

Smartsheet Inc. Announces Second Quarter Fiscal Year 2024 Results

9/7/2023

- Second quarter total revenue grew 26% year over year to \$235.6 million
- Second quarter operating cash flow of \$48.5 million and free cash flow of \$45.5 million
- Ended the quarter with cash, cash equivalents, and short-term investments of \$549.0 million

BELLEVUE, Wash.--(BUSINESS WIRE)-- Smartsheet Inc. (NYSE: SMAR), the enterprise platform for modern work management, today announced financial results for its second fiscal quarter ended July 31, 2023.

“Smartsheet outperformed across all aspects of our guidance in Q2,” said Mark Mader, CEO of Smartsheet. “Our platform’s scalability continues to drive strong demand from enterprises looking for solutions to manage their mission-critical work securely and consistently. We remain focused on delivering innovation around generative AI and other areas to help our customers achieve more and to extend our leadership position in the enterprise work management market.”

Second Quarter Fiscal 2024 Financial Highlights

- Revenue: Total revenue was \$235.6 million, an increase of 26% year over year. Subscription revenue was \$221.5 million, an increase of 28% year over year. Professional services revenue was \$14.1 million, an increase of 7% year over year.
- Operating Income (Loss): GAAP operating loss was \$(36.1) million, or (15)% of total revenue, compared to \$(64.9) million, or (35)% of total revenue, in the second quarter of fiscal 2023. Non-GAAP operating income was \$19.2 million, or 8% of total revenue, compared to non-GAAP operating loss of \$(16.1) million, or (9)% of

total revenue, in the second quarter of fiscal 2023.

- Net Income (Loss): GAAP net loss was \$(33.4) million, compared to GAAP net loss of \$(62.3) million in the second quarter of fiscal 2023. GAAP net loss per share was \$(0.25), compared to GAAP net loss per share of \$(0.48) in the second quarter of fiscal 2023. Non-GAAP net income was \$22.0 million, compared to non-GAAP net loss of \$(13.5) million in the second quarter of fiscal 2023. Non-GAAP basic and diluted net income per share was \$0.16, compared to non-GAAP basic and diluted net loss per share of \$(0.10) in the second quarter of fiscal 2023.
- Cash Flow: Netoperating cash flow was \$48.5 million, compared to \$10.2 million in the second quarter of fiscal 2023. Free cash flow was \$45.5 million, or 19% of total revenue, compared to \$7.1 million, or 4% of total revenue, in the second quarter of fiscal 2023.

Second Quarter Fiscal 2024 Operational Highlights

- Calculated billings were \$243.1 million, representing year-over-year growth of 18%
- Dollar-based net retention rate was 121%
- Number of all customers with annualized contract values ("ACV") of \$100,000 or more grew to 1,665, an increase of 36% year over year
- Number of all customers with ACV of \$50,000 or more grew to 3,552, an increase of 30% year over year
- Number of all customers with ACV of \$5,000 or more grew to 19,031, an increase of 14% year over year
- Average ACV per domain-based customer increased to \$8,863, an increase of 17% year over year

Second Quarter Fiscal 2024 Business Highlights

- Released **new generative AI capabilities** to select customers in private beta that give them powerful insights and help them quickly build sophisticated solutions
- Strengthened Smartsheet's enterprise platform **scale and performance systems** with computational feature enhancements and increasing cross-sheet cell linking capacity from 30,000 to 500,000 per sheet, enabling customers to build larger-scale solutions and manage more interconnected projects and portfolios
- Recognized as a **2023 Gartner Peer Insights™ Customers' Choice** for the Collaborative Work Management market¹
- Recognized as a vendor who shaped the collaboration applications market in 2022 in **IDC's Worldwide Collaborative Applications Market Shares, 2022: The Rise of the Multiplayer Enterprise report**²

The section titled "Use of Non-GAAP Financial Measures" below contains a description of the non-GAAP financial measures with a reconciliation between GAAP and non-GAAP information. The section titled "Definitions of Business Metrics" contains definitions of certain non-financial metrics provided within this earnings release.

