026, we did not adopt any new accounting pronouncements.

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
June 30, 2026 and 2025

Not Yet Adopted

On November 5, 2024, the FASB issued ASU 2024-03, "Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)," which requires more detailed information about the types of expenses included in certain expense captions presented on the consolidated statements of operations, including purchases of inventory, employee compensation, depreciation, amortization and depletion. Additionally, this amendment requires the disclosure of a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively and the disclosure of the total amount of selling expenses and, on an annual basis, an entity's definition of selling expenses. The amendment is effective for annual periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted. This amendment should be applied either on a prospective basis or a retrospective basis to any or all prior periods presented. We are currently assessing the impact this pronouncement will have on our consolidated financial statement disclosures.

On September 18, 2025, the FASB issued ASU 2025-06, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)," to align the accounting for software costs with the evolution of software development, including the shift from using a prescriptive and sequential development method to using an incremental and iterative development method. This amendment clarifies that capitalization of internal-use software costs begins when (i) management has authorized and committed to funding the software project, and (ii) it is probable that the project will be completed and the software will be used to perform the function intended. Additionally, this amendment supersedes the website development costs guidance and it clarifies certain disclosure requirements for internal-use software costs. The amendment is effective for annual periods beginning after December 15, 2027, and interim periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period. This amendment should be applied either on a (i) prospective basis, (ii) retrospective basis to any or all prior periods presented, or (iii) modified transition basis that is based on the status of the project and whether software costs were capitalized before the date of adoption. We are currently assessing the impact this pronouncement will have on our consolidated financial statements and related disclosures.

On May 19, 2026, the FASB issued ASU 2026-02, "Environmental Credits and Environmental Credit Obligations (Topic 818)," to improve the financial accounting and disclosure of environmental credits and environmental credit obligations. This amendment provides recognition, measurement, presentation and disclosure requirements for all entities that generate, purchase or receive environmental credits or have a regulatory compliance obligation that may be settled with environmental credits. The amendment is effective for annual periods beginning after December 15, 2027, and interim periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period. This amendment should be applied on a retrospective basis as of the beginning of the annual reporting period of adoption. We are currently assessing the impact this pronouncement will have on our consolidated financial statements and related disclosures.

Note 3. Revenue from Contracts with Customers

Contract Assets

Our assets related to costs incurred to obtain or fulfill a contract primarily consist of capitalized commission costs, upfront payments made to customers and costs incurred on contracts with an outstanding performance obligation. The current portion of capitalized commission costs, upfront payments made to customers and costs incurred on contracts with an outstanding performance obligation is included in other current assets, net, within our condensed consolidated balance sheets. The non-current portion of capitalized commission costs, upfront payments made to customers and costs incurred on contracts with an outstanding performance obligation is reflected in other assets, net, within our condensed consolidated balance sheets. The changes in our contract assets are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Beginning of period balance	\$ 18,297	\$ 13,147	\$ 17,947	\$ 12,088
Additions to contract assets	2,924	2,589	6,751	5,773
Amortization or satisfaction of outstanding performance obligation of capitalized contract assets	(3,436)	(2,262)	(6,913)	(4,387)
End of period balance	<u>\$ 17,785</u>	<u>\$ 13,474</u>	<u>\$ 17,785</u>	<u>\$ 13,474</u>

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
June 30, 2026 and 2025

Contract Liabilities

Contract liabilities include payments received in advance of performance under the contract and are realized with the associated revenue recognized under the contract. The changes in our contract liabilities are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Beginning of period balance	\$ 31,843	\$ 27,524	\$ 29,884	\$ 26,559
Revenue deferred in period	9,883	7,445	21,292	15,711
Revenue recognized from amounts included in contract liabilities	(9,912)	(7,728)	(19,362)	(15,029)
End of period balance	<u>\$ 31,814</u>	<u>\$ 27,241</u>	<u>\$ 31,814</u>	<u>\$ 27,241</u>

Note 4. Accounts Receivable, Net

The components of accounts receivable, net are as follows (in thousands):

	June 30, 2026	December 31, 2025
Accounts receivable	\$ 171,775	\$ 149,163
Allowance for credit losses	(8,016)	(5,171)
Allowance for product returns	(2,050)	(2,140)
Accounts receivable, net	<u>\$ 161,709</u>	<u>\$ 141,852</u>

For the three and six months ended June 30, 2026, we recorded a reserve for product returns of \$0.6 million and \$1.0 million in our hardware and other revenue, respectively, as compared to \$0.7 million and \$1.1 million for the same periods in the prior year. Historically, we have not experienced write-offs for uncollectible accounts or sales returns that have differed significantly from our estimates.

Allowance for Credit Losses - Accounts Receivable

We identified the following two portfolio segments for our accounts receivable: (i) outstanding accounts receivable balances within Alarm.com and certain subsidiaries and (ii) outstanding accounts receivable balances within all other subsidiaries. There were no changes to our portfolio segments for our accounts receivable during the three and six months ended June 30, 2026, and no changes to our policies or practices that influenced our estimate of expected credit losses for accounts receivable. Additionally, there were no significant changes in the amount of accounts receivable write-offs during the three and six months ended June 30, 2026, as compared to historical periods.

The changes in our allowance for credit losses for accounts receivable are as follows (in thousands):

	Three Months Ended June 30, 2026		Three Months Ended June 30, 2025		Six Months Ended June 30, 2026		Six Months Ended June 30, 2025	
	Alarm.com and Certain Subsidiaries	All Other Subsidiaries	Alarm.com and Certain Subsidiaries	All Other Subsidiaries	Alarm.com and Certain Subsidiaries	All Other Subsidiaries	Alarm.com and Certain Subsidiaries	All Other Subsidiaries
Beginning of period balance	\$ (5,887)	\$ (226)	\$ (4,600)	\$ (121)	\$ (4,931)	\$ (240)	\$ (3,777)	\$ (93)
(Provision for) / recovery of expected credit losses	(2,187)	8	(456)	(119)	(3,347)	1	(1,402)	(150)
Write-offs	276	—	138	16	480	21	261	19
End of period balance	<u>\$ (7,798)</u>	<u>\$ (218)</u>	<u>\$ (4,918)</u>	<u>\$ (224)</u>	<u>\$ (7,798)</u>	<u>\$ (218)</u>	<u>\$ (4,918)</u>	<u>\$ (224)</u>

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
June 30, 2026 and 2025

Note 5. Inventory

The components of inventory are as follows (in thousands):

	June 30, 2026	December 31, 2025
Raw materials	\$ 19,584	\$ 18,238
Work-in-process	360	372
Finished goods	74,405	75,819
Total inventory	<u>\$ 94,349</u>	<u>\$ 94,429</u>

Note 6. Acquisitions

On November 21, 2025, EnergyHub, Inc., or EnergyHub, one of our wholly-owned subsidiaries, acquired 100% of the issued and outstanding shares of capital stock of Zona NewCo, LLC, which acquired substantially all of the assets and liabilities of Resideo Grid Services, or RGS, from Resideo Technologies, Inc. Pursuant to the terms of the stock purchase agreement, following the preliminary determination of the working capital of RGS as of the closing date, the purchase price increased by \$1.6 million. The working capital adjustment was finalized during the second quarter of 2026 and \$1.6 million was paid to stockholders of RGS at that time. The purchase price allocation was not finalized as of the filing date of this Quarterly Report on Form 10-Q and is primarily pending the final determination of the tax adjustments.

Note 7. Goodwill and Intangible Assets, Net

The changes in goodwill by reportable segment are outlined below (in thousands):

	Alarm.com	Other	Total
Balance as of January 1, 2026	\$ 178,598	\$ 46,389	\$ 224,987
Measurement period adjustments	—	(26)	(26)
Foreign currency translation adjustment	(320)	—	(320)
Balance as of June 30, 2026	<u>\$ 178,278</u>	<u>\$ 46,363</u>	<u>\$ 224,641</u>

The following table reflects changes in the net carrying amount of the components of intangible assets (in thousands):

	Customer Relationships	Developed Technology	Trade Name	Capitalized Software Development Costs	Other	Total
Balance as of January 1, 2026	\$ 55,024	\$ 39,621	\$ 1,302	\$ 3,359	\$ 46	\$ 99,352
Intangible assets acquired	—	—	—	—	90	90
Capitalized software development costs	—	—	—	553	—	553
Amortization	(5,272)	(6,335)	(152)	(445)	—	(12,204)
Balance as of June 30, 2026	<u>\$ 49,752</u>	<u>\$ 33,286</u>	<u>\$ 1,150</u>	<u>\$ 3,467</u>	<u>\$ 136</u>	<u>\$ 87,791</u>

We recorded \$6.0 million and \$12.0 million of amortization related to our intangible assets for the three and six months ended June 30, 2026, respectively, as compared to \$4.7 million and \$9.2 million for the same periods in the prior year. There were no impairments of long-lived intangible assets during the three and six months ended June 30, 2026 and 2025.

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
June 30, 2026 and 2025

The following tables reflect the weighted average remaining life and carrying value of finite-lived intangible assets (in thousands, except weighted-average remaining life):

June 30, 2026				
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Weighted- Average Remaining Life (in years)
Customer relationships	\$ 162,400	\$ (112,648)	\$ 49,752	10.7
Developed technology	89,714	(56,428)	33,286	4.9
Trade name	5,532	(4,382)	1,150	4.7
Capitalized software development costs	4,587	(1,120)	3,467	3.0
Other	136	—	136	5.7
Total intangible assets	<u>\$ 262,369</u>	<u>\$ (174,578)</u>	<u>\$ 87,791</u>	8.1
December 31, 2025				
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Weighted- Average Remaining Life (in years)
Customer relationships	\$ 162,400	\$ (107,376)	\$ 55,024	10.8
Developed technology	89,714	(50,093)	39,621	5.2
Trade name	5,532	(4,230)	1,302	5.0
Capitalized software development costs	4,034	(675)	3,359	3.8
Other	46	—	46	5.0
Total intangible assets	<u>\$ 261,726</u>	<u>\$ (162,374)</u>	<u>\$ 99,352</u>	8.3

Note 8. Investments in Unconsolidated Entities

On February 24, 2026, a technology partner in which we previously invested was acquired by an unrelated third party. As a result of the sale, we received proceeds of \$5.4 million in exchange for all of our shares of the technology partner stock after deducting \$0.1 million related to an agreed holdback. As a result of the sale, we recorded a loss of \$0.2 million within other expense, net, in our condensed consolidated statements of operations during the six months ended June 30, 2026.

On May 29, 2026, we paid \$14.1 million in cash to purchase an additional investment in SafeStreets USA, LLC, to maintain our 24.7% ownership percentage. This investment is included in the Alarm.com segment and is accounted for under the equity method of accounting.

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
June 30, 2026 and 2025

Summary of Investments in Unconsolidated Entities

Our investments in unconsolidated entities are as follows (in thousands):

	Ownership Percentage	June 30, 2026		December 31, 2025	
		Carrying Value	Excess Carrying Value of Investment Over Proportionate Share of Net Assets	Carrying Value	Excess Carrying Value of Investment Over Proportionate Share of Net Assets
Safe Haven ⁽¹⁾ and All Access ⁽²⁾	32.5 %	\$ 137,683	\$ 138,558	\$ 141,205	\$ 143,134
SafeStreets ⁽³⁾	24.7	40,595	45,518	29,436	31,144
Pronet ⁽⁴⁾	20.3	31,275	9,561	30,142	—
Other unconsolidated entities		22,917	725	26,148	707
Total		<u>\$ 232,470</u>	<u>\$ 194,362</u>	<u>\$ 226,931</u>	<u>\$ 174,985</u>

(1) Safe Haven Security Services, LLC, or Safe Haven

(2) All Access Holdings, LLC, or All Access

(3) SafeStreets USA, LLC, or SafeStreets

(4) Protegger Luxembourg S.à r.l., or Pronet

Equity method income from our investments in unconsolidated entities are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Income from equity method investments, net	\$ (849)	\$ (341)	\$ (1,094)	\$ (316)

Other related party transactions and balances outstanding with our equity method investees for activity subsequent to our investments are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Revenue from equity method investees	\$ 6,035	\$ 2,561	\$ 13,638	\$ 2,698
Interest income from equity method investees	376	283	749	288
Distributions received from equity method investees	3,762	—	6,430	—

	June 30, 2026	December 31, 2025
Outstanding principal from loans to equity method investees	\$ 21,887	\$ 21,947
Interest receivable from equity method investees	4	381
Accounts receivable from equity method investees	2,351	1,774
Total amounts receivable from equity method investees	<u>\$ 24,242</u>	<u>\$ 24,102</u>

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
June 30, 2026 and 2025

Note 9. Other Assets

Loan to SafeStreets

On January 30, 2025, we entered into a senior secured loan agreement with SafeStreets, under which a term loan was provided to them in the original principal amount of \$21.5 million, which loan is collateralized by the assets of SafeStreets. Quarterly principal payments begin in the second quarter of 2027. Interest on the outstanding principal accrues at a rate per annum equal to the overnight financing rate published by the Federal Reserve Bank of New York for a period of three months, plus 3.0%. For the first two years of the loan, monthly interest payments can be payable in kind at the election of the borrower. The maturity date of the loan is January 30, 2030. As of June 30, 2026 and December 31, 2025, \$21.5 million of principal was outstanding from SafeStreets under the loan agreement.

Loan to a Service Provider Partner

In July 2020, we entered into a loan agreement with a service provider partner, under which we agreed to loan the service provider partner up to \$2.5 million, collateralized by the assets of the service provider partner. Interest on the outstanding principal accrues at a rate per annum equal to 9.0% and monthly interest and principal payments began in April 2021. The maturity date of the loan was July 24, 2025. In July 2025, we learned that this service provider partner may have a lien placed on its property that may have a priority over our security interest. Based on the information provided by the service provider partner, during the three months ended June 30, 2025, we recorded a credit loss expense of \$0.7 million in general and administrative expense and we placed this loan in nonaccrual status as of June 30, 2025. As of June 30, 2026 and December 31, 2025, \$0.9 million of principal was outstanding from the service provider partner under the loan agreement.

For the three and six months ended June 30, 2026 and 2025, we recognized less than \$0.1 million and \$0.1 million of revenue from the service provider partner associated with this loan, respectively.

Allowance for Credit Losses - Notes Receivable

We identified one portfolio segment, loan receivables, for our notes receivable. There were no changes to our policies or practices involving the issuance of notes receivable, customer acquisitions or any other factors that influenced our estimate of expected credit losses for notes receivable during the three and six months ended June 30, 2026.

The changes in our allowance for credit losses for notes receivable are as follows (in thousands):

	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Beginning of period balance	\$ (749)	\$ (1)	\$ (749)	\$ (1)
Provision for expected credit losses	(3)	(749)	(3)	(749)
Write-offs	—	—	—	—
End of period balance	<u>\$ (752)</u>	<u>\$ (750)</u>	<u>\$ (752)</u>	<u>\$ (750)</u>

We manage our notes receivables using delinquency as a key credit quality indicator. The following tables reflect the current and delinquent notes receivable by class of financing receivables and by year of origination (in thousands):

	June 30, 2026						
Loan Receivables:	2026	2025	2024	2023	2022	Prior	Total
Current	\$ 4,550	\$ 22,400	\$ 500	\$ 387	\$ 1,500	\$ —	\$ 29,337
30-59 days past due	—	—	—	—	—	—	—
60-89 days past due	—	—	—	—	—	—	—
90-119 days past due	—	—	—	—	—	—	—
120+ days past due	—	—	—	—	—	943	943
Total	<u>\$ 4,550</u>	<u>\$ 22,400</u>	<u>\$ 500</u>	<u>\$ 387</u>	<u>\$ 1,500</u>	<u>\$ 943</u>	<u>\$ 30,280</u>

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June 30, 2026 and 2025

	December 31, 2025						
Loan Receivables:	2025	2024	2023	2022	2021	Prior	Total
Current	\$ 22,600	\$ 500	\$ 447	\$ 1,500	\$ —	\$ —	\$ 25,047
30-59 days past due	—	—	—	—	—	—	—
60-89 days past due	—	—	—	—	—	—	—
90-119 days past due	—	—	—	—	—	—	—
120+ days past due	—	—	—	—	—	943	943
Total	\$ 22,600	\$ 500	\$ 447	\$ 1,500	\$ —	\$ 943	\$ 25,990

There was one note receivable placed on nonaccrual status as of June 30, 2026 and December 31, 2025. During the three and six months ended June 30, 2026 and 2025, there was no interest income recognized related to notes receivable that were in nonaccrual status.

As of June 30, 2026 and December 31, 2025, there were \$0.2 million of notes receivable placed in nonaccrual status for which there was not a related allowance for credit losses. As of June 30, 2026 and December 31, 2025, there were no notes receivable that were 90 days or greater past due for which we continued to accrue interest income.

Prepaid Expenses

As of June 30, 2026 and December 31, 2025, \$23.4 million and \$19.4 million of prepaid expenses were included in other current assets, net, respectively, primarily related to software licenses, long lead-time parts related to our inventory and insurance.

Note 10. Fair Value Measurements

The following tables present our assets and liabilities measured at fair value on a recurring basis (in thousands):

Assets:	Fair Value Measurements on a Recurring Basis			
	Level 1	Level 2	Level 3	Total
Money market accounts as of June 30, 2026	\$ 456,301	\$ —	\$ —	\$ 456,301
Money market accounts as of December 31, 2025	941,134	—	—	941,134
Equity securities with readily determinable fair value as of June 30, 2026	8,496	—	—	8,496
Equity securities with readily determinable fair value as of December 31, 2025	14,858	—	—	14,858

As of June 30, 2026, \$450.3 million of our money market accounts was included in cash and cash equivalents, \$4.1 million was included in other assets, net, and \$1.9 million was included in other current assets, net, in our condensed consolidated balance sheets. As of December 31, 2025, \$933.0 million of our money market accounts was included in cash and cash equivalents, \$6.1 million was included in other assets, net, and \$2.0 million was included in other current assets, net, in our condensed consolidated balance sheets. Our assets from money market accounts are valued using quoted prices in active markets. Our equity securities with readily determinable fair value represent our investments in publicly traded companies, which are valued using quoted prices in active markets. During the three and six months ended June 30, 2026, we recorded a loss on equity securities of \$2.1 million and \$5.8 million, respectively, as compared to a loss of \$1.5 million and \$3.8 million for the same periods in the prior year. Our investments in public entities are recorded at fair value within other current assets, net, in our condensed consolidated balance sheets and changes in fair value of the investments are recorded within other expense, net within our condensed consolidated statements of operations. See Note 12 for the carrying amount and estimated fair value of our existing convertible senior notes as of June 30, 2026 and December 31, 2025.

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. There were no transfers into or out of Level 3 or reclassifications between levels of the fair value hierarchy during the three and six months ended June 30, 2026 and 2025.

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
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Note 11. Liabilities

The components of accounts payable, accrued expenses and other current liabilities are as follows (in thousands):

	June 30, 2026	December 31, 2025
Accounts payable	\$ 29,852	\$ 22,200
Accrued expenses	58,123	51,360
Income taxes payable	648	1,785
Holdback and working capital liabilities from business combinations, asset acquisitions and investments in unconsolidated entities	1,500	13,713
Contingent consideration liability from acquisition	1,266	1,223
Other current liabilities	16,812	16,914
Accounts payable, accrued expenses and other current liabilities	<u>\$ 108,201</u>	<u>\$ 107,195</u>

Note 12. Debt, Commitments and Contingencies

The debt, commitments and contingencies described below would require us, or our subsidiaries, to make payments to third parties under certain circumstances.

Convertible Senior Notes - 2026 Notes

On January 20, 2021, we issued \$500.0 million aggregate principal amount of 0% convertible senior notes due January 15, 2026, in a private placement to qualified institutional buyers, or the 2026 Notes. On January 14, 2026, we paid \$500.0 million in aggregate principal amount to holders of the 2026 Notes, fully settling the outstanding balance in accordance with the repayment terms.

As of December 31, 2025, the fair value of our 2026 Notes was \$499.1 million. The fair value was determined based on the quoted price of the 2026 Notes in an inactive market on the last traded day of the quarter and was classified as Level 2 in the fair value hierarchy.

Convertible Senior Notes - 2029 Notes

On May 31, 2024, we issued \$500.0 million aggregate principal amount of 2.25% convertible senior notes due June 1, 2029, in a private placement to qualified institutional buyers, or the 2029 Notes.

As of June 30, 2026 and December 31, 2025, the fair value of our 2029 Notes was \$475.2 million and \$477.3 million, respectively. The fair value was determined based on the quoted price of the 2029 Notes in an inactive market on the last traded day of the quarter and has been classified as Level 2 in the fair value hierarchy. Based on the closing price of our common stock of \$46.72 on the last trading day of the quarter, the if-converted value of the 2029 Notes did not exceed the principal amount of \$500.0 million as of June 30, 2026.

The net carrying amount of the liability component of the 2029 Notes is as follows (in thousands):

	June 30, 2026	December 31, 2025
Principal	\$ 500,000	\$ 500,000
Unamortized debt issuance costs	(8,906)	(10,359)
Net carrying amount	<u>\$ 491,094</u>	<u>\$ 489,641</u>

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
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Interest expense related to the 2029 Notes is as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Interest expense	\$ 2,812	\$ 2,812	\$ 5,625	\$ 5,625
Amortization of debt issuance costs	729	708	1,453	1,412
Total interest expense	<u>\$ 3,541</u>	<u>\$ 3,520</u>	<u>\$ 7,078</u>	<u>\$ 7,037</u>

Commitments and Contingencies

Indemnification Agreements

We have various agreements that may obligate us to indemnify the other party to the agreement with respect to certain matters. Generally, these indemnification provisions are included in contracts arising in the normal course of business. Although we cannot predict the maximum potential amount of future payments that may become due under these indemnification agreements, we do not believe any potential liability that might arise from such indemnity provisions is probable or material.

Legal Proceedings

On January 10, 2022, EcoFactor, Inc., or EcoFactor, filed a lawsuit against us in U.S. District Court, District of Oregon, alleging Alarm.com's products and services directly and indirectly infringe five U.S. patents owned by EcoFactor. EcoFactor is seeking a permanent injunction, enhanced damages and attorneys' fees. EcoFactor had previously asserted two of the same patents against us in an October 2019 complaint with the U.S. International Trade Commission, or ITC. In July 2021, the ITC found in favor of Alarm.com. EcoFactor appealed the decision but withdrew its appeal in December 2021. We moved to dismiss the Oregon case for failure to state a claim on March 28, 2022. On April 18, 2022, the district court stayed the case at the request of the parties pending the disposition of other proceedings involving the asserted patents. These proceedings include four ex parte reexamination proceedings at the U.S. Patent and Trademark Office and one inter partes review. Three of the patents were found unpatentable in reexamination. The decision with respect to one of the patents was affirmed by the United States Court of Appeals for the Federal Circuit, or Federal Circuit, on January 21, 2026, EcoFactor filed an appeal of the decision with respect to the second patent with the Federal Circuit on November 20, 2025, and EcoFactor is appealing the rejection of the third patent to the Patent Trial and Appeal Board, or PTAB, having filed its appeal brief on June 10, 2024. Ex parte reexamination of a fourth patent concluded on August 23, 2023 after the claims were amended. On April 18, 2022, all claims of a fifth patent were found unpatentable by the PTAB in inter partes review, and all claims were canceled on February 1, 2024.

Should EcoFactor prevail in its lawsuit, we could be required to pay damages and/or a reasonable royalty for sales of our solution, we could be enjoined from making, using and selling our solution if a license or other right to continue selling such elements is not made available to us, and we could be required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us. While we believe we have valid defenses to EcoFactor's claims, the outcome of these legal claims cannot be predicted with certainty and any of these outcomes could result in an adverse effect on our business. Based on currently available information, we have determined a loss is not probable or reasonably estimable at this time.

On July 3, 2025, SkyBell Technologies, Inc., or SkyBell, filed a lawsuit against us in U.S. District Court, Eastern District of Virginia, alleging that Alarm.com misappropriated SkyBell's trade secrets relating to video doorbells. On May 26, 2026, SkyBell filed an amended complaint adding allegations that Alarm.com infringed copyrights in its computer source code. SkyBell is seeking injunctive relief, enhanced damages, attorneys' fees, a constructive trust, and an order that Alarm.com assign to SkyBell the alleged trade secrets. On June 5, 2026, we filed an answer to the amended complaint denying any misappropriation of trade secrets or infringement of copyrights. Discovery is expected to be completed in September 2026. No trial date has been set.

Should SkyBell prevail in its lawsuit, we could be required to pay damages and/or a reasonable royalty for sales of our solution, we could be enjoined from making, using and selling our solution if a license or other right to continue selling such elements is not made available to us, we could be required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us, and we could be required to assign, transfer, and return any SkyBell trade secret that we are found to improperly possess. While we believe we have valid defenses to SkyBell's claims, the outcome of these legal claims cannot be predicted with certainty, and any of these outcomes could result in an adverse effect on our business. Based on currently available information, we have determined a loss is not probable or reasonably estimable at this time.

In addition to the matters described above, we may be required to provide indemnification to certain of our service provider partners for certain claims regarding our solutions.

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June 30, 2026 and 2025

For example, we are incurring costs associated with the indemnification of Southern Electric Maryland Electric Cooperative, Inc., or SMECO, in an ongoing patent infringement suit. On May 26, 2026, Causam Enterprises, Inc. filed a lawsuit against SMECO in U.S. District Court, District of Maryland, alleging that SMECO infringes six patents owned by Causam relating to SMECO's demand response program which includes, among other systems, the EnergyHub platform. Causam is seeking damages and attorneys' fees.

Should Causam prevail, we could be required to indemnify SMECO for damages if a license or other right to continue using our technology is not made available or we are unable to design around such patents, and required to pay ongoing royalties and comply with unfavorable terms if such a license is made available. The outcome of these legal claims cannot be predicted with certainty.

We may also be a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not have a material adverse effect on our business.

Other than the preceding matters, we are not a party to any lawsuit or proceeding that, in the opinion of management, is reasonably possible or probable of having a material adverse effect on our financial position, results of operations or cash flows. We reserve for contingent liabilities based on ASC 450, "Contingencies," when it is determined that a liability, inclusive of defense costs, is probable and reasonably estimable. Litigation is subject to many factors that are difficult to predict, so there can be no assurance that, in the event of a material unfavorable result in one or more claims, we will not incur material costs.

