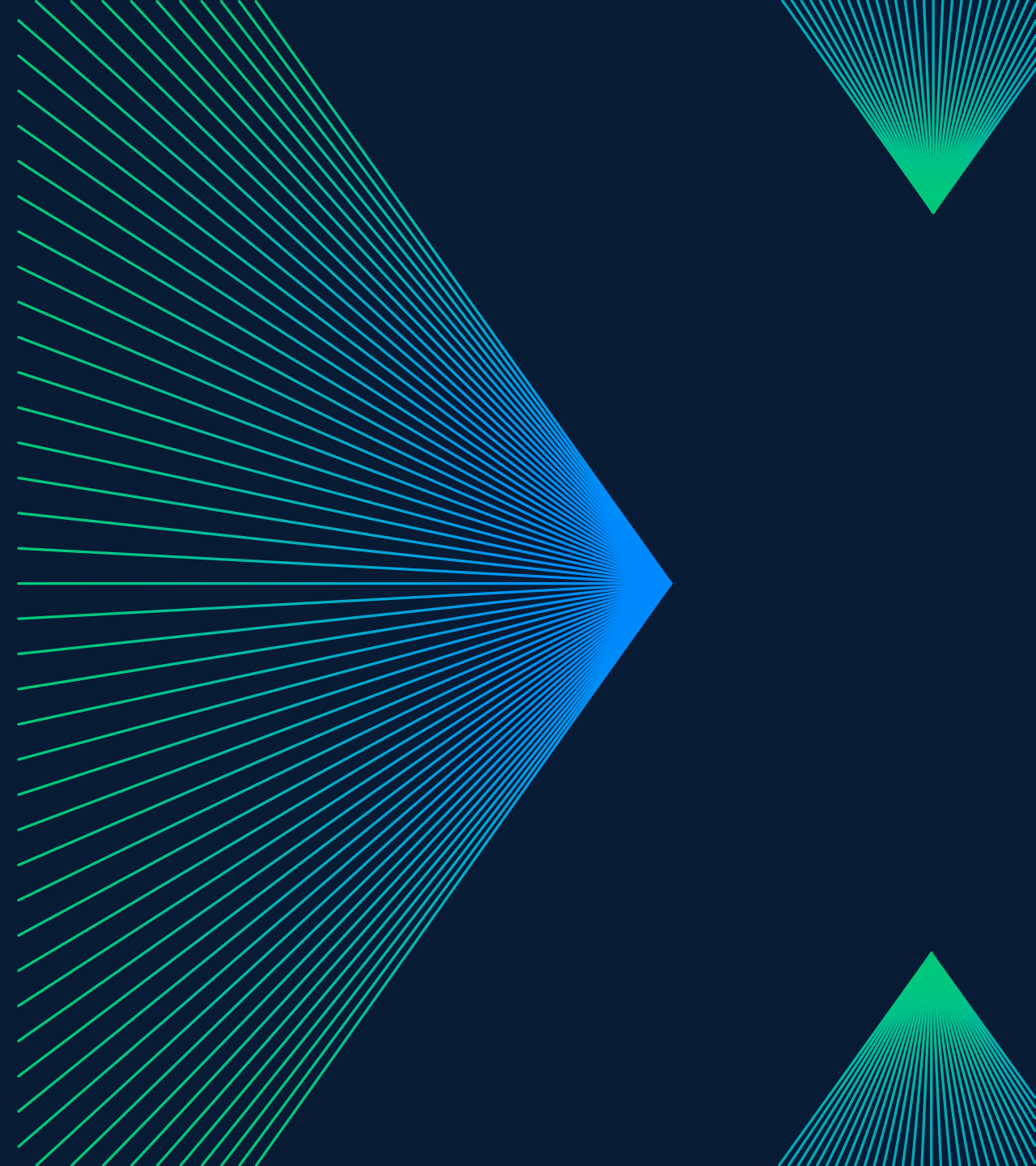




Investor Presentation

November 2024



Disclaimer

This presentation may contain “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. In this context, forward-looking statements generally relate to future events or our future financial or operating performance and often contain words such as: “anticipate,” “intend,” “plan,” “goal,” “seek,” “believe,” “outlook,” “project,” “estimate,” “expect,” “future,” “likely,” “may,” “should,” “continue,” “will” and similar words and phrases indicating future results. The information presented in this presentation related to our expectations of future performance, including guidance for our revenue and Adjusted EBITDA for the full year 2024, the continued strength of our financial position and execution on behalf of buyers and suppliers, the macroeconomic backdrop within verticals in which we have domain expertise, future trends reflecting transaction retention, our ability to accelerate revenue growth, the advancement of our growth, profit and value creation objectives through integration partnerships and the launch and scaling of new products, and other statements that are not purely statements of historical fact, are forward-looking in nature. These forward-looking statements are made on the basis of management’s current expectations, assumptions, estimates and projections and are subject to significant risks and uncertainties that could cause actual results to differ materially from those anticipated in such forward-looking statements. We therefore cannot guarantee future results, performance or achievements.

Factors which could cause actual results or effects to differ materially from those reflected in forward-looking statements include, but are not limited to, the risk factors and other cautionary statements described, from time to time, in AvidXchange’s filings with the Securities and Exchange Commission (“SEC”), including, without limitation, AvidXchange’s Annual Report on Form 10-K and other documents filed with the SEC, which may be obtained on the investor relations section of our website (<https://ir.avidxchange.com/>) and on the SEC website at www.sec.gov. Any forward-looking statements made by us in this presentation are based only on information currently available to us and speak only as of the date they are made, and we assume no obligation to update any of these statements in light of new information, future events or otherwise unless required under the federal securities laws.

To supplement the financial measures presented in our presentation and related conference call in accordance with generally accepted accounting principles in the United States (“GAAP”), we also present the following non-GAAP measures of financial performance: Non-GAAP Gross Profit, Adjusted EBITDA, Non-GAAP Net Income (Loss) and Non-GAAP Earnings Per Share.

A “non-GAAP financial measure” refers to a numerical measure of our historical or future financial performance or financial position that is included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in our financial statements. We provide certain non-GAAP measures as additional information relating to our operating results as a complement to results provided in accordance with GAAP. The non-GAAP financial information presented herein should be considered in conjunction with, and not as a substitute for or superior to, the financial information presented in accordance with GAAP and should not be considered a measure of liquidity. There are significant limitations associated with the use of non-GAAP financial measures. Further, these measures may differ from the non-GAAP information, even where similarly titled, used by other companies and therefore should not be used to compare our performance to that of other companies.

We have presented Non-GAAP Gross Profit, Adjusted EBITDA, Non-GAAP Net Income (Loss) and Non-GAAP Earnings Per Share in this presentation. We define Non-GAAP Gross Profit as revenue less cost of revenue excluding the portion of depreciation and amortization and stock-based compensation expense allocated to cost of revenues. We define Adjusted EBITDA as our net loss before depreciation and amortization, impairment and write-off of intangible assets, interest income and expense, income tax expense (benefit), stock-based compensation expense, transaction and acquisition-related costs expensed, change in fair value of derivative instrument, non-recurring items not indicative of ongoing operations, and charitable contributions of common stock. We define Non-GAAP Net Income (Loss) as net loss before amortization of acquired intangible assets, impairment and write-off of intangible assets, stock-based compensation expense, transaction and acquisition-related costs expensed, change in fair value of derivative instrument, non-recurring items not indicative of ongoing operations, acquisition-related effects on income tax, and charitable contributions of common stock. Non-GAAP income tax expense is calculated using our blended statutory rate except in periods of non-GAAP net loss when it is based on our GAAP income tax expense. In each case, non-GAAP income tax expense excludes the effects of acquisitions in the period on tax expense. We define Non-GAAP Earnings per Share as Non-GAAP Net Income (Loss) per diluted share.

