

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
Date of Report (Date of earliest event reported): February 21, 2023

ZipRecruiter, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-40406
(Commission
File Number)

27-2976158
(IRS Employer
Identification No.)

604 Arizona Avenue, Santa Monica,
(Address of principal Executive offices)

California

90401
(Zip Code)

(877) 252-1062
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.00001 par value per share	ZIP	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On February 21, 2023, ZipRecruiter, Inc. ("ZipRecruiter" or the "Company") held a conference call regarding its financial results for the year ended December 31, 2022 and financial outlook (the "Earnings Call"). ZipRecruiter also issued a press release announcing its financial results for the year ended December 31, 2022 and financial outlook (the "Press Release") and a letter to shareholders announcing its financial results for the year ended December 31, 2022 and financial outlook (the "Shareholder Letter"). Copies of the Press Release and the Shareholder Letter are furnished as Exhibits 99.1 and 99.2, respectively, to this Current Report on Form 8-K.

The information furnished with this Item 2.02, including Exhibits 99.1 and 99.2, shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any other filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

ZipRecruiter is making reference to non-GAAP financial information in both the Shareholder Letter and the Earnings Call. A reconciliation of GAAP to non-GAAP results is provided in the Shareholder Letter, which is attached as Exhibit 99.2 to this Current Report on Form 8-K.

Item 7.01 Regulation FD Disclosure.

ZipRecruiter announces material information to its investors using filings with the Securities and Exchange Commission, the Company's Investor Relations page on its website at www.ziprecruiter.com, press releases, public conference calls, public webcasts, its Twitter feed (@ZipRecruiter), its Facebook page, and its LinkedIn page. Therefore, ZipRecruiter encourages investors, the media and others interested in the Company to review the information it makes public in these channels, as such information could be deemed to be material information.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit	Description
99.1	Press Release, dated February 21, 2023.
99.2	Shareholder Letter, dated February 21, 2023.
104	The cover page from this Current Report on Form 8-K, formatted in Inline XBRL.

SIGNATURES

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

ZIPRECRUITER, INC.

Date: February 21, 2023

By: /s/ Timothy Yarbrough
Timothy Yarbrough
Executive Vice President, Chief Financial Officer



ZipRecruiter Announces Fourth Quarter and Full Year 2022 Results

Quarterly revenue \$210.5 million, down 4% y/y

Full-year revenue \$904.6 million, up 22% y/y

Full-year net income of \$61.5M, or net income margin of 7%

Full-year Adjusted EBITDA of \$184.9 million, or Adjusted EBITDA margin of 20%

SANTA MONICA, CA, February 21, 2023 – ZipRecruiter[®], a leading online employment marketplace, today announced financial results for the quarter and full year ended December 31, 2022. ZipRecruiter's complete fourth quarter and full year 2022 results, financial guidance, and management commentary can be found by accessing ZipRecruiter's shareholder letter on the quarterly results page of the Investor Relations website at investors.ziprecruiter.com.

"2022 was a year of strong, profitable growth for ZipRecruiter. Even amidst a volatile jobs environment we were able to deliver 22% revenue growth, net income margin of 7% and Adjusted EBITDA margin of 20%," said Ian Siegel, CEO of ZipRecruiter. "In the first few weeks of 2023, employers have moderated their hiring plans and reduced recruitment budgets in response to an increasingly uncertain macroeconomic backdrop. While our 2023 revenue guidance is based on the assumption that challenging macroeconomic conditions continue throughout the balance of the year, our 2023 Adjusted EBITDA margin guidance of 24% reflects our ability to navigate dynamic macroeconomic environments while also continuing to invest in our product and matching technology. We believe that the strength of our brand, nimble business model, and robust balance sheet not only position us well to navigate the current macroenvironment, but also allow ZipRecruiter to emerge as an even stronger company on the other side."

Conference Call Details

ZipRecruiter will host a conference call today, February 21, at 2:00 p.m. Pacific Time to discuss its financial results. A live webcast of the call can be accessed from

ZipRecruiter's Investor Relations website at investors.ziprecruiter.com. An archived version will be available on the website two hours after the completion of the call until Tuesday, February 28, 2023. Investors and analysts can participate in the conference call by dialing +1 (888) 440-4199, or +1 (646) 960-0818 for callers outside the United States. To listen to the telephonic replay please dial +1 (800) 770-2030 or +1 (647) 362-9199 for callers outside the United States.

Forward-Looking Statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements, including statements regarding ZipRecruiter's beliefs regarding market opportunity and expected hiring activity for the remainder of 2023, statements regarding ZipRecruiter's expected financial performance for the fiscal year ending December 31, 2023, and other statements that reflect ZipRecruiter's current expectations and projections with respect to, among other things, its financial condition, results of operations, plans, objectives, future performance, and business. These statements may be preceded by, followed by or include the words "aim," "anticipate," "believe," "estimate," "expect," "forecast," "intend," "likely," "outlook," "plan," "potential," "project," "projection," "seek," "can," "could," "may," "should," "would," "will," the negatives thereof and other words and terms of similar meaning. Such forward-looking statements are subject to various risks and uncertainties. Accordingly, there are or will be important factors that could cause actual outcomes or results to differ materially from those indicated in these statements, including our ability to attract and retain employers and job seekers; our ability to compete with well-established competitors and new entrants; our ability to achieve and/or maintain profitability; our ability to maintain, protect and enhance our brand and intellectual property; our dependence on macroeconomic factors; our ability to maintain and improve the quality of our platform; our dependence on the interoperability of our platform with mobile operating systems that we do not control; our ability to successfully implement our business plan during a global economic downturn that may impact the demand for our services or have a material adverse impact on our and our business partners' financial condition and results of operations; our ability and the ability of third parties to protect our users' personal or other data from a security breach and to comply with laws and regulations relating to consumer data privacy and data protection; our ability to detect errors, defects or disruptions in our platform; our ability to comply with the terms of underlying licenses of open source

software components on our platform; our ability to expand into markets outside the United States; our ability to achieve desired operating margins; our compliance with a wide variety of U.S. and international laws and regulations; our reliance on Amazon Web Services; our ability to mitigate payment and fraud risks; our dependence on our senior management and our ability to attract and retain new talent; and the other important factors discussed under the caption “Risk Factors” in our Quarterly Report on Form 10-Q for the three months ended September 30, 2022 that we filed with the U.S. Securities and Exchange Commission (“SEC”) and our Annual Report on Form 10-K for the twelve months ended December 31, 2022 that we will file with the SEC. There is no assurance that any forward-looking statements will materialize. You are cautioned not to place undue reliance on forward-looking statements, which reflect expectations only as of this date. ZipRecruiter does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments, or otherwise.

Non-GAAP Financial Measures

This release includes certain non-GAAP financial measures, including Adjusted EBITDA and Adjusted EBITDA margin.

We define Adjusted EBITDA as our net income (loss) before interest expense, other income, net, income tax expense (benefit) and depreciation and amortization, adjusted to eliminate stock-based compensation expense. Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue for the same period.

Management and our board of directors use these non-GAAP financial measures as supplemental measures of our performance because they assist us in comparing our operating performance on a consistent basis, as they remove the impact of some items not directly resulting from our core operations. We also use these non-GAAP financial measures for planning purposes, including the preparation of our internal annual operating budget and financial projections, to evaluate the performance and effectiveness of our strategic initiatives and to evaluate our capacity for capital expenditures to expand our business.