Financial Outlook

For the third quarter of fiscal year 2024, the Company currently expects:

- Total revenue of \$240 million to \$242 million, representing year-over-year growth of 20% to 21%
- Non-GAAP operating income of \$8 million to \$10 million
- Non-GAAP net income per share of \$0.08 to \$0.09, assuming diluted weighted-average shares outstanding of approximately 139.0 million

For the full fiscal year 2024, the Company currently expects:

- Total revenue of \$950 million to \$953 million, representing year-over-year growth of 24%
- Non-GAAP operating income of \$62 million to \$67 million
- Non-GAAP net income per share of \$0.53 to \$0.57, assuming diluted weighted-average shares outstanding of approximately 139.0 million
- Calculated billings year-over-year growth of 20%
- Free cash flow of \$120 million

We have not reconciled free cash flow guidance to net cash from operating activities because we do not provide guidance on the reconciling items between net cash from operating activities and free cash flow, due to the uncertainty regarding, and the potential variability of, these items. The actual amount of such reconciling items will have a significant impact on our free cash flow. Accordingly, a reconciliation of net cash from operating activities to free cash flow guidance is not available without unreasonable effort. We do not provide reconciliation of calculated billings guidance as its components are solely revenue and deferred revenue, and guidance for revenue is already provided.

¹ Gartner, Voice of the Customer for Collaborative Work Management, June 2023. Gartner and Peer Insights™ are trademarks of Gartner, Inc. and/or its affiliates. All rights reserved. Gartner Peer Insights content consists of the opinions of individual end users based on their own experiences, and should not be construed as statements of fact, nor do they represent the views of Gartner or its affiliates. Gartner does not endorse any vendor, product or service depicted in this content nor makes any warranties, expressed or implied, with respect to this content, about its accuracy or completeness, including any warranties of merchantability or fitness for a particular purpose.

² Doc #: US51018123, publish date: July 2023

Conference Call Information

Smartsheet will host a conference call and live webcast for analysts and investors at 1:30 p.m. Pacific Time on September 7, 2023. A live webcast and accompanying presentation can be accessed on the Investor Relations section of the Company's website at: <https://investors.smartsheet.com>. The conference call can also be accessed

by dialing (888) 440-6385, or +1 (646) 960-0180 (outside of the US). The conference ID is 7672979. A replay of the call via webcast will be available at <https://investors.smartsheet.com> or by dialing (800) 770-2030 or +1 (647) 362-9199 (outside of the US). The dial-in replay will be available until the end of day on September 14, 2023. The webcast replay will be available for one year.

Forward-Looking Statements

This press release contains “forward-looking” statements that are based on our management’s beliefs and assumptions and on information currently available to management. Forward-looking statements include, but are not limited to, statements about Smartsheet’s outlook for the third fiscal quarter ending October 31, 2023, and the full fiscal year ending January 31, 2024, and Smartsheet’s expectations regarding possible or assumed business strategies, potential growth and innovation opportunities, new products, and potential market opportunities.

Forward-looking statements generally relate to future events or our future financial or operating performance. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as “believe,” “continue,” “could,” “potential,” “remain,” “will,” “would,” or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks include, but are not limited to, risks and uncertainties related to: our ability to achieve future growth and sustain our growth rate; our ability to attract and retain customers and increase sales to our customers; our ability to develop and release new products and services and to scale our platform; our ability to increase adoption of our platform through our self-service model; our ability to maintain and grow our relationships with strategic partners; the highly competitive and rapidly evolving market in which we participate; our ability to identify targets for, execute on, or realize the benefits of, potential acquisitions; and our international expansion strategies. Further information on risks that could cause actual results to differ materially from forecasted results is included in our filings with the SEC, including our Quarterly Report on Form 10-Q for the quarter ended July 31, 2023 to be filed with the SEC. Any forward-looking statements contained in this press release are based on assumptions that we believe to be reasonable as of this date. Except as required by law, we assume no obligation to update these forward-looking statements, or to update the reasons if actual results differ materially from those anticipated in the forward-looking statements.

Use of Non-GAAP Financial Measures

To supplement our condensed consolidated financial statements, which are prepared and presented in accordance with GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may be different than similarly titled measures

used by other companies, are presented to enhance investors' overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. Investors are encouraged to review the reconciliation of these non-GAAP measures to their most directly comparable GAAP financial measures. A reconciliation of the non-GAAP financial measures to such GAAP measures can be found in the accompanying financial statements included with this press release.