We believe the use of non-GAAP financial measures, as a supplement to GAAP measures, is useful to investors in that they eliminate items that are either not part of our core operations or do not require a cash outlay, such as stock-based compensation expense. Management uses these non-GAAP financial measures when evaluating operating performance and for internal planning and forecasting purposes. We believe that these non-GAAP financial measures help indicate underlying trends in the business, are important in comparing current results with prior period results and are useful to investors and financial analysts in assessing operating performance.

Presenting AvidXchange

Today's Hosts



Michael Praeger

Chief Executive Officer and Co-Founder



Joel Wilhite

Chief Financial Officer

Our Mission

Transform the way middle market companies pay and receive bills.



Avidxchange's Investment Thesis

Purpose-Built Middle-Market (MM) AP and Payments Automation AVDX Targets \$40 Billion Market Opp.

1

B2B Payments Dominated by Paper Checks with E-Payment Secular Shift Powered by Macro, Commercial & Demographic Trends

2

AvidPay is a Differentiated, Two-Sided Network Leading the MM Industry in Capitalizing on the Secular Shift to AP Automation and E-Payment Adoption

3

AVDX's Decades-in-the-Making 240 Vertical & Horizontal ERP Integrations & G-T-M Motion Aligns with MM Businesses & Creates Competitive Moat

4

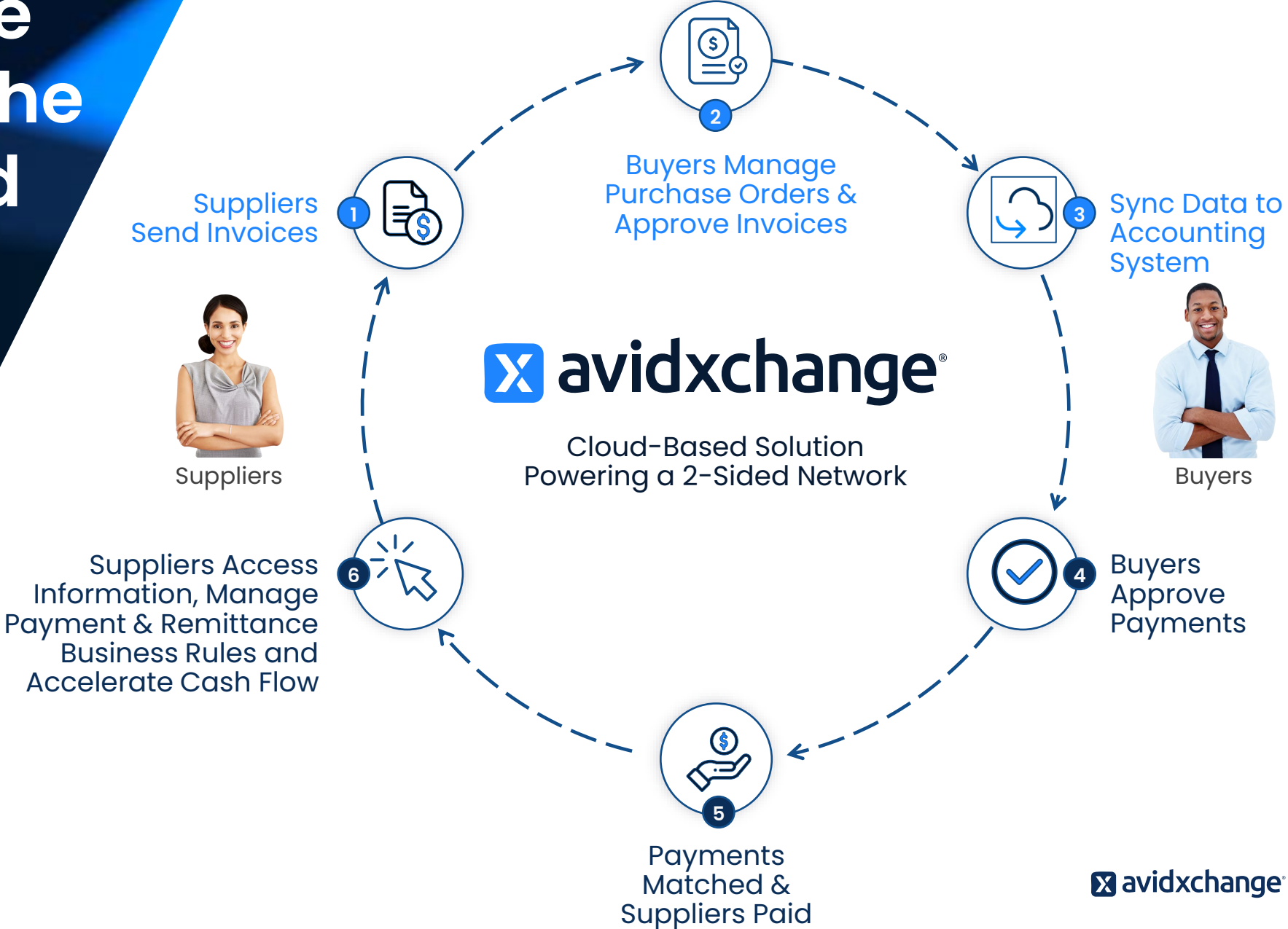
Avid's Business Flywheel Fosters Innovation Across Each Gear Propelling Revenue Growth & Margin Expansion

5

Solid Balance Sheet (\$100 Mil. Share Repurchase) with Large Addressable Market, Secular Shift to Automation & E-Pay, a Highly Profitable & Cash Generative Financial Model with Strong Operational Execution Equals Significant Value Creation Opportunity for Investors

6

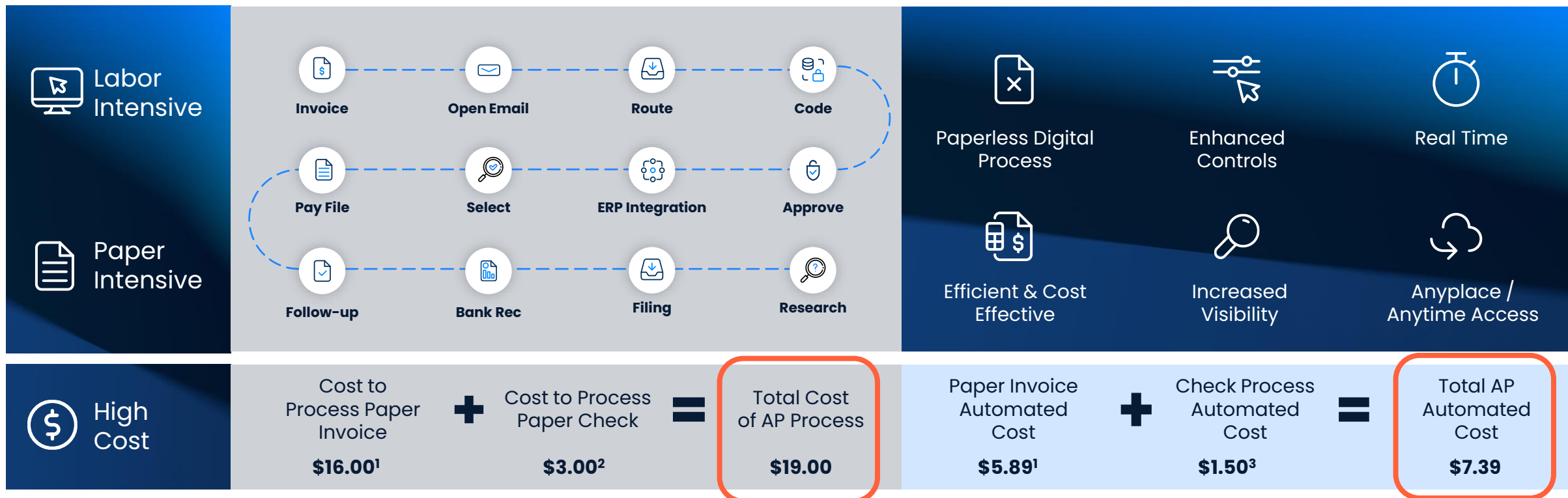
AvidXchange Automates the Entire AP and Payment Workflow



