

### iLearningEngines Reports Fourth Quarter and Full Year 2023 Results

April 22, 2024



# Fourth quarter revenue grew 39% year-over-year to \$116 million

"The fourth quarter capped off a strong 2023," said Harish Chidambaran, Chief Executive Officer of it.eamingEngines, "During 2023, we expanded our core markets, grew end customers and licensed users, achief ved 36% revenue growth year-over-year, and reached \$447 million of annual recurring revenue. We are pleased to be carrying this business m Key Fourth Quarter & Full Year 2023 Financial Highlights

- Revenue fourth quarter 2023 revenue of \$116 million increased 39% year-over-year. Full year 2023 revenue of \$421 million increased 36% year-over-year.

- Annual Recurring Revenue ("ARR") 
  ARR of \$447 million increased 43% year-over-year.

  Net Dollar Retention ("NDR") 
  NDR of 125% in 2023 increased compared to 117% in 2022.

  Net Loss Fourth quarter GAAP net loss of \$4 million. Full year 2023 GAAP net loss of \$4 million.
- Adjusted EBITDA & Adjusted EBITDA Margin 2 Fourth quarter 2023 adjusted EBITDA of \$10 million, and full year 2023 adjusted EBITDA of \$23 million. Adjusted EBITDA margin expanded by 240 basis points in Q4 2023 compared to Q4 2022, and 85 basis points in full year 2023 compared to full year 2023.

<sup>1</sup> For additional information regarding ARR and NDR, please see the section titled "Certain Definitions" at the end of this press release.
<sup>2</sup> Adjusted EBITDA and Adjusted EBITDA margin are a non-GAAP financial measures. For descriptions and reconciliations of our non

## • Financial Summary & Operating Metrics (In millions) - Fourth Quarter 2023

Metric,	Q4 2023	Q4 2022	<u> </u>
Revenue	116	83	39%
ARR	447	314	43%
Gross profit	80	58	38%
Net (loss) income	(4)	8	NM
Adjusted EBITDA	10	3	NM
Adjusted EBITDA Margin	8.6%	3.5%	NM

# • Financial Summary & Operating Metrics (In millions) - Full Year 2023

Metric.	FY 2023	FY 2022	<u>∆ Y/Y</u>
Revenue	421	309	36%
ARR	447	314	43%
Gross profit	288	215	34%
Net (loss) income	(4)	11	NM
Adjusted EBITDA	23	13	NM

- Strong customer and partner growth includes adding three new value-added resellers ("VARs") in 2023, bringing total Contracted Customers to 29.
  Reached more than 4.4 million licensed users at the end of 2023.
  On April 16, 2024, successfully completed a business combination (the "Business Combination") transaction with Arrowroot Acquisition Corp. ("Arrowroot") and began trading as a public company under the ticker "AILE" on April 17, 2024.
  Appointed Matthew Barger, Ian Davis, Bruce Mehlman, Michael Moe, and Tom Olivier to its Board of Directors.
  Finished 2023 with 508 employees globally, including 98 full-time employees and 410 contractors.

The Company intends to host a conference call in May 2024 to discuss first quarter 2024 financial results.

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		Yes	ar Ended December 31,		Amount	Chan	ie .	% Change	
	2023		2022	2021	2023 vs 2022		2022 vs 2021	2023 vs 2022	2022 vs 2021
Revenue	\$ 420,582	\$	309,170	\$ 217,867	\$ 111,412	\$	91,303	36.0 %	41.9%
Cost of revenue	132,154		93,890	 64,834	38,264		29,056	40.8%	44.8%
Gross profit	288,428		215,280	153,033	73,148		62,247	34.0 %	40.7%
Operating expenses:									
Selling, general, and administrative expenses	140,897		105,966	74,434	34,931		31,532	33.0 %	42.4%
Research and development expenses	128,544		97,436	70,913	31,108		26,523	31.9%	37.4 %
Total operating expenses	269,441		203,402	 145,347	66,039		58,055	32.5%	39.9%
Operating income	18,987		11,878	7,686	7,109		4,192	59.9%	54.5 %
Other (expense) income:									
Interest expense	(6,274)		(6,614)	(5,047)	340		(1,567)	5.1%	31.0%
Change in fair value of warrant liability	(771)		248	(83)	(1,019)		331	NM	NM
Change in fair value of convertible notes	(14,147)				(14,147)			NM	NM
Other expense	(45)		(21)	 (3)	(24)		(18)	NM	NM
Total other expense, net	(21,237)		(6,387)	 (5,133)	(14,850)		(1,254)	NM	24.4 %
Net income before income tax (expense) benefit	(2,250)		5,491	2,553	(7,741)		2,938	NM	NM
Income tax (expense) benefit	(2,157)		5,975	 (32)	(8,132)		6,007	NM	NM
Net (loss) income	\$ (4,407)	\$	11,466	\$ 2,521	\$ (15,873)	\$	8,945	NM	NM