We believe that these non-GAAP financial measures provide useful information about our financial performance, enhance the overall understanding of our past performance and future prospects, and allow for greater transparency with respect to important metrics used by our management for financial and operational decision-making. We are presenting these non-GAAP financial metrics to assist investors in seeing our financial performance through the eyes of management, and because we believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry.

We define non-GAAP operating income (loss) as GAAP operating loss excluding share-based compensation expense, amortization of acquisition-related intangible assets, one-time costs associated with mergers and acquisitions, lease restructuring costs, and litigation expenses and settlements related to matters that are outside the ordinary course of our business, as applicable. We define non-GAAP net income (loss) as GAAP net loss excluding non-recurring income tax adjustments associated with mergers and acquisitions and the same exclusions that are used to derive non-GAAP operating income (loss). We define basic non-GAAP net income (loss) per share as non-GAAP net income (loss) divided by weighted-average shares outstanding ("WASO"). We define diluted non-GAAP net income per share as non-GAAP net income divided by diluted WASO. Diluted WASO includes the impact of potentially dilutive securities, which include stock options, restricted share units, performance share units, and shares subject to our 2018 employee stock purchase plan. If there is a non-GAAP net loss, basic and diluted loss per share are the same number as all potentially dilutive securities would have an antidilutive impact. There are a number of limitations related to the use of these non-GAAP measures as compared to GAAP operating loss and net loss, including that the non-GAAP measures exclude share-based compensation expense, which has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy.

We use the non-GAAP financial measure of free cash flow, which is defined as GAAP net cash flows from operating activities, reduced by cash used for purchases of property and equipment (inclusive of spend on internal-use software). We believe free cash flow is an important liquidity measure of the cash that is available, after capital expenditures and operational expenses, for investment in our business and to make acquisitions. Free cash flow is useful to investors as a liquidity measure because it measures our ability to generate or use cash. Once our business needs and obligations are met, cash can be used to maintain a strong balance sheet and invest in future

growth. There are a number of limitations related to the use of free cash flow as compared to net cash from operating activities, including that free cash flow includes capital expenditures, the benefits of which are realized in periods subsequent to those when expenditures are made.

We define calculated billings as total revenue plus the change in deferred revenue in the period. Because we recognize subscription revenue ratably over the subscription term, calculated billings can be used to measure our subscription sales activity for a particular period, to compare subscription sales activity across particular periods, and as an indicator of future subscription revenue.

Definitions of Business Metrics

Average ACV per domain-based customer

We define average ACV per domain-based customer as total outstanding ACV for domain-based subscriptions as of the end of the reporting period divided by the number of domain-based customers as of the same date. We define domain-based customers as organizations with a unique email domain name.

Dollar-based net retention rate

We calculate dollar-based net retention rate as of a period end by starting with the ACV from the cohort of all customers as of the 12 months prior to such period end, or prior period ACV. We then calculate the ACV from these same customers as of the current period end, or current period ACV. Current period ACV includes any upsells and is net of contraction or attrition over the trailing 12 months, but excludes subscription revenue from new customers in the current period. We then divide the total current period ACV by the total prior period ACV to arrive at the dollar-based net retention rate. Any ACV obtained through merger and acquisition transactions does not affect the dollar-based net retention rate until one year from the date on which the transaction closed.

About Smartsheet

Smartsheet (NYSE: SMAR) is the enterprise work management platform. The foundation for managing projects, programs, and processes for millions of global customers, Smartsheet empowers everyone to work better, at scale. Visit www.smartsheet.com to learn more.

Disclosure of Material Information

Smartsheet announces material information to its investors using SEC filings, press releases, public conference calls, and on its investor relations page of the company's website at <https://investors.smartsheet.com>.