Traditional Workflows are Manual, Slow, and Expensive

BEFORE AUTOMATION

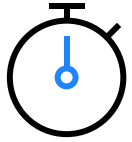
AFTER AUTOMATION



\$12 Estimated Savings Per Transaction

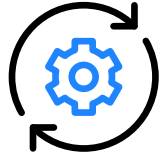
1. Goldman Sachs Equity Research
 2. AFP Payments Study
 3. Paymentcloudinc

Middle market customers' unique challenges



Inefficient Legacy Solutions

42% of U.S. B2B payment volume still paid using **paper checks** requiring manual intervention



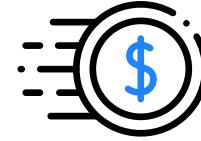
Complex Integration Requirements

Hundreds of accounting systems and integrations resulting in **complex and highly specific business, accounting and compliance requirements**



Underserved Target Market

Highly fragmented market of vertical focused ERP and software solutions



High Costs

Costs related to these complex AP workflows are a significant component of middle market companies' **administrative expenses**



Status Quo Mindset

Traditional long tenured finance leaders maintain **status quo financial processes**

We Believe Middle Market Customers Have Unique Needs

	SMB	MIDDLE MARKET	ENTERPRISE
ILLUSTRATIVE AR/AP SOLUTIONS			
ANNUAL REVENUE	< \$5mm	\$5mm-\$1bn	> \$1bn
EMPLOYEE SIZE	~1-50 employees	~50-1000 employees	1000+ employees
AVAILABLE US MARKET (COUNT OF BUSINESSES)	~23mm	~435k	~6k
ADOPTION OF AUTOMATION	Emerging	Early Adopter	Maturing
BACK OFFICE COMPLEXITY			
SUPPLY CHAIN COMPLEXITY			
ILLUSTRATIVE ACCOUNTING SYSTEMS			

We Are Purpose Built for Solving the Problems of the Middle Market



Buyer

- > Improve and Control Spend
- > Eliminate Paper Processes
- > Reduce Manual Data Entry & Fraud
- > Increase Visibility
- > Manage Suppliers
- > Audit / Regulatory Trails



Supplier

- > Invoice Reconciliation
- > Remove Costly Frictions
- > Send Invoices Electronically
- > Decrease Data Entry
- > Improve Cash Forecasting
- > Provide Working Capital

Our AvidPay Network

Proprietary, Market Leading B2B Payments Network for Middle Market Buyers and Their Suppliers

Growing supplier density leads to increased e-payment adoption which drives higher monetization rates

✓ **Two-sided network**

✓ **Variety of faster payment methods**

✓ **Data-driven**



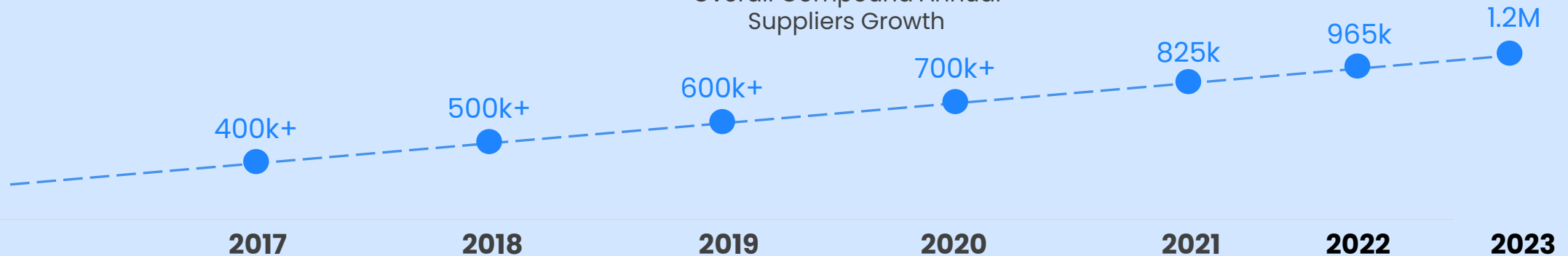
OUR SECRET SAUCE

GROWTH OF OUR AVIDPAY NETWORK

SUPPLIERS PAID VIA THE AVIDPAY NETWORK OVER THE PAST 7 YEARS*

20%

Overall Compound Annual Suppliers Growth



Enterprise

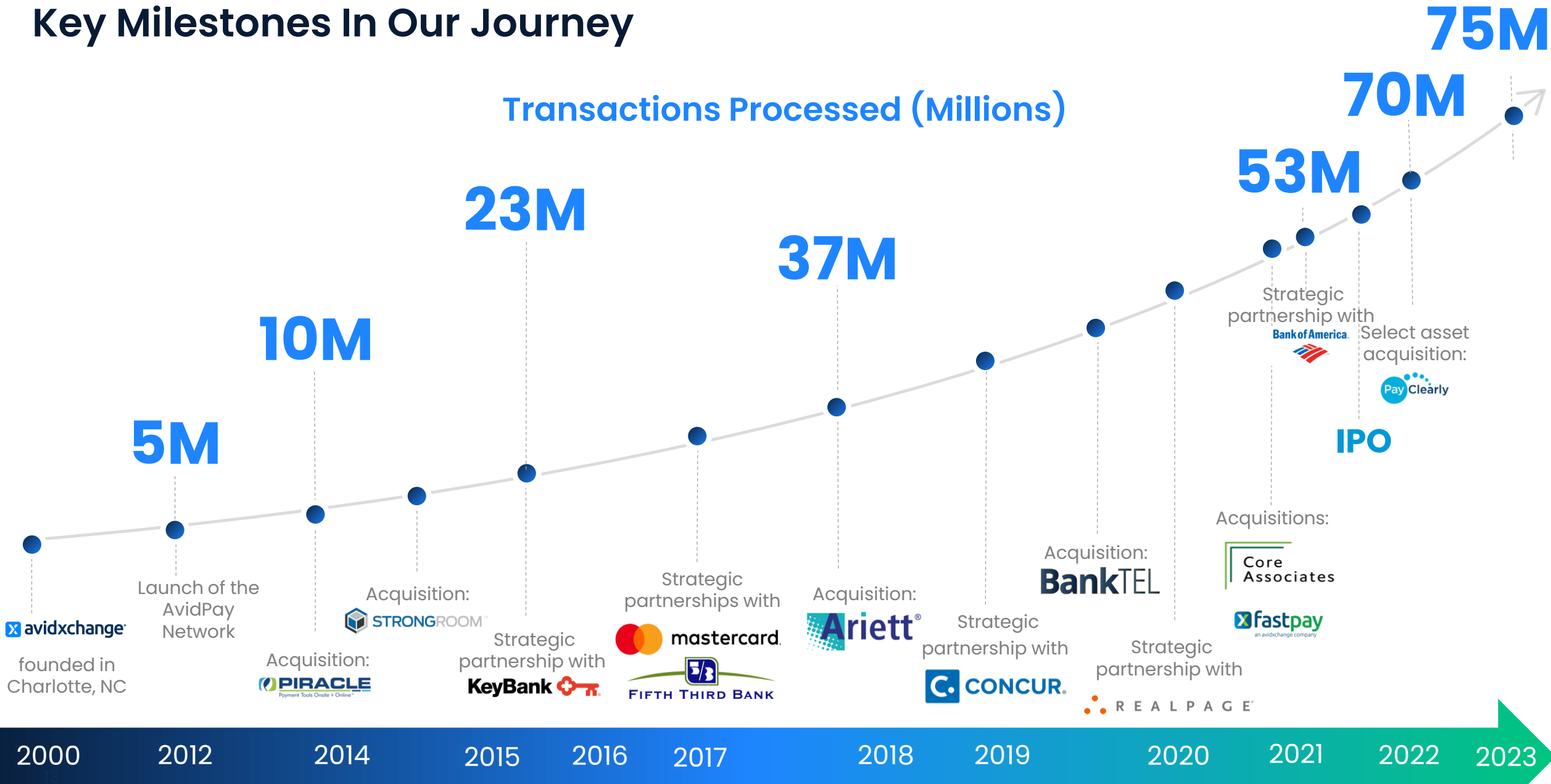


Middle Market



SMB

Key Milestones In Our Journey





Our Large Market Opportunity and Go-to- Market Strategies

The Middle Market B2B Payments Industry is Massive...