Tariff Matters

On April 20, 2026, the U.S. Customs and Border Protection began accepting refund requests through its Consolidated Administration and Processing of Entries portal, and we subsequently filed for an estimated \$14.5 million in tariffs previously paid under the International Emergency Economic Powers Act. During the three and six months ended June 30, 2026, we recorded less than one third of the estimated \$14.5 million as a reduction to cost of hardware and other revenue and processed a commensurate amount of refunds to customers, excluding certain processing fees, as a reduction to hardware and other revenue. As of June 30, 2026, we have not recorded any additional receivables related to potential refunds for previous tariffs we paid because we are unable to assess the probability of their recovery.

Note 13. Stockholders' Equity

Stock Repurchase Programs

On May 24, 2024, our board of directors authorized the repurchase of our common stock in connection with the issuance of the 2029 Notes and also authorized a stock repurchase program, effective May 31, 2024, under which we were authorized to purchase up to an aggregate of \$100.0 million of our outstanding common stock during the two-year period ended May 31, 2026.

On May 4, 2026, our board of directors authorized the cancellation of the balance under the stock repurchase program ended May 31, 2026 and adopted a new stock repurchase program, under which we are authorized to purchase up to an aggregate of \$150.0 million of our outstanding common stock during the two-year period ending May 4, 2028.

During the three and six months ended June 30, 2026, we repurchased 570,000 and 998,065 shares of our common stock under these programs for \$25.0 million and \$45.0 million, respectively, which includes applicable commissions and fees. During the three and six months ended June 30, 2025, we repurchased 88,000 and 174,400 shares of our common stock under these programs for \$5.1 million and \$10.2 million, respectively, which includes applicable commissions and fees.

We are subject to a 1.0% excise tax on the value of net corporate stock repurchases under the Inflation Reduction Act of 2022. When applicable, the excise tax will be included as part of the cost basis of shares acquired and is presented within stockholders' equity in the condensed consolidated balance sheets.

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Note 14. Stock-Based Compensation

Stock-based compensation expense is included in the following line items in the condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Sales and marketing	\$ 592	\$ 620	\$ 1,334	\$ 1,100
General and administrative	3,076	2,474	6,132	5,446
Research and development	3,908	5,840	8,159	11,846
Total stock-based compensation expense	<u>\$ 7,576</u>	<u>\$ 8,934</u>	<u>\$ 15,625</u>	<u>\$ 18,392</u>

Note 15. Earnings Per Share

Basic and Diluted Earnings Per Share

The components of basic and diluted earnings per share are as follows (in thousands, except share and per share amounts):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Numerator:				
Net income	\$ 24,208	\$ 34,217	\$ 47,590	\$ 61,929
Net loss attributable to redeemable noncontrolling interests	38	335	239	573
Net income attributable to common stockholders - basic (A)	24,246	34,552	47,829	62,502
Add back total interest expense, net of tax, attributable to convertible senior notes	2,666	3,249	5,328	6,494
Net income attributable to common stockholders - diluted (B)	<u>\$ 26,912</u>	<u>\$ 37,801</u>	<u>\$ 53,157</u>	<u>\$ 68,996</u>
Denominator:				
Weighted average common shares outstanding — basic (C)	49,328,402	49,806,105	49,463,300	49,733,328
Dilutive effect of convertible senior notes, stock options and restricted stock units	6,596,104	10,331,099	6,697,366	10,426,521
Weighted average common shares outstanding — diluted (D)	<u>55,924,506</u>	<u>60,137,204</u>	<u>56,160,666</u>	<u>60,159,849</u>
Net income attributable to common stockholders per share:				
Basic (A/C)	\$ 0.49	\$ 0.69	\$ 0.97	\$ 1.26
Diluted (B/D)	\$ 0.48	\$ 0.63	\$ 0.95	\$ 1.15

The following securities have been excluded from the calculation of diluted weighted average common shares outstanding as the inclusion of these securities would have an anti-dilutive effect:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Stock options	800,577	789,688	800,577	698,302
Restricted stock units	8,300	91,570	11,300	—

Our redeemable noncontrolling interests relate to our 89% equity ownership interest in OpenEye, our 99% equity ownership interest in Noonlight and our 81% equity ownership interest in CHeKT.

We use the treasury stock method when calculating the dilutive impact of the stock options and restricted stock units on net income per share. We use the if-converted method when calculating the dilutive impact of the 2026 Notes and 2029 Notes on net income per share. Prior to the repayment of the 2026 Notes, after August 15, 2025, we were required to pay cash to satisfy the principal portion of our conversion obligation and deliver shares to satisfy any excess conversion value.

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
June 30, 2026 and 2025

The following securities have been included in the calculation of diluted weighted average common shares outstanding:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
2026 Notes	—	3,396,950	—	3,396,950
2029 Notes	5,728,550	5,728,550	5,728,550	5,728,550

The denominator for diluted net income per share does not include any effect from the capped call transactions we entered into concurrently with the issuance of the 2029 Notes, as this effect would be anti-dilutive. In the event of conversion of the 2029 Notes, shares delivered to us under the capped call will offset the dilutive effect of the shares that we would issue under the 2029 Notes. See Note 12 for further details on our 2029 Notes.

Note 16. Significant Service Providers and Distributors

During the three and six months ended June 30, 2026, our 10 largest revenue service provider partners or distributors accounted for 42% of our consolidated revenue, as compared to 46% for the same periods in the prior year. One of our service provider partners within the Alarm.com segment individually represented greater than 15% but not more than 20% of our revenue for each of the three and six months ended June 30, 2026 and 2025.

One service provider partner represented more than 10% of accounts receivable as of June 30, 2026, and no service provider partner represented more than 10% of accounts receivable as of December 31, 2025.

Note 17. Income Taxes

For purposes of interim reporting, our annual effective income tax rate is estimated in accordance with ASC 740-270, "*Interim Reporting*." This rate is applied to income before income taxes, including income from equity method investments, net of the entities expected to be benefited during the year. Discrete items that impact the tax provision are recorded in the period incurred.

For the three and six months ended June 30, 2026, we recorded a provision for income taxes of \$7.7 million and \$13.6 million, respectively, resulting in an effective income tax rate of 24.9% and 22.6% for those periods. For the three and six months ended June 30, 2025, we recorded a provision for income taxes of \$5.5 million and \$12.8 million, respectively, resulting in an effective income tax rate of 13.8% and 17.1% for those periods. For the three and six months ended June 30, 2026, our effective tax rate was above the 21.0% statutory rate primarily due to the impact of state taxes, foreign withholding taxes, a shortfall from employee stock-based compensation and other nondeductible expenses, partially offset by the impact of 2026 research and development tax credits claimed and the foreign derived deduction eligible income deduction. For the three and six months ended June 30, 2025, our effective tax rate was below the 21.0% statutory rate primarily due to 2025 research and development tax credits claimed, the foreign derived intangible income deduction and a favorable true-up adjustment of our 2024 income tax provision estimate associated with research and development tax credits, partially offset by the impact of state taxes, foreign withholding taxes and other nondeductible expenses.

We recognize a valuation allowance if, based on the weight of available evidence, both positive and negative, it is more likely than not that some portion, or all, of net deferred tax assets will not be realized. Our valuation allowance for state research and development tax credit carryforwards, net deferred tax assets of our EBS subsidiary, state net operating losses and an unrealized U.S. federal capital loss was \$5.6 million as of June 30, 2026 and December 31, 2025.

We apply guidance for uncertainty in income taxes that requires the application of a more likely than not threshold to the recognition and de-recognition of uncertain tax positions. If the recognition threshold is met, this guidance permits us to recognize a tax benefit measured at the largest amount of the tax benefit that, in our judgment, is more likely than not to be realized upon settlement. We recorded a net increase to the unrecognized tax benefits liability of \$0.6 million primarily due to a liability for research and development tax credits claimed during the six months ended June 30, 2026. We recorded a net increase to the unrecognized tax benefits liability of \$1.7 million primarily due to a liability for research and development tax credits claimed during the six months ended June 30, 2025.

Our condensed consolidated balance sheets included an accrual for total interest expense related to unrecognized tax benefits and penalties of \$1.4 million and \$1.2 million as of June 30, 2026 and December 31, 2025, respectively. We recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Our tax returns are subject to on-going review and examination by various tax authorities. Tax authorities may not agree with the treatment of items reported in our tax returns, and therefore the outcome of tax reviews and examinations can be unpredictable.

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
June 30, 2026 and 2025

As of June 30, 2026, we did not have material undistributed foreign earnings. We have not historically recorded a deferred tax liability on the undistributed earnings from our foreign subsidiaries, as such earnings are considered to be indefinitely reinvested. During the three months ended September 30, 2025, we changed this assertion with respect to a portion of the 2024 and 2025 current earnings of our Canadian business to begin providing deferred taxes on such earnings, the tax impact of which was not material.

Note 18. Segment Information

We have two reportable segments:

- Alarm.com segment
- Other segment

Our chief operating decision maker is our chief executive officer. Management determined the operational data used by the chief operating decision maker is that of the two reportable segments. Management bases strategic goals and decisions on these segments and the data presented below is used to measure financial results.

Our Alarm.com segment represents our cloud-based platform and licenses and services on our non-hosted software platform for intelligently connected properties and related solutions that contributed 87% and 88% of our revenue, net of intersegment eliminations, for the three and six months ended June 30, 2026, respectively, as compared to 92% for the same periods in the prior year. Our Other segment is focused on researching, developing and offering residential and commercial automation solutions and energy management products and services in adjacent markets. Inter-segment revenue includes sales of hardware between our segments.

Management evaluates the performance of its segments and allocates resources to them based on operating income / (loss) as compared to prior periods and current performance levels. The reportable segment operational data is presented in the tables below (in thousands):

Three Months Ended June 30, 2026

	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other	Total
SaaS and license revenue	\$ 159,781	\$ 28,997	\$ —	\$ —	\$ 188,778
Hardware and other revenue	83,314	6,989	(951)	(396)	88,956
Total revenue	243,095	35,986	(951)	(396)	277,734
Cost of SaaS and license revenue	18,282	11,635	99	(99)	29,917
Cost of hardware and other revenue	60,695	6,422	(978)	(403)	65,736
Total cost of revenue	78,977	18,057	(879)	(502)	95,653
Selling and marketing expense	24,886	8,093	—	—	32,979
General and administrative expense	33,048	3,598	—	—	36,646
Research and development expense	60,222	10,786	—	—	71,008
Amortization and depreciation expense	7,272	1,692	—	—	8,964
Total operating expenses	125,428	24,169	—	—	149,597
Operating income / (loss)	<u>\$ 38,690</u>	<u>\$ (6,240)</u>	<u>\$ (72)</u>	<u>\$ 106</u>	<u>\$ 32,484</u>

Reconciliation of operating income to income before income taxes

Operating income	\$ 32,484
Interest expense	(3,543)
Interest income	4,491
Other expense, net	(2,336)
Income before income taxes	<u>\$ 31,096</u>

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
June 30, 2026 and 2025

Three Months Ended June 30, 2025

	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other	Total
SaaS and license revenue	\$ 150,997	\$ 18,996	\$ —	\$ —	\$ 169,993
Hardware and other revenue	82,873	2,641	(663)	(536)	84,315
Total revenue	233,870	21,637	(663)	(536)	254,308
Cost of SaaS and license revenue	17,489	6,164	87	(87)	23,653
Cost of hardware and other revenue	62,483	2,417	(551)	(540)	63,809
Total cost of revenue	79,972	8,581	(464)	(627)	87,462
Selling and marketing expense	25,035	6,101	—	—	31,136
General and administrative expense	25,345	1,739	—	—	27,084
Research and development expense	61,257	7,813	—	—	69,070
Amortization and depreciation expense	7,239	295	—	—	7,534
Total operating expenses	118,876	15,948	—	—	134,824
Operating income / (loss)	<u>\$ 35,022</u>	<u>\$ (2,892)</u>	<u>\$ (199)</u>	<u>\$ 91</u>	<u>\$ 32,022</u>

Reconciliation of operating income to income before income taxes

Operating income					\$ 32,022
Interest expense					(4,321)
Interest income					11,808
Other expense, net					(175)
Income before income taxes					<u>\$ 39,334</u>

	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other	Total
Total assets as of June 30, 2026	\$ 1,711,476	\$ 181,724	\$ (236,112)	\$ (110)	\$ 1,656,978
Total assets as of December 31, 2025	2,181,210	190,095	(234,681)	(33)	2,136,591

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
June 30, 2026 and 2025

Six Months Ended June 30, 2026

	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other	Total
SaaS and license revenue	\$ 317,173	\$ 53,129	\$ —	\$ —	\$ 370,302
Hardware and other revenue	164,338	11,007	(1,977)	(743)	172,625
Total revenue	481,511	64,136	(1,977)	(743)	542,927
Cost of SaaS and license revenue	36,441	21,371	195	(195)	57,812
Cost of hardware and other revenue	121,604	9,564	(2,032)	(784)	128,352
Total cost of revenue	158,045	30,935	(1,837)	(979)	186,164
Selling and marketing expense	51,541	15,872	—	—	67,413
General and administrative expense	58,614	5,486	—	—	64,100
Research and development expense	121,537	21,530	—	—	143,067
Amortization and depreciation expense	14,684	3,372	—	—	18,056
Total operating expenses	246,376	46,260	—	—	292,636
Operating income / (loss)	<u>\$ 77,090</u>	<u>\$ (13,059)</u>	<u>\$ (140)</u>	<u>\$ 236</u>	<u>\$ 64,127</u>

Reconciliation of operating income to income before income taxes

Operating income	\$ 64,127
Interest expense	(7,215)
Interest income	9,422
Other income / (expense), net	(6,245)
Income before income taxes	<u>\$ 60,089</u>

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
June 30, 2026 and 2025

Six Months Ended June 30, 2025

	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other	Total
SaaS and license revenue	\$ 298,645	\$ 35,148	\$ —	\$ —	\$ 333,793
Hardware and other revenue	156,922	4,531	(1,336)	(780)	159,337
Total revenue	455,567	39,679	(1,336)	(780)	493,130
Cost of SaaS and license revenue	34,272	10,949	171	(171)	45,221
Cost of hardware and other revenue	118,369	4,183	(1,210)	(867)	120,475
Total cost of revenue	152,641	15,132	(1,039)	(1,038)	165,696
Selling and marketing expense	47,502	12,183	—	—	59,685
General and administrative expense	50,181	3,904	—	—	54,085
Research and development expense	121,941	15,496	—	—	137,437
Amortization and depreciation expense	13,967	591	—	—	14,558
Total operating expenses	233,591	32,174	—	—	265,765
Operating income / (loss)	<u>\$ 69,335</u>	<u>\$ (7,627)</u>	<u>\$ (297)</u>	<u>\$ 258</u>	<u>\$ 61,669</u>

Reconciliation of operating income to income before income taxes

Operating income	\$ 61,669
Interest expense	(8,635)
Interest income	24,179
Other income / (expense), net	(2,835)
Income before income taxes	<u>\$ 74,378</u>

Cash additions to property and equipment for our segments are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Alarm.com	\$ 4,623	\$ 4,544	\$ 5,368	\$ 10,656
Other	224	8	391	11

We derived substantially all revenue from North America for the three and six months ended June 30, 2026 and 2025. Substantially all of our long-lived assets were in North America as of June 30, 2026 and December 31, 2025.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of operations together with (1) our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q, or Quarterly Report, and (2) the audited consolidated financial statements and the related notes and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2025 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025 filed on February 19, 2026, or Annual Report, with the Securities and Exchange Commission, or SEC. This Quarterly Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "objective," "ongoing," "plan," "predict," "project," "potential," "should," "will," "would," or the negative or plural of these words or similar expressions or variations and such forward-looking statements include, but are not limited to, statements with respect to the anticipated impact of the global economic uncertainty and financial market conditions caused by significant worldwide events, including public health crises, and geopolitical upheaval (including the ongoing conflicts in Ukraine and in the Middle East and surrounding areas), disruptions to global supply chains, fluctuations in interest rates, tariffs, risk of recession and inflation (collectively, the Macroeconomic Conditions) on our business, results of operations and financial condition, including on our hardware sales and our Software-as-a-Service, or SaaS, and license revenue growth rate; our business strategy, plans and objectives for future operations; continued enhancements of our platform and offerings; the potential impact of trade policies and new or increased tariffs on our cost of hardware revenue and hardware revenue margins; and our future financial and business performance. The events described in these forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified in the section titled "Risk Factors" set forth in Part II, Item 1A of this Quarterly Report and elsewhere in this and in our other SEC filings. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

Alarm.com is the leading platform for intelligently connected properties. Our cloud-based platform offers an expansive suite of Internet of Things, or IoT, solutions addressing global opportunities in the residential, multi-family, small business, enterprise commercial and energy markets. Alarm.com's solution suite includes security, video surveillance and video analytics, energy management, access control, electric utility grid management, active shooter detection, water management, personal safety and data-rich emergency response. During 2025, our platforms processed more than 365 billion data points generated by over 170 million connected devices. We believe this scale of subscribers, connected devices and data operations makes us the leader in the connected property market.

Alarm.com has established a global network of trusted service provider partners who distribute our solutions to their customers. Our service provider partners represent a wide range of independent businesses, and are experts at selling, installing and supporting our technology. They depend on the Alarm.com platform for connected property technology and to operate and manage their businesses efficiently.

Alarm.com primarily generates SaaS and license revenue through our service provider partners, who resell our services and pay us monthly fees. Contracts with our service provider partners typically have an initial term of one year, with subsequent renewal terms of one year. Our service provider partners have indicated that they typically have three to five-year service contracts with residential and commercial property owners who use our solutions. We also generate hardware and other revenue, primarily from our service provider partners and distributors. Our hardware sales include connected devices that enable our services, such as video cameras, video recorders, gunshot detection sensors, gateway modules and smart thermostats. We believe our network of service providers and the length of our service relationships with residential and commercial property owners, combined with our robust SaaS platforms and over 20 years of operating experience, contribute to a compelling business model.

Our Solutions and Integrated Platforms

Our solutions are designed to make both residential and commercial properties safer, smarter and more efficient. Our technology platforms support property owners who subscribe to our services, the hardware partners who manufacture devices that integrate with our platforms and the service provider partners who install and maintain our solutions.

The Alarm.com platform enables our service provider partners to address the needs of a broad range of residential and commercial customers. They can deploy interactive security, video monitoring, property automation, access control, energy management, gunshot detection, water management, vehicle and fleet management, and personal safety solutions as stand-alone offerings or as integrated solutions.

Highlights of Second Quarter Results

We primarily generate SaaS and license revenue, our largest source of revenue, through our service provider partners, who resell our services and pay us monthly fees. Our service provider partners sell, install and support Alarm.com solutions that enable residential and commercial property owners to intelligently secure, connect, control and automate their properties. Our subscribers consist of all of the properties maintained by those residential and commercial property owners to which we are delivering at least one of our solutions. We derive a portion of our revenue from licensing our intellectual property to third parties on a per customer basis. SaaS and license revenue represented 68% of our revenue during the three and six months ended June 30, 2026, as compared to 67% and 68% in the same periods in the prior year.

We also generate revenue from the sale of many types of hardware, including video cameras, video recorders, cellular radio modules, smart thermostats, image sensors, gunshot detection sensors and other peripherals, that enable our solutions. Our hardware and other revenue also includes our revenue from the sale of perpetual licenses that provide our customers in the commercial market the right to use our video surveillance software for an indefinite period of time in exchange for a one-time license fee. Additionally, our hardware and other revenue includes our revenue from the sale of licenses that provide our customers the right to use our gunshot detection solution in exchange for license fees. Hardware and other revenue represented 32% of our revenue during the three and six months ended June 30, 2026, as compared to 33% and 32% in the same periods in the prior year. We typically expect hardware and other revenue to fluctuate as a percentage of total revenue.

Highlights of our financial performance for the periods covered in this Quarterly Report include:

- SaaS and license revenue increased 11% to \$188.8 million during the three months ended June 30, 2026 from \$170.0 million during the three months ended June 30, 2025. SaaS and license revenue increased 11% to \$370.3 million during the six months ended June 30, 2026 from \$333.8 million during the six months ended June 30, 2025.
- Total revenue increased 9% to \$277.7 million during the three months ended June 30, 2026 from \$254.3 million during the three months ended June 30, 2025. Total revenue increased 10% to \$542.9 million during the six months ended June 30, 2026 from \$493.1 million during the six months ended June 30, 2025.
- Net income decreased to \$24.2 million during the three months ended June 30, 2026, as compared to \$34.2 million during the three months ended June 30, 2025. Net income decreased to \$47.6 million during the six months ended June 30, 2026, as compared to \$61.9 million during the six months ended June 30, 2025. Net income attributable to common stockholders decreased to \$24.2 million during the three months ended June 30, 2026, as compared to \$34.6 million during the three months ended June 30, 2025. Net income attributable to common stockholders decreased to \$47.8 million during the six months ended June 30, 2026, as compared to \$62.5 million during the six months ended June 30, 2025.
- Non-GAAP adjusted EBITDA, a non-GAAP measurement of operating performance, increased to \$57.7 million during the three months ended June 30, 2026 from \$49.9 million during the three months ended June 30, 2025. Non-GAAP adjusted EBITDA increased to \$107.3 million during the six months ended June 30, 2026 from \$95.7 million during the six months ended June 30, 2025. See the "Non-GAAP Measures" section of Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for details on the changes made to the definition of non-GAAP adjusted EBITDA during the six months ended June 30, 2026.

Please see *Non-GAAP Measures* below in this section of this Quarterly Report for a discussion of the limitations of non-GAAP adjusted EBITDA (a non-GAAP measure) and a reconciliation of non-GAAP adjusted EBITDA from net income, the most directly comparable measurement in accordance with accounting principles generally accepted in the United States, or GAAP, for the three and six months ended June 30, 2026 and 2025.

Recent Developments

On May 29, 2026, we paid \$14.1 million in cash to purchase an additional investment in SafeStreets USA, LLC, to maintain our 24.7% ownership percentage. This investment is included in the Alarm.com segment and is accounted for under the equity method of accounting.

The global economy, credit markets and financial markets have and may continue to experience significant volatility as a result of the Macroeconomic Conditions. These Macroeconomic Conditions have and may continue to create supply chain disruptions, inventory disruptions, and fluctuations in economic growth, including fluctuations in employment rates, inflation, tariffs, energy prices and consumer sentiment. It remains difficult to assess or predict the ultimate duration and economic impact of the Macroeconomic Conditions. The results of operations for the three and six months ended June 30, 2026 are not necessarily indicative of the results that can be expected for our entire fiscal year ending December 31, 2026, which is increasingly true in periods of uncertainty, such as the uncertainty caused by the Macroeconomic Conditions. Prolonged uncertainty with respect to the Macroeconomic Conditions could cause further economic slowdown or cause other unpredictable events, each of which could adversely affect our business, results of operations or financial condition.

Other Business Metrics

We regularly monitor a number of financial and operating metrics in order to measure our current performance and estimate our future performance. Our other business metrics may be calculated in a manner different from the way similar business metrics used by other companies are calculated and include the following (dollars in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
SaaS and license revenue	\$ 188,778	\$ 169,993	\$ 370,302	\$ 333,793
Non-GAAP adjusted EBITDA	57,704	49,894	107,277	95,722

	Twelve Months Ended June 30,	
	2026	2025
SaaS and license revenue renewal rate	95 %	94 %

SaaS and License Revenue

SaaS and license revenue is a GAAP measure that we use to measure our current performance and estimate our future performance. We believe SaaS and license revenue is an indicator of the productivity of our existing service provider partners and their ability to activate and maintain subscribers using our intelligently connected property solutions, our ability to add new service provider partners reselling our solutions, the demand for our intelligently connected property solutions and the pace at which the market for these solutions is growing.

Non-GAAP Adjusted EBITDA

Non-GAAP adjusted EBITDA is a non-GAAP measure that represents our net income before interest expense, interest income, certain activity within other expense, net, provision for income taxes, income from equity method investments, net, amortization and depreciation expense, stock-based compensation expense, acquisition-related expense, legal costs and settlement fees incurred and received in connection with non-ordinary course litigation and other disputes, particularly costs involved in ongoing intellectual property litigation. We do not consider these items to be indicative of our core operating performance. The non-cash items include amortization and depreciation expense; income from equity method investments, net; amortization of debt issuance costs for the \$500.0 million aggregate principal amount of 0% convertible senior notes due January 15, 2026, or the 2026 Notes, included in interest expense; amortization of debt issuance costs for the May 31, 2024 issuance of \$500.0 million aggregate principal amount of 2.25% convertible senior notes due June 1, 2029, or the 2029 Notes, included in interest expense; and stock-based compensation expense related to restricted stock units and other forms of equity compensation, including, but not limited to, the sale of common stock. We do not adjust for ordinary course legal expenses resulting from maintaining and enforcing our intellectual property portfolio and license agreements.

We record interest expense primarily related to our 2026 Notes and 2029 Notes. We exclude interest expense in calculating non-GAAP adjusted EBITDA because we believe the exclusion of interest expense will provide for more meaningful information about our financial performance. We exclude interest income and certain activity within other expense, net including gains, losses or impairments on investments with readily determinable fair values and without readily determinable fair values and on other assets, gains on settlement fees and losses on the early extinguishment of debt, when applicable, from non-GAAP adjusted EBITDA because we do not consider it part of our ongoing results of operations. We exclude the impact related to our provision for income taxes and income from equity method investments, net from non-GAAP adjusted EBITDA because we do not consider these adjustments to be part of our ongoing results of operations.

GAAP requires that operating expenses include the amortization of acquired intangible assets, which principally include acquired customer relationships, developed technology and trade names. We exclude amortization of intangibles from non-GAAP adjusted EBITDA because we do not consider amortization expense when we evaluate our ongoing business operations, nor do we factor amortization expense into our evaluation of potential acquisitions, or our measurement of the performance of those acquisitions. We believe the exclusion of amortization expense enables the comparison of our performance to other companies in our industry as other companies may be more or less acquisitive than we are, and therefore, amortization expense may vary significantly by company based on their acquisition history. Although we exclude amortization of acquired intangible assets from non-GAAP adjusted EBITDA, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation.

We record depreciation primarily for investments in property and equipment. We exclude depreciation in calculating non-GAAP adjusted EBITDA because we do not consider depreciation when we evaluate our ongoing business operations.

We exclude stock-based compensation expense, which relates to restricted stock units and other forms of equity incentives primarily awarded to employees of Alarm.com, because they are non-cash charges that we do not consider when assessing the operating performance of our business. Additionally, the determination of stock-based compensation expense can be calculated using various methodologies and is dependent upon subjective assumptions and other factors that vary on a company-by-company basis. Therefore, we believe excluding stock-based compensation expense from non-GAAP adjusted EBITDA improves the comparability of our results to the results of other companies in our industry.