SMARTSHEET INC.
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Revenue				
Subscription	\$ 221,522	\$ 173,533	\$ 427,523	\$ 328,809
Professional services	14,063	13,158	27,948	26,192
Total revenue	<u>235,585</u>	<u>186,691</u>	<u>455,471</u>	<u>355,001</u>
Cost of revenue				
Subscription	33,584	27,722	66,751	52,860
Professional services	13,454	12,829	26,168	24,849
Total cost of revenue	<u>47,038</u>	<u>40,551</u>	<u>92,919</u>	<u>77,709</u>
Gross profit	<u>188,547</u>	<u>146,140</u>	<u>362,552</u>	<u>277,292</u>
Operating expenses				
Research and development	58,358	53,784	114,548	106,303
Sales and marketing	129,813	124,015	244,765	239,406
General and administrative	36,523	33,200	71,501	66,244
Total operating expenses	<u>224,694</u>	<u>210,999</u>	<u>430,814</u>	<u>411,953</u>
Loss from operations	(36,147)	(64,859)	(68,262)	(134,661)
Interest income	5,847	1,281	11,064	1,669
Other income (expense), net	(55)	1,624	(591)	796
Loss before income tax provision	(30,355)	(61,954)	(57,789)	(132,196)
Income tax provision	3,002	359	5,438	574
Net loss	<u>\$ (33,357)</u>	<u>\$ (62,313)</u>	<u>\$ (63,227)</u>	<u>\$ (132,770)</u>
Net loss per share, basic and diluted	<u>\$ (0.25)</u>	<u>\$ (0.48)</u>	<u>\$ (0.47)</u>	<u>\$ (1.03)</u>
Weighted-average shares outstanding used to compute net loss per share, basic and diluted	133,829	129,645	133,196	129,091

Share-based compensation expense included in the condensed consolidated statements of operations was as follows (in thousands, unaudited):

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
Cost of subscription revenue	\$ 3,357	\$ 2,849	\$ 6,816	\$ 5,460
Cost of professional services revenue	1,915	1,756	3,825	3,233
Research and development	17,611	15,974	35,043	31,589
Sales and marketing	18,989	16,707	38,043	31,452
General and administrative	10,151	8,202	20,075	17,654
Total share-based compensation expense	<u>\$ 52,023</u>	<u>\$ 45,488</u>	<u>\$ 103,802</u>	<u>\$ 89,388</u>

SMARTSHEET INC.
Condensed Consolidated Balance Sheets
(in thousands, except share data)
(unaudited)

	July 31, 2023	January 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 237,278	\$ 223,156
Short-term investments	311,707	233,225
Accounts receivable, net of allowances of \$5,248 and \$6,285, respectively	156,492	198,643
Prepaid expenses and other current assets	54,904	55,063
Total current assets	<u>760,381</u>	<u>710,087</u>
Restricted cash	193	197
Deferred commissions	136,248	121,785

Property and equipment, net	40,262	39,395
Operating lease right-of-use assets	46,922	54,278
Intangible assets, net	33,442	39,069
Goodwill	141,723	142,415
Other long-term assets	3,595	2,983
Total assets	<u>\$ 1,162,766</u>	<u>\$ 1,110,209</u>
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 1,502	\$ 2,125
Accrued compensation and related benefits	66,181	68,347
Other accrued liabilities	35,135	27,437
Operating lease liabilities, current	17,597	19,220
Deferred revenue	461,239	457,534
Total current liabilities	581,654	574,663
Operating lease liabilities, non-current	40,068	47,564
Deferred revenue, non-current	1,679	2,195
Other long-term liabilities	343	129
Total liabilities	623,744	624,551
Shareholders' equity		
Preferred stock, no par value; 10,000,000 shares authorized, no shares issued or outstanding as of July 31, 2023 and January 31, 2023	—	—
Class A common stock, no par value; 500,000,000 shares authorized, 134,499,892 shares issued and outstanding as of July 31, 2023; 500,000,000 shares authorized, 131,845,028 shares issued and outstanding as of January 31, 2023	—	—
Class B common stock, no par value; 500,000,000 shares authorized, no shares issued and outstanding as of July 31, 2023; 500,000,000 shares authorized, no shares issued and outstanding as of January 31, 2023	—	—
Additional paid-in capital	1,360,851	1,243,730
Accumulated other comprehensive income (loss)	(429)	101
Accumulated deficit	(821,400)	(758,173)
Total shareholders' equity	539,022	485,658
Total liabilities and shareholders' equity	<u>\$ 1,162,766</u>	<u>\$ 1,110,209</u>