# ILEARNINGENGINES, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (In thousands, except share amounts)

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	As of December	
	2023	2022
Assets		
Current assets:		
Cash	\$ 4,763 \$	856
Restricted cash	2,000	
Accounts receivable, net of provision for credit loss of \$336 and \$0, respectively	73,498	34,698
Contract asset	509	9,408
Prepaid expenses	62	88
Total current assets	80,832	45,050
Receivable from Technology Partner	13,602	10,217
Receivable from related party	465	595
Other assets	729	885
Deferred tax assets, net	5,703	6,798
Deferred transaction costs	3,990	
Total assets	\$ 105,321 <u>\$</u>	63,545
Liabilities and shareholders' deficit		
Current liabilities:		
Trade accounts payable	s 3,753 s	787
Accrued expenses	2,982	1,284
Current portion of long-term debt, net	10,517	8,138
Contract liability	2,765	2,108
Payroll taxes payable	3,037	2,789
Other current liabilities	116	237
Total current liabilities	23,170	15,341
Convertible notes	31,547	· ·
Warrant liability	11,870	7,645
Long-term debt, net	10,679	9,713
Subordinated payable to Technology Partner	49,163	47,495
Other non-current liabilities	74	126
Total liabilities	126,503	80,320
Shareholders' deficit:		
Common Shares \$0.0001 par value: 200,000,000 shares authorized: 95,782,605 shares issued and outstanding at December 31, 2023 and December 31, 2022	10	10
Additional paid-in capital	36,384	36,384
Accumulated deficit	(57.576)	(53,169)
Total shareholders' deficit	(21.182)	(16,775)
Total liabilities and shareholders' deficit	S 105.321 S	63.545
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# ILEARNINGENGINES, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

	(In thous	ands)		
			Years ended December 31.	
	-	2023	2022	2021
Cash flows used in operating activities:				
Net (loss) income	\$	(4,407) \$	11,466	\$ 2,521
Adjustments to reconcile net income to net cash flows used in operating activities:				
Depreciation and amortization		128	77	_
Share based compensation expense		_	_	39
Amortization of debt discount and debt issuance costs		2,103	3,248	2,186
Provision for deferred taxes		1,095	(6,798)	_
Accretion of interest on subordinated payable to Technology Partner		1,668	1,667	1,668
Change in fair value of warrant liability		771	(248)	83
Change in fair value of convertible debts		14,147	_	_
Provision for credit losses		336	_	_
Changes in operating assets and liabilities:				
Accounts receivable		(39,136)	(18,740)	(5,395)
Receivable from related party		130	20	(350)
Contract asset		8,899	7,645	2,115
Advance to customer		_	362	(362)
Prepaid expenses and other current assets		26	(31)	(56)
Receivable from Technology Partner		(3,385)	(9,490)	(727)
Trade accounts payable		1,906	163	536
Accrued expenses and other current liabilities		(47)	702 613	(718) 613
Contract liability Subordinated payable to Technology Partner		659	613	613 (10,503)
Payroll taxes payable		248	401	116
Deferred transaction costs		(1,307)		
Net cash flows used in operating activities		(16,166)	(8,943)	(8,234)
Cash flows (used in) provided by investing activities:				
Purchase of property and equipment		(24)	_	(18)
Cash acquired from business acquisition			161	
Net cash flows (used in) provided by investing activities:		(24)	161	(18)
Cash flows provided by financing activities:				
Proceeds from term loans		15,000	10,000	7,000
Repayment of term loans		(10,303)	(4,766)	(272)
Proceeds from convertible notes		17,400		
Other financing activities			(3)	1
Net cash flows provided by financing activities:		22,097	5,231	6,729
Net change in cash		5,907	(3,551)	(1,523)
Cash and restricted cash, beginning of year		856	4,407	5,930
Cash and restricted cash, end of year	<u>\$</u>	6,763 \$	856	\$ 4,407
Supplemental disclosure of cash flows information:	·			
Cash paid during the year for interest	\$	2,510 \$	3,557	\$ 922
Supplemental disclosure of non-cash investing and financing information:				
Issuance of warrants to purchase common shares	\$	3,455 \$	1,027	\$ 3,193
Issuance of equity for acquisition of In2vate, LLC	\$	_ s	883	\$ -
Accrued transaction costs	\$	2,683 \$	_	\$
Capital contribution from cancellation of convertible notes	\$	_ s	_	\$ 574
Reconciliation of cash and restricted cash				
Cash	\$	4,763 \$	856	\$ 4,407
Restricted cash	\$	2,000 \$	_	<u>s</u>

(a) "APIR" or "Annual Recursing Revenue" means the annualized recurring value of all active maintenance and support revenue that a support revenue that are not destroying bends attending the Company's tourises. APIR in disable of the revenue recognition embodates used or APIR in a disable and several receivable or several recursion and in receivable or several receivable

- a. NDR is calculated as the dollar value of recurring revenue from existing clients at the end of the prior period, plus the current period's dollar impact of upsells or cross-sells from the prior period's existing clients, minus the current period's dollar impact of upsells or cross-sells from the prior period's existing clients, whiched by prior period recurring revenues from existing clients.