\$25T+

B2B Payments
in North America
annually

Est. U.S. Annual
B2B Opportunity

\$40B

Est. AP Automation
Solutions and B2B
Payment Revenue
Opportunity

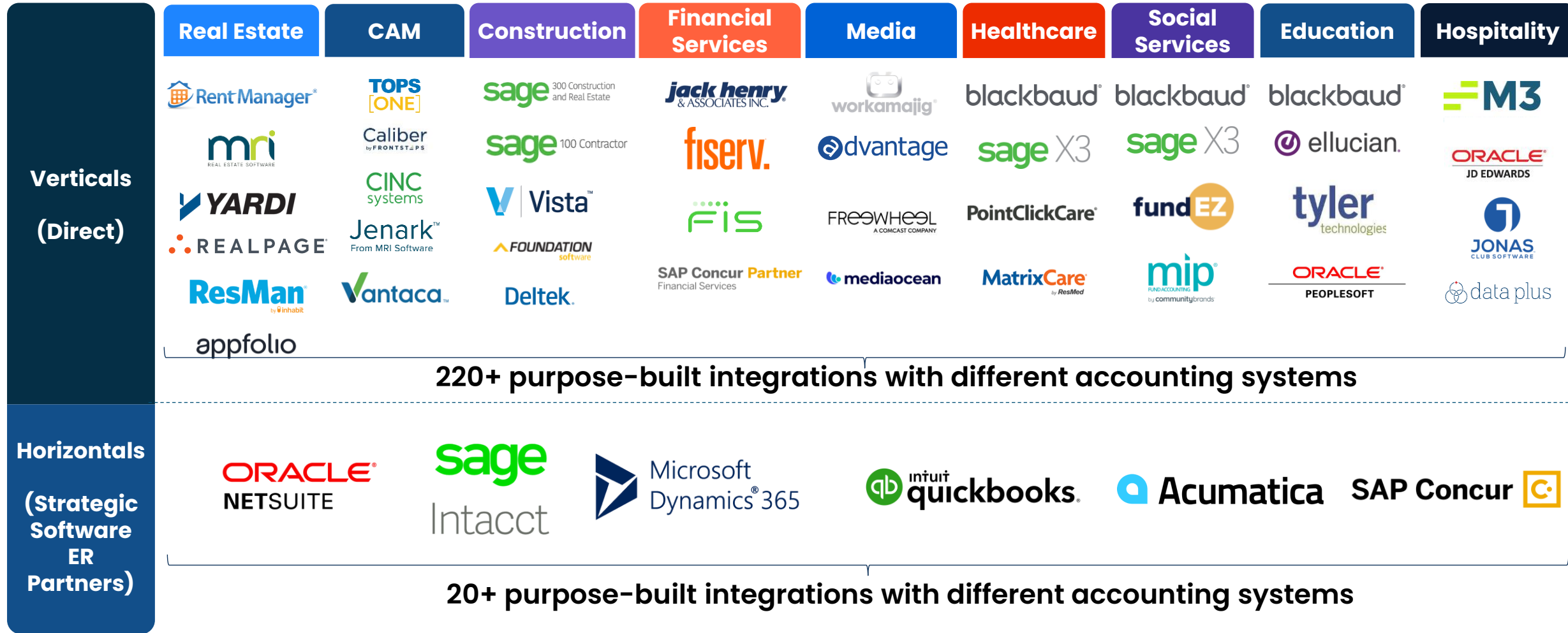
\$20B

 **avidxchange**

\$380M

2023 Revenue

Our Vertical and Horizontal Strategy



Strong Partner Relationships Provide a Competitive Advantage



Bank Channel

Banks provide a wider suite of products to customers by offering AvidXchange's AP automation and payment software

Banks leverage their long-term business customer relationships to sell AvidXchange products

Reseller Partners



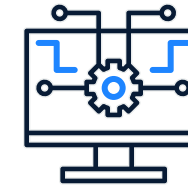
Referral Partners



PACIFIC PREMIER BANK



10+
Bank Referral
Partners



Middle Market Software and Solution Partners

Numerous reseller and referral partners with flexible revenue sharing / commission agreements

Training, implementation, account management, and customer support are provided by AvidXchange

Reseller Partners



Referral Partners



260+
Referral
Partners

Our Growth Strategies

Tailwinds Accelerating Middle Market Adoption



Movement to the “Cloud” and Business Continuity

COVID-19 highlighted the importance of having all key financial applications in the Cloud along with automation for business continuity and support “work from home”



Fraud Risk

Growing concerns over fraud risk and data privacy with paper invoices and paper checks with the majority of B2B payment fraud occurring with paper checks



Generational Shift

Growing trend towards tech-savvy younger next generation CFOs and finance leaders are taking on increased automation leadership roles in customers



Compelling ROI & Value Proposition

Users have experienced the value proposition benefits of SaaS / cloud solutions driving lower cost of ownership along with rapid (less than 12 months) return on investment for AvidXchange offerings

AvidXchange is Purpose Built for the Middle Market



Industry Leading AP Automation & Payment Services

Built for both the **vertical** and **horizontal** industry needs of middle market companies



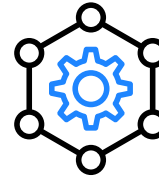
The Largest Network of Unique Suppliers

965,000 supplier customers of all sizes nationwide paid within the last 5 years



Deep Vertical Domain Expertise & Strategic Partnerships

Strategic partnerships with industry leaders like **Mastercard, Wise, etc.**



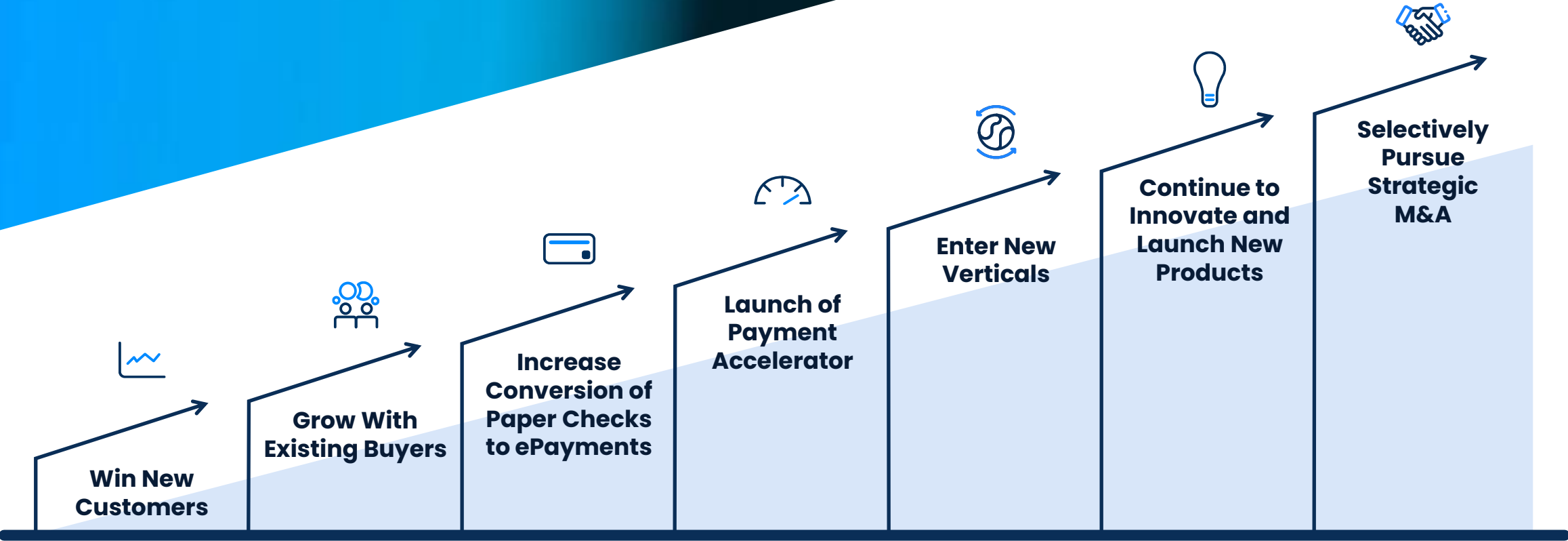
240+ Integrations Supporting Both Vertical Industry & Horizontal Customers