Adjusted EBITDA and Adjusted EBITDA margin should not be considered in isolation, as an alternative to, or superior to net income (loss), revenue, cash flows or other measures derived in accordance with GAAP. These non-GAAP measures are frequently

used by analysts, investors and other interested parties to evaluate companies in our industry. Management believes that the presentation of non-GAAP financial measures is an appropriate measure of operating performance because they eliminate the impact of some expenses that do not relate directly to the performance of our underlying business.

These non-GAAP financial measures should not be construed as an inference that our future results will be unaffected by unusual or other items. Additionally, Adjusted EBITDA and Adjusted EBITDA margin are not intended to be a measure of free cash flow for management's discretionary use, as they do not reflect our tax payments and certain other cash costs that may recur in the future, including, among other things, cash requirements for costs to replace assets being depreciated and amortized. Management compensates for these limitations by relying on our GAAP results in addition to using Adjusted EBITDA and Adjusted EBITDA margin as supplemental measures of our performance. Our measures of Adjusted EBITDA and Adjusted EBITDA margin used herein are not necessarily comparable to similarly titled captions of other companies due to different methods of calculation.

We are not able to provide a reconciliation of Adjusted EBITDA margin for the full fiscal year 2023 to net income margin, the comparable GAAP measure, because certain items that are excluded from non-GAAP financial measures cannot be reasonably predicted or are not in our control. In particular, we are unable to forecast the timing or magnitude of stock-based compensation or amortization of intangible assets, as applicable, without unreasonable efforts, and these items could significantly impact, either individually or in the aggregate, GAAP measures in the future. See the table below regarding a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures.

RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA (UNAUDITED)

(in thousands, except Adjusted EBITDA margin data)

	Year Ended December 31, 2022
GAAP net income	\$ 61,494
Stock-based compensation	76,956
Depreciation and amortization	10,682
Interest expense	28,498
Other (income) expense, net	(5,354)
Income tax expense (benefit)	12,590
Adjusted EBITDA	\$ 184,866
Adjusted EBITDA margin	20 %

About ZipRecruiter

ZipRecruiter® (www.ziprecruiter.com) is a leading online employment marketplace that actively connects people to their next great opportunity. ZipRecruiter's powerful matching technology improves the job search experience for job seekers and helps businesses of all sizes find and hire the right candidates quickly. ZipRecruiter has been the #1 rated job search app on iOS & Android for the past six years¹ and is rated the #1 employment job site by G2.²

Contacts

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Corporate Communications:

Claire Walsh

Press Relations

press@ziprecruiter.com

¹ Based on job seeker app ratings, during the period of January 2017 to January 2023 from AppFollow for ZipRecruiter, CareerBuilder, Glassdoor, Indeed, LinkedIn, and Monster.

² Based on G2 satisfaction ratings as of December 13, 2022.

EMPLOYER PROFILE

Extra Space Storage



Shareholder Letter

Q4 2022



JOB SEEKER PROFILE

Kimberly Lauture



Tyler Jacobsen

SENIOR DIRECTOR OF TALENT ACQUISITION AT EXTRA SPACE STORAGE

Extra Space Storage maintains over 2,300 self-storage properties across the nation. Tyler is tasked with hiring 1,000+ Assistant Managers annually to keep up with business demand — which means he needs a steady flow of candidates, nationwide. However, the Extra Space team struggled to meet rigorous hiring goals and attract enough qualified candidates — especially in hard-to-hire areas.

He explained, “The talent shortage we saw in some regions affected our business momentum. We were severely understaffed in some of these stores — which forced employees to take on additional tasks.”

So, Tyler turned to ZipRecruiter.

ZipRecruiter’s powerful AI matched Extra Space Storage with the quality candidates that they weren’t able to find elsewhere. Additionally, the ZipRecruiter platform integrated with their applicant tracking system quickly and seamlessly. ZipRecruiter also had a dedicated team that helped Tyler analyze monthly data and adjust their campaigns to target candidates in hard-to-hire regions.

“ZipRecruiter not only looked at our performance,” Tyler recalled, “but they took industry and market trends into account to help us maximize our return.”

With the support of the ZipRecruiter team, Tyler can now keep up with Extra Space Storage’s aggressive hiring goals. In fact, Extra Space Storage saw a 20% increase in applicant traffic with ZipRecruiter and successfully made hundreds of hires across the nation. They also decreased their time to fill in hard-to-hire regions by an average of 20%.

“With ZipRecruiter, we’re finally seeing the quality candidate volume that we’ve been searching for — so it was an easy choice to eliminate other sourcing tools that were not delivering the same results.”



**Results may vary.*



Kimberly Lauture

ASSISTANT MANAGER/OPERATIONS SPECIALIST AT EXTRA SPACE STORAGE

Kimberly was working at a temporary warehouse job in New York when she started looking for a more permanent job with the potential for growth. She explained, "I've always excelled in operations, and I love helping and supporting people. So that's the sort of role I was looking for."

Like many job seekers, Kimberly found the process of filling out applications and sending out resumes frustrating. Additionally, other job sites sent her roles that didn't fit. Then, she began using ZipRecruiter.

She listed her skills and experience on her profile, and Phil, ZipRecruiter's AI-enabled Personal Recruiter, improved the job search process by helping her discover jobs that would be a good fit for her. That was how she discovered the Assistant Manager role at Extra Space Storage.

"Phil said I was a 'great match' for the job," Kimberly recalled. "The storage industry had never really crossed my mind before. But when I read the qualifications for the role, I thought... that's something I'd be great at because it's similar to what I'd done at other jobs. So, I looked into the company, liked what I saw, and gave it a try."

Kimberly applied for the role using ZipRecruiter's 1-Click Apply, was called in for an interview, and got hired as Assistant Manager on-site in New Jersey. Because Kimberly knew that Extra Space Storage nurtured the growth of its employees, she seized a new opportunity within the company several months later.

"This job was so perfect for me that I was able to advance to the Operations Specialist role and move to their headquarters in Utah. It's really changed my life!"

"ZipRecruiter helped me discover a job I love!"



**Results may vary. This individual was compensated for their time.*



To Our Shareholders

2022 was another year of strong, profitable growth for ZipRecruiter. We generated \$904.6 million in revenue, up 22% year-over-year, and above the high end of our annual guidance. This represents a 28% compounded annual growth rate from 2019. We posted net income of \$61.5 million and Adjusted EBITDA of \$184.9 million, equating to a net income margin of 7% and an Adjusted EBITDA margin of 20%. This represents a 7% increase in net income margin and a 5% increase in Adjusted EBITDA margin compared to 2021, demonstrating our ability to navigate periods of macroeconomic change with disciplined capital management.

ZipRecruiter has a business designed to withstand periods of economic uncertainty and a proven playbook to respond quickly. First, we have the flexibility to lean into investments in matching technology and product while remaining significantly profitable. We believe we are still in the early stages of disrupting the recruitment market and remain committed to the long-term strategic investments that will help us gain share. Second, we have a flexible financial model that allows us to adjust expenses quickly. Our sales and marketing spend is highly variable and ROI-focused, allowing us to conserve or reallocate spend to where we see the greatest returns. With 80% aided brand awareness for both employers and job seekers, we have built an enduring brand that allows ZipRecruiter to remain top-of-mind as our marketing budgets fluctuate throughout economic cycles.

While our flexible business model and strong balance sheet allow us to respond nimbly to macroeconomic conditions, our long-term focus remains the same. We are as confident as ever that we will continue to grow our brand, and deliver outstanding matching technology to both employers and job seekers, capitalizing on the massive growth opportunity ahead of us.