Included in operating expenses are incremental costs directly related to business and asset acquisitions as well as changes in the fair value of contingent consideration liabilities, when applicable. We exclude acquisition-related expense from non-GAAP adjusted EBITDA because we believe the exclusion of this expense allows us to better provide meaningful information about our operating performance, facilitates comparisons to our historical operating results, improves the comparability of our results to the results of other companies in our industry, and ultimately, we believe helps investors better understand the acquisition-related expense and the effects of the transaction on our results of operations.

We exclude non-ordinary course litigation expense because we do not consider legal costs and settlement fees incurred and received in litigation and litigation-related matters of non-ordinary course lawsuits and other disputes, particularly costs incurred in ongoing intellectual property litigation, to be indicative of our core operating performance. We do not adjust for ordinary course legal expenses, including those expenses resulting from maintaining and enforcing our intellectual property portfolio and license agreements.

Non-GAAP adjusted EBITDA is a key measure our management uses to understand and evaluate our core operating performance and trends to generate future operating plans, to make strategic decisions regarding the allocation of capital, and to make investments in initiatives that are focused on cultivating new markets for our solutions. In particular, the exclusion of certain expenses in calculating non-GAAP adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis and, in the case of exclusion of acquisition-related adjustments and certain historical legal expenses, excludes items that we do not consider to be indicative of our core operating performance. Non-GAAP adjusted EBITDA is not a measure calculated in accordance with GAAP and should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Please see *Non-GAAP Measures* in this section for a discussion of the limitations of non-GAAP adjusted EBITDA and a reconciliation of non-GAAP adjusted EBITDA from net income, the most directly comparable GAAP measurement, for the three and six months ended June 30, 2026 and 2025.

SaaS and License Revenue Renewal Rate

Our SaaS and license revenue renewal rate is an operating metric. We measure our SaaS and license revenue renewal rate on a trailing 12-month basis by dividing (a) the total SaaS and license revenue recognized during the trailing 12-month period from our subscribers on our Alarm.com platform who were subscribers on the first day of the period, by (b) total SaaS and license revenue we would have recognized during the period from those same subscribers assuming no terminations, or service level upgrades or downgrades. The SaaS and license revenue renewal rate represents both residential and commercial properties. Our SaaS and license revenue renewal rate is expressed as an annualized percentage and it is calculated across our entire subscriber base on the Alarm.com platform excluding subscribers of service providers that may use one of our other platforms as a substitute for the Alarm.com platform. Our service provider partners have indicated that they typically have three to five-year service contracts with residential and commercial property owners who use our solutions. Our SaaS and license revenue renewal rate includes subscribers whose contract with their service provider reached the end of its contractual term during the measurement period, as well as subscribers whose contract with their service provider has not reached the end of its contractual term during the measurement period, and is not intended to estimate the rate at which our subscribers renew their contracts with our service provider partners. We believe our SaaS and license revenue renewal rate allows us to measure our ability to retain and grow our SaaS and license revenue and serves as an indicator of the lifetime value of our subscriber base.

Components of Operating Results

Our fiscal year ends on December 31. The key elements of our operating results include:

Revenue

We derive our revenue from three primary sources: the sale of cloud-based SaaS services on our integrated Alarm.com platform, the sale of licenses and services on the Software platform and the sale of hardware products. We sell our platform and hardware solutions to service provider partners that resell our solutions and hardware to residential and commercial property owners, who are the service provider partners' customers.

SaaS and License Revenue. We generate the majority of our SaaS and license revenue primarily from monthly fees charged to our service provider partners on a per subscriber basis for access to our cloud-based intelligently connected property platform and related solutions. Our fees per subscriber vary based upon the service plan and features utilized.

We offer multiple service level packages for our platform solutions including a range of solutions and a range of a la carte add-ons for additional features. The fee paid by our service provider partners each month for the delivery of our solutions is based on the combination of packages and add-ons enabled for each subscriber. We utilize tiered pricing plans where our service provider partners may receive prospective pricing discounts driven by volume.

We also generate SaaS and license revenue from the fees paid to us when we license our intellectual property to third parties for use of our patents. In addition, in certain markets, our EnergyHub subsidiary sells its demand response service for an annual service fee, with pricing based on the number of subscribers or amount of aggregate electricity demand made available for a utility's or market's control.

Hardware and Other Revenue. We generate hardware and other revenue primarily from the sale of video cameras, video recorders, smart thermostats and cellular radio modules that provide access to our cloud-based platforms and, to a lesser extent, the sale of other devices, including image sensors, gunshot detection sensors and peripherals. We primarily transfer hardware to our customers upon delivery to the customer, which corresponds with the time at which the customer obtains control of the hardware. We record a reserve against revenue for hardware returns based on historical returns.

Our hardware and other revenue also includes our revenue from the sale of perpetual licenses that provide our customers in the commercial market the right to use our video surveillance software for an indefinite period of time in exchange for a one-time license fee. Additionally, our hardware and other revenue includes our revenue from the sale of licenses that provide our customers the right to use our gunshot detection solution in exchange for license fees. Hardware and other revenue may also include activation fees charged to some of our service provider partners for activation of a new subscriber account on our platforms, as well as fees paid by service provider partners for our marketing services. The decision whether to charge an activation fee is based in part on the expected number of subscribers to be added by our service provider partners and as a result, many of our largest service provider partners do not pay an activation fee.

Our revenue, and in particular our hardware revenue, has in the past and may in the future be negatively affected by the Macroeconomic Conditions and their related impacts. It remains difficult to assess or predict the ultimate duration and economic impact of the Macroeconomic Conditions.

Cost of Revenue

Our cost of SaaS and license revenue primarily includes the amounts paid to wireless network providers and, to a lesser extent, the costs of running our network operations centers which are expensed as incurred, as well as patent and royalty costs in connection with technology licensed from third-party providers and amounts paid to distributed energy resource providers. As of June 30, 2026 and 2025, we had 66 and 75 employees who manufacture hardware for our suite of IoT solutions, respectively. Our cost of hardware and other revenue primarily includes cost of raw materials, tooling, freight shipments and amounts paid to our third-party manufacturer for production and fulfillment of our cellular radio modules and image sensors, and procurement costs for our video cameras, video recorders, smart thermostats and gunshot detection sensors, which we purchase from an original equipment manufacturer, and other devices. Cost of hardware and other revenue also includes material costs and labor cost related to our employees who manufacture hardware for our suite of IoT solutions. Additionally, our cost of hardware and other revenue includes royalty costs in connection with technology licensed from third-party providers.

We record the cost of SaaS and license revenue as expenses are incurred, which corresponds to the delivery period of our services to our subscribers. We record the cost of hardware and other revenue primarily when the hardware and other services are delivered to the service provider partner, which occurs when control of the hardware and other services transfers to the service provider partner. Our cost of revenue excludes amortization and depreciation shown in operating expenses.

In April 2025, the U.S. government announced a baseline tariff of 10% on all products imported into the United States (with certain limited exceptions) and additional individualized tariffs based on country of origin at different rates per country. While the U.S. Supreme Court invalidated these tariffs in February 2026, the U.S. government may continue to impose tariffs under alternative statutory authorities, and the situation remains fluid. On April 20, 2026, the U.S. Customs and Border Protection began accepting refund requests through its Consolidated Administration and Processing of Entries portal, and we subsequently filed for an estimated \$14.5 million in tariffs previously paid under the International Emergency Economic Powers Act, or IEEPA. During the three and six months ended June 30, 2026, we recorded less than one third of the estimated \$14.5 million as a reduction to cost of hardware and other revenue and processed a commensurate amount of refunds to customers, excluding certain processing fees, as a reduction to hardware and other revenue. As of June 30, 2026, we have not recorded any additional receivables related to potential refunds for previous tariffs we paid because we are unable to assess the probability of their recovery. The United States and/or countries into which we import products have adjusted and/or imposed and may, in the future, adjust and/or impose new quotas, duties, tariffs or reciprocal tariffs or other restrictions. A significant portion of our hardware is produced outside the United States, including in Vietnam, Thailand and Taiwan. The U.S. government has since announced several tariff framework agreements, including with countries where a significant portion of our hardware is produced, which have impacted our hardware revenue margins. The ultimate impact of any tariffs will depend on various factors, including how long such tariffs remain in place, the ultimate levels of such tariffs, the outcome of any new legal challenges to their validity, the process and timing for obtaining any refunds for previously paid tariffs, how other countries respond to the U.S. tariffs, and the specific timing of when we implement any additional pass-through costs.

Operating Expenses

Our operating expenses consist of sales and marketing, general and administrative, research and development and amortization and depreciation expenses. Salaries, bonuses, stock-based compensation, benefits and other personnel related costs are the most significant components of these expense categories, excluding amortization and depreciation. We include stock-based compensation expense in connection with the grant of restricted stock units and other forms of equity compensation, including equity compensation with performance conditions, in the applicable operating expense category based on the respective equity award recipient's function (sales and marketing, general and administrative or research and development). We grew from 2,048 employees as of June 30, 2025 to 2,051 employees as of June 30, 2026, and remained constant at 2,051 employees as of March 31, 2026. We may continue to hire new employees to support the projected future growth of our business.

Sales and Marketing Expense. Sales and marketing expense consists primarily of personnel and related expenses for our sales and marketing teams, including salaries, bonuses, stock-based compensation, benefits, travel, and commissions. Our sales and marketing teams engage in sales, account management, service provider partner support, advertising, promotion of our products and services and marketing.

The number of employees in sales and marketing functions increased from 599 as of June 30, 2025 to 612 as of June 30, 2026 and decreased from 615 as of March 31, 2026. We expect to continue to invest in our sales and marketing activities to expand our business both domestically and internationally. We may increase the size of our sales force and our service provider partner support team to provide additional support to our existing service provider partner base to drive their productivity in selling our solutions as well as to enroll new service provider partners in North America and in international markets.

General and Administrative Expense. General and administrative expense consists primarily of personnel and related expenses for our administrative, legal, human resources, finance and accounting personnel, including salaries, bonuses, stock-based compensation, benefits and other personnel costs. Additional expenses included in this category are legal costs, including those that are incurred to defend and license our intellectual property, as well as non-personnel costs, such as travel-related expenses, rent, subcontracting and professional fees, audit fees, tax services, and insurance expenses. Also included in general and administrative expenses are credit losses and acquisition-related expenses, which consist primarily of legal, accounting and professional service fees directly related to acquisitions and valuation gains or losses on acquisition-related contingent liabilities.

The number of employees in general and administrative functions decreased from 238 as of June 30, 2025 to 225 as of June 30, 2026 and decreased from 230 as of March 31, 2026. Excluding intellectual property litigation and acquisition-related expense, we expect general and administrative costs to increase prospectively as our business grows. This includes cost increases related to human resources, accounting, finance, and legal personnel, additional external legal, audit fees and other expenses associated with regulations governing public companies. While somewhat unpredictable, we also expect to continue to incur costs related to litigation involving intellectual property. See the section of this Quarterly Report titled "Legal Proceedings" for additional information regarding litigation matters.

Research and Development Expense. Research and development expense consists primarily of personnel and related expenses for our employees working on our product development and software and device engineering teams, including salaries, bonuses, stock-based compensation, benefits and other personnel costs. Also included are non-personnel costs such as consulting and professional fees paid to third-party development resources.

The number of employees in research and development functions increased from 1,136 as of June 30, 2025 to 1,148 as of June 30, 2026 and increased from 1,140 as of March 31, 2026. Our research and development efforts are focused on innovating new features and enhancing the functionality of our platforms and the solutions we offer to our service provider partners and subscribers. We will also continue to invest in efforts to extend our platforms to adjacent markets and internationally to maintain our leadership position in the development of intelligently connected property technology, and continued enhancement of our Partner Services Platform, a comprehensive suite of enterprise-grade business management solutions for our service provider partners.

Amortization and Depreciation. Amortization and depreciation consists of amortization of intangible assets originating from our acquisitions as well as our internally-developed capitalized software. Our depreciation expense is related to investments in property and equipment. Acquired intangible assets include developed technology, customer related intangibles, trademarks and trade names. We expect in the near term that amortization and depreciation may fluctuate based on our acquisition activity, development of our platforms and capitalized expenditures.

Interest Expense

We record interest expense associated with our 2026 Notes and 2029 Notes. Interest expense in 2026 is expected to decrease as compared to 2025 due to the maturity of the 2026 Notes on January 15, 2026.

Interest Income

Interest income consists of interest income earned on our cash and cash equivalents, our notes receivable and our restricted cash. Interest income in 2026 will depend, in part, on our use of cash and fluctuations in interest rates.

Other Expense, Net

Other expense, net primarily consists of non-operating and miscellaneous expense and income, including the impacts of fluctuations in foreign currency exchange rates as well as gains and losses on equity securities.

Provision for Income Taxes

We are subject to U.S. federal, state and local income taxes as well as foreign income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. As a result, we recognize tax liabilities based on estimates of whether additional taxes will be due. For the three and six months ended June 30, 2026, our effective tax rate was above the 21.0% statutory rate primarily due to the impact of state taxes, foreign withholding taxes, a shortfall from employee stock-based compensation and other nondeductible expenses, partially offset by the impact of 2026 research and development tax credits claimed and the foreign derived deduction eligible income deduction. We recognize stock-based compensation tax shortfalls and excess tax windfall benefits on a discrete basis during the quarter in which they occur, and we anticipate our effective tax rate will vary from quarter to quarter depending on our stock price as well as the vesting and exercises of various forms of equity compensation under our equity incentive plans each period, including restricted stock units and stock options.

Income from Equity Method Investments, Net

Income from equity method investments, net primarily consists of our share of the net assets and net income / (losses) of our investees accounted for under the equity method, including the impacts of amortization expense related to basis differences.

Results of Operations

The following table sets forth our unaudited selected condensed consolidated statements of operations (in thousands) and data as a percentage of revenue for the periods presented:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2026		2025		2026		2025	
Revenue:								
SaaS and license revenue	\$ 188,778	68 %	\$ 169,993	67 %	\$ 370,302	68 %	\$ 333,793	68 %
Hardware and other revenue	88,956	32	84,315	33	172,625	32	159,337	32
Total revenue	277,734	100	254,308	100	542,927	100	493,130	100
Cost of revenue ⁽¹⁾ :								
Cost of SaaS and license revenue	29,917	11	23,653	9	57,812	11	45,221	9
Cost of hardware and other revenue	65,736	23	63,809	25	128,352	23	120,475	24
Total cost of revenue	95,653	34	87,462	34	186,164	34	165,696	33
Operating expenses:								
Sales and marketing ⁽²⁾	32,979	12	31,136	12	67,413	13	59,685	12
General and administrative ⁽²⁾	36,646	13	27,084	11	64,100	12	54,085	11
Research and development ⁽²⁾	71,008	26	69,070	27	143,067	26	137,437	28
Amortization and depreciation	8,964	3	7,534	3	18,056	3	14,558	3
Total operating expenses	149,597	54	134,824	53	292,636	54	265,765	54
Operating income	32,484	12	32,022	13	64,127	12	61,669	13
Interest expense	(3,543)	(1)	(4,321)	(2)	(7,215)	(1)	(8,635)	(2)
Interest income	4,491	1	11,808	4	9,422	1	24,179	5
Other expense, net	(2,336)	(1)	(175)	—	(6,245)	(1)	(2,835)	(1)
Income before income taxes	31,096	11	39,334	15	60,089	11	74,378	15
Provision for income taxes	7,737	2	5,458	2	13,593	2	12,765	2
Income from equity method investments, net	(849)	—	(341)	—	(1,094)	—	(316)	—
Net income	\$ 24,208	9 %	\$ 34,217	13 %	\$ 47,590	9 %	\$ 61,929	13 %

(1) Excludes amortization and depreciation shown in operating expenses below.

(2) Expenses include stock-based compensation expense as follows (in thousands):

Stock-based compensation expense data:	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Sales and marketing	\$ 592	\$ 620	\$ 1,334	\$ 1,100
General and administrative	3,076	2,474	6,132	5,446
Research and development	3,908	5,840	8,159	11,846
Total stock-based compensation expense	\$ 7,576	\$ 8,934	\$ 15,625	\$ 18,392

The following table sets forth the components of cost of revenue as a percentage of revenue:

Components of cost of revenue as a percentage of revenue:	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Cost of SaaS and license revenue as a percentage of SaaS and license revenue	16 %	14 %	16 %	14 %
Cost of hardware and other revenue as a percentage of hardware and other revenue	74	76	74	76
Total cost of revenue as a percentage of total revenue	34 %	34 %	34 %	33 %

Comparison of the Three and Six Months Ended June 30, 2026 to June 30, 2025

The following tables in this section set forth our selected condensed consolidated statements of operations (in thousands), data for the percentage change and data as a percentage of revenue for the three and six months ended June 30, 2026 and June 30, 2025.

Revenue

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2026	2025		2026	2025	
Revenue						
SaaS and license revenue	\$ 188,778	\$ 169,993	11 %	\$ 370,302	\$ 333,793	11 %
Hardware and other revenue	88,956	84,315	6	172,625	159,337	8
Total revenue	<u>\$ 277,734</u>	<u>\$ 254,308</u>	9 %	<u>\$ 542,927</u>	<u>\$ 493,130</u>	10 %

The \$23.4 million increase in total revenue for the three months ended June 30, 2026 as compared to the same period in the prior year was primarily the result of a \$18.8 million, or 11%, increase in our SaaS and license revenue, and a \$4.6 million, or 6%, increase in our hardware and other revenue. The SaaS and license revenue for the Alarm.com segment increased \$8.8 million primarily due to growth in our subscriber base, including the revenue impact from subscribers we added in 2025. The SaaS and license revenue for our Other segment increased \$10.0 million primarily due to an increase in sales of our energy management and demand response solutions, including revenue from the purchase of RGS on November 21, 2025. The increase in hardware and other revenue was primarily from the \$4.5 million increase in hardware and other revenue, net of intersegment eliminations, in the Other segment primarily due to sales of energy credits related to the acquisition of Bridge to Renewables, Inc., or BTR, on August 15, 2025, as well as increased sales related to our property management and Heating, Ventilation and Air Conditioning solutions. Hardware and other revenue, net of intersegment eliminations, in our Alarm.com segment increased \$0.1 million from an increase in hardware sold related to our video surveillance software as well as price increases we have implemented on certain products to cover a portion of our increases in costs. These increases in hardware and other revenue were partially offset by a decrease in hardware and other revenue related to tariff refunds we provided to our customers, excluding certain processing fees.

The \$49.8 million increase in total revenue for the six months ended June 30, 2026 as compared to the same period in the prior year was primarily the result of a \$36.5 million, or 11%, increase in our SaaS and license revenue and a \$13.3 million, or 8%, increase in our hardware and other revenue. The SaaS and license revenue for the Alarm.com segment increased \$18.5 million for the six months ended June 30, 2026 as compared to the same period in the prior year primarily due to growth in our subscriber base, including the revenue impact from subscribers we added in 2025. The SaaS and license revenue for our Other segment increased \$18.0 million for the six months ended June 30, 2026 as compared to the same period in the prior year primarily due to an increase in sales of our energy management and demand response solutions including revenue from the purchase of RGS on November 21, 2025. The increase in hardware and other revenue for the six months ended June 30, 2026 as compared to the same period in the prior year was primarily from the \$6.8 million increase in hardware and other revenue, net of intersegment eliminations, in the Alarm.com segment arising from an increase in hardware sold related to our video surveillance software as well as price increases we have implemented on certain products to cover a portion of our increases in costs. These increases in hardware and other revenue were partially offset by a decrease in hardware and other revenue related to tariff refunds we provided to our customers, excluding certain processing fees. Hardware and other revenue, net of intersegment eliminations, in our Other segment increased \$6.5 million for the six months ended June 30, 2026 as compared to the same period in the prior year, primarily due to sales of energy credits related to the acquisition of BTR on August 15, 2025, as well as increased sales related to our property management and Heating, Ventilation and Air Conditioning solutions.

Cost of Revenue

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2026	2025		2026	2025	
Cost of revenue ⁽¹⁾						
Cost of SaaS and license revenue	\$ 29,917	\$ 23,653	26 %	\$ 57,812	\$ 45,221	28 %
Cost of hardware and other revenue	65,736	63,809	3	128,352	120,475	7
Total cost of revenue	<u>\$ 95,653</u>	<u>\$ 87,462</u>	9 %	<u>\$ 186,164</u>	<u>\$ 165,696</u>	12 %
% of total revenue	34 %	34 %		34 %	33 %	

(1) Excludes amortization and depreciation shown in operating expenses.

The \$8.2 million increase in cost of revenue for the three months ended June 30, 2026 as compared to the same period in the prior year was the result of a \$6.3 million, or 26%, increase in cost of SaaS and license revenue, and a \$1.9 million, or 3%, increase in cost of hardware and other revenue. The cost of SaaS and license revenue for the Other segment increased \$5.5 million primarily due to an increase in sales of our energy management and demand response solutions, including from our acquisition of RGS on November 21, 2025, which drove a corresponding increase in amounts paid to distributed energy resource providers. The cost of SaaS and license revenue for the Alarm.com segment increased \$0.8 million primarily due to the growth in our subscriber base, which drove a corresponding increase in amounts paid to wireless network providers. The cost of hardware and other revenue for the Other segment increased \$4.1 million primarily due to costs associated with sales of energy credits related to the acquisition of BTR on August 15, 2025, and an increase in the number of hardware units shipped related to our property management solution. The cost of hardware and other revenue for the Alarm.com segment decreased \$2.2 million primarily due to recording a partial amount of the IEEPA tariff refunds we previously paid during the three months ended June 30, 2026, partially offset by a change in the mix of product sales to more hardware with higher costs related to tariffs and supplier price increases.

Cost of hardware and other revenue as a percentage of hardware and other revenue was 74% and 76% for the three months ended June 30, 2026 and 2025, respectively. Cost of SaaS and license revenue as a percentage of SaaS and license revenue was 16% and 14% for the three months ended June 30, 2026 and 2025, respectively.

The \$20.5 million increase in cost of revenue for the six months ended June 30, 2026 as compared to the same period in the prior year was the result of a \$12.6 million, or 28%, increase in cost of SaaS and license revenue and a \$7.9 million, or 7%, increase in cost of hardware and other revenue. The cost of SaaS and license revenue for the Other segment increased \$10.4 million during the six months ended June 30, 2026 as compared to the same period in the prior year primarily due to an increase in sales of our energy management and demand response solutions, including from our acquisition of RGS on November 21, 2025, which drove a corresponding increase in amounts paid to distributed energy resource providers. The cost of SaaS and license revenue for the Alarm.com segment increased \$2.2 million during the six months ended June 30, 2026 as compared to the same period in the prior year primarily due to the growth in our subscriber base, which drove a corresponding increase in amounts paid to wireless network providers. The cost of hardware and other revenue for the Other segment increased \$5.5 million primarily due to costs associated with sales of energy credits related to the acquisition of BTR on August 15, 2025, and an increase in the number of hardware units shipped related to our property management solution. The cost of hardware and other revenue for the Alarm.com segment increased \$2.4 million during the six months ended June 30, 2026 as compared to the same period in the prior year primarily due to a change in the mix of product sales to more hardware with higher costs related to tariffs and supplier price increases, partially offset by recording a partial amount of the IEEPA tariff refunds we previously paid during the three months ended June 30, 2026.

Cost of hardware and other revenue as a percentage of hardware and other revenue was 74% for the six months ended June 30, 2026 and 76% for the same period in the prior year. Cost of SaaS and license revenue as a percentage of SaaS and license revenue was 16% for the six months ended June 30, 2026 and 14% for the same period in the prior year.

Sales and Marketing Expense

	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2026	2025			2026	2025		
Sales and marketing	\$ 32,979	\$ 31,136		6 %	\$ 67,413	\$ 59,685		13 %
% of total revenue	12 %	12 %			13 %	12 %		

The \$1.8 million increase in sales and marketing expense for the three months ended June 30, 2026, as compared to the same period in the prior year, was primarily due to a \$1.7 million increase in personnel and related costs for our Other segment, attributable in part to increases in the headcount for our sales team. Personnel and related costs includes salary, benefits, stock-based compensation and travel expenses. Sales and marketing expense for our Alarm.com segment decreased \$0.1 million primarily due to a \$1.4 million decrease in marketing conference costs, partially offset by a \$1.1 million increase in personnel and related costs.

The \$7.7 million increase in sales and marketing expense for the six months ended June 30, 2026, as compared to the same period in the prior year, was primarily due to a \$3.2 million increase in personnel and related costs for our Other segment, attributable in part to increases in the headcount for our sales team. Sales and marketing expense from our Alarm.com segment increased primarily due to a \$2.4 million increase in personnel and related costs and a \$1.2 million increase in marketing conference costs. The number of employees in sales and marketing functions increased from 599 as of June 30, 2025 to 612 as of June 30, 2026.

General and Administrative Expense

	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2026	2025			2026	2025		
General and administrative	\$ 36,646	\$ 27,084		35 %	\$ 64,100	\$ 54,085		19 %
% of total revenue	13 %	11 %			12 %	11 %		

The \$9.6 million increase in general and administrative expense for the three months ended June 30, 2026, as compared to the same period in the prior year, was primarily due to a \$9.2 million increase in legal costs related to intellectual property legal matters and a \$1.5 million increase in personnel and related costs for our Alarm.com segment. These increases within our Alarm.com segment were partially offset by a \$1.7 million decrease in the provision for credit losses and a \$0.4 million decrease in rent expense. General and administrative expenses from our Other segment increased by \$1.9 million primarily due to an increase in the provision for credit losses.

The \$10.0 million increase in general and administrative expense for the six months ended June 30, 2026, as compared to the same period in the prior year, was primarily due to a \$9.2 million increase in legal costs related to intellectual property legal matters and a \$2.1 million increase in personnel and related costs for our Alarm.com segment. These increases within our Alarm.com segment were partially offset by a \$1.6 million decrease in the provision for credit losses and a \$0.4 million decrease in rent expense. General and administrative expenses from our Other segment increased by \$1.6 million primarily due to an increase in the provision for credit losses. The number of employees in general and administrative functions decreased from 238 as of June 30, 2025 to 225 as of June 30, 2026.

Research and Development Expense

	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2026	2025			2026	2025		
Research and development	\$ 71,008	\$ 69,070		3 %	\$ 143,067	\$ 137,437		4 %
% of total revenue	26 %	27 %			26 %	28 %		

The \$1.9 million increase in research and development expense for the three months ended June 30, 2026, as compared to the same period in the prior year, was primarily due to a \$3.0 million increase in research and development expense for our Other segment, due to increases in personnel and related costs as well as expenses for external consultants, attributable in part to an increase in headcount of employees in research and development functions from the acquisitions of BTR on August 15, 2025 and RGS on November 21, 2025. Research and development expense from our Alarm.com segment decreased by \$1.1 million primarily due to a decrease in personnel and related costs.