Our solutions are **highly integrated** to our customers core accounting / ERP systems supporting the business requirements of our **vertical and horizontal customers**

Powerful Flywheel Business Model for Long-term Growth

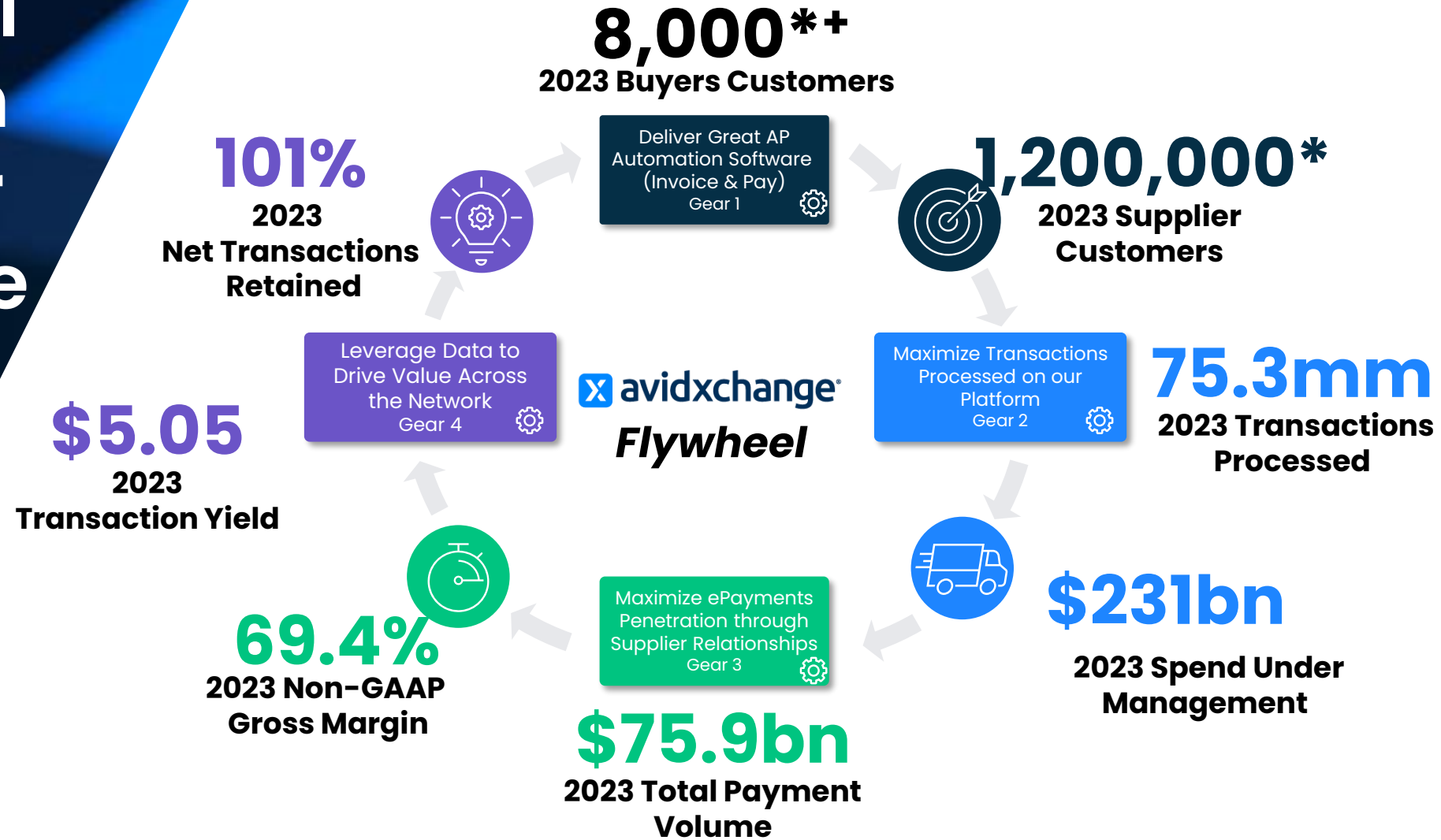


Multiple Strategic Growth Drivers



Financial Overview

Our Financial Monetization Story via Our AvidXchange Flywheel



*Reflects Contributions from 240 Accounting Systems Integrations and 270 Referral Partnerships.
 +Reflects the decommissioning and exit of roughly 1,400 on-premise check printing software Create-a-Check buyer customers. See "Appendix" section for further Details.