Over the course of 2022, we have made significant improvements in our marketplace. For employers, we further extended our list of integrations with applicant tracking systems, improved upon our paradigm-shifting Invite to Apply feature and saw continued growth from our large enterprise employers. All of this led to an all-time high Revenue per Paid Employer of \$1,944 in Q4'22. For job seekers, we vastly expanded the role of Phil, our AI-enabled personal recruiter, giving each job seeker a personal recruiter and bringing a technology-enabled concierge experience to the otherwise painful process of finding work. We brought employers and job seekers together with category-leading matching technology. These innovations and improvements in 2022 were meaningful and important, but we expect our pace of innovation to accelerate in 2023.



Financial Outlook

January 2023 Performance and Implications for 2023 Labor Market Outlook

With an increasingly uncertain macroeconomic backdrop, employers have moderated their hiring plans and reduced their recruitment budgets in the first weeks of this year. Online job postings in our marketplace remained in line with the low point of the 2022 holiday season, rather than following the longstanding seasonal pattern of beginning a run-up in January. The weakness in 2023 is more pronounced among SMBs than among larger enterprises. As a result, January's revenue was down 15%¹ year-over-year.

While the shape and duration of changes in the labor market are uncertain, a core assumption embedded in our guidance is that January's trends continue throughout the balance of 2023.

Quarterly Guidance

Our Q1'23 revenue guidance of \$179 million, at the midpoint, represents a 21% decline year-over-year. Our Adjusted EBITDA guidance of \$25 million, at the midpoint, or 14% Adjusted EBITDA margin, for the quarter, reflects our continued fully funded investments into innovative new solutions for the labor market, while simultaneously moderating our Sales & Marketing investments during the slowdown.

Annual Guidance

Similar to our quarterly guidance, our annual guidance is based on the assumption that macroeconomic factors behind January's 15% revenue decline year-over-year will persist throughout 2023. Accordingly, we estimate revenue for the full year 2023 to be \$770 to \$790 million, representing a 14% year-over-year decline versus 2022, at the midpoint.

At the midpoint, our 2023 Adjusted EBITDA guidance of \$185 million is in line with that of 2022, reflecting a 4% expansion of Adjusted EBITDA margin to 24%. The increase in Adjusted EBITDA margin, compared to 2022, reflects our ability to navigate dynamic macroeconomic environments while also aggressively investing in our product roadmap and extending our technology advantage. Despite top-line volatility, we remain confident in our ability to generate Adjusted EBITDA that flows through to free cash flow consistently throughout an economic cycle.

¹ This figure reflects our preliminary estimate subject to the completion of our financial closing procedures. As a result, this figure may differ from the actual results that will be reflected in our financial statements when they are completed and publicly disclosed. This preliminary estimate may change and that change may be material.



Fourth Quarter and Full Year 2022 Key Results

	Q4'22	FY'22
Revenue	\$210.5 million (4)% y/y	\$904.6 million 22% y/y
Quarterly Paid Employers ²	108.3K (26)% y/y	
Revenue per Paid Employer ²	\$1,944 30% y/y	
Gross Margin	90%	90%
Net Income	\$19.4 million	\$61.5 million
Net Income Margin	9%	7%
Adjusted EBITDA ²	\$50.6 million	\$184.9 million
Adjusted EBITDA Margin ²	24%	20%

Financial Outlook

	Q1'23	FY'23
Revenue	\$176 - \$182 million (23)% - (20)% y/y	\$770 - \$790 million (15)% - (13)% y/y
Adjusted EBITDA ² Adjusted EBITDA margin	\$22 - \$28 million 13% - 15%	\$178 - \$192 million 23% - 24%

² See "Key Operating Metrics and Non-GAAP Financial Measures" below for additional information regarding key operating metrics and non-GAAP measures used in this shareholder letter and a reconciliation of GAAP net income to Adjusted EBITDA.



Growth Strategies and Recent Progress

Looking back at 2022, we made significant progress against the three key pillars of our strategy to 1) increase the number of employers and the Revenue per Paid Employer in our marketplace, 2) increase the number of job seekers in our marketplace, and 3) make our matching technology smarter over time.

Growth Strategy #1: Increase the number of employers and the Revenue per Paid Employer in our marketplace

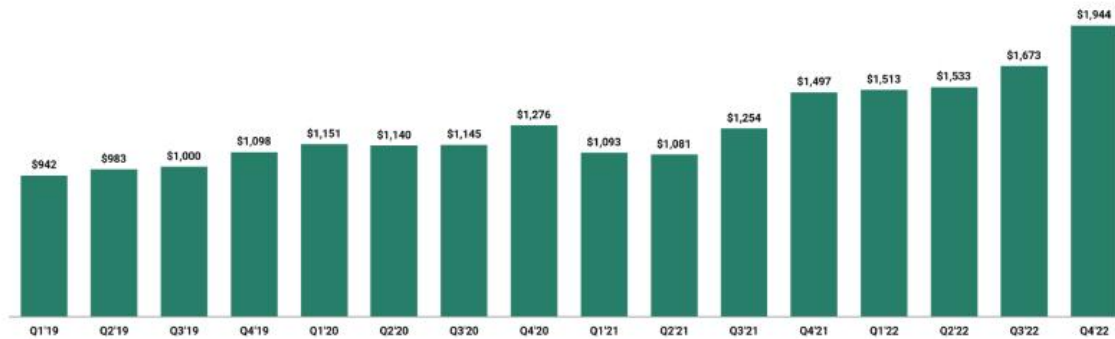
While 2022 was a historically tight labor market by many standards, in June we saw the beginning of what would prove to be a persistent decline in the number of jobs posted. We finished 2022 with 108k Quarterly Paid Employers in Q4, a decrease of 26% year-over-year. Small and medium-sized businesses, who make up the vast majority of our Paid Employers, have historically been quicker to respond to changing macroeconomic conditions than larger enterprise employers. Employers both small and large alike are grappling with rising interest rates, labor costs, and economic uncertainty.



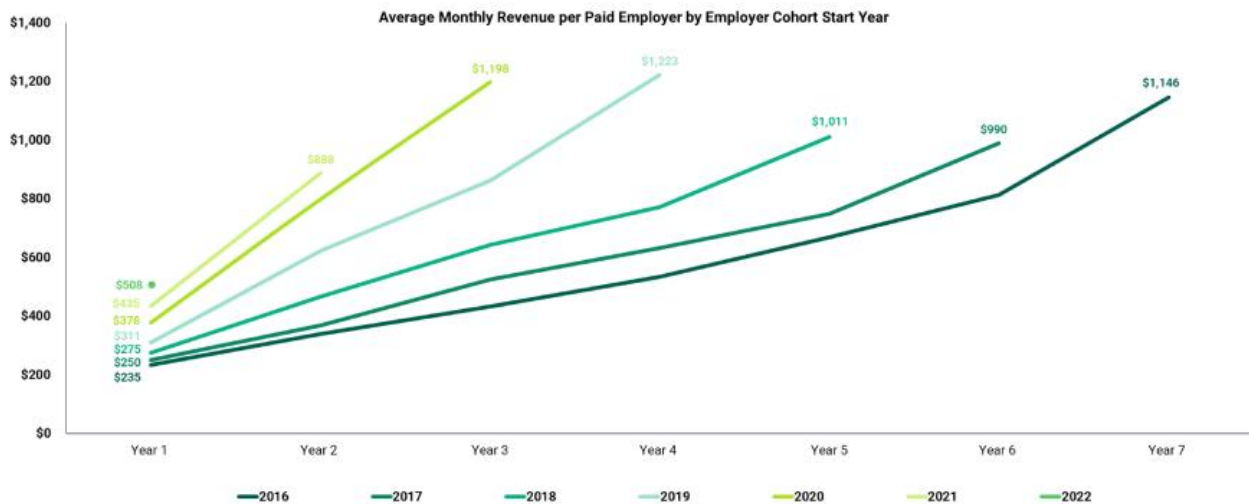
Revenue per Paid Employer grew to \$1,944 in Q4'22, an increase of 30% year-over-year. This represents another all-time high and demonstrates our success in delivering leading matching technology to employers of all sizes.