The \$5.6 million increase in research and development expense for the six months ended June 30, 2026, as compared to the same period in the prior year, was primarily due to a \$6.0 million increase in research and development expense for our Other segment, due to increases in personnel and related costs as well as expenses for external consultants, attributable in part to an increase in headcount of employees in research and development functions from the acquisitions of BTR on August 15, 2025 and RGS on November 21, 2025. Research and development expense from our Alarm.com segment decreased by \$0.4 million primarily due to decreases in personnel and related costs and expenses for external consultants. The overall number of employees in research and development functions increased from 1,136 as of June 30, 2025 to 1,148 as of June 30, 2026.

Amortization and Depreciation

	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2026	2025			2026	2025		
Amortization and depreciation	\$ 8,964	\$ 7,534		19 %	\$ 18,056	\$ 14,558		24 %
% of total revenue	3 %	3 %			3 %	3 %		

Amortization and depreciation increased \$1.4 million and \$3.5 million for the three and six months ended June 30, 2026, respectively, as compared to the same periods in the prior year, primarily due to intangible assets that were acquired in connection with the acquisition of BTR on August 15, 2025, the acquisition of RGS on November 21, 2025, as well as changes in depreciation expense related to property and equipment.

Interest Expense

	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2026	2025			2026	2025		
Interest expense	\$ (3,543)	\$ (4,321)		(18)%	\$ (7,215)	\$ (8,635)		(16)%
% of total revenue	(1)%	(2)%			(1)%	(2)%		

Interest expense decreased \$0.8 million and \$1.4 million for the three and six months ended June 30, 2026, respectively, as compared to the same periods in the prior year, primarily due to the maturity of the 2026 Notes on January 15, 2026.

Interest Income

	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2026	2025			2026	2025		
Interest income	\$ 4,491	\$ 11,808		(62)%	\$ 9,422	\$ 24,179		(61)%
% of total revenue	1 %	4 %			1 %	5 %		

Interest income decreased \$7.3 million and \$14.8 million for the three and six months ended June 30, 2026, respectively, as compared to the same periods in the prior year, primarily due to a decrease in interest income earned on cash and cash equivalents from lower amounts of cash and cash equivalents due to the \$500.0 million paid in aggregate principal amount to holders of the 2026 Notes on January 14, 2026, and lower average interest rates.

Other Expense, Net

	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2026	2025			2026	2025		
Other expense, net	\$ (2,336)	\$ (175)		1,235 %	\$ (6,245)	\$ (2,835)		120 %
% of total revenue	(1)%	— %			(1)%	(1)%		

Other expense, net increased \$2.2 million and \$3.4 million for the three and six months ended June 30, 2026, respectively, as compared to the same periods in the prior year, primarily due to an increase in loss on equity securities and fluctuations in foreign currency exchange rates.

Provision for Income Taxes

	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2026	2025			2026	2025		
Provision for income taxes	\$ 7,737	\$ 5,458		42 %	\$ 13,593	\$ 12,765		6 %
% of total revenue	2 %	2 %			2 %	2 %		

The provision for income taxes increased by \$2.3 million and \$0.8 million for the three and six months ended June 30, 2026, respectively, as compared to the same periods in the prior year. Our effective tax rate was 24.9% and 22.6% for the three and six months ended June 30, 2026, respectively, as compared to 13.8% and 17.1% for the same periods in the prior year. The increase in the provision for income taxes was primarily due to a decrease in our research and development tax credits claimed during the three and six months ended June 30, 2026 as compared to the same periods in the prior year.

Income from Equity Method Investments, Net

	Three Months Ended June 30,			% Change	Six Months Ended June 30,			% Change
	2026	2025			2026	2025		
Income from equity method investments, net	\$ (849)	\$ (341)		149 %	\$ (1,094)	\$ (316)		246 %
% of total revenue	— %	— %			— %	— %		

Income from equity method investments, net increased \$0.5 million and \$0.8 million for the three and six months ended June 30, 2026, respectively, as compared to the same periods in the prior year. The increase in the income from equity method investments, net was due to the increase in our share of the net assets and net income of our investees accounted for under the equity method, partially offset by amortization expense related to basis differences in our equity method investments.

Segment Information

We have two reportable segments: Alarm.com and Other. Our Alarm.com segment represents our cloud-based and Software platforms for intelligently connected properties and related solutions that contributed 87% and 88% of our revenue, net of intersegment eliminations, for the three and six months ended June 30, 2026, respectively, as compared to 92% for the same periods in the prior year. Our Other segment is focused on researching, developing and offering residential and commercial automation solutions and energy management products and services in adjacent markets. The consolidated subsidiaries that make up our Other segment are in the investment stage and have incurred significant operating expenses relative to their revenue. Management evaluates the performance of its segments and allocates resources to them based on operating income / (loss) as compared to prior periods and current performance levels.

Our Alarm.com segment decreased from 1,795 employees as of June 30, 2025 to 1,749 employees as of June 30, 2026 and decreased from 1,757 employees as of March 31, 2026. Our Other segment increased from 253 employees as of June 30, 2025 to 302 employees as of June 30, 2026 and increased from 294 employees as of March 31, 2026. Inter-segment revenue includes sales of hardware between our segments.

See Note 18 of our condensed consolidated financial statements for additional segment information.

Critical Accounting Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue, costs and expenses during the reported period. In accordance with GAAP, we base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Because of the use of estimates inherent in the financial reporting process in light of the continuing uncertainty arising from the Macroeconomic Conditions, actual results could differ from those estimates and any such differences may be material. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. Except as disclosed in Note 2 of our notes to the condensed consolidated financial statements, there were no other material changes to our use of estimates or other critical accounting policies from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2025 filed with the SEC on February 19, 2026.

Recent Accounting Pronouncements

See Note 2 of our condensed consolidated financial statements for information related to recently issued accounting standards.

Liquidity and Capital Resources

Working Capital

The following table summarizes our cash and cash equivalents, accounts receivable, net and working capital, for the periods indicated (in thousands):

	June 30, 2026	December 31, 2025
Cash and cash equivalents	\$ 479,418	\$ 960,584
Accounts receivable, net	161,709	141,852
Working capital	639,779	609,371

We define working capital as current assets minus current liabilities. Our cash and cash equivalents as of June 30, 2026 are available for working capital purposes. Our investment policy defines allowable investments and establishes guidelines relating to credit quality, diversification and maturities of our investments to preserve capital, maintain liquidity and limit the amount of credit risk exposure. As of June 30, 2026, our cash and cash equivalents were primarily held in money market accounts.

Liquidity and Capital Resources

As of June 30, 2026, we had \$479.4 million in cash and cash equivalents. We consider all highly liquid instruments purchased with an original maturity from the date of purchase of three months or less to be cash equivalents. We mitigate the risk of loss for our cash and cash equivalents by depositing funds with a number of reputable financial institutions and monitoring both the risk profiles and investment strategies of money market funds. To date, we have principally financed our operations through cash generated by operating activities and through private and public equity and debt financings. For further discussion on our debt arrangements, see Note 12 to our condensed consolidated financial statements.

We believe our existing cash and cash equivalents and our future cash flows from operating activities will be sufficient to meet our anticipated operating cash needs for at least the next 12 months. As of June 30, 2026, there were no material changes in our cash requirements from those disclosed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report. Our 2026 Notes were paid in full on January 14, 2026.

Our future working capital, capital expenditure and cash requirements will depend on many factors, including the impact of the Macroeconomic Conditions on the economy and our operations, the rate of our revenue growth, the amount and timing of our investments in human resources and capital equipment, future acquisitions and investments, and the timing and extent of our introduction of new solutions and platform and solution enhancements. As the impact of the Macroeconomic Conditions on the economy and our operations evolves, we will continue to assess our liquidity needs. To the extent our cash and cash equivalents and cash flows from operating activities are insufficient to fund our future activities, we may need to borrow additional funds or raise funds from public or private equity or debt financings. If we raise additional funds through the incurrence of indebtedness, such indebtedness would likely have rights that are senior to holders of our equity securities and could contain covenants that restrict our operations. Any additional equity financing would be dilutive to our current stockholders.

Capital Expenditures

Over the final six months of fiscal year 2026, we expect our capital expenditure requirements to be between \$5.0 million and \$8.0 million, primarily related to purchases of computer software and equipment as well as the continued build out of our leased and owned office space, excluding any leasehold improvements related to tenant improvement allowances.

Dividends

We did not declare or pay dividends during the three and six months ended June 30, 2026 or 2025. We cannot provide any assurance that we will declare or pay cash dividends on our common stock in the future. We currently anticipate that we will retain all of our future earnings, if any, for use in the operation and expansion of our business and we do not anticipate paying cash dividends in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of the board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, the requirements of current or then-existing debt instruments and other factors the board of directors deems relevant.

Stock Repurchase Programs

On May 24, 2024, our board of directors authorized the repurchase of our common stock in connection with the issuance of the 2029 Notes and also authorized a stock repurchase program, effective May 31, 2024, under which we were authorized to purchase up to an aggregate of \$100.0 million of our outstanding common stock during the two-year period ended May 31, 2026.

On May 4, 2026, our board of directors authorized the cancellation of the balance under the stock repurchase program ended May 31, 2026 and adopted a new stock repurchase program, under which we are authorized to purchase up to an aggregate of \$150.0 million of our outstanding common stock during the two-year period ending May 4, 2028.

During the three and six months ended June 30, 2026, we repurchased 570,000 and 998,065 shares of our common stock under these programs for \$25.0 million and \$45.0 million, respectively, which includes applicable commissions and fees. During the three and six months ended June 30, 2025, we repurchased 88,000 and 174,400 shares of our common stock under these programs for \$5.1 million and \$10.2 million, respectively, which includes applicable commissions and fees.

We are subject to a 1.0% excise tax on the value of net corporate stock repurchases under the Inflation Reduction Act of 2022. When applicable, the excise tax will be included as part of the cost basis of shares acquired and is presented within stockholders' equity in the condensed consolidated balance sheets.

Historical Cash Flows

The following table sets forth our cash flows for the periods indicated (in thousands):

	Six Months Ended June 30,	
	2026	2025
Cash flows from operating activities	\$ 92,522	\$ 46,773
Cash flows used in investing activities	(20,712)	(232,988)
Cash flows used in financing activities	(555,007)	(9,594)

Operating Activities

Cash flows from operating activities have typically been generated from our net income and by changes in our operating assets and liabilities, particularly from accounts receivable, accounts payable and inventory, adjusted for non-cash expense items such as amortization and depreciation, deferred income taxes and stock-based compensation.

For the six months ended June 30, 2026, cash flows from operating activities were \$92.5 million, compared to \$46.8 million for the same period in the prior year. This \$45.7 million increase in cash flows from operating activities was due to a \$30.1 million increase in cash from operating assets and liabilities and a \$29.9 million increase in non-cash and other reconciling items, partially offset by a \$14.3 million decrease in net income.

The \$30.1 million increase in cash from operating assets and liabilities was primarily due to a \$19.1 million change in accounts receivable, accounts payable and other current liabilities primarily due to the timing of disbursements and the collection of receipts, a \$6.6 million reduction to an income tax receivable, a \$2.0 million change in prepaid expenses and a \$1.5 million change in inventory during the six months ended June 30, 2026 as compared to the same period in the prior year. The \$29.9 million increase in non-cash and other reconciling items was primarily due to a \$21.9 million change in deferred income taxes, which was primarily driven by the enactment of the One Big Beautiful Bill Act, or OBBBA, which allows for the immediate deduction of post-2024 domestic research and development expenditures, resulting in a reduction to the associated deferred tax asset, as well as the current year amortization of the capitalized pre-2025 domestic research and development expenditures. The increase in non-cash and other reconciling items was also due to \$6.4 million in distributions received from our equity method investees.

Investing Activities

Our investing activities typically include acquisitions, capital expenditures, investments in unconsolidated entities, notes receivable issued to companies with offerings complementary to ours and proceeds from the repayment of those notes receivable. Our capital expenditures have primarily been for general business use, including leasehold improvements as we have expanded our office space to accommodate our growth in headcount, computer equipment used internally and expansion of our network operations centers.

For the six months ended June 30, 2026, cash flows used in investing activities were \$20.7 million, compared to \$233.0 million for the same period in the prior year. The \$212.3 million decrease in cash flows used in investing activities was primarily due to the \$158.5 million decrease in purchases of investments in unconsolidated entities during the six months ended June 30, 2026 as compared to the same period in the prior year. Additionally, the decrease in cash flows used in investing activities was due to \$23.6 million paid to purchase 81% of the issued and outstanding shares of capital stock of CHEKT on February 10, 2025 as well as a decrease of \$19.2 million in notes receivable issued during the six months ended June 30, 2026 as compared to the same period in the prior year.

Financing Activities

Cash generated by financing activities includes proceeds from the 2029 Notes and proceeds from the issuance of common stock from employee stock option exercises and from our employee stock purchase plan. Cash used in financing activities typically includes repurchases of common stock, repayments of debt, payments of debt issuance costs and purchases of capped calls related to the 2029 Notes.

For the six months ended June 30, 2026, cash flows used in financing activities were \$555.0 million, compared to \$9.6 million for the same period in the prior year. The \$545.4 million increase in cash flows used in financing activities was primarily due to the \$500.0 million payment of the 2026 Notes during the six months ended June 30, 2026 that did not occur during the same period in the prior year as well as a \$34.9 million increase in purchases of shares of our common stock during the six months ended June 30, 2026 as compared to the same period in the prior year.

Non-GAAP Measures

We define non-GAAP adjusted EBITDA as our net income before interest expense, interest income, certain activity within other expense, net, provision for income taxes, income from equity method investments, net, amortization and depreciation expense, stock-based compensation expense, acquisition-related expense, legal costs and settlement fees incurred and received in connection with non-ordinary course litigation and other disputes, particularly costs involved in ongoing intellectual property litigation. We do not consider these items to be indicative of our core operating performance. The non-cash items include amortization and depreciation expense; income from equity method investments, net; amortization of debt issuance costs for the 2026 Notes and 2029 Notes included in interest expense; stock-based compensation expense related to restricted stock units and other forms of equity compensation, including, but not limited to, the sale of common stock. We do not adjust for ordinary course legal expenses resulting from maintaining and enforcing our intellectual property portfolio and license agreements. Non-GAAP adjusted EBITDA is not a measure calculated in accordance with GAAP. See the table below for a reconciliation of non-GAAP adjusted EBITDA from net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

We have included non-GAAP adjusted EBITDA in this report because it is a key measure our management uses to understand and evaluate our core operating performance and trends, to generate future operating plans, to make strategic decisions regarding the allocation of capital and to make investments in initiatives that are focused on cultivating new markets for our solutions. We also use non-GAAP adjusted EBITDA, a non-GAAP financial measure, as a performance measure under our executive bonus plan. Further, we believe the exclusion of certain expenses in calculating non-GAAP adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis and, in the case of exclusion of acquisition-related expense and certain historical legal expenses, excludes items that we do not consider to be indicative of our core operating performance. Accordingly, we believe non-GAAP adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Our use of non-GAAP adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are: (a) although amortization and depreciation are non-cash charges, the assets being amortized and depreciated may have to be replaced in the future, and non-GAAP adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; (b) non-GAAP adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; (c) non-GAAP adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation; (d) non-GAAP adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and (e) other companies, including companies in our industry, may calculate non-GAAP adjusted EBITDA or similarly titled measures differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider non-GAAP adjusted EBITDA alongside our other GAAP-based financial performance measures, net income and our other GAAP financial results. The following table presents a reconciliation of non-GAAP adjusted EBITDA from net income, the most directly comparable GAAP measure, for the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Non-GAAP adjusted EBITDA:				
Net income	\$ 24,208	\$ 34,217	\$ 47,590	\$ 61,929
Adjustments:				
Interest expense, interest income and certain activity within other expense, net ⁽¹⁾	704	(6,005)	3,310	(11,774)
Provision for income taxes	7,737	5,458	13,593	12,765
Income from equity method investments, net	(849)	(341)	(1,094)	(316)
Amortization and depreciation expense	8,964	7,534	18,056	14,558
Stock-based compensation expense	7,576	8,934	15,625	18,392
Acquisition-related expense	33	10	92	60
Litigation expense	9,331	87	10,105	108
Total adjustments	33,496	15,677	59,687	33,793
Non-GAAP adjusted EBITDA	<u>\$ 57,704</u>	<u>\$ 49,894</u>	<u>\$ 107,277</u>	<u>\$ 95,722</u>

(1) During the three months ended March 31, 2026, we revised the definition of non-GAAP adjusted EBITDA to exclude gains and losses on investments with readily determinable fair value, in addition to gains and losses on investments without readily determinable fair value, which we have historically excluded. We believe this change provides a consistent and useful view of our core operating performance, as such gains and losses are not reflective of our underlying business operations, are driven by market price fluctuations that are outside of our control and can vary significantly from period to period in ways that may obscure trends in operating results. For comparability and to conform the prior period to the current presentation, we have revised non-GAAP adjusted EBITDA for the three and six months ended June 30, 2025. As a result, we adjusted for losses on investments with readily determinable fair value of \$1.5 million and \$3.8 million during the three and six months ended June 30, 2025, respectively, within "Interest expense, interest income and certain activity within other expense, net."

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of inflation and foreign exchange rates.

The uncertainty that exists with respect to the economic impact of the Macroeconomic Conditions continues to create significant volatility in the financial markets subsequent to the quarter ended June 30, 2026.

Market Risk

On May 31, 2024, we issued the 2029 Notes and we carry this instrument at face value less unamortized issuance costs. However, the fair values of the 2029 Notes fluctuate when the market price of our common stock fluctuates.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Foreign Currency Exchange Risk

Because substantially all of our revenue and operating expenses are denominated in U.S. dollars, we do not believe our exposure to foreign currency exchange risk is material to our business, financial condition or results of operations. If a significant portion of our revenue and operating expenses becomes denominated in currencies other than U.S. dollars, we may not be able to effectively manage this risk, and our business, financial condition and results of operations could be adversely affected by translation and by transactional foreign currency conversions.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to the company's management, including its chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2026. Based on the evaluation of our disclosure controls and procedures as of June 30, 2026, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recent fiscal quarter ended June 30, 2026 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our legal proceedings, see Note 12 to our condensed consolidated financial statements.

ITEM 1A. RISK FACTORS

Our business is subject to numerous risks. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Quarterly Report on Form 10-Q, or Quarterly Report, as well as our other public filings with the Securities and Exchange Commission, or SEC. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and prospects and cause the trading price of our common stock to decline.

Summary of Risks Affecting Our Business

Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and prospects and cause the trading price of our common stock to decline:

- Our quarterly results of operations have fluctuated and are likely to continue to fluctuate and may be negatively affected by the Macroeconomic Conditions.
- Our actual operating results may differ significantly from any guidance provided. If our actual results of operations fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially.
- Geopolitical conditions, including trade disputes and new or increased tariffs, may have an adverse impact on our operations and financial results.
- We may not sustain our growth rate and we may not be able to manage any future growth effectively.
- We sell security and life safety solutions and if these solutions fail for any reason, we could be subject to liability and our business, reputation and results of operations could suffer.
- Failure to maintain the security of our information and technology networks, including information relating to our service provider partners, subscribers and employees, could expose us to liability and adversely affect us.
- The markets in which we participate are highly competitive and many companies, including large technology companies, broadband and security service providers and other managed service providers, are actively targeting the home and business automation, security monitoring, video monitoring and energy management markets.
- We rely on our service provider partner network to acquire additional subscribers, and the inability of our service providers to attract additional subscribers or retain their current subscribers could adversely affect our operating results.
- We receive a substantial portion of our revenue from a limited number of service provider partners, and the loss of, or a significant reduction in, orders from one or more of our major service provider partners would result in decreased revenue and profitability.
- We have relatively limited visibility regarding the consumers that ultimately purchase our solutions, and we often rely on information from third-party service providers to help us manage our business. We operate in an evolving connected home market. If the connected property market does not grow as we expect or if a significant number of our target consumers choose to adopt point products that control discrete functions rather than our connected property solutions, we may not be able to achieve sustained growth or our business may decline.
- We benefit from integration of our solutions with third-party platform providers. If developers of third-party platform providers choose not to partner with us, or are acquired by our competitors, our integrated solutions platform, business and results of operations may be harmed.
- Our strategy includes pursuing acquisitions, and our potential inability to successfully consummate acquisitions or integrate newly-acquired technologies, assets or businesses may harm our financial results.
- If we are unable to adapt to technological change, including maintaining compatibility with a wide range of devices, as well as changes in access to wireless networks through which we provide our wireless alarm, notification and intelligent automation services, our ability to remain competitive could be impaired and we may need to incur significant capital expenditures to update our technology.
- We operate in a regulated industry and our business, operations and service provider partners are subject to various foreign, U.S. federal, state and local laws and regulations, including relating to consumer protection, licensing, Internet and data privacy, tax, tariff, sanctions, import/export restrictions or other trade barriers. Failure to comply with applicable executive orders, laws and regulations could harm our business and we may incur significant expenditures related to compliance efforts.
- We are involved from time to time in legal proceedings where a negative outcome could result in a material adverse effect on our business, financial condition, cash flows and results of operations.
- Assertions by third parties that we are infringing their intellectual property subject us to costly and time-consuming litigation or expensive licenses that could harm our business and results of operations.
- We depend on our suppliers. The loss of any key supplier, or their inability to deliver products or components to us on time, with sufficient availability, or at stable prices would materially and adversely affect our business, financial condition, cash flows and results of operations.

Risks Related to Our Business and Industry

Our actual operating results may differ significantly from any guidance provided.

Our guidance, including forward-looking statements, is prepared by management and is qualified by, and subject to, a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Many of these uncertainties and contingencies are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the suggested ranges.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. In particular, guidance relating to the anticipated results of operations of an acquired business is inherently more speculative in nature than other guidance as management will, necessarily, be less familiar with the business, procedures and operations of the acquired business. Similarly, guidance offered in periods of uncertainty, such as the uncertainty caused by the Macroeconomic Conditions, is inherently more speculative in nature than guidance offered in periods of relative stability. Accordingly, any guidance with respect to our projected financial performance is necessarily only an estimate of what management believes is realizable as of the date the guidance is given. Actual results will vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data will diminish the farther in the future that the data is forecasted.

Actual operating results may be different from our guidance, and such differences may be adverse and material. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on it. In addition, the market price of our common stock may reflect various market assumptions as to the accuracy of our guidance. If our actual results of operations fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially.

Our quarterly results of operations have fluctuated and are likely to continue to fluctuate. As a result, we may fail to meet or exceed the expectations of investors or securities analysts, which could cause our stock price to decline.

Our quarterly operating results, including the levels of our revenue, gross margin, cash flow and deferred revenue, may fluctuate as a result of a variety of factors, including adverse Macroeconomic Conditions, the product mix that we sell, the relative sales related to our platforms and solutions and other factors which are outside of our control. If our quarterly revenue or results of operations fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Fluctuations in our results of operations may be due to a number of factors, including:

- the portion of our revenue attributable to SaaS and license versus hardware and other sales;
- our ability to manage the businesses we have acquired, and to integrate and manage any future acquisitions of businesses;
- fluctuations in demand, including due to seasonality or broader economic factors, for our platforms and solutions;
- changes in pricing by us in response to competitive pricing actions;
- our ability to increase, retain and incentivize the service provider partners that market, sell, install and support our platforms and solutions;
- the ability of our hardware vendors to continue to manufacture high-quality products and to supply sufficient components and products to meet our demands;
- the timing and success of introductions of new solutions, products or upgrades by us or our competitors and the entrance of new competitors;
- changes in our business and pricing policies or those of our competitors;
- the ability to accurately forecast revenue as we generally rely upon our service provider partner network to generate new revenue;
- our ability to control costs, including our operating expenses and the costs of the hardware we purchase;
- changes in U.S. trade policies, including new or increased tariffs, sanctions or penalties on imported products;
- competition, including entry into the industry by new competitors and new offerings by existing competitors;

- issues related to introductions of new or improved products such as supply chain disruptions or shortages of prior generation products or short-term decreased demand for next generation products;
- perceived or actual problems with the security, privacy, integrity, reliability, quality or compatibility of our solutions, including those related to security breaches in our systems, our subscribers' systems, unscheduled downtime, or outages;
- the amount and timing of expenditures, including those related to expanding our operations, including through acquisitions, increasing research and development, introducing new solutions or paying litigation expenses;
- the ability to effectively manage growth within existing and new markets domestically and abroad;
- changes in the payment terms for our platforms and solutions;
- collectibility of receivables due from service provider partners and other third parties;
- the strength of regional, national and global economies; and
- the impact of natural disasters such as earthquakes, hurricanes, fires, power outages, floods, epidemics, pandemics and public health crises, and other catastrophic events or man-made problems such as terrorism, civil unrest and actual or threatened armed conflict, or global or regional economic, political and social conditions.

Fluctuations in our quarterly operating results may be particularly pronounced in the current economic environment. Due to the foregoing factors and the other risks discussed in this Quarterly Report, you should not rely on quarter-to-quarter comparisons of our results of operations as an indication of our future performance. For the same reason, you should not consider our recent revenue growth and changes in non-GAAP adjusted EBITDA or results of one quarter as indicative of our future performance. See the "Non-GAAP Measures" section of Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of the limitations of non-GAAP adjusted EBITDA and a reconciliation of non-GAAP adjusted EBITDA from net income, the most directly comparable GAAP measurement, for the three and six months ended June 30, 2026 and 2025.

Downturns in general economic and market conditions and reductions in spending may reduce demand for our platforms and solutions, which could harm our revenue, results of operations and cash flows.

Our revenue, results of operations and cash flows depend on the overall demand for our platforms and solutions. Negative Macroeconomic Conditions in the general economy both in the United States and abroad, including conditions resulting from inflation, new or increased tariffs, changes in gross domestic product growth, financial and credit market fluctuations, energy costs, international trade relations and other geopolitical tensions, the availability and cost of credit, fluctuations in interest rates and the global housing and mortgage markets could cause a decrease in consumer discretionary spending and business investment and diminish growth expectations in the U.S. economy and abroad.

During weak economic times, the available pool of service providers may decline as the prospects for home building and home renovation projects diminish, which may have a corresponding impact on our growth prospects. In addition, there is an increased risk during these periods that an increased percentage of our service provider partners will file for bankruptcy protection, which may harm our reputation, revenue, profitability and results of operations. In addition, we may determine that the cost of pursuing any claim may outweigh the recovery potential of such claim. Likewise, consumer bankruptcies can detrimentally affect the business stability of our service provider partners.