Q3 2024 Highlights*

Total Revenue

\$112.8M

Q3 24

\$98.7M

Q3 23



14.3%

Total Transactions Processed

20.2M

Q3 24

19.2M

Q3 23



5.2%

Cash

\$394.3M

Q3 24

Debt**

\$13.9M

Q3 24

CPOA**

\$43.5M

Q3 24

Non-GAAP Gross Profit Margin

74.5%

Q3 24

70.0%

Q3 23



450bps

Total Payment Volume

\$21.5B

Q3 24

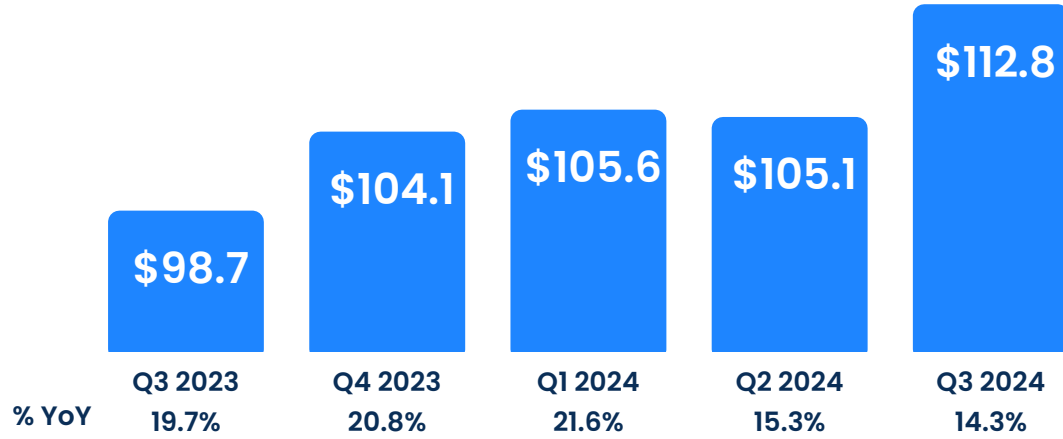
\$19.6B

Q3 23

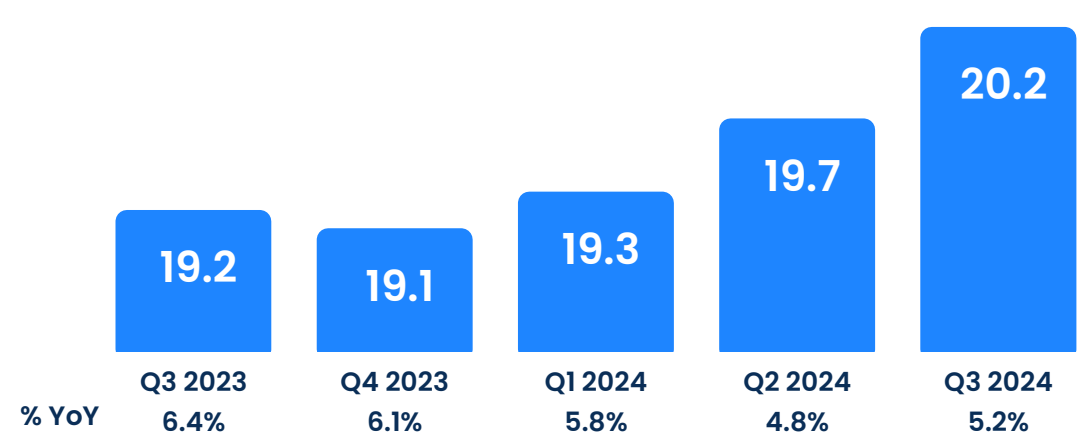


9.4%

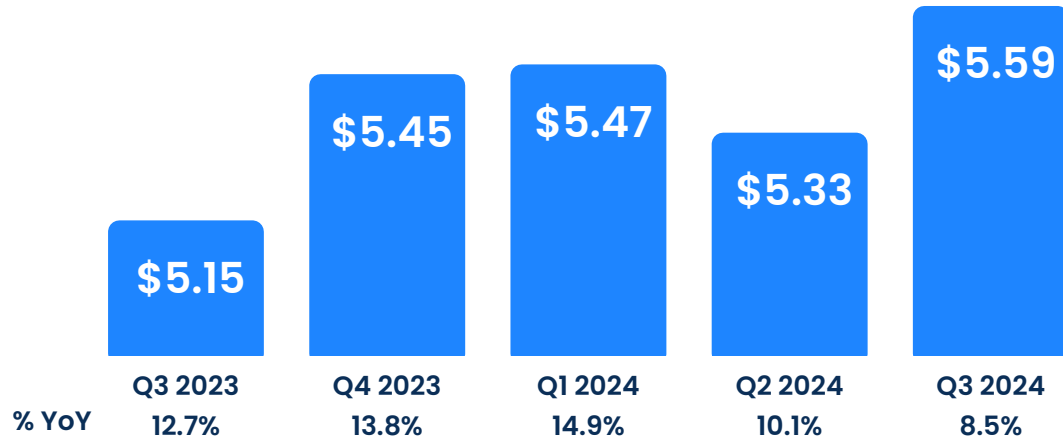
Total Revenue (*\$million*)



Total Transactions Processed (*million*)



Total Transaction Yield



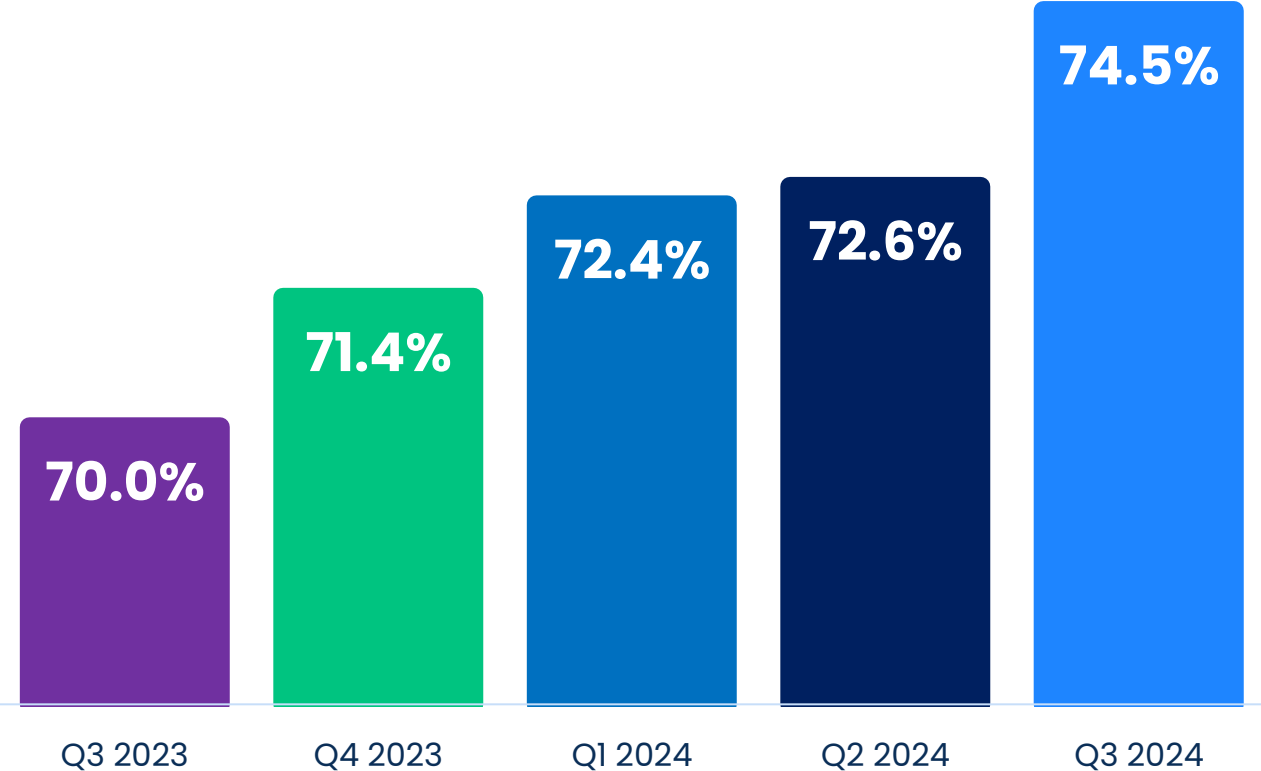
Total Payment Volume (*\$Billion*)