Revenue per Paid Employer



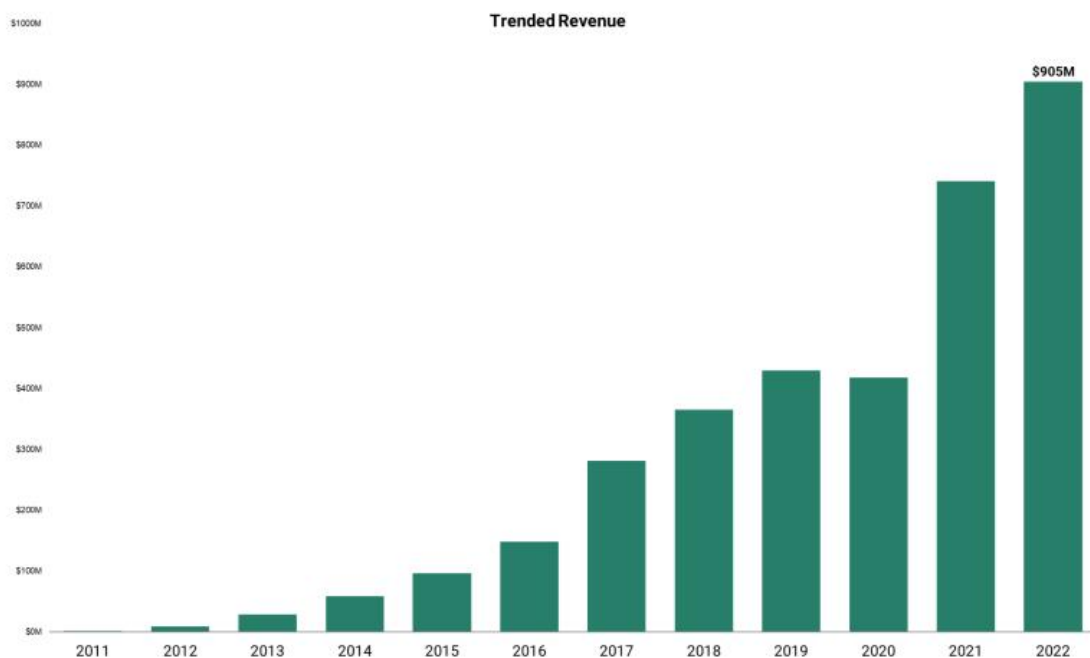
Two meaningful annual cohort trends also remained strong throughout 2022. First, **the average first year revenue for the 2022 employer cohort was approximately 17% higher than the 2021 cohort.** We saw this growth in revenue per employer across employers of all sizes, continuing the years-long trend of increasing year-one revenue per employer for each annual cohort. **Additionally, Revenue per Paid Employer continued to grow across each annual cohort.** For example, at \$1,146, the average monthly Revenue per Paid Employer in our 2016 cohort has grown by nearly 5x since year 1.



Further, we achieved significant momentum selling ZipRecruiter to larger enterprise customers. **Performance-based revenue increased by 48% year-over-year in 2022** and represented 24% of revenue in Q4'22, compared with 20% in Q4'21. While our marketplace already reflects the diversity of the United States in terms of geography, industry and skill level, we have a growing base of larger enterprises with more persistent hiring needs. We are in the early stages of penetrating the enterprise segment and expect meaningful opportunities for growth in this area over the long-term.



Overall, revenue grew to \$904.6 million, a 22% increase from the prior year and a **28% compounded annual growth rate from 2019**. With **80%³ aided brand awareness** among employers, we are confident that we will continue being top-of-mind when making great hires.



Growth Strategy #2: Increase the number of job seekers in our marketplace

Even as demand for job growth has moderated, labor supply remained tight through the end of 2022. As the macroeconomic environment continues to shift, more job seekers will rely on technologies like ZipRecruiter to help them find their next great opportunity.

In 2022, Active Job Seekers on ZipRecruiter grew to 42 million, a 20% increase from 2021. We see this trend continuing into 2023, reflecting a likely shift in the historically tight labor market. We believe that investments in our brand have made ZipRecruiter a destination for job seekers in their time of need. Our product improvements have also positioned us well to capitalize on this moment. As the labor market cools, it provides an

³ Based on our ZipRecruiter Brand Awareness Survey, 2022, an internal company-designed survey of 600 participants, which included (1) certain persons who had been involved in hiring processes and had used, or intend to use, online job posting websites within the preceding two years in connection with such hiring processes, (2) decision makers at hiring sites or systems, or influencers in the process of hiring candidates and (3) business owners, human resource managers, and non-human resources managers for U.S. based companies with up to 500 employees. The survey responses were used to measure brand health dimensions for us within the U.S. employer market and to explore how we benchmark against our competition. We designed the Brand Awareness Survey in accordance with what we believe are best practices for conducting a survey. Nevertheless, while we believe this survey is reliable, it involves a number of assumptions and limitations, and no independent sources have verified such survey.

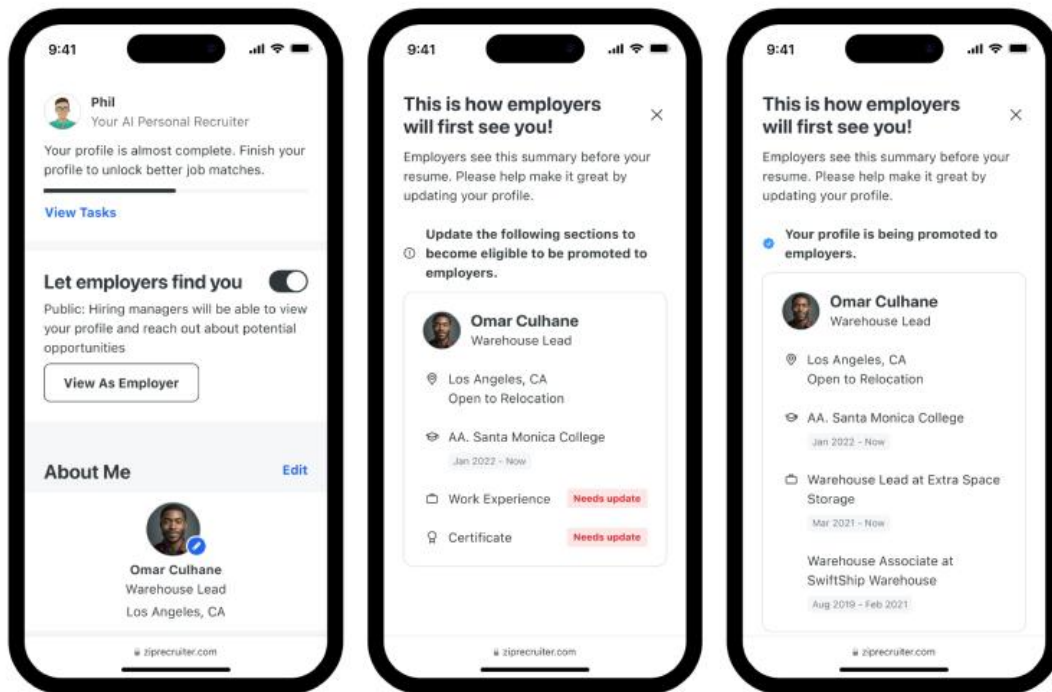
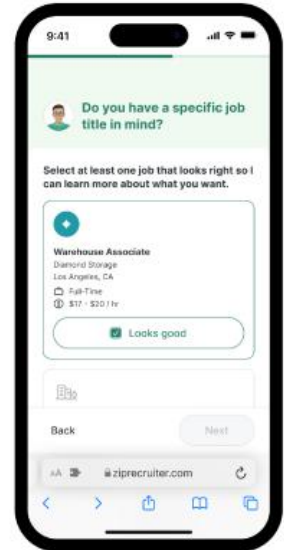




opportunity to prove the value of our marketplace to job seekers and create enduring loyalty.