The current Macroeconomic Conditions have caused significant uncertainty and volatility in global markets, which has and may continue to cause consumer discretionary spending to decline for an unknown period of time. A prolonged economic slowdown and a material reduction in new home construction and renovation projects may result in diminished sales of our platforms and solutions. Further worsening, broadening or protracted extension of an economic downturn could have a negative impact on our business, revenue, results of operations and cash flows.

We sell security and life safety solutions and if our solutions fail for any reason, we could be subject to liability and our business could suffer.

We sell security and life safety solutions, which are designed to secure the safety of our subscribers and their residences or commercial properties. If these solutions fail for any reason, including due to defects in our software, a carrier outage, a failure of our network operations centers, a failure on the part of one of our service provider partners or user error, some of which have happened from time to time, we could be subject to liability for such failures and our business could suffer.

Our platforms and solutions may contain undetected defects in the software, infrastructure, third-party components or processes. We continue to follow our previously implemented hybrid return to office plan that includes mandatory in-office workdays and voluntary remote workdays, which may make us more vulnerable to cyber-attacks and may create operational or other challenges, any of which could harm our systems or our business. Although we have taken precautionary measures to prepare for these threats and challenges, there is no guarantee our precautions will fully protect our systems. We continue to monitor the situation and may adjust our current policies as more information and guidance become available. If our platforms or solutions suffer from defects, we could experience harm to our branded reputation, claims by our subscribers or service provider partners or lost revenue during the period required to address the cause of the defects. We have found and may find defects in new, acquired or upgraded solutions, resulting in loss of, or delay in, market acceptance of our platforms and solutions, which could harm our business, financial condition, cash flows or results of operations.

Since solutions that enable our platforms are installed by our service provider partners, if they do not install or maintain such solutions correctly, our platforms and solutions may not function properly. If the improper installation or maintenance of our platforms and solutions leads to service or equipment failures after introduction of, or an upgrade to, our platforms or a solution, we could experience harm to our branded reputation, claims by our subscribers or service provider partners or lost revenue during the period required to address the cause of the problem. Further, we rely on our service provider partners to provide the primary source of support and ongoing service to our subscribers and, if our service provider partners fail to provide an adequate level of support and services to our subscribers, it could have a material adverse effect on our reputation, business, financial condition, cash flows or results of operations.

Any defect in, or disruption to, our platforms and solutions could cause consumers not to purchase additional solutions from us, prevent potential consumers from purchasing our platforms and solutions or harm our reputation. Although our contracts with our service provider partners limit our liability to our service provider partners for these defects, disruptions or errors, we nonetheless could be subject to litigation for actual or alleged losses to our service provider partners or our subscribers, which may require us to spend significant time and money in litigation or arbitration, or to pay significant settlements or damages. Defending a lawsuit, regardless of its merit, could be costly, divert management's attention and affect our ability to obtain or maintain liability insurance on acceptable terms and could harm our business. Although we currently maintain some warranty reserves, we cannot assure you that these warranty reserves will be sufficient to cover future liabilities.

Our business is subject to the risks of earthquakes, hurricanes, fires, power outages, floods, pandemics and public health crises, natural disasters and other catastrophic events, and to interruption by man-made problems such as terrorism, civil unrest and actual or threatened armed conflict, or global or regional economic, political and social conditions.

A significant natural disaster, such as an earthquake, hurricane, fire, flood, pandemic, or a public health crisis, or a significant power outage could harm our business, financial condition, cash flows and results of operations. The impact of climate change may increase these risks due to changes in weather patterns, such as increases in storm intensity and frequency, sea-level rise, melting of permafrost and temperature extremes in areas where we conduct our business. Natural disasters could affect our hardware vendors, our wireless carriers or our network operations centers. Further, if a natural disaster occurs in a region from which we derive a significant portion of our revenue, such as metropolitan areas in North America, consumers in that region may delay or forego purchases of our platforms and solutions from service providers in the region, which may harm our results of operations for a particular period. In addition, terrorist acts or acts of war could cause disruptions in our business or the business of our hardware vendors, service providers, subscribers or the economy as a whole. More generally, these and other geopolitical, social and economic conditions could result in increased volatility in worldwide financial markets and economies that could harm our sales. Given our concentration of sales during the second and third quarters, any disruption in the business of our hardware vendors, service provider partners or subscribers that impacts sales during the second or third quarter of each year could have a greater impact on our annual results. All of the aforementioned risks may be augmented if the disaster recovery plans for us, our service provider partners and our suppliers prove to be inadequate. To the extent that any of the above results in delays or cancellations of orders, or delays in the manufacture, deployment or shipment of our platforms and solutions, our business, financial condition, cash flows and results of operations would be harmed.

Geopolitical conditions, including trade disputes and direct or indirect acts of war or terrorism, could have an adverse effect on our operations and financial results.

Since we operate on a global basis, our operations could be disrupted by geopolitical conditions, trade disputes, international boycotts and sanctions, political and social instability, acts of war (including the ongoing conflicts in Ukraine, and in the Middle East and surrounding areas), terrorist activity or other similar events. From time to time, we could have a large investment in a particular asset type, a large revenue stream associated with a particular customer or industry, or a large number of customers located in a particular geographic region. A discrete event impacting a specific asset type, customer, industry, or region in which we have a concentrated exposure could negatively impact our results of operations. In addition, it is not possible to predict the broader consequences of the conflicts, and actions taken in response to the conflicts could increase our costs, disrupt our supply chain, reduce our sales and earnings, impair our ability to raise additional capital when needed on acceptable terms, if at all, or otherwise adversely affect our business, financial condition and results of operations.

Enhanced United States tax, tariff, import/export restrictions, or other trade barriers may have an adverse impact on global economic conditions, financial markets and our business.

There is currently significant uncertainty about the future relationship between the United States and various other countries, including China, the European Union, Canada and Mexico, with respect to trade policies, treaties, tariffs, customs duties, sanctions and taxes. In particular, the U.S. government has imposed tariffs on products imported from certain countries, and some countries have responded with new or increased tariffs of their own. The amount of the import tariff and the number of products subject to tariffs have changed numerous times based on action by the U.S. government. These imposed and announced tariffs have impacted, or have the potential to impact, our imports from other countries.

In April 2025, the U.S. government announced a baseline tariff of 10% on all products imported into the United States (with certain limited exceptions) and additional individualized tariffs based on country of origin at different rates per country. While the U.S. Supreme Court invalidated these tariffs in February 2026, the U.S. government may continue to impose tariffs under alternative statutory authorities, and the situation remains fluid. The United States and/or countries into which we import products have adjusted and/or imposed and may, in the future, adjust and/or impose new quotas, duties, tariffs or reciprocal tariffs or other restrictions. A significant portion of our hardware is produced outside the United States, including in Vietnam, Thailand and Taiwan. The U.S. government has since announced several tariff framework agreements, including with countries where a significant portion of our hardware is produced, which have impacted our hardware revenue margins. The ultimate impact of any tariffs will depend on various factors, including how long such tariffs remain in place, the ultimate levels of such tariffs, the outcome of any new legal challenges to their validity, the process and timing for obtaining any refunds for previously paid tariffs, how other countries respond to the U.S. tariffs, and the specific timing of when and the degree to which we pass through the cost of the tariffs to our customers consistent with our contractual rights.

If tariffs, sanctions, trade restrictions, or trade barriers are expanded or interpreted by a court or governmental agency to apply to more of our products, then our exposure to future taxes and duties on such imported products and components could be significant and could have a material effect on our financial results. If our products are deemed to be subject to additional duties and taxes as determined by a court or governmental agency, we may suffer additional hardware revenue margin erosion or be required to raise our prices on certain imported products. There can be no assurance that we will not experience a disruption in our business or harm to our financial condition related to these or other changes in trade practices, and any changes to our operations or our sourcing strategy in order to mitigate any such tariff costs could be complicated, time-consuming, and costly. Furthermore, our business may be adversely affected by tariffs or trade measures taken by other countries, which could materially harm our business, financial condition and results of operations. These tariffs may include tariffs imposed by other countries on services, including cloud-based technology services such as those offered by us. Trade barriers, or the perception that any of them could be imposed, may have a negative effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between these nations and the United States. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

We may not sustain our growth rate and we may not be able to manage any future growth effectively.

We have experienced significant growth and also have substantially expanded our operations in a short period of time. Our revenue increased from \$842.6 million in 2022 to \$1.0112 billion in 2025 and increased from \$493.1 million for the six months ended June 30, 2025 to \$542.9 million for the six months ended June 30, 2026. We do not expect to achieve similar growth rates in future periods. You should not rely on our operating results for any prior quarterly or annual periods as an indication of our future operating performance. If we are unable to maintain expected revenue growth in both absolute dollars and as a percentage of prior period revenue, our financial results could suffer and our stock price could decline.

Our future operating results depend, to a large extent, on our ability to successfully manage any future expansion and growth. To successfully manage our growth and obligations as a public company, we believe we must effectively, among other things:

- maintain our relationships with existing service provider partners and add new service provider partners;
- increase our subscriber base and help our service provider partners maintain and improve their revenue retention rates, while also expanding their cross-sell effectiveness;
- manage our relationships with our hardware vendors and other key suppliers;
- add, train and integrate sales and marketing personnel;
- expand our international operations; and
- continue to implement and improve our administrative, financial and operational systems, procedures and controls.

We intend to continue to invest in research and development, sales and marketing, and general and administrative functions and other areas to grow our business. We are likely to recognize the costs associated with these increased investments earlier than some of the anticipated benefits and the return on these investments may be lower, or may develop more slowly, than we expect, which could adversely affect our operating results.

If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities or develop new solutions or enhancements to our existing solutions and we may fail to satisfy subscriber and service provider partner requirements, maintain the quality of our solutions, execute on our business plan or respond to competitive pressures, which could result in our financial results suffering and a decline in our stock price.

We have expanded our business rapidly in recent periods. If we fail to manage the expansion of our operations and infrastructure effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.

Our growth in recent periods has placed, and may continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. We intend to further expand our overall business, service provider partner network, subscriber base, headcount and operations, including by acquiring other businesses. Creating and maintaining a global organization and managing a geographically dispersed workforce requires substantial management effort and significant additional investment in our infrastructure. We will be required to continue to improve our operational, financial and management controls and our reporting procedures to ensure timely and accurate reporting of our operational and financial results and we may not be able to do so effectively. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross profit or operating expenses in any particular quarter. If we fail to manage our anticipated growth and change in a manner that preserves the key aspects of our corporate culture, the quality of our solutions may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract service provider partners and consumers.

From time to time, we are involved in legal proceedings where a negative outcome, including an adverse litigation judgment or settlement, could expose us to monetary damages or limit our ability to operate our business, resulting in a material adverse effect on our business, financial condition, cash flows and results of operations.

We are involved and have been involved in the past in legal proceedings from time to time, including claims directly against us or claims against certain of our service provider partners that we have agreed to indemnify. For example, on January 10, 2022, EcoFactor, Inc., or EcoFactor, filed a lawsuit against us alleging Alarm.com's products and services directly and indirectly infringe five U.S. patents owned by EcoFactor. On July 3, 2025, SkyBell Technologies, Inc., or SkyBell, filed a lawsuit against us alleging that Alarm.com misappropriated SkyBell's trade secrets relating to video doorbells. On May 26, 2026, SkyBell filed an amended complaint adding allegations that Alarm.com infringed copyrights in its computer source code. See the section of this Quarterly Report titled "Legal Proceedings" for additional information regarding each of these matters and the other legal proceedings we are involved in. We may not be able to accurately assess the risks related to any of these suits, and we may be unable to accurately assess our level of exposure as the results of any litigation, investigations and other legal proceedings are inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, damage our reputation, require significant amounts of management time and divert significant resource. Companies in our industry have been subject to claims related to patent infringement, regulatory matters, and product liability, as well as contract and employment-related claims. As a result of patent infringement and other intellectual property proceedings, we have, and may be required to seek in the future, licenses under patents or intellectual property rights owned by third parties, including open-source software and other commercially available software, which can be costly, or cross-license agreements relating to our and third-party intellectual property. The outcome of legal claims and proceedings against us cannot be predicted with certainty, and a negative outcome could result in a material adverse effect on our business, financial condition, cash flows and results of operations.

Our business operates in a regulated industry.

Our business, operations and service provider partners are subject to various U.S. federal, state and local consumer protection laws, licensing regulation and other laws and regulations, and to similar laws and regulations in the other countries in which we operate. Our advertising and sales practices and that of our U.S. service provider partner network are subject to regulation by the U.S. Federal Trade Commission, or the FTC, in addition to state consumer protection laws. The FTC and the Federal Communications Commission, or the FCC, have issued regulations that place restrictions on, among other things, unsolicited automated telephone calls to residential and wireless telephone subscribers by means of automatic telephone dialing systems and the use of prerecorded or artificial voice messages. If our service provider partners were to take actions in violation of these regulations, such as telemarketing to individuals on the "Do Not Call" registry or using automatic telephone dialing systems and prerecorded or artificial voice messages, we could be subject to fines, penalties, private actions or enforcement actions by government regulators. Although we have taken steps designed to insulate ourselves from any such wrongful conduct by our service provider partners, and to contractually require our service provider partners to comply with these laws and regulations, we have in the past incurred costs to settle alleged violations of the Telephone Consumer Protection Act, or TCPA, and no assurance can be given that we will not be exposed to future liability as result of our service provider partners' conduct. Further, to the extent that any changes in law or regulation further restrict the lead generation activity of our service provider partners, these restrictions could result in a material reduction in subscriber acquisition opportunities, reducing the growth prospects of our business and adversely affecting our financial condition and future cash flows. In addition, most states in which we operate have licensing laws directed specifically toward the monitored security services industry. Our business relies heavily upon cellular telephone service to communicate signals. Cellular telephone companies are currently regulated by both federal and state governments. State-level privacy and data security laws in California and various other U.S. states regulate our, and our service provider partners', use, collection, and disclosure of subscribers' personal information. A number of proposed privacy bills in other U.S. states could place restrictions on how we and our service provider partners use personal information and market to consumers in those states. Other laws and regulations, including consumer protection laws, laws and regulations governing advertising and sales practices, as well as privacy and data security laws and regulations apply in the other countries in which we operate. See "Evolving government and industry regulation and changes in applicable laws relating to the Internet and data privacy may increase our expenditures related to compliance efforts or otherwise limit the solutions we can offer, which may harm our business and adversely affect our financial condition" below. Furthermore, the SEC adopted expansive rules, which are currently stayed, that require public companies to disclose, among other things, information about the material impact of climate change on their business, as well as information about companies' governance, risk management and strategy related to climate risk. Changes in laws or regulations, including as a result of the current U.S. administration, could require us to change the way we operate, which could increase costs or otherwise disrupt operations. In addition, failure to comply with any such applicable executive orders, laws or regulations could result in substantial fines or revocation of our operating permits and licenses, including in geographic areas where our services have substantial penetration, which could adversely affect our business, financial condition, cash flows and results of operations. Further, if these laws and regulations were to change or if we fail to comply with such laws and regulations as they exist today or in the future, our business, financial condition, cash flows and results of operations could be materially and adversely affected.

In addition, because certain of our products require government certification before they can be sold, our business could be harmed by delays in obtaining these certifications. For instance, the U.S. government shutdown that occurred during part of the fourth quarter of 2025 significantly limited the FCC's ability to approve new products, which caused delays in the launch of certain new products. Any prolonged delay in receiving required certifications for our new or existing products could materially and adversely affect our business, financial condition, and results of operations.

The markets in which we participate are highly competitive and many companies, including large technology companies, broadband and security service providers and other managed service providers, are actively targeting the home and business automation, security monitoring, video monitoring and energy management markets. If we are unable to compete effectively with these companies, our sales and profitability could be adversely affected.

We compete in several markets, including security, video, automation and energy management solutions. The markets in which we participate are highly competitive and competition may intensify in the future.

Our ability to compete depends on a number of factors, including:

- our platforms and solutions' functionality, performance, ease of use and installation, reliability, availability and cost effectiveness relative to that of our competitors' products;
- our success in utilizing new and proprietary technologies to offer solutions and features previously not available in the marketplace;
- our success in identifying new markets, applications and technologies;
- our ability to attract and retain service provider partners;
- our name recognition and reputation;

- our ability to recruit software engineers and sales and marketing personnel; and
- our ability to protect our intellectual property.

Consumers may prefer to purchase from their existing suppliers rather than a new supplier regardless of product performance or features. In the event a consumer decides to evaluate a new home automation, security monitoring, video monitoring, or energy management solution, the consumer may be more inclined to select one of our competitors whose product offerings are broader than those that we offer. In addition, consumers may prefer to purchase products that they can install themselves. If there are continuing restrictions on our service providers' ability to meet with residential and commercial property owners in person, our ability to compete will depend on our ability to make our products available for remote installation or to make certain of our products easily installable by consumers rather than solely by our service providers.

Our current competitors include providers of other technology platforms for the connected property with interactive security, including Alula (formed following the merger of ipDatatel, LLC and Resolution Products, LLC), Ajax Systems CH, Avigilon Corporation, Brivo Inc., Digital Monitoring Products Inc., Hangzhou Hikvision Digital Technology Co., Ltd., Honeywell International Inc., Napco Security Technologies, Inc., Resideo Technologies Inc., SecureNet Technologies, LLC, Telular Corporation (acquired by AMETEK, Inc.), and Verkada Inc., which sell solutions to service providers, cable operators, technology retailers and other residential and commercial automation providers. We also compete with interactive, monitored security solutions sold directly to subscribers and may also be sold through our partners, including companies like Abode Systems, Inc., Arlo Technologies, Inc., Cove Smart, LLC, Scout Security, Inc. and SimpliSafe, Inc. In addition, our service provider partners compete with security solutions sold directly to subscribers, as well as managed service providers, such as cable television, telephone and broadband companies like Comcast Cable Communications, LLC and Rogers Communications, Inc., and providers of point products, including Google Inc.'s Nest Labs, Inc. Amazon.com offers Amazon Home Services security packages with bundled equipment and professional installation, and Amazon Key, a security camera and smart lock integration feature. Ring Inc., owned by Amazon.com, offers a connected video doorbell, video cameras and an integrated security system, Ring Alarm. Samsung's SmartThings offers a security system and a home automation and awareness hub. Arlo Technologies, Inc. and Wyze Labs, Inc. offers connected video cameras, a connected video doorbell, and smart security devices. Apple Inc. offers a feature that allows some manufacturers' connected devices and accessories, including video cameras and doorbells, to be controlled through its HomeKit service available in Apple's iOS operating system. Additionally, Canary and other companies offer all in one video monitoring and awareness devices. In addition, we may compete with other large and small technology companies that offer control capabilities among their products, applications and services, and have ongoing development efforts to address the broader smart home market.

Many of our competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, sales, marketing, distribution and other resources than we have. We expect to encounter new competitors as we enter new markets as well as increased competition, both domestically and internationally, from other established and emerging home automation, security monitoring, video monitoring and automation, and energy management companies as well as large technology companies. In addition, there may be new technologies that are introduced that reduce demand for our solutions or make them obsolete. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties and rapidly acquire significant market share. Increased competition could also result in price reductions and loss of market share, any of which could result in lower revenue and negatively affect our ability to grow our business.

Aggressive business tactics by our competitors may reduce our revenue.

Increased competition in the markets in which we compete may result in aggressive business tactics by our competitors, including:

- selling at a discount;
- offering products similar to our platforms and solutions on a bundled basis at no charge;
- announcing competing products combined with extensive marketing efforts;
- providing financing incentives to consumers; and
- asserting intellectual property rights irrespective of the validity of the claims.

Our service provider partners may switch and offer the products and services of competing companies, which would adversely affect our sales and profitability. Competition from other companies may also adversely affect our negotiations with service provider partners and suppliers, including, in some cases, requiring us to lower our prices. Opportunities to take market share using innovative products, services and sales approaches may also attract new entrants to the field. We may not be able to compete successfully with the offerings and sales tactics of other companies, which could result in the loss of service provider partners offering our platforms and solutions and, as a result, our revenue and profitability could be adversely affected.

If we fail to compete successfully against our current and future competitors, or if our current or future competitors employ aggressive business tactics, including those described above, demand for our platforms and solutions could decline, we could experience cancellations of our services to consumers, or we could be required to reduce our prices or increase our expenses.

The proper and efficient functioning of our network operations centers and data back-up systems is central to our solutions.

Our solutions operate with a hosted architecture and we update our solutions regularly while our solutions are operating. If our solutions and/or upgrades fail to operate properly, our solutions could stop functioning for a period of time, which could put our users at risk. Our ability to keep our business operating is highly dependent on the proper and efficient operation of our network operations centers and data back-up systems, as well as the systems of the third-party technology providers we use to process certain information, such as video. Although our network operations centers have back-up computer and power systems, if there is a catastrophic event, natural disaster, terrorist attack, security breach or other extraordinary event, we may be unable to provide our subscribers with uninterrupted monitoring service or may be unable to adequately protect confidential information and data from unauthorized access or loss. Furthermore, because data back-up systems are susceptible to malfunctions and interruptions (including those due to equipment damage, power outages, human error, system or software updates, computer viruses, computer hacking, data corruption and a range of other hardware, software and network problems), we cannot guarantee that we will not experience data back-up failures in the future. A significant or large-scale security breach, malfunction or interruption of our network operations centers or data back-up systems could adversely affect our ability to keep our operations running efficiently or could result in unauthorized access to or loss of data. If such an event results in unauthorized access to or loss of service provider partner, subscriber, employee or other personally identifiable data subject to data privacy and security laws and regulations, then it could result in substantial fines by U.S. federal and state authorities, foreign data privacy authorities in the European Union, or the EU, Canada, and other countries, and/or private claims by companies or individuals. If a malfunction or security breach results in a wider or sustained disruption, it could have a material adverse effect on our reputation, business, financial condition, cash flows or results of operations.

Failure to maintain the security of our information and technology networks, including information relating to our service provider partners, subscribers and employees, could adversely affect us.

We are dependent on information technology networks and systems, including the Internet, to process, transmit and store electronic information and, in the normal course of our business, we collect and retain certain information pertaining to our service provider partners, subscribers and employees, including credit card information for many of our service provider partners and certain of our subscribers. If security breaches in connection with the delivery of our solutions allow unauthorized third parties to access any of this data or obtain control of our subscribers' systems, our reputation, business, financial condition, cash flows and results of operations could be harmed.

The legal, regulatory and contractual environment surrounding information security, privacy and credit card fraud is constantly evolving and companies that collect and retain such information are under increasing attack by cyber-criminals around the world. Further, as the regulatory focus on privacy issues continues to increase and worldwide laws and regulations concerning the protection of data and personal information expand and become more complex, these potential risks to our business will intensify. A significant actual or potential theft, loss, fraudulent use or misuse of service provider partner, subscriber, employee or other personally identifiable data, whether by third parties or as a result of employee malfeasance or otherwise, non-compliance with our contractual or other legal obligations regarding such data or a violation of our privacy and security policies with respect to such data could result in loss of confidential information, damage to our reputation, early termination of our service provider partner contracts, litigation, regulatory investigations or actions and other liabilities or actions against us, including significant fines by U.S. federal and state authorities, foreign data privacy authorities in the EU, Canada, and other countries and private claims by companies and individuals for violation of data privacy and security regulations. To the extent that any such exposure leads to credit card fraud or identity theft, we may experience a general decline in consumer confidence in our business, which may lead to an increase in attrition rates or may make it more difficult to attract new subscribers. If any one of these risks materializes our business, financial condition, cash flows or results of operations could be materially and adversely affected.

If our or our third-party service providers' security measures are breached, including any breaches caused by cyber-attacks, our reputation may be damaged, we may be exposed to significant liabilities under U.S. and foreign laws, and our business and results of operations may be adversely affected.

Cyber-attacks from computer hackers and cyber criminals and other malicious Internet-based activity continue to increase generally, and perpetrators of cyber-attacks may be able to develop and deploy viruses, worms, ransomware, malware, DNS attacks, wireless network attacks, attacks on our cloud networks, phishing attempts, social engineering attempts, distributed denial of service attacks and other advanced persistent threats or malicious software programs that attack our products and services, our networks and network endpoints or otherwise exploit any security vulnerabilities of our products, services and networks, or those of our third-party service providers. Techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures. We cannot be certain that advances in cyber-capabilities or other developments, including AI, will not compromise or breach the technology protecting the networks that access our platforms and solutions, including the networks of our third-party service providers, and we can make no assurance that we will be able to detect, prevent, timely and adequately address or mitigate the negative effects of cyber-attacks or other security breaches. We continue to follow our previously implemented hybrid return to office plan that includes mandatory in-office workdays and voluntary remote workdays, which may make us more vulnerable to cyber-attacks or other security breaches.

Security breaches of, or sustained attacks against, our networks and infrastructure or those of our third-party service providers could create system disruptions and shutdowns that could result in disruptions to our operations or unauthorized access to or loss of our data. If such an event results in unauthorized access to or loss of any data subject to data privacy and security laws and regulations, then we could be subject to substantial fines by U.S. federal and state authorities, foreign data privacy authorities in the EU, Canada, and other countries, and private claims by companies or individuals. A system disruption, shutdown, or loss of data may result in adverse publicity and therefore adversely affect the market's perception of the security and reliability of our services. A cyber-attack may cause additional costs, such as investigative and remediation costs, and the costs of providing individuals and/or data owners with notice of the breach, legal fees and the costs of any additional fraud detection activities required by law, a court or a third-party. Additionally, some of our customer contracts require us to indemnify customers from damages they may incur as a result of a breach of our networks and systems. There can be no assurance that the limitation of liability provisions in our contracts for a security breach would be enforceable or would otherwise protect us from any such liabilities or damages with respect to any particular claim. While we maintain general liability insurance coverage and coverage for technology errors or omissions, we cannot assure you that such coverage will be available in sufficient amounts to cover one or more large claims related to a breach, will continue to be available on acceptable terms or at all. If any one of these risks materializes, our business, financial condition, cash flows or results of operations could be materially and adversely affected.

In addition to the core operating environment of Alarm.com, we also have acquired businesses and subsidiaries that in some cases operate data infrastructure that is distinct from the Alarm.com operating environment, and therefore have distinct data security vulnerabilities. The overall management of cybersecurity risk involves coordination between Alarm.com and our acquired businesses and subsidiaries, and data security risks in these entities may be heightened where the technology platform is less mature than the Alarm.com core platform.

We rely on our service provider partner network to acquire additional subscribers, and the inability of our service provider partners to attract additional subscribers or retain their current subscribers could adversely affect our operating results.

Substantially all of our revenue is generated through the sales of our platforms and solutions by our service provider partners, who incorporate our solutions in certain of the products and packages they sell to their customers, and our service provider partners are responsible for subscriber acquisition, as well as providing customer service and technical support for our platforms and solutions to the subscribers. We provide our service provider partners with specific training and programs to assist them in selling and providing support for our platforms and solutions, but we cannot assure you that these steps will be effective. In addition, we rely on our service provider partners to sell our platforms and solutions into new markets in the intelligent and connected property space. If our service provider partners are unsuccessful in marketing, selling and supporting our platforms and solutions, our operating results could be adversely affected.