Non-GAAP Gross Margin*

Non-GAAP gross profit of
\$84.0 or **74.5%**
of total revenue

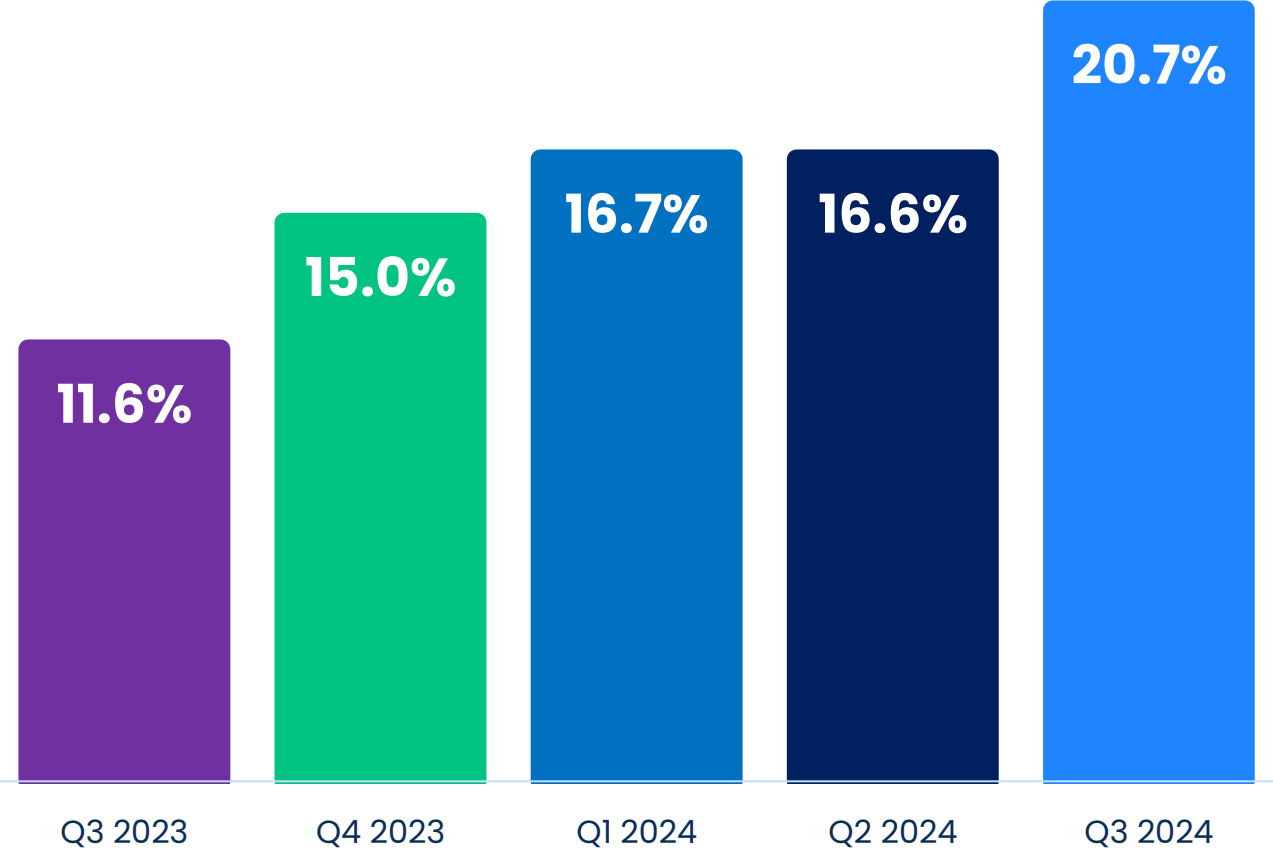
Gross margin expansion of 450 basis points year-over-year.



*Third quarter 2023 Non-GAAP profit included a favorable out of period adjustment, the net contribution of which was \$ 1.5 million, or 50 basis points.

Adjusted EBITDA Margin*

Adjusted EBITDA margin expansion reflects sustained revenue growth, unit cost reduction and operating leverage



*Third quarter 2023 adjusted EBITDA included a favorable out of period adjustment, the net contribution of which was \$ 1.5 million, or 140 basis points.

Full Year 2024 Financial Outlook

\$(millions)

FY 2024	LOW	HIGH
Revenue ^(1&2)	\$437.0	\$439.0
% YoY Growth	14.8%	15.3%
Adj. EBITDA ^(1,2&3)	\$78.0	\$79.0
Non-GAAP Dil. EPS ⁽³⁾	\$0.24	\$0.25

- (1) The full year 2024 financial outlook anticipates interest revenue contribution of approximately \$50.0 million compared to \$49.0 million previously.
- (2) The current FY 2024 guidance anticipates political revenue contribution of approximately \$6.5 million compared to \$9.0 million previously.
- (3) Reconciliation of adjusted EBITDA to GAAP net loss and Non-GAAP diluted EPS to basic and diluted EPS on a forward-looking basis is not available without unreasonable efforts due to the high variability, complexity and low visibility with respect to the items excluded from the non-GAAP measures.

Medium Term Goals (2025E)

72%–75%

Non-GAAP Gross
Profit Margin

20%+

Adjusted EBITDA
Margin

40+

Rule of 40

E = Estimates.

20%+ Estimated CAGR Revenues

Long Term Goals (5 Years)

75%+

Non-GAAP Gross
Profit Margin

30%+

Adjusted EBITDA
Margin

50+

Rule of 40

\$1 Billion Estimated Revenues

E = Estimates.

Summary

Our Experienced, Founder-Led Management Team

Strong leadership with deep bench of talent



Michael Praeger
Chairman, Chief Executive Officer
& Co-Founder



Dan Drees
President



Todd Cunningham
Chief People Officer



Joel Wilhite
Chief Financial Officer



Angelic Gibson
Chief Information Officer

Executive Team



John Feldman
Chief Operating
Officer



James Sutton
Chief Revenue
Officer



Doug Anderson
Chief Product
Officer



Sean Wright
Chief Information
Security Officer



Ryan Stahl
SVP, General
Counsel



Martin Smith
SVP,
Strategic Initiatives
& Integration



Manu Sood
SVP, Platform
Delivery & Ops



Cameron White
SVP,
Customer Experience



Subhaash Kumar
SVP,
Investor Relations



Rick Weir
SVP, Marketing



Krish Shetty
Chief
Technology
Officer



Rajeev Subramanyam
SVP, Network
Solutions

Our Highly Experienced Board

The AvidXchange Board Satisfies Nasdaq's Listing Rule Regarding Diverse Board Representation



Asif Ramji
Board Member



Michael Praeger
Chairman, CEO & Co-
Founder



Jim Hausman
Board Member



A.J. Rubado
Board Member



Sonali Sambhus
Board Member



Oni Chukwu
Board Member



Teresa Mackintosh
Board Member



James (Mike) McGuire
Board Member



Lance Drummond
Board Member

We Are Transforming the Middle Market for B2B Payments

We Are Purpose Built for the Middle Market

1

AvidPay Network is a Scaled, Two-Sided Network Leading the Industry in Payment Adoption

2

Comprehensive, AP Automation Platform Supporting Unique Middle Market Requirements

3

Deep Integration Layer Supporting Unique Business Process Across the Middle Market

4

Emerging Supplier Financing and Data Offerings Leveraging Invoice & Payment Data

5

Deep Leadership Team Driving “Win as a Team” Culture

6

Questions?



Appendix

Revenue Disaggregation*

\$(Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Software revenue	\$ 30,664	\$ 28,919	\$ 90,266	\$ 83,135
Payment revenue	80,697	68,485	230,082	190,894
Services revenue	1,411	1,276	3,154	2,627
Total revenues	\$ 112,772	\$ 98,680	\$ 323,502	\$ 276,656

*Third quarter 2023 revenue included a favorable out of period adjustment, the net contribution of which was \$ 1,507. Of which, \$1,140 was favorable to software revenue, \$517 was favorable to services revenue, while \$150 was unfavorable to payment revenue.

Non-GAAP Gross Margin Reconciliation*

\$(Thousands)

Reconciliation from Revenue to Non-GAAP Gross Profit and Non-GAAP Gross Margin	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<i>(in thousands)</i>				
Total revenues	\$ 112,772	\$ 98,680	\$ 323,502	\$ 276,656
Expenses:				
Cost of revenues (exclusive of depreciation and amortization expense)	(30,429)	(30,767)	(91,188)	(90,461)
Depreciation and amortization expense	(5,977)	(5,574)	(18,075)	(16,157)
GAAP Gross profit	\$ 76,366	\$ 62,339	\$ 214,239	\$ 170,038
Adjustments:				
Stock-based compensation expense	1,653	1,144	4,510	3,552
Depreciation and amortization expense	5,977	5,574	18,075	16,157
Non-GAAP gross profit	\$ 83,996	\$ 69,057	\$ 236,824	\$ 189,747
GAAP Gross margin	67.7%	63.2%	66.2%	61.5%
Non-GAAP gross margin	74.5%	70.0%	73.2%	68.6%

*For the three months and nine months ended September 30, 2023, GAAP gross margin and Non-GAAP gross margin included a favorable out of period adjustment, the net contribution of which was \$ 1,507, or 50 and 20 basis points, respectively, to Non-GAAP gross margin.