SMARTSHEET INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended July 31,	
	2023	2022
Cash flows from operating activities		
Net loss	\$ (63,227)	\$ (132,770)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation expense	103,802	89,388
Depreciation and amortization	13,191	12,239
Net amortization of premiums (discounts) on investments	(4,845)	(402)
Amortization of deferred commission costs	24,378	27,567
Unrealized foreign currency loss	483	423
Non-cash operating lease costs	6,322	7,905
Other, net	1,674	(1,587)
Changes in operating assets and liabilities:		
Accounts receivable	40,433	20,357
Prepaid expenses and other current assets	49	(3,804)
Other long-term assets	(798)	(131)
Accounts payable	(602)	2,002
Other accrued liabilities	8,000	6,965
Accrued compensation and related benefits	(2,337)	(8,773)
Deferred commissions	(38,840)	(36,994)
Deferred revenue	3,183	30,653
Other long-term liabilities	216	—
Operating lease liabilities	(8,052)	(7,870)
Net cash provided by operating activities	<u>83,030</u>	<u>5,168</u>
Cash flows from investing activities		
Purchases of short-term investments	(248,480)	(297,844)
Maturities of short-term investments	174,900	69,548
Proceeds from liquidation of a long-term investment	—	622
Purchases of property and equipment	(1,395)	(3,007)
Proceeds from sale of property and equipment	27	94
Capitalized internal-use software development costs	(4,815)	(4,121)
Net cash used in investing activities	<u>(79,763)</u>	<u>(234,708)</u>
Cash flows from financing activities		
Proceeds from exercise of stock options	1,070	3,649
Taxes paid related to net share settlement of restricted stock units	(1,150)	(2,513)
Proceeds from contributions to Employee Stock Purchase Plan	10,846	7,836
Net cash provided by financing activities	<u>10,766</u>	<u>8,972</u>

Effects of changes in foreign currency exchange rates on cash, cash equivalents, and restricted cash	6	(1,225)
Net increase (decrease) in cash, cash equivalents, and restricted cash	14,039	(221,793)
Cash, cash equivalents, and restricted cash at beginning of period	223,757	449,680
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 237,796</u>	<u>\$ 227,887</u>

Supplemental disclosures

Cash paid for income tax	\$ 6,186	\$ 191
Accrued purchases of property and equipment, including internal-use software	1,255	939
Share-based compensation expense capitalized in internal-use software development costs	2,065	1,747
Right-of-use assets obtained in exchange for new operating lease liabilities	—	4,464
Right-of-use asset reductions related to operating leases	1,033	110

SMARTSHEET INC. Reconciliation from GAAP to Non-GAAP Financial Measures (unaudited)

Reconciliation from GAAP to non-GAAP operating income (loss) and operating margin

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
	(dollars in thousands)			
Loss from operations	\$ (36,147)	\$ (64,859)	\$ (68,262)	\$ (134,661)
Add:				
Share-based compensation expense ⁽¹⁾	52,549	45,836	104,749	90,064
Amortization of acquisition-related intangible assets ⁽²⁾	2,707	2,484	5,416	4,967
One-time acquisition costs	—	461	—	461
Lease restructuring costs ⁽³⁾	110	—	116	—
Non-GAAP operating income (loss)	<u>\$ 19,219</u>	<u>\$ (16,078)</u>	<u>\$ 42,019</u>	<u>\$ (39,169)</u>

Operating margin	(15)%	(35)%	(15)%	(38)%
Non-GAAP operating margin	8%	(9)%	9%	(11)%

(1) Includes amortization related to share-based compensation that was capitalized in internal-use software and other assets in previous periods.
(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.
(3) Includes charges related to the reassessment of our real estate lease portfolio.

Reconciliation from GAAP to non-GAAP net income (loss) and per share data

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
	(in thousands, except per share data)			
Net loss	\$ (33,357)	\$ (62,313)	\$ (63,227)	\$ (132,770)
Add:				
Share-based compensation expense ⁽¹⁾	52,549	45,836	104,749	90,064
Amortization of acquisition-related intangible assets ⁽²⁾	2,707	2,484	5,416	4,967
One-time acquisition costs	—	461	—	461
Lease restructuring costs ⁽³⁾	110	—	116	—
Non-GAAP net income (loss)	<u>\$ 22,009</u>	<u>\$ (13,532)</u>	<u>\$ 47,054</u>	<u>\$ (37,278)</u>

Non-GAAP net income (loss) per share, basic	\$ 0.16	\$ (0.10)	\$ 0.35	\$ (0.29)
Non-GAAP net income (loss) per share, diluted	\$ 0.16	\$ (0.10)	\$ 0.34	\$ (0.29)

(1) Includes amortization related to share-based compensation that was capitalized in internal-use software and other assets in previous periods.
(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.
(3) Includes charges related to the reassessment of our real estate lease portfolio.