Phil has changed the way job seekers find work. Last quarter we introduced our job calibration feature, which allows job seekers to train ZipRecruiter on the jobs they prefer by reviewing and providing feedback on a set of potential opportunities. In Q4, we redesigned the process flow such that **over 50% of job seekers now engage in the job calibration process** when prompted to do so.

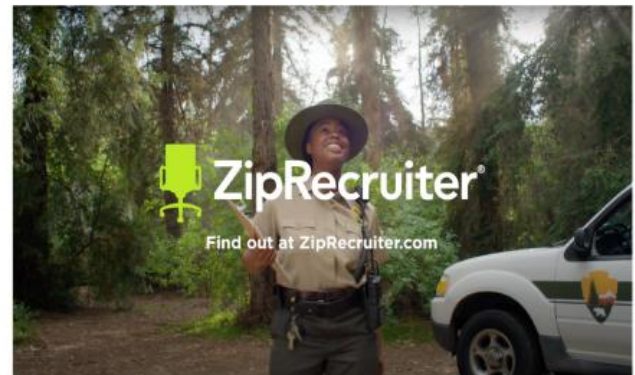
One of the reasons why our job seeker products are rated #1 in both the iOS and Android app stores⁴ is that we bring more transparency to the job seeking process. In Q4, we introduced a new feature, allowing job seekers who receive an invitation to apply to a job the opportunity to preview how their application would look to the employer. **After engaging with our new “View as Employer” feature, over 60% of job seekers updated their profiles.** This gives job seekers more insight into and control over their job search process and also provides our marketplace with more data for better matching results.



⁴ Based on job seeker app ratings, as of January 2023 from AppFollow for ZipRecruiter, CareerBuilder, Glassdoor, Indeed, LinkedIn, and Monster.



Over the course of 2022, we introduced new marketing creative, building mindshare around ZipRecruiter being the best place for job seekers to find their next great opportunity. These investments have borne fruit: **aided brand awareness among job seekers grew to 80%⁵ in Q4'22, an all-time high.**



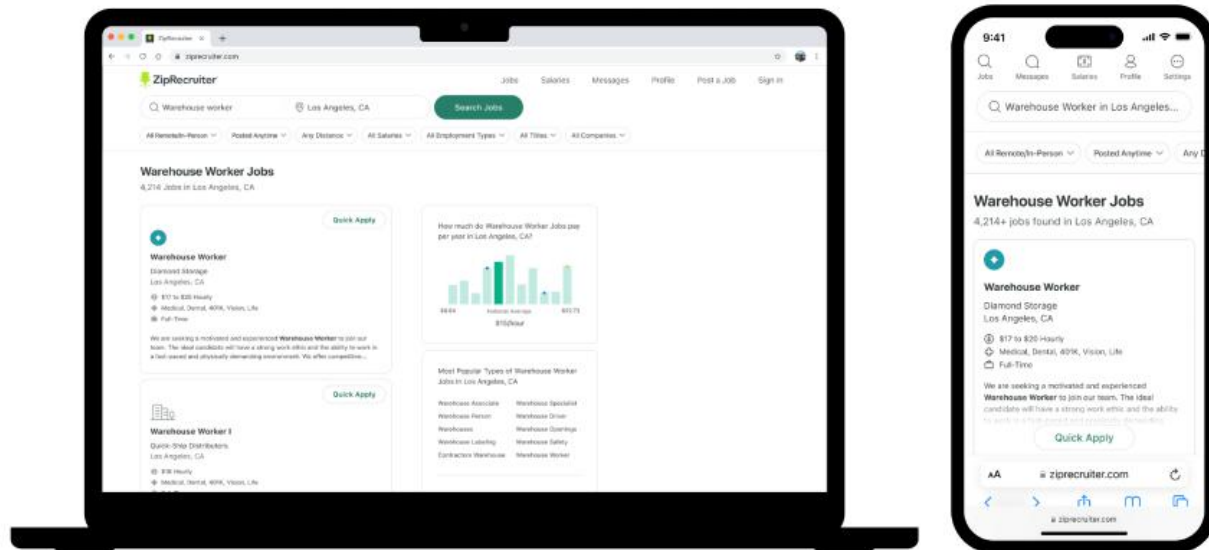
Growth Strategy #3: Make our matching technology smarter over time

We bring employers and job seekers together using industry-leading matching technology. This technology benefits from the billions of data points we gather as job seekers and employers interact, leading to better matches over time. As a result of our advancements with matching, **we delivered over 30 million Great Match candidates in 2022.**

In Q4, we introduced even more improvements to the meta learning model, giving job seekers even more relevant opportunities to apply to. For example, by more intelligently factoring in how a job seeker's search patterns influence the jobs they are shown, our latest meta learning model **drove up to 8% more applications from job seekers.**

⁵ Based on our ZipRecruiter Brand Awareness Survey, 2022, an internal company-designed survey of 2,030 participants, which included certain persons who are active and passive job seekers over the last year. We designed the Brand Awareness Survey in accordance with what we believe are best practices for conducting a survey. Nevertheless, while we believe this survey is reliable, it involves a number of assumptions and limitations, and no independent sources have verified such survey.

Many of our job seekers come to ZipRecruiter through job pages found via search engines. In Q4 we deployed a new algorithm to more intelligently rank job advertisements displayed on curated pages focused on particular jobs in specific regions. **These geographically and occupation-targeted pages resulted in a 10% increase in job seeker registration rate.**



Investing in our people

We invest in attracting and retaining great people to help achieve our goal of actively connecting people to their next great opportunity. We grew our product and engineering headcount by almost 15% in 2022, demonstrating our continued investment in building teams that deliver exceptional matching technology to both employers and job seekers. In addition to hiring great talent externally, career and personal growth for our existing employees remains one of our key objectives at ZipRecruiter. **In fact, over 66% of our leadership positions are filled with people who grew internally at ZipRecruiter,** demonstrating our dedication to fostering a culture of growth and development.

We continue to receive recognition that ZipRecruiter is among the best places to work. Over the course of 2022, ZipRecruiter won numerous Comparably awards highlighting our commitment to ensuring ZipRecruiter is a place where employees feel valued every day.



We're also proud to have earned Great Place to Work® Certification.™ The Great Places to Work 2021 Global Employee Engagement Benchmark study reveals the state of workplaces worldwide. Conducted in the summer of 2021, the study surveyed over 14,000 workers across 37 countries to determine the average employee experience around the world. We were honored to see that **96% of employees at ZipRecruiter say it is a great place to work.**

ZipRecruiter's commitment to employee growth and engagement extends across our global team. Thanks to the extraordinary accomplishments and culture of our Israeli team, **we were named one of Dun's top 25 places to work in Israel.** We are delighted for our teams to be recognized across our international footprint.