  The dollar impact of upsells or cross-sells is calculated as the sum of incremental recurring revenue between the end of the prior period and the end of the current period from the prior period's existing clients that expanded usage of our products resulting in incremental recurring revenues earned in the current period.

  The dollar impact of chum or downgrades is calculated as the difference in recurring revenue between the end of the prior period and the end of the current period from the prior period's existing clients that have decreased in usage or are no longer revenue contributing customers.

### Forward-Looking Stateme

Forward Looking Statements

Chain statements included in the press release that are not historical facts are forward-looking statements for purposes of the safe harbor provisions under the United States Private Securities Lifegation Reform Act of 1999 with respect to the Business Combination. Forward looking statements agreemably are accompanied by words such as "believe," "regific," "provided," "peer," "peer," "provided," "peer," "provided," "peer," "provided," "peer," "peer,"

in addition to financial information prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), this press release also contains adjusted EBITDA and adjusted EBITDA margin. The Company believes these measures provide investors and management with supplemental information relating to operating performance and prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), this press release also contains adjusted EBITDA and adjusted EBITDA and adjusted EBITDA margin. The Company believes these measures provide investors and management with supplemental information relating to operating performance and the prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), this press release also contains adjusted EBITDA and adjusted EBITDA and adjusted EBITDA margin. The Company believes these measures provide investors and management with supplemental information relating to operating performance and the prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), this press release also contains a dispatch of the prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), this press release also contains a dispatch of the prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), this press release also contains a dispatch of the prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), this press release and the prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), this press release also contains a dispatch of the prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), this press release also contains a dispatch of the prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), this press release also contains a dispatch of the prepared in accordance with U.S. Generally Accepted Accepted ("GAAP"), this press release and the prepared in accordance with U.S. Generally Accep Adjusted EBITDA is calculated net (loss) income plus: (1) interest, (2) taxes, (3) depreciation and amortization, (4) stock-based compensation and other stock-settled obligations; (5) goodwill, long-lived assets and intampble asset impairments; (6) legal reserves and settlements; (7) restructuring and other related reorganization costs, and (8) non-recurring expenses and income. Adjusted EBITDA is a perform ressure that the Company uses to assess its operating performance and the operating leverage within its business. The Company monitors Adjusted EBITDA margin is calculated as Adjusted EBITDA margin is calculated as Adjusted EBITDA margin is calculated as Adjusted EBITDA with the Company of the Compa

The Company betimes the use of non-GAAP financial measures provide the Company is familiar to import and in companing carried used with prior period measures and understanding performance. Non-GAAP financial measures provide the Company and its investors with an indication of the Company's baseline performance before items that are consistent of the Company of the

These non-GAAP Financial measures should be considered in addition to, but not as a substitute for, the information prepared in accordance with GAAP. In addition, from time to lime in the future there may be other items that the Company may exclude for purposes of its non-GAAP financial measures, and the Company may determine to modify the nature of its adjustments to arrive at its non-GAAP financial measures. The Company strongly encourages investors to review its consolidated financial statements and publicly filed reports in their entirety and cautions investors that the non-GAAP financial measures used by the Company may differ from similar measures. Used by other companies, even when similar terms are used to identify such measures.

ving table presents a reconciliation of Adjusted EBITDA to net (loss) income, the most directly comparable financial measure stated in accordance with GAAP, for the periods presented:

		Year Ended December 31,		
	1023	2022	2021	
· · · · · · · · · · · · · · · · · · ·		(Dollars in thousands)		
\$	(4,407)	\$ 11,466	\$	2,521
	6,274	6,614		5,047
	2,157	(5,975)		32
	128	77		
	4,152	12,182		7,600
	45	21		3

Share-based compensation expense Transaction costs<sup>3</sup> Change in fair value of warrant liability Change in fair value of convertible notes Adjusted EBITDA Adjusted EBITDA Margin

		39
4,280 771	709 (248)	159
771	(248)	83
14,147	· ·	and the second s
\$ 23,395	\$ 12,664	\$ 7,884
5.6%	4.1%	3.6%

3 Represents legal, tax, accounting, consulting, and other professional fees related to the merger with Arrowroot and previously explored strategic alternatives, all of which are non-recurring in nature