In order for us to maintain our current revenue sources and grow our revenues, we must effectively manage and grow relationships with our service provider partners. Recruiting and retaining qualified service provider partners and training them in our technology and solutions requires significant time and resources and has been made more challenging by the Macroeconomic Conditions. If we fail to maintain our relationships with existing service provider partners or develop relationships with new service provider partners, our revenue and operating results would be adversely affected. In addition, to execute on our strategy to expand our sales internationally, we must develop, manage and grow relationships with service provider partners that sell into these markets.

Any of our service provider partners may choose to offer a product from one of our competitors instead of our platforms and solutions, elect to develop their own competing solutions or simply discontinue their operations with us. For example, we entered into a Patent Cross License Agreement in November 2013 with Vivint, pursuant to which we granted a license to use the intellectual property associated with our connected home solutions. Under the terms of this and subsequent arrangements, Vivint has transitioned from selling our solutions directly to its customers to selling its own home automation product to its new customers. We now generate revenue from a monthly fee charged to Vivint on a per customer basis from sales of this service provider partner's product; however, these monthly fees are less on a per customer basis than fees we receive from our SaaS solutions. Therefore, we receive less revenue on a per customer basis from Vivint compared to our SaaS subscriber base, which may result in a lower revenue growth rate. Similarly, we entered into a patent license agreement with ADT pursuant to which we granted a license to use certain Alarm.com intellectual property following the termination or expiration of the initial term of our master service agreement with ADT. Under the terms of the license, ADT pays us a monthly royalty for each subscriber to its branded residential interactive security, automation and video service offerings that is covered by any of our licensed patents and not supported on our platforms. We must also work to expand our network of service provider partners to ensure that we have sufficient geographic coverage and technical expertise to address new markets and technologies. While it is difficult to estimate the total number of available service provider partners in our markets, there are a finite number of service provider partners that are able to perform the types of technical installations required for our platforms and solutions. In the event that we saturate the available service provider pool, or if market or other forces cause the available pool of service providers to decline, it may be increasingly difficult to grow our business. If we are unable to expand our network of service provider partners, our business could be harmed.

As consumers' product and service options grow, it is important that we enhance our service provider partner footprint by broadening the expertise of our service provider partners, working with larger and more sophisticated service provider partners and expanding the mainstream solutions our service provider partners offer. If we do not succeed in this effort, our current and potential future service provider partners may be unable or unwilling to broaden their offerings to include our connected property solutions, resulting in harm to our business.

We receive a substantial portion of our revenue from a limited number of service provider partners, and the loss of, or a significant reduction in, orders from one or more of our major service provider partners would result in decreased revenue and profitability.

Our success is highly dependent upon establishing and maintaining successful relationships with a variety of service provider partners. We market and sell our platforms and solutions through a channel assisted sales model and we derive substantially all of our revenue from these service provider partners. We generally enter into agreements with our service provider partners outlining the terms of our relationship, including service provider pricing commitments, installation, maintenance and support requirements, and our sales registration process for registering potential sales to subscribers. These service provider contracts typically have an initial term of one year, with subsequent renewal terms of one year, and are terminable at the end of the initial term or renewal terms without cause upon written notice to the other party. In some cases, these contracts provide the service provider partner with the right to terminate prior to the expiration of the term without cause upon 30 days written notice, or, in the case of certain termination events, the right to terminate the contract immediately. While we have developed a network of service provider partners to sell, install and support our platforms and solutions, we receive a substantial portion of our revenue from a limited number of channel partners and significant customers. During the years ended December 31, 2025, 2024 and 2023, our 10 largest revenue service provider partners or distributors accounted for 45%, 46% and 50% of our revenue, respectively. ADT represented greater than 15% but not more than 20% of our revenue in 2025, 2024 and 2023.

We amended our master service agreement with ADT, or MSA, to extend the initial term through January 1, 2023, which also includes subsequent renewal terms of one year unless either party provides written notice of non-renewal. The amendment to the MSA also provides for the integration of certain third-party products into the ADT Command and Control software platform which we operate. In connection with the amendment to the MSA, we agreed to provide ADT a license to use certain Alarm.com intellectual property following the termination or expiration of the initial term of the MSA for which ADT pays us a monthly royalty for each subscriber to its ADT branded residential interactive security, automation and video service offerings that is covered by any of our licensed patents and not enabled by one of our software platforms. We cannot assure you that we will be able to meet the conditions set forth in the amended agreement. We continue to generate revenue from each subscriber that is already installed on one of our platforms for the life of that subscriber account but the number of such subscribers would likely decline over time. While we would generate revenue from ADT subscribers not on our platform using service offerings covered by any of our licensed patents from the per subscriber royalty fee charged to ADT under the patent license, these monthly fees will be less on a per subscriber basis than fees we receive from our SaaS solutions. In addition, even if ADT continues to use other services that we offer, we cannot assure you that the revenue from ADT or new accounts added by ADT will reach or exceed historical levels in any future period. We may not be able to offset any unanticipated decline in revenue from ADT with revenues from new customers or other existing customers. Any negative developments in ADT's business, or any significant decrease in revenue from or loss of ADT as a customer could materially and adversely harm our business, financial condition, cash flows and results of operations.

We anticipate that we will continue to be dependent upon a limited number of service provider partners for a significant portion of our revenue for the foreseeable future and, in some cases, a portion of our revenue attributable to individual service provider partners may increase in the future. The loss of one or more key service provider partners, a reduction in sales through any major service provider partners or the inability or unwillingness of any of our major service provider partners to pay for our platforms and solutions would reduce our revenue and could impair our profitability.

Substantially all of the revenues associated with the non-hosted software platform are from a single customer and the loss of this customer could harm our operating results.

In March 2017, we acquired certain assets related to the Connect business unit of Icontrol Networks, Inc., or Icontrol, and all of the outstanding equity interests of the two subsidiaries through which Icontrol conducted its Piper business, which we refer to in this report as the Acquisition. Historically, ADT has accounted for, and continues to account for, substantially all of the revenue of the Connect business unit. In connection with the Acquisition we amended our MSA with ADT to cover services provided with respect to the non-hosted software platform, or Software platform. We cannot assure you that ADT will use the Software platform for its new customers or keep existing customers on the Software platform. In addition, even if ADT continues to use the Software platform, we cannot assure you that the revenue from ADT or new accounts added by ADT will reach or exceed historical levels of revenue for the Connect business unit in any future period. Any negative developments in ADT's business, or any significant decrease in revenue from or loss of ADT as a customer could materially and adversely harm our business, financial condition, cash flows and results of operations.

We have relatively limited visibility regarding the consumers that ultimately purchase our solutions, and we often rely on information from third-party service providers to help us manage our business. If these service providers fail to provide timely or accurate information, our ability to quickly react to market changes and effectively manage our business may be harmed.

We sell our solutions through service provider partners. These service provider partners work with consumers to design, install, update and maintain their connected home and commercial installations and manage the relationship with our subscribers. While we are able to track orders from service provider partners and have access to certain information about the configurations of their Alarm.com systems that we receive through our platforms, we also rely on service provider partners to provide us with information about consumer behavior, product and system feedback, consumer demographics and buying patterns. We use this channel sell-through data, along with other metrics, to forecast our revenue, assess consumer demand for our solution, develop new solutions, adjust pricing and make other strategic business decisions. Channel sell-through data is subject to limitations due to collection methods and the third-party nature of the data and thus may not be complete or accurate. If we do not receive consumer information on a timely or accurate basis, or if we do not properly interpret this information, our ability to quickly react to market changes and effectively manage our business may be harmed.

Consumers may choose to adopt point products that provide control of discrete functions rather than adopting our connected property solutions. If we are unable to increase market awareness of the benefits of our unified solutions, our revenue may not continue to grow, or it may decline.

Many vendors have emerged, and may continue to emerge, to provide point products with advanced functionality for use in connected properties, such as a video doorbell or thermostat that can be controlled by an application on a smartphone. We expect more and more consumer electronic and consumer appliance products to be network-aware and connected — each very likely to have its own smart device (phone or tablet) application. Consumers may be attracted to the relatively low costs of these point products and the ability to expand their connected property control solution over time with minimal upfront costs, despite some of the disadvantages of this approach, which may reduce demand for our connected property solutions. If so, our service provider partners may switch and offer the point products and services of competing companies, which would adversely affect our sales and profitability. If a significant number of consumers in our target market choose to adopt point products rather than our connected property solutions, then our business, financial condition, cash flows and results of operations will be harmed, and we may not be able to achieve sustained growth or our business may decline.

Mergers or other strategic transactions involving our competitors could weaken our competitive position, which could adversely affect our ability to compete effectively and harm our results of operations.

Our industry is highly fragmented, and we believe it is likely that some of our existing competitors will consolidate or be acquired. In addition, some of our competitors may enter into new alliances with each other or may establish or strengthen cooperative relationships with systems integrators, third-party consulting firms or other parties. Any such consolidation, acquisition, alliance or cooperative relationship could adversely affect our ability to compete effectively and lead to pricing pressure and our loss of market share and could result in a competitor with greater financial, technical, marketing, service and other resources, all of which could harm our business, financial condition, cash flows and results of operations.

We are dependent on our connected property solutions, and the lack of continued market acceptance of our connected property solutions would result in lower revenue.

Our connected property solutions account for substantially all of our revenue and will continue to do so for the foreseeable future. As a result, our revenue could be reduced by:

- any decline in demand for our connected property solutions;
- the failure of our connected property solutions to achieve continued market acceptance;
- the introduction of products and technologies that serve as a replacement or substitute for, or represent an improvement over, our connected property solutions;
- technological innovations or new communications standards our connected property solutions do not address; and
- our inability to release enhanced versions of our connected property solutions on a timely basis.

We are vulnerable to fluctuations in demand for Internet-connected devices in general and interactive security systems in particular. If the market for connected home and commercial solutions grows more slowly than anticipated or if demand for connected home and commercial solutions does not grow as quickly as anticipated, whether as a result of competition, product obsolescence, technological change, unfavorable economic conditions, uncertain geopolitical environments, budgetary constraints of our consumers or other factors, we may not be able to continue to increase our revenue and earnings and our stock price would decline.

A significant decline in our SaaS and license revenue renewal rate would have an adverse effect on our business, financial condition, cash flows and results of operations.

We generally bill our service provider partners based on the number of subscribers they have on our platforms and the features being utilized by subscribers on a monthly basis in advance. Subscribers could elect to terminate our services in any given month. If our efforts and our service provider partners' efforts to satisfy our existing subscribers are not successful, we may not be able to retain them or sell additional functionality to them and, as a result, our revenue and ability to grow could be adversely affected. We track our SaaS and license revenue renewal rate on an annualized basis, as reflected in the section of this Quarterly Report titled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Other Business Metrics — SaaS and License Revenue Renewal Rate." However, our service provider partners, who resell our services to our subscribers, have indicated that they typically have three to five-year service contracts with residential and commercial property owners who use our solutions. Our SaaS and license revenue renewal rate is calculated across our entire subscriber base, including subscribers whose contract with their service provider reached the end of its contractual term during the measurement period, as well as subscribers whose contract with their service provider has not reached the end of its contractual term during the measurement period, and is not intended to estimate the rate at which our subscribers renew their contracts with our service provider partners. As a result, we may not be able to accurately predict future trends in renewals and the resulting churn. Subscribers may choose not to renew their contracts for many reasons, including the belief our service is not required for their needs or is otherwise not cost-effective, a desire to reduce discretionary spending, or a belief our competitors' services provide better value. Additionally, our subscribers may not renew for reasons entirely out of our control, such as moving a residence or the dissolution of their business, which is particularly common for small to mid-sized businesses. A significant increase in our churn would have an adverse effect on our business, financial condition, cash flows or results of operations.

If we are unable to develop new solutions, sell our platforms and solutions into new markets or further penetrate our existing markets, our revenue may not grow as expected.

Our ability to increase sales will depend, in large part, on our ability to enhance and improve our platforms and solutions, introduce new solutions in a timely manner, sell into new markets and further penetrate our existing markets. The success of any enhancement or new solution or service depends on several factors, including the timely completion, introduction and market acceptance of enhanced or new solutions, the ability to maintain and develop relationships with service providers, the ability to attract, retain and effectively train sales and marketing personnel and the effectiveness of our marketing programs. Any new product or service we develop or acquire may not be introduced in a timely or cost-effective manner, and may not achieve the broad market acceptance necessary to generate significant revenue. Any new markets into which we attempt to sell our platforms and solutions, including new vertical markets and new countries or regions, may not be receptive. Our ability to further penetrate our existing markets depends on the quality, availability and reliability of our platforms and solutions and our ability to design our platforms and solutions to meet consumer demand.

We benefit from integration of our solutions with third-party platform providers. If these developers choose not to partner with us, or are acquired by our competitors, our business and results of operations may be harmed.

Our solutions are incorporated into the hardware of our third-party platform providers. For example, our hardware platform partners produce control devices that deliver our platform services to subscribers. It may be necessary in the future to renegotiate agreements relating to various aspects of these solutions or other third-party solutions. The inability to easily integrate with, or any defects in or disruption in the supply or availability of, any third-party solutions could result in increased costs, or in delays in new product releases or updates to our existing solutions until such issues have been resolved, which could have a material adverse effect on our business, financial condition, cash flows, results of operations and future prospects and could damage our reputation. In addition, if these third-party solution providers choose not to partner with us, choose to integrate their solutions with our competitors' platforms, or are unable or unwilling to update their solutions, our business, financial condition, cash flows and results of operations could be harmed. Further, if third-party solution providers that we partner with or that we would benefit from partnering with are acquired by our competitors, they may choose not to offer their solutions on our platforms, which could adversely affect our business, financial condition, cash flows and results of operations.

We rely on wireless carriers to provide access to wireless networks through which we provide our wireless alarm, notification and intelligent automation services, and any interruption of such access and any significant costs related to such interruption could materially and adversely impact our business, financial condition, cash flows, results of operation and reputation.

We rely on wireless carriers to provide access to wireless networks for machine-to-machine data transmissions, which are an integral part of our services. Our wireless carriers may suspend wireless service to expand, maintain or improve their networks, or may discontinue or sunset older wireless networks as new technology evolves. For example, certain cellular carriers shut down their 3G and CDMA wireless networks in 2022 which required our subscribers to upgrade to alternative and potentially more expensive technologies. See "The technology we employ may become obsolete and we may need to incur significant capital expenditures to update our technology" below. Further, wireless carriers from time to time suffer service outages which range from local to national in scale during which security control panels may be unable to transmit life safety signals to emergency responders. Any such wireless carrier service disruptions could materially and adversely impact our ability to provide services to our service provider partners and subscribers and result in significant costs, which could materially and adversely impact our business, results of operations and reputation. In addition, product changes by wireless carriers, price increases or changes to existing contract terms or termination of our agreements could also have a material and adverse impact on our business, financial condition, cash flows and results of operations.

If we are unable to adapt to technological change, including maintaining compatibility with a wide range of devices, our ability to remain competitive could be impaired.

The market for connected home and commercial solutions is characterized by rapid technological change, frequent introductions of new products and evolving industry standards. Our ability to attract new subscribers and increase revenue from existing subscribers will depend in significant part on our ability to anticipate changes in industry standards, to continue to enhance our existing solutions or introduce new solutions on a timely basis to keep pace with technological developments, and to maintain compatibility with a wide range of connected devices in residential and commercial properties. We may change aspects of our platforms and may utilize open source technology in the future, which may cause difficulties including compatibility, stability and time to market. The success of any enhanced or new product or solution will depend on several factors, including the timely completion and market acceptance of the enhanced or new product or solution. Similarly, if any of our competitors implement new technologies before we are able to implement them, those competitors may be able to provide more effective products than ours, possibly at lower prices. Any delay or failure in the introduction of new or enhanced solutions could harm our business, financial condition, cash flows and results of operations.

The technology we employ may become obsolete and we may need to incur significant capital expenditures to update our technology.

Our industry is characterized by rapid technological innovation. Our platforms and solutions interact with the hardware and software technology of systems and devices located at our subscribers' properties and we depend upon cellular, broadband and other telecommunications providers to provide communication paths to our subscribers in a timely and efficient manner. We may be required to implement new technologies or adapt existing technologies in response to changing market conditions, consumer preferences or industry standards, which could require significant capital expenditures. The discontinuation of cellular communication technology, cellular networks or other services by telecommunications service providers can affect our services and require our subscribers to upgrade to alternative and potentially more expensive, technologies. If we are unable to successfully work with our service providers on implementing new solutions, our business, financial condition, cash flows and results of operations may be adversely affected.

It is also possible that one or more of our competitors could develop a significant technical advantage that allows them to provide additional or superior quality products or services, or to lower their price for similar products or services, which could put us at a competitive disadvantage. Our inability to adapt to changing technologies, market conditions or consumer preferences in a timely manner could materially and adversely affect our business, financial condition, cash flows or results of operations.

We depend on our suppliers. The loss of any key supplier, or their inability to deliver products or components to us on time, with sufficient availability, or at stable prices would materially and adversely affect our business, financial condition, cash flows and results of operations.

Our hardware products depend on the availability and quality of components that we procure from third-party suppliers, some of which are supplied by single or limited source suppliers. Reliance on suppliers generally involves several risks, including volatile pricing, the possibility of defective parts, and loss of a supplier due to their ability to effectively manage their own supply chain, ability to obtain a contract on commercially reasonable terms, bankruptcy, or other events, which can adversely affect the reliability and reputation of our platforms and solutions and our profitability. In addition, from time to time we provide advance payments or loans to our vendors to, for example, secure procurement of long lead time parts or to provide bridge financing to ensure continuity of operations. We are also dependent on industry supply conditions and subject to supply chain risks, including unpredictable availability of components and reduced control over delivery schedules and significant increases in component costs, which can also adversely affect the reliability and reputation of our platforms and solutions and our profitability. These supply chain risks would be heightened in the event health precautions such as travel restrictions and shelter-in-place orders are implemented. In addition, limitations on factory capacity, including labor shortages, and delays in shipping times due to the Macroeconomic Conditions have in the past and may in the future adversely affect production of and the timing of delivery of components. While the general global shortage of semiconductors used in our video, cellular communicator, and other products has eased, manufacturers are increasingly shifting production capacity toward high-performance semiconductors required for AI applications. This shift limits the manufacturing capacity available for the components we utilize, creating significant risks regarding the availability and pricing of components essential to our products, including, for example, semiconductor memory such as DRAM and NAND. These supply constraints significantly increased lead times for obtaining such components and have resulted, and may continue to result, in increased component costs. Such constraints may lead to delays in our production, and we may be unable to fulfill orders for our hardware products on a timely basis or at all. Even if we are able to procure components from alternative sources, we have experienced, and expect to continue to experience, higher costs for certain components procured from alternative sources. We are working with our suppliers to secure components and materials to account for the continued longer lead times and limited availability, but we cannot assure you our efforts will be successful or that demand for our hardware products will continue at the same level. In addition, global transportation disruptions have led to slower shipping times generally, while fluctuations in passenger air travel have also led to reduced capacity and increased costs for air freight shipments, which may continue to adversely affect the timing and cost of delivery of components, materials and products. Any of these disruptions to our inventory and supply chain could have a material adverse effect on our business, financial condition, cash flows and results of operations. We have several large hardware suppliers from which we procure hardware on a purchase order basis, including three key suppliers that supplied products and components of our inventory which collectively represented 42% of our hardware revenue for the six months ended June 30, 2026 (25%, 11% and 6% of hardware revenue, respectively). The failure of any of these key suppliers or their subcomponent suppliers to deliver product on time or at the contracted price would materially and adversely affect our business, financial condition, cash flows and results of operations. In addition, we rely on third-party technology providers for certain critical functions, such as processing and storing video. If our suppliers or technology providers are unable to continue to provide agreed upon supply or services, we could experience interruptions in delivery of our platforms and solutions to our service provider partners, which could have a material adverse effect on our business, financial condition, cash flows and results of operations. If we were required to find alternative sources of supply, qualification of alternative suppliers and the establishment of reliable supplies could result in delays, loss of sales and/or less profitable sales, any of which could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Growth of our business will depend on market awareness and a strong brand, and any failure to develop, maintain, protect and enhance our brand would hurt our ability to retain or attract subscribers.

We believe building and maintaining market awareness, brand recognition and goodwill in a cost-effective manner is important to our overall success in achieving widespread acceptance of our existing and future solutions and is an important element in attracting new service provider partners and subscribers. An important part of our business strategy is to increase service provider and consumer awareness of our brand and to provide marketing leadership, services and support to our service provider partner network. This will depend largely on our ability to continue to provide high-quality solutions, and we may not be able to do so effectively. While we may choose to engage in a broader marketing campaign to further promote our brand, this effort may not be successful. Our efforts in developing our brand may be hindered by the marketing efforts of our competitors and our reliance on our service provider partners and strategic partners to promote our brand. If we are unable to cost-effectively maintain and increase awareness of our brand, our business, financial condition, cash flows and results of operations could be harmed.

We operate in the emerging and evolving connected property market, which may develop more slowly or differently than we expect. If the connected property market does not grow as we expect, or if we cannot expand our platforms and solutions to meet the demands of this market, our revenue may decline, fail to grow or fail to grow at an accelerated rate, and we may incur operating losses.

The market for solutions that bring objects and systems not typically connected to the Internet, such as home automation, security monitoring, video monitoring and energy management solutions, into an Internet-like structure is still developing, and it is uncertain how rapidly or how consistently this market will continue to develop and the degree to which our platforms and solutions will be accepted into the markets in which we operate. Some consumers may be reluctant or unwilling to use our platforms and solutions for a number of reasons, including satisfaction with traditional solutions, concerns about additional costs, concerns about data privacy and lack of awareness of the benefits of our platforms and solutions. Our ability to expand the sales of our platforms and solutions into new markets depends on several factors, including the awareness of our platforms and solutions, the timely completion, introduction and market acceptance of our platforms and solutions, the ability to attract, retain and effectively train sales and marketing personnel, the ability to develop relationships with service providers, the effectiveness of our marketing programs, the costs of our platforms and solutions and the success of our competitors. If we are unsuccessful in developing and marketing our platforms and solutions into new markets, or if consumers do not perceive or value the benefits of our platforms and solutions, the market for our platforms and solutions might not continue to develop or might develop more slowly than we expect, either of which would harm our revenue and growth prospects.

Risks of liability from our operations are significant.

The nature of the solutions we provide, including our interactive security solutions, and new technologies and companies we may acquire, potentially exposes us to greater risks of liability for data privacy and security, employee acts or omissions, or technology or system failure than may be inherent in other businesses. Substantially all of our service provider partner agreements contain provisions limiting our liability to service provider partners and our subscribers in an attempt to reduce this risk. However, in the event of litigation with respect to these matters, we cannot assure you that these limitations will be enforced, and the costs of such litigation could have a material adverse effect on us. Moreover, in the event of any regulatory investigations or actions against us related to these matters, we could be subject to additional risks and liabilities, including significant fines by U.S. federal and state authorities, foreign data privacy authorities in the EU, Canada, and other countries, in addition to the costs of such investigations, all of which could have a material adverse effect on us. In addition, there can be no assurance that we are adequately insured for these risks. Certain of our insurance policies and the laws of some states may limit or prohibit insurance coverage for punitive or certain other types of damages or liability arising from gross negligence.

Our strategy includes pursuing acquisitions, and our potential inability to successfully integrate newly-acquired technologies, assets or businesses may harm our financial results. Future acquisitions of technologies, assets or businesses which are paid for partially or entirely through the issuance of stock or stock rights could dilute the ownership of our existing stockholders.

We believe part of our growth will continue to be driven by acquisitions of other companies or their technologies, assets and businesses. For example, on November 21, 2025, EnergyHub, Inc., or EnergyHub, acquired 100% of the issued and outstanding shares of capital stock of Zona NewCo, LLC, which acquired substantially all of the assets and liabilities of Resideo Grid Services, or RGS, from Resideo Technologies, Inc.; on August 15, 2025, EnergyHub acquired all of the issued and outstanding shares of capital stock of BTR; on February 10, 2025, we acquired 81% of the issued and outstanding shares of capital stock of CHeKT; on November 22, 2024, we acquired certain assets of Kapacity.io; on April 21, 2023, we acquired certain assets of Vintra; on January 18, 2023, we acquired 100% of the issued and outstanding shares of capital stock of EBS; on September 23, 2022, we acquired 85% of the issued and outstanding shares of capital stock of Noonlight, Inc.; on October 21, 2019, we acquired 85% of the issued and outstanding shares of capital stock of PC Open Incorporated, doing business as OpenEye; and on December 14, 2020, we acquired Shooter Detection Systems, LLC. Additionally, on December 16, 2021, our EnergyHub subsidiary acquired certain assets of an unrelated third party. Substantially all of the acquired assets consisted of developed technology. These acquisitions and any other acquisitions we may complete in the future will give rise to certain risks, including:

- incurring higher than anticipated capital expenditures and operating expenses;
- failing to assimilate and integrate the operations and personnel or failing to retain the key personnel of the acquired company or business;
- failing to retain customers and service providers and other third-party business partners seeking to terminate or renegotiate their relationships with us;
- failing to integrate the acquired technologies, or incurring significant expense to integrate acquired technologies into our platforms and solutions;
- disrupting our ongoing business;
- encountering complexities associated with managing a larger, more complex and growing business;

- diverting our management's attention and other company resources;
- failing to maintain uniform standards, controls and policies;
- incurring significant accounting charges;
- impairing relationships with employees, service provider partners or subscribers;
- finding that the acquired technology, asset or business does not further our business strategy, that we overpaid for the technology, asset or business or that we may be required to write off acquired assets or investments partially or entirely;
- failing to realize the expected synergies of the transaction;
- being exposed to unforeseen liabilities and contingencies that were not identified prior to acquiring the company; and
- being unable to generate sufficient revenue and profits from acquisitions to offset the associated acquisition costs.

Fully integrating an acquired technology, asset or business into our operations may take a significant amount of time. We may not be successful in overcoming these risks or any other problems encountered with acquisitions. To the extent we do not successfully avoid or overcome the risks or problems related to any such acquisitions, or fail to manage the acquired business or execute our integration and growth strategy in an efficient and effective manner, our business, financial condition, cash flows and results of operations could be harmed. Acquisitions also could impact our financial position and capital requirements, or could cause fluctuations in our quarterly and annual results of operations. Acquisitions could include significant goodwill and intangible assets, which may result in future impairment charges that would reduce our stated earnings. We may incur significant costs in our efforts to engage in strategic transactions and these expenditures may not result in successful acquisitions.