Reconciliation from GAAP to Non-GAAP Financial Measures
(unaudited)

Non-GAAP reconciliation from basic to diluted weighted-average shares outstanding

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
	(in thousands)			
Weighted-average shares outstanding; basic	133,829	129,645	133,196	129,091
Effect of dilutive securities:				
Shares subject to outstanding common stock awards	3,541	—	3,864	—
Non-GAAP weighted-average shares outstanding; diluted	<u>137,370</u>	<u>129,645</u>	<u>137,060</u>	<u>129,091</u>

Reconciliation from net operating cash flow to free cash flow

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
	(in thousands)			
Net cash provided by operating activities	\$ 48,459	\$ 10,221	\$ 83,030	\$ 5,168
Less:				
Purchases of property and equipment	(542)	(1,316)	(1,395)	(3,007)
Capitalized internal-use software development costs	(2,418)	(1,798)	(4,815)	(4,121)
Free cash flow	<u>\$ 45,499</u>	<u>\$ 7,107</u>	<u>\$ 76,820</u>	<u>\$ (1,960)</u>

Reconciliation from revenue to calculated billings

	Three Months Ended July 31,		Six Months Ended July 31,	
	2023	2022	2023	2022
	(in thousands)			
Total revenue	\$ 235,585	\$ 186,691	\$ 455,471	\$ 355,001
Add:				
Deferred revenue (end of period)	462,918	365,346	462,918	365,346
Less:				
Deferred revenue (beginning of period)	455,362	346,423	459,729	334,662
Calculated billings	<u>\$ 243,141</u>	<u>\$ 205,614</u>	<u>\$ 458,660</u>	<u>\$ 385,685</u>

SMARTSHEET INC.
Reconciliation from GAAP to Non-GAAP Financial Measures
(unaudited)

Reconciliation from GAAP operating loss to non-GAAP operating income guidance

	Q3 FY 2024		FY 2024	
	Low	High	Low	High
	(in millions)			
Loss from operations	\$ (49.2)	\$ (47.2)	\$ (168.0)	\$ (163.0)
Add:				
Share-based compensation expense ⁽¹⁾	52.0	52.0	215.0	215.0
Amortization of acquisition-related intangible assets ⁽²⁾	2.7	2.7	10.9	10.9
Lease restructuring costs ⁽³⁾	2.5	2.5	4.1	4.1
Non-GAAP operating income	<u>\$ 8.0</u>	<u>\$ 10.0</u>	<u>\$ 62.0</u>	<u>\$ 67.0</u>

(1) Includes amortization related to share-based compensation that was capitalized in internal-use software and other assets in previous periods.

(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.
 (3) Includes charges related to the reassessment of our real estate lease portfolio.

Reconciliation from GAAP net loss to non-GAAP net income guidance

	Q3 FY 2024		FY 2024	
	Low	High	Low	High
	(in millions)			
Net loss	\$ (46.2)	\$ (44.2)	\$ (156.0)	\$ (151.0)
Add:				
Share-based compensation expense ⁽¹⁾	52.0	52.0	215.0	215.0
Amortization of acquisition-related intangible assets ⁽²⁾	2.7	2.7	10.9	10.9
Lease restructuring costs ⁽³⁾	2.5	2.5	4.1	4.1
Non-GAAP net income	\$ 11.0	\$ 13.0	\$ 74.0	\$ 79.0

(1) Includes amortization related to share-based compensation that was capitalized in internal-use software and other assets in previous periods.

(2) Consists entirely of amortization of intangible assets that were recorded as part of purchase accounting. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized.

(3) Includes charges related to the reassessment of our real estate lease portfolio.

Smartsheet Inc.

Investor Relations Contact

Aaron Turner

investorrelations@smartsheet.com

Media Contact

Chrissy Vaughn

pr@smartsheet.com

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