Q4'22 Financial Discussion

Revenue (\$ in millions)



Revenue

Revenue for Q4'22 was \$210.5 million, down 4% year-over-year and down 7% quarter-over-quarter. A softening hiring environment combined with a seasonal decline consistent with prior years resulted in fewer Quarterly Paid Employers, driving the sequential decrease in revenue.

Quarterly Paid Employers (000s)



Quarterly Paid Employers

We had 108,296 Quarterly Paid Employers in Q4'22, down 26% year-over-year and down 20% sequentially. A cooling labor market combined with a typical seasonal decline drove the sequential decrease in Q4 as employers continued to feel the impact of rising operating expenses and other macroeconomic headwinds.

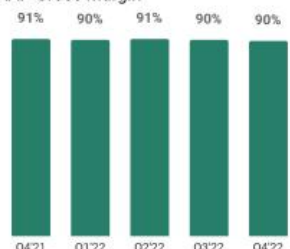
Revenue per Paid Employer



Revenue per Paid Employer

Revenue per Paid Employer for Q4'22 was \$1,944, up 30% year-over-year and up 16% sequentially. Employers' willingness to pay continued to grow in Q4'22 as our product continued to improve. Employers of all sizes gained confidence they could pay more to get more by investing in upsells and increasing their effective bids in our marketplace.

GAAP Gross Margin



Gross Profit and Margin

Gross profit for Q4'22 was \$189.4 million, down 5% year-over-year and down 8% sequentially. The decrease quarter-over-quarter and decrease year-over-year were both driven by the respective changes in revenue. Gross margin remained strong at 90%, demonstrating our ability to scale revenue over time while containing service fulfillment costs.

Operating Expenses

Total operating expenses for Q4'22 were \$160.9 million, compared to \$174.9 million in Q4'21 and \$175.7 million in Q3'22. The decrease in total operating expenses year-over-year and quarter-over-quarter was largely due to lower sales and marketing expenses as we adjusted marketing investment levels given the current macroeconomic conditions.

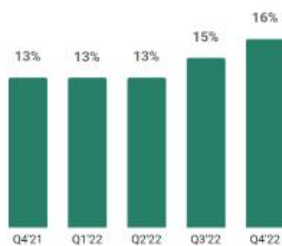


GAAP S&M Expense
% of Revenue



Sales and Marketing (S&M) expenses were \$97.6 million in Q4'22, or 46% of revenue, compared to \$120.8 million, or 55% of revenue, in Q4'21, and \$112.6 million, or 50% of revenue, in Q3'22. The decrease in sales and marketing expense year-over-year and quarter-over-quarter was primarily driven by lower investment in media marketing in the current quarter.

GAAP R&D Expense
% of Revenue



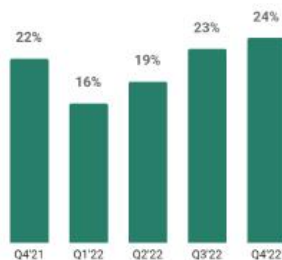
Research and Development (R&D) expenses were \$34.2 million in Q4'22, or 16% of revenue, compared to \$28.4 million, or 13% of revenue, in Q4'21, and \$33.0 million, or 15% of revenue, in Q3'22. The increase in research and development expenses quarter-over-quarter and year-over-year was primarily driven by an increase in product and engineering headcount-related expenses in the current quarter.

GAAP G&A Expense
% of Revenue



General and Administrative (G&A) expenses were \$29.2 million in Q4'22, or 14% of revenue, compared to \$25.6 million, or 12% of revenue, in Q4'21, and \$30.1 million, or 13% of revenue, in Q3'22. The sequential decrease in general and administrative expenses was primarily driven by a decrease in personnel-related expenses partially offset by an increase in sales tax related expenses in the current quarter. The increase in general and administrative expenses year-over-year was primarily driven by an increase in headcount-related expenses in the current quarter.

Adjusted EBITDA Margin



Net Income and Adjusted EBITDA

Net income in Q4'22 was \$19.4 million, compared to net income of \$21.0 million in Q4'21 and net income of \$20.6 million in Q3'22. Adjusted EBITDA was \$50.6 million, equating to an Adjusted EBITDA margin of 24%, in Q4'22, compared to \$47.6 million, with a margin of 22%, in Q4'21, and \$51.7 million, with a margin of 23%, in Q3'22. The decrease in net income year-over-year was primarily due to an increase in income tax expense in the current period. The increase in Adjusted EBITDA year-over-year was primarily driven by lower operating expenses in Q4'22, partially offset by lower revenue. The decrease in net income and Adjusted EBITDA quarter-over-quarter was primarily due to lower revenue partially offset by lower operating expenses.



Fully Diluted Shares

As of December 31, 2022, ZipRecruiter had a fully diluted capitalization of 118.9 million shares of Class A common stock and Class B common stock. This fully diluted capitalization share count includes (a) the shares of Class A common stock and Class B common stock outstanding and (b) all shares of Class A common stock and Class B common stock reserved for issuance to settle outstanding stock options and restricted stock units, but does not include shares of Class A common stock and Class B common stock reserved for future issuance of award grants under ZipRecruiter's equity compensation plans.

Cash, Cash Equivalents & Marketable Securities (\$ in millions)



Cash, Cash Equivalents and Marketable Securities

Cash, cash equivalents and marketable securities was \$570.4 million as of December 31, 2022 compared to \$254.6 million as of December 31, 2021, and \$669.7 million as of September 30, 2022. The increase in cash, cash equivalents and marketable securities year-over-year was primarily due to cash flow from operations and a private offering of our Senior Notes due 2030 totaling \$550.0 million at a 5% coupon rate partially offset by \$339.3 million of repurchases of Class A common stock under our share repurchase program authorized by our board of directors in 2022.

The decrease in cash, cash equivalents and marketable securities quarter-over-quarter was primarily due to repurchases of Class A common stock under our share repurchase program. In the current quarter, we purchased 3.1 million shares under a Rule 10b5-1 plan totaling \$51.3 million and 2.4 million shares in open market repurchases totaling \$39.3 million. Additionally, in December 2022, we entered into a new accelerated share repurchase agreement where we made a payment of \$50.0 million and received an initial delivery of 2.6 million shares of Class A common stock.⁶ The total count of shares purchased under the share repurchase program during 2022 was 18.6 million totaling \$339.3 million. The remaining amount available to repurchase under the share repurchase program was \$110.7 million as of December 31, 2022.

ZipRecruiter's disciplined investing means increasing profitability in 2023

Uncertainty in the macroeconomic environment affects employers, who are reducing their hiring needs to weather the storm. **Our business is built for moments like these.** Our \$570 million of cash on hand⁷, our outlook for strong profitability, and our flexible operating expense profile put us in a position of financial strength. That financial strength will allow us to be nimble and decisive, quickly adapting to a changing environment.

⁶ The final shares to be repurchased, determined under the terms of the accelerated share repurchase agreement, will be delivered in February 2023.

⁷ "Cash on hand" is defined as the sum of cash, cash equivalents and marketable securities. Figure is as of December 31, 2022.



At the same time, we have an ever-growing conviction in two bedrock assumptions about our business that endure through cycles. First, the importance for employers of finding the right job seekers continues to grow. Second, we are at the beginning of a generational shift in how technology enables job seekers and employers to come together. You will see us at the forefront of that generational shift.