In addition, we have equity investments in several entities and the accounting treatment applied to these investments varies depending on a number of factors, such as our percentage of ownership and the level of influence or control we have over the entity. Because these entities are managed independently, their business decisions may differ from our interests and impact the value of our investments. These entities may also be subject to litigation, regulatory actions, or other disputes, any of which could negatively impact their financial results and our share of income or the value of our investment. If any of these entities experience significant losses, become subject to material litigation, or cease operations, our investments could be subject to impairment and the loss of a part or all of our investment value.

We expect that the consideration we might pay for any future acquisitions of technologies, assets or businesses could include stock, rights to purchase stock, cash or some combination of the foregoing. If we issue stock or rights to purchase stock in connection with future acquisitions, net income per share and then-existing holders of our common stock may experience dilution.

We may pursue business opportunities that diverge from our current business model, which may cause our business to suffer.

We may pursue business opportunities that diverge from our current business model, including but not limited to expanding our platforms and solutions and investing in new and unproven technologies. We can offer no assurance that any such new business opportunities will prove to be successful. Among other negative effects, our pursuit of such business opportunities could reduce operating margins and require more working capital, subject us to additional federal state, and local laws and regulations, materially and adversely affect our business, financial condition, cash flows or results of operations.

Evolving government and industry regulation and changes in applicable laws relating to the Internet and data privacy may increase our expenditures related to compliance efforts or otherwise limit the solutions we can offer, which may harm our business and adversely affect our financial condition.

As Internet commerce continues to evolve, federal, state or foreign agencies have adopted and could in the future adopt regulations covering issues such as user privacy and content. We are particularly sensitive to these risks because the Internet is a critical component of our SaaS business model. In addition, taxation of products or services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may be imposed. Any regulation imposing greater fees for Internet use or restricting information exchange over the Internet could result in a decline in the use of the Internet and the viability of Internet-based services, which could harm our business.

Our platforms and solutions enable us to collect, manage and store a wide range of data related to our subscribers' interactive security, intelligent automation, video monitoring and energy management systems. A valuable component of our platforms and solutions is our ability to analyze this data to present the user with actionable business intelligence. We obtain our data from a variety of sources, including our service provider partners, our subscribers and third-party providers. We cannot assure that the data we require for our proprietary data sets will be available from these sources in the future or that the cost of such data will not increase. The United States federal government and various state governments have adopted or proposed limitations on the collection, distribution, storage and use of personal information. Several foreign jurisdictions in which we do business, including the European Union, the United Kingdom, Canada and Argentina, among others, have adopted legislation (including directives or regulations) that is more rigorous governing data collection and storage than in the United States.

On June 28, 2018, the State of California enacted the California Consumer Privacy Act of 2018, or CCPA, which took effect on January 1, 2020. The CCPA governs the collection, sale and use of California residents' personal information, and significantly impacts businesses' handling of personal information and privacy policies and procedures. The CCPA, as well as similar data privacy laws that are currently effective in states such as Virginia, Colorado, Connecticut, Texas, Utah, Montana, Oregon, New Jersey, Nebraska, New Hampshire, Iowa and Delaware or will become effective later in 2025 or 2026 in several other states, may limit our ability to use, process and store certain data, which may decrease adoption of our platforms and solutions, affect our relationships with service provider partners and our suppliers, increase our costs for compliance, and harm our business, financial condition, cash flows and results of operations. Specifically, the CCPA may subject us to regulatory fines by the State of California, individual claims, class actions, and increased commercial liabilities. In addition, the California Privacy Rights Act of 2020, or CPRA, was approved by California voters and became effective as of January 1, 2023. The CPRA, among other things, amended the CCPA by creating additional privacy rights for California consumers and additional obligations on businesses, which could subject us to additional compliance costs as well as potential fines, individual claims, class actions and commercial liabilities. The CPRA also extended the CCPA's scope to include employees' and business contacts' personal information, which may increase our compliance costs, legal costs and other costs of doing business.

European data protection laws, including the General Data Protection Regulation, or GDPR, generally restrict the transfer of personal data from Europe, including the European Economic Area, or EEA, UK and Switzerland, to the United States and most other countries unless the parties to the transfer have implemented specific safeguards to protect the transferred personal data. On July 16, 2020, the Court of Justice of the European Union, or CJEU, invalidated the EU-U.S. Privacy Shield framework, a program for transferring personal data from the EEA to the United States. While the ruling did not invalidate the use of the European Commission's Standard Contractual Clauses, or SCCs, as a valid mechanism for transferring personal data from the EEA to the United States, the CJEU required entities relying on SCCs to, among other things, verify on a case-by-case basis that the SCCs provide adequate protection of personal data under European Union, or EU, law by providing, where necessary, additional safeguards to those offered by the existing SCCs. For data transfers to the United States, these additional safeguards must be added to the SCCs in order for entities to use SCCs as a valid data transfer mechanism. Furthermore, the CJEU and the European Data Protection Board advised European data protection authorities that they would need to closely examine the laws and practices of countries outside of the EEA where EEA personal data is transferred, with a particular focus on the United States, so data transfers to the United States from the EEA are subject to increasing regulatory scrutiny following the CJEU decision.

We have historically relied on both the EU-U.S. Privacy Shield and SCCs for transferring personal data from the EEA, and as a result of the CJEU ruling, we have transitioned our data transfers covered under the EU-U.S. Privacy Shield to be covered under SCCs. In June 2021, the European Commission adopted a new version of the SCCs, which we began using on September 27, 2021. Moreover, the UK data protection regulator developed new SCCs for transferring personal data from the UK that were finalized in March 2022, and we use the new UK SCCs with our current and future customers in the UK. In July 2023, the EU-U.S. Privacy Shield was replaced by the Data Privacy Framework, or DPF, and we have been automatically enrolled in this program given our existing EU-U.S. Privacy Shield enrollment. We are also enrolled in the UK Extension to the EU-U.S. DPF. Effective October 12, 2023, organizations participating in the UK Extension to the EU-U.S. DPF may receive personal data from the UK and Gibraltar in reliance on the UK Extension to the EU-U.S. DPF.

Our work adopting, implementing and complying with the changing legal landscape governing international data transfers slows down our contracting process and increases our legal and compliance costs (including an increase in exposure to substantial fines under EEA data protection laws, increasing requests from our customers for compliance-related product changes, as well as injunctions against processing or transferring personal data from the EEA), which could adversely affect our cash flows and financial condition. SCCs with additional safeguards and obligations put in place by EEA data protection authorities or customers may impose new restrictions on our business and could affect our operations in the EEA.

In September 2020, the Swiss Federal Data Protection and Information Commissioner, or FDPIC, determined that the Swiss-U.S. Privacy Shield Framework does not provide an adequate level of data protection for data transfers from Switzerland to the U.S. While the FDPIC does not have the authority to invalidate the Swiss-U.S. Privacy Shield, the FDPIC's announcement casts serious doubt on the viability of the Swiss-U.S. Privacy Shield as a valid mechanism for Swiss-U.S. data transfers. As a result of the FDPIC decision, we will need to transition any data transfers covered under the Swiss-U.S. Privacy Shield to be covered under SCCs or the Swiss-U.S. DPF once Switzerland adopts an adequacy decision. For data transfers from Switzerland, Alarm.com will continue to rely upon the SCCs adopted by the European Commission in August 2021 with any necessary modifications required by the regulatory authorities in Switzerland.

As a result of these ongoing changes, there will continue to be significant regulatory uncertainty surrounding the validity of data transfers from the EEA, UK and Switzerland to the United States. The inability to import personal data from the EEA, UK or Switzerland may require us to increase our data processing capabilities in those jurisdictions at significant expense. Various other non-EU jurisdictions may also choose to impose data localization laws limiting the transfer of personal data out of their respective jurisdictions, or our EEA, UK or Swiss service provider partners may require similar contractual restrictions regarding data localization. Such laws or contractual restrictions may increase our costs for compliance, and harm our business, financial condition, cash flows and results of operations.

The EU's General Data Protection Regulation, or GDPR, went into effect on May 25, 2018. Prior to May 25, 2018, we updated our existing privacy and data security measures to comply with GDPR. As guidance on compliance with GDPR from the EU data protection authorities evolves over time, our privacy or data security measures may be deemed or perceived to be in noncompliance with current or future laws and regulations, which may subject us to litigation, regulatory investigations or other liabilities and could limit the products and services we can offer in certain jurisdictions. Further, in the event of a breach of personal information that we hold, we may be subject to governmental fines, individual claims, remediation expenses and/or harm to our reputation. Moreover, if future laws, regulations, or court rulings, such as the CJEU's decision invalidating the EU-U.S. Privacy Shield, limit our ability to use and share this data or our ability to store, process and share data over the Internet, demand for our platforms and solutions could decrease, our costs could increase, and our business, financial condition, cash flows and results of operations could be harmed.

In Canada, data privacy laws have been subject to recent amendments that have introduced stricter compliance requirements and increased potential sanctions. The Province of Quebec enacted extensive amendments to its private-sector data privacy laws in 2021, which will become fully in force as of September 2024. Key changes include mandatory breach reporting, elevated consent and transparency requirements, the introduction of individual privacy rights such as privacy by default, data portability and the right to be forgotten, privacy impact assessments, and substantial monetary penalties for non-compliance. These changes to Quebec's data privacy laws may have similar impacts on our business as the CCPA and other privacy law reforms in other jurisdictions.

Furthermore, Brazil's comprehensive privacy law, the General Data Protection Law, or LGPD, took effect on September 18, 2020 and federal regulatory enforcement began on August 1, 2021. However, private and state-level enforcement of the law began in September 2020. The LGPD creates a new legal framework for the use, processing and storage of Brazilians' personal data, and it adds significant privacy and security obligations for companies processing personal data in Brazil. The LGPD may limit our and our service providers' ability to use, process and store certain data, which may decrease adoption of our platforms and solutions, affect our relationships with our service provider partners and suppliers, increase our costs for compliance, and harm our business, financial condition, cash flows and results of operations. In addition, the LGPD may subject us to regulatory fines by the Brazilian Data Protection Authority and increased commercial liabilities.

Since April 2018 we have offered a solution for certain service provider partners who may be subject to the Health Insurance Portability and Accountability Act of 1996, and its implementing regulations, or HIPAA, which regulates the use and disclosure of Protected Health Information, or PHI. As a result, we are subject to HIPAA when PHI is accessed, created, maintained or transmitted through our solution by these service provider partners. We have implemented additional privacy and security policies and procedures, as well as administrative, physical and technical safeguards to enable our solution to be HIPAA-compliant. Additionally, HIPAA compliance has required us to put in place certain agreements with contracting partners and to appoint a Privacy Officer and Security Officer. If our privacy and security policies or other safeguards for PHI are deemed to be in noncompliance by the United States Department of Health and Human Services, or HHS, we may be subject to litigation, regulatory investigations or other liabilities. In the event of a breach of PHI that we hold, we may be subject to governmental fines, individual claims under state privacy laws governing personal health information, remediation expenses and/or harm to our reputation. The use of health-related data is coming under increasing regulatory scrutiny in other ways. Several U.S. states, such as Washington, Nevada, and Connecticut, have passed health privacy laws, which may increase the risk of regulatory actions or consumer class actions being brought against Alarm.com. These laws may also increase our costs of doing business as well as legal costs, and slow down our contracting process. Moreover, the FTC has brought a series of regulatory enforcement actions relating to companies' use of health-related data, which may increase our regulatory risk. Furthermore, if future changes to HIPAA or state privacy laws governing PHI expand the definition of PHI or put more restrictions on our ability to use, process and store PHI, then HIPAA compliance for our solutions as currently constituted may be costly both financially and in terms of administrative resources. Ongoing compliance efforts may take substantial time and require the assistance of external resources, such as attorneys, information technology, and/or other consultants and advisors.

Laws and regulations relating to the use of certain video data for training and analytics purposes continue to change. Specifically, the use of facial images and other biometric data in the training of video models has been subject to increased scrutiny and in some cases regulatory review. The FTC as well as certain states and individuals have brought legal actions against companies regarding the collection and use of facial and biometric information for product development and other purposes. We account for these laws and regulations in our product development cycle, which may impact the scope and timing of the products we make available.

Use of artificial intelligence in our operations and product offerings could result in reputational or competitive harm, legal or regulatory liability and adverse impacts on our results of operations.

We have incorporated, and expect to continue to incorporate in the future, AI solutions into our operations and product offerings, and the use of AI involves various risks and challenges that could adversely affect our business, financial condition or results of operations. We currently use AI to help improve our business management solutions for service provider partners, advance our data analytics engine and increase efficiency in our internal operations. For example, we leverage large language models for the Gopher Info feature of our service provider solutions, an AI-powered chatbot assistant for technicians and service providers designed to improve service provider efficiency and operations. The use, development and deployment of AI systems or the AI systems of third-party AI vendors involve inherent technical complexities and uncertainties, and these AI systems may encounter unexpected technical difficulties, limitations or errors, including inaccuracies in data processing or flawed algorithms, which could compromise the reliability and effectiveness of our products and services based on AI. In addition, our competitors or other third parties may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively.

The use of AI applications, including large language models, has resulted in, and may in the future result in, cybersecurity vulnerabilities or incidents that implicate the personal information, intellectual property, proprietary data or other sensitive information of end users of such applications. Any such cybersecurity incidents related to our use of AI applications could adversely affect our reputation and results of operations. AI also presents emerging ethical issues, and if our use of AI becomes controversial, we may experience brand or reputational harm, competitive harm, regulatory scrutiny or legal liability.

The increased adoption of AI technologies in our products and services may result in new or enhanced governmental or regulatory scrutiny, litigation, confidentiality or security risks or other complications that could adversely affect our business, reputation or financial results. The regulatory landscape governing AI technologies is evolving rapidly, and various jurisdictions, including Europe and certain U.S. states, have proposed or already adopted laws governing the use, development and deployment of AI technologies. Changes in laws, regulations or enforcement practices may impose new compliance requirements, restrict certain AI applications or increase our regulatory obligations, which could negatively impact our business and results of operations.

We rely on the performance of our senior management and highly skilled personnel, and if we are unable to attract, retain and motivate well-qualified employees, our business and results of operations could be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of senior management and key personnel, including Stephen Trundle, our Chief Executive Officer, and our senior information technology managers. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract them. In addition, the loss of any of our senior management or key personnel could interrupt our ability to execute our business plan, as such individuals may be difficult to replace. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business and results of operations could be harmed.

We provide minimum service level commitments to certain of our service provider partners, and our failure to meet them could cause us to issue credits for future services or pay penalties, which could harm our results of operations.

Certain of our service provider partner agreements currently, and may in the future, provide minimum service level commitments regarding items such as uptime, functionality or performance. If we are unable to meet the stated service level commitments for these service provider partners or suffer extended periods of service unavailability, we are or may be contractually obligated to provide these service provider partners with credits for future services, provide services at no cost or pay other penalties, which could adversely impact our revenue. We have incurred such penalties in the past, which have reduced our revenue. We do not currently have any reserves on our balance sheet for these commitments.

We have indemnity obligations to certain of our service provider partners for certain expenses and liabilities, which could force us to incur substantial costs.

We have indemnity obligations to certain of our service provider partners for certain claims regarding our platforms and solutions, including security breach, product recall, epidemic failure, and product liability claims. As a result, in the case of any such claims against these service provider partners, we could be required to indemnify them for losses resulting from such claims or to refund amounts they have paid to us. We expect that some of our service provider partners may seek indemnification from us in the event that such claims are brought against them. In addition, we may elect to indemnify service provider partners where we have no contractual obligation to do so and we will evaluate each such request on a case-by-case basis. If a service provider partner elects to invest resources in enforcing a claim for indemnification against us, we could incur significant costs disputing it. If we do not succeed in disputing it, we could face substantial liability. See "We have indemnity obligations to certain of our service provider partners for certain expenses and liabilities resulting from intellectual property infringement claims regarding our platforms and solutions, which could force us to incur substantial costs" below for details on indemnity obligations resulting from intellectual property.

The incurrence or issuance of debt may impact our financial position and subject us to additional financial and operating restrictions.

On May 31, 2024, we issued \$500.0 million aggregate principal amount of 2.25% convertible senior notes due June 1, 2029, in a private placement to qualified institutional buyers, or the 2029 Notes. We received proceeds from the issuance of the 2029 Notes of \$485.2 million, net of \$14.8 million of transaction fees and other debt issuance costs. We used \$63.1 million of the net proceeds from the 2029 Notes to pay the cost of the capped call transactions and used \$75.0 million to repurchase 1,117,068 shares of our common stock concurrently with the pricing of the 2029 Notes, which was separately authorized by our board of directors. We are using the remaining net proceeds from the issuance of the 2029 Notes for general corporate purposes, which may include acquisitions or strategic investments in complementary businesses or technologies, other repurchases of our common stock, and for working capital, operating expenses and capital expenditures. We invested a portion of the proceeds in a portfolio of securities and other investments. We cannot give assurances that the assets in our investment portfolio will not lose value, become impaired or suffer from illiquidity.

Our overall leverage and certain obligations contained in the related documentation could adversely affect our financial health and business and future operations by, among other things:

- making it more difficult to satisfy our obligations, including under the terms of the 2029 Notes;
- limiting our ability to refinance our debt on terms acceptable to us or at all;
- limiting our flexibility to plan for and adjust to changing business and market conditions and increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to use our available cash flow to fund future acquisitions, working capital, business activities, and other general corporate requirements; and
- limiting our ability to obtain additional financing for working capital, to fund growth or for general corporate purposes, even when necessary to maintain adequate liquidity.

Any of the foregoing could have a material adverse effect on our business, financial condition, cash flows or results of operations.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

In the future, we may require additional capital to respond to business opportunities, challenges, acquisitions or unforeseen circumstances and may determine to engage in equity or debt financings or enter into credit facilities for other reasons. For example, on May 31, 2024, we issued the 2029 Notes and we received proceeds from the issuance of the 2029 Notes of \$485.2 million, net of \$14.8 million of transaction fees and other debt issuance costs. We may require additional capital to respond to the significant uncertainty arising from the Macroeconomic Conditions and we may not be able to timely secure additional debt or equity financing on favorable terms or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be limited. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be limited. See “Risks Related to our Outstanding Convertible Senior Notes” below for further details on risks related to the 2029 Notes.

Goodwill and other identifiable intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets.

As of June 30, 2026, we had \$312.4 million of goodwill and identifiable intangible assets. Goodwill and other identifiable intangible assets are recorded at fair value on the date of acquisition. We review such assets for impairment at least annually. Impairment may result from, among other things, deterioration in performance, adverse market conditions, including adverse market conditions arising from the Macroeconomic Conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the solutions we offer, challenges to the validity of certain registered intellectual property, reduced sales of certain products or services incorporating registered intellectual property, increased attrition and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge to results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Any future determination of impairment of goodwill or other identifiable intangible assets could have a material adverse effect on our financial position and results of operations.

Comprehensive tax reform bills could adversely affect our business and financial condition.

Legislative changes in the U.S. and other countries could increase our tax liability and adversely affect our after-tax profitability. For example, on July 4, 2025, the One Big Beautiful Bill Act, or OBBBA, was enacted in the United States. The OBBBA includes a broad range of tax provisions that impact the timing and the magnitude of certain key tax deductions, including the permanent reinstatement of the full and immediate deduction for domestic research and development expenditures in the year such costs are incurred, the 100% first-year bonus depreciation deduction and various international tax changes. Further, in August 2022, the Inflation Reduction Act of 2022 was enacted in the United States which, among other provisions, includes a minimum 15.0% tax on companies that have a three-year average annual adjusted financial statement income of more than \$1.0 billion and a 1.0% excise tax on the value of net corporate stock repurchases. Both provisions became effective on January 1, 2023. Economic and political considerations make additional tax rules in the United States and other applicable jurisdictions subject to significant change, and changes in applicable tax laws and regulations, or their interpretation and application, including the possibility of retroactive effect, could affect our income tax expense and profitability.

In addition, there is a continued interest within the European Union, Canada and other jurisdictions to apply new taxes on companies participating in the digital economy. Such tax rule changes could materially and adversely affect our cash flows and financial results.

We may be subject to additional tax liabilities, which would harm our results of operations.

We are subject to income, sales, use, value added and other taxes in the United States and other countries in which we conduct business, which laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect sales, use, value added or other taxes on our sales may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect and remit such taxes in the future. In 2021, the Organization for Economic Cooperation and Development, or OECD, released Pillar Two Model Rules which would require a global minimum tax rate of 15% on companies with revenues of at least 750.0 million Euros. While it is currently unlikely the U.S. will enact legislation to adopt the minimum tax directive, the European Union and certain other countries in which we operate have adopted such legislation, and other countries are in the process of introducing legislation to implement the minimum tax directive. Under a transitional safe harbor rule applicable to us, the undertaxed profits rule top-up tax was zero for each year of the transition period if that jurisdiction has a corporate tax rate of at least 20%. On January 5, 2026, the OECD released a "side-by-side package" of administrative guidance which would exempt U.S. headquartered companies from the Pillar Two income inclusion and the undertaxed profits rules beginning in 2026; however, we may continue to be subject to qualified domestic minimum top-up taxes in the jurisdictions in which we operate. The side-by-side safe harbor administrative guidance will generally need to be incorporated into local tax legislation to be effective.

While we do not currently expect the Pillar Two minimum tax directive to have a material impact on our effective tax rate or operations, our analysis is ongoing as the OECD (and many countries) continue to release additional guidance and implement legislation. To the extent additional changes take place in the countries in which we operate, it is possible that these legislative changes and efforts may increase uncertainty and have an adverse impact on our effective tax rates or operations. We will continue to monitor and evaluate new legislation and guidance, which could change our current assessment.

Significant judgment is required in determining our worldwide provision for income taxes. These determinations are highly complex and require detailed analysis of the available information and applicable statutes and regulatory materials. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be different from our historical tax practices, provisions and accruals. If we receive an adverse ruling as a result of an audit, or we unilaterally determine that we have misinterpreted provisions of the tax regulations to which we are subject, our tax provision, results of operations or cash flows could be harmed. In addition, liabilities associated with taxes are often subject to an extended or indefinite statute of limitations period. Therefore, we may be subject to additional tax liability (including penalties and interest) for a particular year for extended periods of time.

If the U.S. insurance industry were to change its practice of providing incentives to homeowners for the use of alarm monitoring services, we could experience a reduction in new subscriber growth or an increase in our subscriber attrition rate.

It has been common practice in the U.S. insurance industry to provide a reduction in rates for policies written on residences that have monitored alarm systems. There can be no assurance that insurance companies will continue to offer these rate reductions. If these incentives were reduced or eliminated, new homeowners who otherwise may not feel the need for alarm monitoring services would be removed from our potential subscriber pool, which could hinder the growth of our business, and existing subscribers may choose to disconnect or not renew their service contracts, which could increase our attrition rates. In either case, our results of operations and growth prospects could be adversely affected.

Failure to comply with laws and regulations could harm our business.

We conduct our business in the United States and in various other countries. We are subject to regulation by various federal, state, local and foreign governmental agencies, including, but not limited to, agencies and regulatory bodies or authorities responsible for monitoring and enforcing product safety and consumer protection laws, data privacy and security laws and regulations, employment and labor laws, workplace safety laws and regulations, environmental laws and regulations, antitrust laws, federal securities laws and tax laws and regulations.

We are subject to the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. Travel Act, and possibly other anti-bribery laws, including those that comply with the Organization for Economic Cooperation and Development, or OECD, Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and other international conventions. Anti-corruption laws are interpreted broadly and prohibit our company from authorizing, offering, or providing directly or indirectly improper payments or benefits to recipients in the public or private-sector. Certain laws also prohibit us from soliciting or accepting bribes or kickbacks. Our company has direct government interactions and in several cases uses third-party representatives, including dealers, for regulatory compliance, sales and other purposes in a variety of countries. These factors increase our anti-corruption risk profile. We can be held liable for the corrupt activities of our employees, representatives, contractors, partners and agents, even if we did not explicitly authorize such activity. Although we have implemented policies and procedures designed to ensure compliance with anti-corruption laws, there can be no assurance that all of our employees, representatives, contractors, partners, and agents will comply with these laws and policies.

Our global operations require us to import from and export to several countries, which geographically stretches our compliance obligations. We are also subject to anti-money laundering laws such as the USA PATRIOT Act and may be subject to similar laws in other jurisdictions. Our platforms and solutions are subject to export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. Exports of our platforms and solutions must be made in compliance with these laws and regulations. We may also be subject to import/export laws and regulations in other jurisdictions in which we conduct business. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges; fines, which may be imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers. In addition, if our service provider partners fail to obtain appropriate import, export or re-export licenses or authorizations, we may also be adversely affected through reputational harm and penalties. Obtaining the necessary authorizations, including any required license, for a particular sale may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. In addition, changes in our platforms or solutions or changes in applicable export or import laws and regulations may create delays in the introduction and sale of our platforms and solutions in international markets, prevent our service provider partners with international operations from deploying our platforms and solutions or, in some cases, prevent the export or import of our platforms and solutions to certain countries, governments or persons altogether. Any change in export or import laws and regulations, shift in the enforcement or scope of existing laws and regulations, or change in the countries, governments, persons or technologies targeted by such laws and regulations, could also result in decreased use of our platforms and solutions, or in our decreased ability to export or sell our platforms and solutions to existing or potential service provider partners with international operations. Any decreased use of our platforms and solutions or limitation on our ability to export or sell our platforms and solutions would likely adversely affect our business, financial condition, cash flows and results of operations.

In addition, our software contains encryption technologies, certain types of which are subject to U.S. and foreign export control regulations and, in some foreign countries, restrictions on importation and/or use. Any failure on our part to comply with encryption or other applicable export control requirements could result in financial penalties or other sanctions under the U.S. export regulations, including restrictions on future export activities, which could harm our business and operating results. Regulatory restrictions could impair our access to technologies needed to improve our platforms and solutions and may also limit or reduce the demand for our platforms and solutions outside of the United States.

Furthermore, U.S. export control laws and economic sanctions programs prohibit the shipment of certain products and services to countries, governments and persons that are subject to U.S. economic embargoes and trade sanctions. Even though we take precautions to prevent our platforms and solutions from being shipped or provided to U.S. sanctions targets, our platforms and solutions could be shipped to those targets or provided by third parties despite such precautions. Any such shipment could have negative consequences, including government investigations, penalties and reputational harm. Furthermore, any new embargo or sanctions program, or any change in the countries, governments, persons or activities targeted by such programs, could result in decreased use of our platforms and solutions, or in our decreased ability to export or sell our platforms and solutions to existing or potential service provider partners, which would likely adversely affect our business, financial condition, cash flows and results of operations.