Ian Siegel
Chief Executive Officer



David Travers
President



Tim Yarbrough
Chief Financial Officer



Forward-Looking Statements

This shareholder letter contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this shareholder letter that do not relate to matters of historical fact should be considered forward-looking statements, including, without limitation, our market opportunity and expected hiring activity for the remainder of 2023; statements under the section titled "Financial Outlook"; statements regarding our expected financial performance and operational performance for the first quarter of 2023 and the fiscal year ending December 31, 2023; statements regarding our expected future revenue growth, Adjusted EBITDA profitability, capital allocation strategy, and brand awareness; statements regarding our beliefs regarding the early stages of recruitment market disruption and enterprise segment penetration, as well as statements that include the words "expect," "intend," "plan," "believe," "project," "forecast," "estimate," "may," "should," "anticipate" and similar statements of a future or forward-looking nature. These forward-looking statements are based on management's current expectations. These statements are neither promises nor guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to: our ability to attract and retain employers and job seekers; our ability to compete with well-established competitors and new entrants; our ability to achieve and/or maintain profitability; our ability to maintain, protect and enhance our brand and intellectual property; our dependence on macroeconomic factors; our ability to maintain and improve the quality of our platform; our dependence on the interoperability of our platform with mobile operating systems that we do not control; our ability to successfully implement our business plan during a global economic downturn that may impact the demand for our services or have a material adverse impact on our and our business partners' financial condition and results of operations; our ability and the ability of third parties to protect our users' personal or other data from a security breach and to comply with laws and regulations relating to consumer data privacy and data protection; our ability to detect errors, defects or disruptions in our platform; our ability to comply with the terms of underlying licenses of open source software components on our platform; our ability to expand into markets outside the United States; our ability to achieve desired operating margins; our compliance with a wide variety of U.S. and international laws and regulations; our reliance on Amazon Web Services; our ability to mitigate payment and fraud risks; our dependence on our senior management and our ability to attract and retain new talent; and the other important risk factors more fully discussed and described in documents we have filed with the Securities and Exchange Commission ("SEC"), including our Quarterly Report on Form 10-Q for the three months ended September 30, 2022 that we filed with the SEC and our Annual Report on Form 10-K for the twelve months ended December 31, 2022 that we will file with the SEC. In addition, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements that we may make. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this release are inherently uncertain and may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements. Accordingly, you should not rely upon forward-looking statements as predictions of future events. In addition, the forward-looking statements made in this shareholder letter relate only to events or information as of the date on which the statements are made in this letter. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.



Conference Call Details

We will host a conference call to discuss our financial results on Tuesday, February 21, 2023, at 2:00 p.m. Pacific Time. A live webcast of the call can be accessed from ZipRecruiter's Investor Relations website. An archived version will be available on the website two hours after the call.

Investors and analysts can participate in the conference call by dialing [+1 \(888\) 440-4199](tel:+18884404199), or [+1 \(646\) 960-0818](tel:+16469600818) for callers outside the United States. A telephonic replay of the conference call will be available until Tuesday, February 28, 2022. To listen to the replay please dial [+1 \(800\) 770-2030](tel:+18007702030) or [+1 \(647\) 362-9199](tel:+16473629199) for callers outside the United States.



CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands)

	December 31, 2022	December 31, 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 227,380	\$ 254,621
Marketable securities	342,975	—
Accounts receivable	44,421	41,657
Prepaid expenses and other current assets	12,648	9,721
Deferred commissions, current portion	4,870	4,640
Total current assets	632,294	310,639
Property and equipment, net	8,103	8,702
Operating lease right-of-use assets	12,179	18,515
Internal use software, net	15,758	13,657
Deferred commissions, net of current portion	4,813	4,011
Goodwill	1,724	1,724
Deferred tax assets, net	38,653	38,029
Other assets	1,039	3,342
Total assets	<u>\$ 714,563</u>	<u>\$ 398,619</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	\$ 21,175	\$ 24,862
Accrued expenses	69,115	86,213
Accrued interest	12,837	—
Deferred revenue	19,580	23,253
Operating lease liabilities, current portion	5,429	6,109
Other current liabilities	1,527	2,457
Total current liabilities	129,663	142,894
Operating lease liabilities, net of current portion	13,018	19,179
Long-term borrowings	541,559	—
Other long-term liabilities	1,703	1,578
Total liabilities	685,943	163,651
Stockholders' equity		
Preferred stock	—	—
Class A common stock	1	1
Class B common stock	—	—
Class B treasury stock	(644)	(644)
Additional paid-in capital	35,926	303,395
Accumulated deficit	(6,290)	(67,784)
Accumulated other comprehensive loss	(373)	—
Total stockholders' equity	28,620	234,968
Total liabilities and stockholders' equity	<u>\$ 714,563</u>	<u>\$ 398,619</u>



CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Revenue	\$ 210,478	\$ 220,137	\$ 904,649	\$ 741,141
Cost of revenue	21,096	19,776	86,298	79,614
Gross profit	189,382	200,361	818,351	661,527
Operating expenses:				
Sales and marketing	97,634	120,840	484,429	410,665
Research and development	34,160	28,391	127,737	110,470
General and administrative	29,152	25,639	108,957	148,784
Total operating expenses	160,946	174,870	721,123	669,919
Income (loss) from operations	28,436	25,491	97,228	(8,392)
Other income (expense)				
Interest expense	(7,341)	(220)	(28,498)	(916)
Other income (expense), net	5,022	(19)	5,354	32
Total other expense, net	(2,319)	(239)	(23,144)	(884)
Income (loss) before income taxes	26,117	25,252	74,084	(9,276)
Income tax expense (benefit)	6,706	4,263	12,590	(12,876)
Net income	\$ 19,411	\$ 20,989	\$ 61,494	\$ 3,600
Less: Accretion of redeemable convertible preferred stock	—	—	—	(1,480)
Less: Undistributed earnings allocated to participating securities	—	—	—	(168)
Net income attributable to Class A and Class B common stockholders	\$ 19,411	\$ 20,989	\$ 61,494	\$ 1,952
Net income per share attributable to Class A and Class B common stockholders:				
Basic	\$ 0.18	\$ 0.18	\$ 0.54	\$ 0.02
Diluted	\$ 0.17	\$ 0.16	\$ 0.51	\$ 0.02
Weighted average shares used in computing net income per share attributable to Class A and Class B common stockholders:				
Basic	108,590	117,207	114,272	102,230
Diluted	114,797	127,681	121,398	115,471



CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(in thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
Cash flows from operating activities				
Net income	\$ 19,411	\$ 20,989	\$ 61,494	\$ 3,600
Adjustments to reconcile net income to net cash provided by operating activities:				
Stock-based compensation expense	19,478	19,633	76,956	107,258
Depreciation and amortization	2,693	2,464	10,682	9,463
Provision for bad debts	1,701	500	3,904	1,796
Deferred income taxes	1,923	3,326	(624)	(14,946)
Noncash lease expense	966	1,274	4,433	5,387
Amortization and accretion of marketable securities	(2,350)	—	(2,512)	—
Other	490	71	3,334	200
Change in operating assets and liabilities:				
Accounts receivable	1,518	1,345	(6,668)	(22,417)
Prepaid expenses and other current assets	(815)	1,419	(2,555)	(4,703)
Deferred commissions, net	(421)	(536)	(1,032)	(1,212)
Other assets	(287)	(2,173)	1,803	(2,130)
Accounts payable	7,429	(7,445)	(3,579)	11,227
Accrued expenses and other liabilities	(7,998)	17,204	(19,161)	45,270
Accrued interest	6,767	120	12,705	120
Deferred revenue	(4,476)	(2,176)	(3,671)	8,136
Operating lease liabilities	(1,569)	(1,654)	(6,701)	(2,913)
Net cash provided by operating activities	44,460	54,361	128,808	144,136
Cash flows from investing activities				
Purchases of property and equipment	(468)	(399)	(2,692)	(6,083)
Capitalized internal use software costs	(1,516)	(1,774)	(7,852)	(7,253)
Purchases of marketable securities	(180,336)	—	(367,055)	—
Sales of marketable securities	861	—	861	—
Paydowns, maturities and redemptions of marketable securities	25,604	—	25,604	—
Net cash used in investing activities	(155,855)	(2,173)	(351,134)	(13,336)
Cash flows from financing activities				
Payment of issuance costs for credit facility	—	—	—	(1,270)
Proceeds from issuance of senior unsecured notes	—	—	550,000	—
Payment of senior unsecured notes' issuance fees	—	—	(9,378)	—
Repurchase of common stock	(140,578)	—	(339,256)	(2,750)
Proceeds from exercise of stock options	797	2,791	4,747	18,541
Payments of tax withholdings on net settlement of equity awards	(4,422)	(5,239)	(19,157)	(5,239)
Proceeds from issuance of stock under employee stock purchase plan	—	—	8,129	—
Net cash provided by (used in) financing activities	(144,203)	(2,448)	195,085	9,282
Net increase (decrease) in cash	(255,598)	49,740	(27,241)	140,082
Cash				
Beginning of period	482,978	204,881	254,621	114,539
End of period	\$ 227,380	\$ 254,621	\$ 227,380	\$ 254,621



RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA (UNAUDITED)

(in thousands, except Adjusted EBITDA margin data)

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
GAAP net income	\$ 19,411	\$ 20,989	\$ 61,494	\$ 3,600
Stock-based compensation	19,478	19,633	76,956	107,258
Depreciation and amortization	2,693	2,464	10,682	9,463
Interest expense	7,341	220	28,498	916
Other (income) expense, net	(5,022)	19	(5,354)	(32)
Income tax expense (benefit)	6,706	4,263	12,590	(12,876)
Adjusted EBITDA	\$ 50,607	\$ 47,588	\$ 184,866	\$ 108,329
Adjusted EBITDA margin	24 %	22 %	20 %	15 %

RECONCILIATION OF GAAP TO NON-GAAP COST OF REVENUE (UNAUDITED)

(in thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
GAAP cost of revenue	\$ 21,096	\$ 19,776	\$ 86,298	\$ 79,614
Less:				
Stock-based compensation	194	182	807	1,093
Depreciation and amortization	847	662	2,961	2,349
Non-GAAP cost of revenue	\$ 20,055	\$ 18,932	\$ 82,530	\$ 76,172



RECONCILIATION OF GAAP TO NON-GAAP OPERATING EXPENSES (UNAUDITED)

(in thousands)

	Three Months Ended December 31,		Year Ended December 31,	
	2022	2021	2022	2021
GAAP sales and marketing expense	\$ 97,634	\$ 120,840	\$ 484,429	\$ 410,665
Less:				
Stock-based compensation	2,911	2,450	10,858	17,865
Depreciation and amortization	415	384	1,667	1,365
Non-GAAP sales and marketing expense	\$ 94,308	\$ 118,006	\$ 471,904	\$ 391,435
GAAP research and development expense	\$ 34,160	\$ 28,391	\$ 127,737	\$ 110,470
Less:				
Stock-based compensation	7,770	7,897	30,985	34,230
Depreciation and amortization	1,163	1,197	5,145	5,054
Non-GAAP research and development expense	\$ 25,227	\$ 19,297	\$ 91,607	\$ 71,186
GAAP general and administrative expense	\$ 29,152	\$ 25,639	\$ 108,957	\$ 148,784
Less:				
Stock-based compensation	8,603	9,104	34,306	54,070
Depreciation and amortization	268	221	909	695
Non-GAAP general and administrative expense	\$ 20,281	\$ 16,314	\$ 73,742	\$ 94,019

FULLY DILUTED SHARES (UNAUDITED)

(in thousands)

	December 31, 2022
Class A common shares outstanding	74,320
Class B common shares outstanding	30,184
Options outstanding	6,746
RSUs outstanding	7,641
Total fully diluted shares	118,891



Key Operating Metrics and Non-GAAP Financial Measures

This shareholder letter includes certain key operating metrics, including Quarterly Paid Employers and Revenue per Paid Employer, and non-GAAP financial measures, including Non-GAAP cost of revenue, Non-GAAP operating expenses, Adjusted EBITDA and Adjusted EBITDA margin.

We define Paid Employers as any employer(s) (or entities acting on behalf of an employer) on a paying subscription plan or performance marketing campaign for at least one day. Paid Employer(s) excludes employers from our Job Distribution Partners or other indirect channels, employers who are not actively searching for candidates, but otherwise have access to previously posted jobs, and employers on free trial. Job Distribution Partners are defined as third-party sites who have a relationship with us and advertise jobs from our marketplace. Quarterly Paid Employers means, with respect to any fiscal quarter, the count of Paid Employers during such fiscal quarter. Revenue per Paid Employer is the total company revenue in a particular period divided by the count of Quarterly Paid Employers in the same period.

We define Non-GAAP cost of revenue as our cost of revenue before stock-based compensation expense, and depreciation and amortization.

We define Non-GAAP operating expenses as our operating expenses before stock-based compensation expense, and depreciation and amortization.

We define Adjusted EBITDA as our net income (loss) before interest expense, other (income) expense, net, income tax expense (benefit) and depreciation and amortization, adjusted to eliminate stock-based compensation expense. Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue for the same period.

Management and our board of directors use these key operating metrics and non-GAAP financial measures as supplemental measures of our performance because they assist us in comparing our operating performance on a consistent basis, as they remove the impact of some items not directly resulting from our core operations. We also use these key operating metrics and non-GAAP financial measures for planning purposes, including the preparation of our internal annual operating budget and financial projections, to evaluate the performance and effectiveness of our strategic initiatives and to evaluate our capacity for capital expenditures to expand our business.

Non-GAAP cost of revenue, Non-GAAP operating expenses, Adjusted EBITDA and Adjusted EBITDA margin should not be considered in isolation, as an alternative to, or superior to net income (loss), revenue, cash flows or other measures derived in accordance with GAAP. These non-GAAP measures are frequently used by analysts, investors and other interested parties to evaluate companies in our industry. Management believes that the presentation of non-GAAP financial measures is an appropriate measure of operating performance because they eliminate the impact of some expenses that do not relate directly to the performance of our underlying business.

These non-GAAP financial measures should not be construed as an inference that our future results will be unaffected by unusual or other items. Additionally, Adjusted EBITDA and Adjusted EBITDA margin are not intended to be a measure of free cash flow for management's discretionary use, as they do not reflect our tax payments and certain other cash costs that may recur in the future, including, among other things, cash requirements for costs to replace assets being depreciated and amortized including our capitalized internal use software. Management compensates for these limitations by relying on our GAAP results in addition to using Adjusted EBITDA and Adjusted EBITDA margin as supplemental measures of our performance. Our measures of Adjusted EBITDA and Adjusted EBITDA margin used herein are not necessarily comparable to similarly titled captions of other companies due to different methods of calculation.

We are not able to provide a reconciliation of Adjusted EBITDA and Adjusted EBITDA margin for Q1'23 or the full fiscal year 2023 to net income and net income margin, the comparable GAAP measures, respectively, because certain items that are excluded from non-GAAP financial measures cannot be reasonably predicted or are not in our control. In particular, we are unable to forecast the timing or magnitude of stock-based compensation or amortization of intangible assets, as applicable, without unreasonable efforts, and these items could significantly impact, either individually or in the aggregate, GAAP measures in the future. See the tables above regarding reconciliations of these non-GAAP financial measures to the most directly comparable GAAP measures.