Changes in laws that apply to us could result in increased regulatory requirements and compliance costs which could harm our business, financial condition, cash flows and results of operations. For example, the SEC has adopted expansive rules that, pending litigation, would require public companies to disclose information about the material impact of climate on their businesses, as well as information about companies' governance, risk management and strategy related to climate risk. In certain jurisdictions, regulatory requirements may be more stringent than in the United States. Noncompliance with applicable regulations or requirements could subject us to whistleblower complaints, investigations, sanctions, settlements, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions, suspension or debarment from contracting with certain governments or other customers, the loss of export privileges, multi-jurisdictional liability, reputational harm, and other collateral consequences. If any governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, financial condition, cash flows and results of operations could be materially harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and an increase in defense costs and other professional fees. Enforcement actions and sanctions could further harm our business, financial condition, cash flows and results of operations.

We face many risks associated with our international business operations and our plans to expand internationally, which could harm our business, financial condition, cash flows and results of operations.

We anticipate our efforts to operate and continue to expand our business internationally will entail additional costs and risks as we establish our international offerings and develop relationships with service provider partners to market, sell, install, and support our platforms, solutions and brand in other countries. Revenue in countries outside of North America accounted for 5% and 6% of our total revenue for the six months ended June 30, 2026 and 2025, respectively. We have limited experience in selling our platforms and solutions in international markets outside of North America or in conforming to the local cultures, standards, or policies necessary to successfully compete in those markets, and we may be required to invest significant resources in order to do so. We may not succeed in these efforts or achieve our consumer acquisition, service provider expansion or other goals. In some international markets, consumer preferences and buying behaviors may be different, and we may use business or pricing models that are different from our traditional model to provide our platforms and solutions to consumers in those markets or we may be unsuccessful in implementing the appropriate business model. Our revenue from new foreign markets may not exceed the costs of establishing, marketing, and maintaining our international offerings. In addition, current global instability could have many adverse consequences on our international expansion. These could include sovereign default, liquidity and capital pressures on financial institutions in other parts of the world including the eurozone, reducing the availability of credit and increasing the risk of financial sector failures and the risk of one or more eurozone member states leaving the euro, resulting in the possibility of capital and exchange controls and uncertainty about the impact of contracts and currency exchange rates.

In addition, conducting expanded international operations subjects us to additional risks that we do not generally face in our North American markets. These risks include:

- localization of our solutions, including the addition of foreign languages and adaptation to new local practices, as well as certification, registration and other regulatory requirements;
- lack of experience in other geographic markets;
- strong local competitors;
- the cost and burden of complying with, lack of familiarity with, and unexpected changes in, foreign legal and regulatory requirements, including the development of policies and procedures for different countries when requirements under privacy regulations in such countries may conflict or be inconsistent with one another;
- difficulties in managing and staffing international operations;
- increased costs due to new or increased tariffs, sanctions, penalties, trade restrictions and other trade barriers, which may increase our cost of hardware revenue and reduce our hardware revenue margins in the future;
- fluctuations in currency exchange rates or restrictions on foreign currency;
- potentially adverse tax consequences, including the complexities of transfer pricing, value added or other tax systems, double taxation and restrictions and/or taxes on the repatriation of earnings;
- dependence on third parties, including commercial partners with whom we do not have extensive experience;
- increased financial accounting and reporting burdens and complexities;
- political, social, and economic instability, such as the ongoing conflicts in Ukraine, and in the Middle East and surrounding areas, terrorist attacks, and security concerns in general; and

- reduced or varied protection for intellectual property rights in some countries.

Operating in international markets also requires significant management attention and financial resources. The investment and additional resources required to establish operations and manage growth in other countries may not produce desired levels of revenue or profitability.

Our software contains encryption technologies, certain types of which are subject to U.S. and foreign export control regulations and, in some foreign countries, restrictions on importation and/or use. Any failure on our part to comply with encryption or other applicable export control requirements could result in financial penalties or other sanctions under the U.S. export regulations, including restrictions on future export activities, which could harm our business and operating results. Regulatory restrictions could impair our access to technologies needed to improve our platforms and solutions and may also limit or reduce the demand for our platforms and solutions outside of the United States.

Our financial results may be adversely affected by changes in accounting principles applicable to us.

Our accounting policies are critical to the manner in which we present our results of operations and financial condition. Many of these policies are highly complex and involve many assumptions, estimates and judgments. A change in accounting standards or practices, in particular with respect to revenue recognition, could harm our operating results and may even affect our reporting of transactions completed before the change is effective. GAAP rules are subject to interpretation by the Financial Accounting Standards Board, or FASB, the SEC and other various bodies formed to promulgate and interpret appropriate accounting principles. See Note 2 to our condensed consolidated financial statements for new accounting pronouncements. Implementation of new accounting standards could have a significant effect on our financial results, and any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us.

Our accounting is becoming more complex, and relies upon estimates or judgments relating to our critical accounting policies. If our accounting is erroneous or based on assumptions that change or prove to be incorrect, our operating results could fall below the expectations of securities analysts and investors, resulting in a decline in our stock price.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes, and also to comply with many complex requirements and standards. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates and any such differences may be material. We devote substantial resources to compliance with accounting requirements and we base our estimates on our best judgment, historical experience, information derived from third parties, and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. However, various factors are causing our accounting to become complex. Ongoing evolution of our business, and the Macroeconomic Conditions and resulting uncertainty have, and any future acquisitions may, compound these complexities. Our operating results may be adversely affected if we make accounting errors or our judgments prove to be wrong, assumptions change or actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors or guidance we may have provided, resulting in a decline in our stock price and potential legal claims. Significant judgments, assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, stock-based compensation, business combinations, and income taxes.

Risks Related to Our Intellectual Property

If we fail to protect our intellectual property and proprietary rights adequately, our business could be harmed.

We believe our proprietary technology is essential to establishing and maintaining our leadership position. We seek to protect our intellectual property through trade secrets, copyrights, confidentiality, non-compete and nondisclosure agreements, patents, trademarks, domain names and other measures, some of which afford only limited protection. We also rely on patent, trademark, trade secret and copyright laws to protect our intellectual property. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our technology or to obtain and use information that we regard as proprietary. Our means of protecting our proprietary rights may not be adequate or our competitors may independently develop similar or superior technology, or design around our intellectual property. In addition, the laws of some foreign countries do not protect our proprietary rights to as great an extent as the laws of the United States. Intellectual property protections may also be unavailable, limited or difficult to enforce in some countries, which could make it easier for competitors to capture market share. Our failure or inability to adequately protect our intellectual property and proprietary rights could harm our business, financial condition, cash flows and results of operations.

To prevent substantial unauthorized use of our intellectual property rights, it may be necessary to prosecute actions for infringement and/or misappropriation of our proprietary rights against third parties. See the section of this Quarterly Report titled "Legal Proceedings" for additional information on related intellectual property litigation matters. Any such action could result in significant costs and diversion of our resources and management's attention, and we cannot assure you that we will be successful in such action. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce their intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

Assertions by third parties that we are infringing their intellectual property subject us to costly and time-consuming litigation or expensive licenses that could harm our business and results of operations.

The industries in which we compete are characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets, and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. We have been involved with patent litigation suits in the past and we may be involved with and subject to similar litigation in the future to defend our intellectual property position. For example, on January 10, 2022, EcoFactor filed a lawsuit against us in U.S. District Court, District of Oregon, alleging Alarm.com's products and services directly and indirectly infringe five U.S. patents owned by EcoFactor. EcoFactor is seeking permanent injunctions, enhanced damages and attorneys' fees. See the section of this Quarterly Report titled "Legal Proceedings" for additional information on this matter. Should EcoFactor prevail in either of its district court lawsuits we could be required to pay damages in the amount of EcoFactor's lost profits and/or a reasonable royalty for sales of our solution, we could be enjoined from making, using and selling our solution if a license or other right to continue selling such elements is not made available to us or we are unable to design around such patents, and we could be required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us. While we believe we have valid defenses to EcoFactor's claims, any of these outcomes could result in a material adverse effect on our business.

On July 3, 2025, SkyBell filed a lawsuit against us in U.S. District Court, Eastern District of Virginia, alleging that Alarm.com misappropriated SkyBell's trade secrets relating to video doorbells. On May 26, 2026, SkyBell filed an amended complaint adding allegations that Alarm.com infringed copyrights in its computer source code. SkyBell is seeking injunctive relief, enhanced damages, attorneys' fees, a constructive trust, and an order that Alarm.com assign to SkyBell the alleged trade secrets. Should SkyBell prevail in its lawsuit, we could be required to pay damages and/or a reasonable royalty for sales of our solution, we could be enjoined from making, using and selling our solution if a license or other right to continue selling such elements is not made available to us, we could be required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us, and we could be required to assign, transfer, and return any SkyBell trade secret that we are found to improperly possess. While we believe we have valid defenses to SkyBell's claims, the outcome of these legal claims cannot be predicted with certainty, and any of these outcomes could result in an adverse effect on our business.

Even if we were to prevail in any of these matters, ongoing litigation could continue to be costly and time-consuming, divert the attention of our management and key personnel from our business operations and dissuade potential customers from purchasing our solution, which would also materially harm our business. During the course of each of these litigation matters, we anticipate announcements of the results of hearings and motions, and other interim developments related to the litigation matters at hand. If securities analysts or investors regard these announcements as negative, the market price of our common stock may decline.

We might not prevail in any intellectual property infringement litigation given the complex technical issues and inherent uncertainties in such litigation and our service provider partner contracts may require us to indemnify them against certain liabilities they may incur as a result of our infringement or alleged infringement of any third-party intellectual property. Defending such claims, regardless of their merit, could be time-consuming and distracting to management, result in costly litigation or settlement, cause development delays or require us to enter into royalty or licensing agreements. In addition, we currently have a limited portfolio of issued patents compared to our larger competitors, and therefore may not be able to effectively utilize our intellectual property portfolio to assert defenses or counterclaims in response to patent infringement claims or litigation brought against us by third parties. Further, litigation may involve patent holding companies or other adverse patent owners who have no relevant products or revenues and against which our potential patents provide no deterrence, and many other potential litigants have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. Given our platforms and solutions integrate with many aspects of a property, the risk our platforms and solutions may be subject to these allegations is exacerbated. As we seek to extend our platforms and solutions, we could be constrained by the intellectual property rights of others. If our platforms and solutions exceed the scope of in-bound licenses or violate any third-party proprietary rights, we could be required to withdraw those solutions from the market, re-develop those solutions or seek to obtain licenses from third parties, which might not be available on reasonable terms or at all. Any efforts to re-develop our platforms and solutions, obtain licenses from third parties on favorable terms or license a substitute technology might not be successful and, in any case, might substantially increase our costs and harm our business, financial condition, cash flows and results of operations. If we were compelled to withdraw any of our platforms and solutions from the market, our business, financial condition, cash flows and results of operations could be harmed.

We have indemnity obligations to certain of our service provider partners for certain expenses and liabilities resulting from intellectual property infringement claims regarding our platforms and solutions, which could force us to incur substantial costs.

We have indemnity obligations to certain of our service provider partners for intellectual property infringement claims regarding our platforms and solutions. As a result, in the case of infringement claims against these service provider partners, we could be required to indemnify them for losses resulting from such claims or to refund amounts they have paid to us. We expect that some of our service provider partners may seek indemnification from us in connection with infringement claims brought against them. In addition, we may elect to indemnify service provider partners where we have no contractual obligation to indemnify them and we will evaluate each such request on a case-by-case basis. If a service provider partner elects to invest resources in enforcing a claim for indemnification against us, we could incur significant costs disputing it. If we do not succeed in disputing it, we could face substantial liability. See the section of this Quarterly Report titled "Legal Proceedings" for additional information regarding this matter and the other legal proceedings we are involved in.

The use of open source software in our platforms and solutions may expose us to additional risks and harm our intellectual property.

Some of our platforms and solutions use or incorporate software that is subject to one or more open source licenses and we may incorporate open source software in the future. Open source software is typically freely accessible, usable and modifiable. Certain open source software licenses require a user who intends to distribute the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. In addition, certain open source software licenses require the user of such software to make any derivative works of the open source code available to others on potentially unfavorable terms to us or at no cost.

The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and accordingly there is a risk that those licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our platforms and solutions. In that event, we could be required to seek licenses from third parties in order to continue offering our platforms and solutions, to re-develop our platforms and solutions, to discontinue sales of our platforms and solutions or to release our proprietary software code under the terms of an open source license, any of which could harm our business. Further, given the nature of open source software, it may be more likely that third parties might assert copyright and other intellectual property infringement claims against us based on our use of these open source software programs. Litigation could be costly for us to defend, have a negative effect on our business, financial condition, cash flows and results of operations or require us to devote additional research and development resources to change our solutions.

Although we are not aware of any use of open source software in our platforms and solutions that would require us to disclose all or a portion of the source code underlying our core solutions, it is possible that such use may have inadvertently occurred in deploying our platforms and solutions. Additionally, if a third-party software provider has incorporated certain types of open source software into software we license from such third party for our platforms and solutions without our knowledge, we could, under certain circumstances, be required to disclose the source code to our platforms and solutions. This could harm our intellectual property position as well as our business, financial condition, cash flows and results of operations.

Risks Related to Ownership of Our Common Stock

The market price of our common stock has been and will likely continue to be volatile.

The market price of our common stock may be highly volatile and may fluctuate substantially as a result of a variety of factors, some of which are related in complex ways. The market price of our common stock may decline regardless of our operating performance, resulting in the potential for substantial losses for our stockholders, and may fluctuate significantly in response to numerous factors, many of which are beyond our control, including the factors listed below and other factors described in this "Risk Factors" section:

- actual or anticipated fluctuations in our financial condition and operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- ratings changes by any securities analysts who follow our company;
- variance in our financial performance from expectations of securities analysts;
- announcements by us or our competitors of significant business developments, technical innovations, acquisitions or new solutions;

- changes in the prices of our platforms and solutions;
- changes in our projected operating and financial results;
- changes in laws or regulations applicable to our platforms and solutions or marketing techniques, or our industry in general;
- our involvement in any litigation, including any lawsuits threatened or filed against us;
- repurchases of our common stock under the stock repurchase program authorized by our board of directors or our sale of our common stock or other securities in the future;
- changes in senior management or key personnel;
- trading volume of our common stock;
- changes in the anticipated future size and growth rate of our market; and
- general economic, regulatory and market conditions in the United States and abroad as well as the uncertainty resulting from the current Macroeconomic Conditions.

The stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

Sales of a substantial number of shares of our common stock in the public market could cause our market price to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales, particularly sales by our directors, executive officers, and significant stockholders, may have on the prevailing market price of our common stock. Additionally, the shares of common stock subject to outstanding options under our equity incentive plans and the shares reserved for future issuance under our equity incentive plans, as well as shares issuable upon vesting of restricted stock awards, will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. Moreover, some holders of shares of our common stock have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders. We have also registered shares of common stock that we may issue under our employee equity incentive plans. Accordingly, these shares may be able to be sold freely in the public market upon issuance as permitted by any applicable vesting requirements. See "Conversion of the 2029 Notes may dilute the ownership interest of our stockholders or may otherwise depress the price of our common stock" below for further details on the risks related to the dilutive impact of the 2029 Notes.

We are obligated to develop and maintain a system of effective internal control over financial reporting. These internal controls may be determined to be not effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We have been and are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting on an annual basis. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert our internal controls are effective and would be required to disclose any material weaknesses identified in Management's Report on Internal Control over Financial Reporting. While we have established certain procedures and control over our financial reporting processes, we cannot assure you that these efforts will prevent restatements of our financial statements in the future.

Our independent registered public accounting firm is also required, pursuant to Section 404 of the Sarbanes-Oxley Act, to report on the effectiveness of our internal control over financial reporting. For future reporting periods, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. We may not be able to remediate any future material weaknesses, or to complete our evaluation, testing and any required remediation in a timely fashion.

If we are unable to conclude our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion our internal control over financial reporting is effective, investors could lose confidence in the accuracy and completeness of our financial reports, which could cause the price of our common stock to decline, and we could be subject to sanctions or investigations by regulatory authorities, including the SEC and Nasdaq. Failure to remediate any material weakness in our internal control over financial reporting, or to maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

If securities or industry analysts publish negative reports about our business, or cease coverage of our company, our share price and trading volume could decline.

The trading market for our common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors and may be subject to any restrictions on paying dividends in any future indebtedness. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and bylaws may have the effect of delaying or preventing a change in control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue preferred stock, without further stockholder action and with voting liquidation, dividend and other rights superior to our common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent, and limit the ability of our stockholders to call special meetings;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for director nominees; and
- provide that vacancies on our board of directors may be filled only by the vote of a majority of directors then in office, even though less than a quorum.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder. Any of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your common stock in an acquisition.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America as the exclusive forums for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Pursuant to our amended and restated certificate of incorporation, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws or (4) any action asserting a claim governed by the internal affairs doctrine. Notwithstanding the foregoing, this choice of forum provision will not apply to suits brought to enforce a duty or liability created by the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts have exclusive jurisdiction. Accordingly, both state and federal courts have jurisdiction to entertain such claims. Our amended and restated certificate of incorporation provides that any person or entity purchasing or otherwise acquiring any interest in shares of our common stock is deemed to have notice of and consented to the foregoing provision. Furthermore, our amended and restated bylaws provide that unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any claims arising under the Securities Act. The forum selection clause in our amended and restated certificate of incorporation may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Risks Related to our Outstanding Convertible Senior Notes

We may not have the ability to raise the funds necessary to settle cash conversions of the 2029 Notes or to repurchase the 2029 Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the 2029 Notes.

On May 31, 2024, we issued the 2029 Notes. The terms of the 2029 Notes are governed by an Indenture, or the 2029 Indenture, by and between Alarm.com Holdings, Inc. and U.S. Bank Trust Company, National Association, as trustee. The 2029 Notes are senior unsecured obligations that bear interest at a rate of 2.25% per annum, payable semiannually in arrears on June 1 and December 1 of each year, beginning on December 1, 2024, and the principal amount of the 2029 Notes will not accrete. We received proceeds from the issuance of the 2029 Notes of \$485.2 million, net of \$14.8 million of transaction fees and other debt issuance costs.

Holders of the 2029 Notes will have the right, subject to certain conditions and limited exceptions, to require us to repurchase all or a portion of their notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the 2029 Notes to be repurchased, plus accrued and unpaid special interest or interest, if any, as defined in the 2029 Indenture. In addition, upon conversion of the 2029 Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the 2029 Notes being converted as defined in the 2029 Indenture. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of 2029 Notes surrendered therefor or pay cash with respect to 2029 Notes being converted. In addition, our ability to repurchase the 2029 Notes or to pay cash upon conversions of the 2029 Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase the 2029 Notes at a time when the repurchase is required by the 2029 Indenture or to pay any cash payable on future conversions of the 2029 Notes as required by the 2029 Indenture would constitute a default under the 2029 Indenture. A default under the 2029 Indenture governing the 2029 Notes or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the 2029 Notes or make cash payments upon conversions thereof.

The conditional conversion feature of the 2029 Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the 2029 Notes is triggered, holders of 2029 Notes will be entitled to convert the 2029 Notes at any time during specified periods at their option. If one or more holders elect to convert their 2029 Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Conversion of the 2029 Notes may dilute the ownership interest of our stockholders or may otherwise depress the price of our common stock.

The conversion of some or all of the 2029 Notes may dilute the ownership interests of our stockholders. Upon conversion of the 2029 Notes, we have the option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock. If we elect to settle our conversion obligation in shares of our common stock or a combination of cash and shares of our common stock, any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the 2029 Notes may encourage short selling by market participants because the conversion of the 2029 Notes could be used to satisfy short positions, or anticipated conversion of the 2029 Notes into shares of our common stock could depress the price of our common stock.

The capped call transactions may affect the value of the 2029 Notes and our common stock.

In connection with the 2029 Notes, we entered into privately negotiated capped call transactions with one of the initial purchasers and certain other financial institutions, or the Counterparties. The capped call transactions are generally expected to reduce the potential dilution to holders of our common stock upon any conversion of the 2029 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted 2029 Notes, as the case may be, with such reduction and/or offset subject to a cap.

From time to time, the Counterparties and/or their respective affiliates may modify their hedge positions by entering into or unwinding various derivatives with respect to our common stock and/or purchasing or selling our common stock in secondary market transactions (and are likely to do so following any conversion of 2029 Notes, any repurchase of the 2029 Notes by us on any fundamental change (as defined in the 2029 Indenture governing the 2029 Notes) repurchase date, any redemption date or any other date on which the 2029 Notes are retired by us). This activity could also cause or avoid an increase or a decrease in the market price of our common stock or the 2029 Notes.

The potential effect, if any, of these transactions and activities on the market price of our common stock or the 2029 Notes will depend in part on market conditions and cannot be ascertained at this time. Any of these activities could adversely affect the value of our common stock.

We are subject to counterparty risk with respect to the capped call transactions, and the capped calls may not operate as planned.

The Counterparties are financial institutions, and we will be subject to the risk that they might default under the capped call transactions. Our exposure to the credit risk of the Counterparties will not be secured by any collateral. Global economic conditions have from time to time resulted in the actual or perceived failure or financial difficulties of many financial institutions. If one of the Counterparties becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under our transactions with that counterparty. Our exposure will depend on many factors, but, generally, the increase in our exposure will be correlated with increases in the market price or the volatility of our common stock. In addition, upon a default by one of the Counterparties, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of any of the Counterparties.

In addition, the capped call transactions are complex and they may not operate as planned. For example, the terms of the capped call transactions may be subject to adjustment, modification, or, in some cases, renegotiation if certain corporate or other transactions occur. Accordingly, these transactions may not operate as we intend if we are required to adjust their terms as a result of transactions in the future or upon unanticipated developments that may adversely affect the functioning of the capped call transactions.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(c) Issuer Purchases of Equity Securities

On May 24, 2024, our board of directors authorized the repurchase of our common stock in connection with the issuance of the 2029 Notes and also authorized a stock repurchase program, effective May 31, 2024, under which we are authorized to purchase up to an aggregate of \$100.0 million of our outstanding common stock during the two-year period ended May 31, 2026.

On May 4, 2026, our board of directors authorized the cancellation of the balance under the stock repurchase program ended May 31, 2026 and adopted a new stock repurchase program, under which we are authorized to purchase up to an aggregate of \$150.0 million of our outstanding common stock during the two-year period ending May 4, 2028.

We utilize our stock repurchase program in an effort to return surplus cash to stockholders when we believe the repurchase of such shares represents an attractive allocation of capital. Our board of directors determines repurchase program amounts through an analysis of projected capital needs to sustain growth as well as to meet other investing and financing criteria. In determining whether to authorize repurchases and the size of the repurchase program, our board of directors considers whether we have funds legally available to repurchase shares of common stock and various alternative uses for our cash and cash equivalents.

The stock repurchase program is designed to enable us to make both opportunistic repurchases based on market conditions at management's discretion and consistent repurchases over time. Stock repurchases may be made through a variety of methods, including open-market transactions (including pursuant to a trading plan adopted in accordance with Rule 10b5-1 of the Exchange Act), privately negotiated transactions, block trades, tender offers and by any combination of the foregoing.

The following table contains information relating to the repurchases of our common stock made by us and the approximate dollar value of shares that may yet be purchased under our stock repurchase program during the three months ended June 30, 2026:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as a Part of a Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
April 1 to April 30, 2026	—	\$ —	—	38,443,913
May 1 to May 31, 2026	288,828	42.49	288,828	137,727,825
June 1 to June 30, 2026	281,172	45.36	281,172	124,974,980
Total	570,000	\$ 43.90	570,000	

We withhold shares of common stock in connection with the vesting of restricted stock unit awards issued to employees to satisfy applicable tax withholding requirements. These withheld shares are not issued or considered common stock repurchases under our stock repurchase program and therefore, are excluded from our repurchase activity.

We are subject to a 1.0% excise tax on the value of net corporate stock repurchases under the Inflation Reduction Act of 2022. When applicable, the excise tax will be included as part of the cost basis of shares acquired and is presented within stockholders' equity in the condensed consolidated balance sheets and will be excluded from amounts presented for shares purchased.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Insider Trading Arrangements

During the three months ended June 30, 2026, the following directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified or terminated a Rule 10b5-1 trading arrangement (as defined in Item 408(a) of Regulation S-K) intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act:

Name and Title	Action	Total Number of Shares to be Purchased or Sold Pursuant to the Trading Arrangement	Adoption Date	Expiration Date
Stephen Trundle, Chief Executive Officer	Adoption	Sale of up to 50,000 shares of common stock	May 22, 2026	May 13, 2027

During the three months ended June 30, 2026, none of our directors or officers adopted, modified or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

ITEM 6. EXHIBITS

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q. Where so indicated by footnote, exhibits that were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated.

Exhibit Number	Description
<u>3.1⁽¹⁾</u>	<u>Amended and Restated Certificate of Incorporation of Alarm.com Holdings, Inc.</u>
<u>3.2⁽²⁾</u>	<u>Amended and Restated Bylaws of Alarm.com Holdings, Inc.</u>
<u>31.1*</u>	<u>Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.2*</u>	<u>Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1**</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File - the cover page interactive data is embedded within the Inline XBRL document or included within the Exhibit 101 attachments

(1) Previously filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K (File No. 001-37461), filed with the Securities and Exchange Commission on June 10, 2021, and incorporated herein by reference.

(2) Previously filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K (File No. 001-37461), filed with the Securities and Exchange Commission on March 16, 2023, and incorporated herein by reference.

* Filed herewith.

** This certification is being furnished solely to accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing of the registrant under the Securities Act of 1933, as amended, or Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Alarm.com Holdings, Inc.

Date: August 6, 2026

By: /s/ Kevin Bradley
Kevin Bradley
Chief Financial Officer
*(On behalf of the registrant and in his capacity as Principal
Financial Officer and Principal Accounting Officer)*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen Trundle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alarm.com Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2026

/s/ Stephen Trundle

Stephen Trundle

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin Bradley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alarm.com Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 6, 2026

/s/ Kevin Bradley

Kevin Bradley

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Stephen Trundle, Chief Executive Officer of Alarm.com Holdings, Inc. (the "Company"), and Kevin Bradley, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

- (1) The Company's Quarterly Report on Form 10-Q for the fiscal period ended June 30, 2026, to which this Certification is attached as Exhibit 32.1 (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act, and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 6th day of August, 2026.

/s/ Stephen Trundle

Stephen Trundle

Chief Executive Officer

(Principal Executive Officer)

/s/ Kevin Bradley

Kevin Bradley

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Alarm.com Holdings, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.