Non-GAAP Net Loss Reconciliation*

\$(Thousands)

Reconciliation from Net Income (Loss) to Non-GAAP Net Income (Loss), including per share amounts <i>(in thousands, except share and per share data)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 4,047	\$ (8,091)	\$ 3,474	\$ (42,852)
Exclude: Provision for income taxes	431	134	675	339
Loss before taxes	4,478	(7,957)	4,149	(42,513)
Amortization of acquired intangible assets	3,413	3,623	10,240	10,870
Impairment and write-off of intangible assets	-	-	162	-
Stock-based compensation expense	11,850	11,229	35,128	31,181
Transaction and acquisition-related costs ⁽¹⁾	1,081	-	1,081	(7)
Non-recurring items not indicative of ongoing operations ⁽²⁾	21	773	(609)	4,408
Total net adjustments	16,365	15,625	46,002	46,452
Non-GAAP income (loss) before taxes	20,843	7,668	50,151	3,939
Non-GAAP tax expense ⁽³⁾	5,190	1,909	12,488	981
Non-GAAP net income (loss)	\$ 15,653	\$ 5,759	\$ 37,663	\$ 2,958

⁽¹⁾ For the three and nine months ended September 30, 2024, this amount is comprised of debt issuance costs written-off related to the repayment of the Company's term loan.

⁽²⁾ For the nine months ended September 30, 2024, this amount includes \$1,157 of severance costs and a net benefit of \$1,808 of response costs incurred in connection with the cybersecurity incident. For the three and nine months ended September 30, 2023, this amount was primarily comprised of response costs, including professional services and legal fees, incurred in connection with the cybersecurity incident that was detected in April 2023, net of insurance recoveries.

⁽³⁾ Non-GAAP tax expense is based on the Company's blended tax rate of 24.9% in periods the Company has Non-GAAP income before tax. In periods the Company is in a non-GAAP loss position, tax expense is based on GAAP tax expense.

*For the three months and nine months ended September 30, 2023, GAAP net loss and Non-GAAP net loss included a favorable out of period adjustment, the net contribution of which was \$ 1,507 and \$1,131, respectively.

Adjusted EBITDA Reconciliation*

\$(Thousands)

Reconciliation of Net Income (Loss) to Adjusted EBITDA (in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 4,047	\$ (8,091)	\$ 3,474	\$ (42,852)
Depreciation and amortization	9,092	9,051	27,607	26,515
Impairment and write-off of intangible assets	-	-	162	-
Interest income	(5,837)	(5,100)	(18,378)	(14,820)
Interest expense	2,614	3,428	9,274	10,106
Provision for income taxes	431	134	675	339
Stock-based compensation expense	11,850	11,229	35,128	31,181
Transaction and acquisition-related costs ⁽¹⁾	1,081	-	1,081	(7)
Non-recurring items not indicative of ongoing operations ⁽²⁾	21	773	(609)	4,408
Adjusted EBITDA	\$ 23,299	\$ 11,424	\$ 58,414	\$ 14,870

⁽¹⁾ For the three and nine months ended September 30, 2024, this amount is comprised of debt issuance costs written-off related to the repayment of the Company's term loan.

⁽²⁾ For the nine months ended September 30, 2024, this amount includes \$1,157 of severance costs and a net benefit of \$1,808 of response costs incurred in connection with the cybersecurity incident. For the three and nine months ended September 30, 2023, this amount was primarily comprised of response costs, including professional services and legal fees, incurred in connection with the cybersecurity incident that was detected in April 2023, net of insurance recoveries.

⁽³⁾ Non-GAAP tax expense is based on the Company's blended tax rate of 24.9% in periods the Company has Non-GAAP income before tax. In periods the Company is in a non-GAAP loss position, tax expense is based on GAAP tax expense.

*For the three months and nine months ended September 30, 2023, Adjusted EBITDA included a favorable out of period adjustment, the net contribution of which was \$ 1,507.

Non-GAAP Reconciliation*

Reconciliation from Net Income (Loss) to Non-GAAP Net Income (Loss), including per share amounts <i>(in thousands, except share and per share data)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Net income (loss)	\$ 4,047	\$ (8,091)	\$ 3,474	\$ (42,852)
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Loss before taxes	4,478	(7,957)	4,149	(42,513)
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Stock-based compensation expense	11,850	11,229	35,128	31,181
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Non-GAAP income (loss) before taxes	20,843	7,668	50,151	3,939
Non-GAAP tax expense ⁽³⁾	5,190	1,909	12,488	981
Non-GAAP net income (loss)	\$ 15,653	\$ 5,759	\$ 37,663	\$ 2,958
Weighted-average shares used to compute Non-GAAP net income (loss) per share attributable to common stockholders, basic	207,235,954	202,526,844	206,389,565	201,338,550
Weighted-average shares used to compute Non-GAAP net income (loss) per share attributable to common stockholders, diluted	209,015,661	202,526,844	209,721,858	201,338,550
GAAP Net income (loss) per share attributable to common stockholders, basic	\$ 0.02	\$ (0.04)	\$ 0.02	\$ (0.21)
GAAP Net income (loss) per share attributable to common stockholders, dilute	\$ 0.02	\$ (0.04)	\$ 0.02	\$ (0.21)
Non-GAAP basic net income (loss) per share attributable to common stockholders	\$ 0.08	\$ 0.03	\$ 0.18	\$ 0.01
Non-GAAP basic net income (loss) per share attributable to common stockholders	\$ 0.07	\$ 0.03	\$ 0.18	\$ 0.01
GAAP income (loss) per common share, basic and diluted	\$ 0.02	\$ (0.04)	\$ 0.02	\$ (0.21)
Amortization of acquired intangible assets	0.02	0.02	0.05	0.05
Impairment and write-off of intangible assets	-	-	-	-
Stock-based compensation expense	0.06	0.06	0.17	0.15
Transaction and acquisition-related costs	0.01	-	0.01	-
Non-recurring items not indicative of ongoing operations ⁽¹⁾	-	-	-	0.02
Provision for income taxes	(0.02)	(0.01)	(0.06)	-
Adjustment to fully diluted earnings per share	(0.02)	-	(0.01)	-
Non-GAAP diluted income (loss) per common share	\$ 0.07	\$ 0.03	\$ 0.18	\$ 0.01

⁽¹⁾ For the three and nine months ended September 30, 2024, this amount is comprised of debt issuance costs written-off related to the repayment of the Company's term loan.

⁽²⁾ For the nine months ended September 30, 2024, this amount includes \$1,157 of severance costs and a net benefit of \$1,808 of response costs incurred in connection with the cybersecurity incident. For the three and nine months ended September 30, 2023, this amount was primarily comprised of response costs, including professional services and legal fees, incurred in connection with the cybersecurity incident that was detected in April 2023, net of insurance recoveries.

⁽³⁾ Non-GAAP tax expense is based on the Company's blended tax rate of 24.9% in periods the Company has Non-GAAP income before tax. In periods the Company is in a non-GAAP loss position, tax expense is based on GAAP tax expense.

Non-GAAP Reconciliation

\$(Thousands)

Reconciliation of Cost of Revenue and Operating Expenses to Non-GAAP Cost of Revenue and Operating Expenses (in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Cost of revenues (exclusive of depreciation and amortization expense)	\$ 30,429	\$ 30,767	\$ 91,188	\$ 90,461
Adjustment: Stock-based compensation expense	(1,653)	(1,144)	(4,510)	(3,552)
Non-GAAP Cost of revenues (exclusive of depreciation and amortization expense)	\$ 28,776	\$ 29,623	\$ 86,678	\$ 86,909
Operating expenses				
Sales and marketing	\$ 21,102	\$ 18,735	\$ 60,799	\$ 58,946
Adjustment: Stock-based compensation expense	(1,404)	(1,246)	(4,019)	(3,863)
Non-GAAP Sales and marketing	\$ 19,698	\$ 17,489	\$ 56,780	\$ 55,083
Research and development	\$ 25,125	\$ 24,754	\$ 76,037	\$ 72,616
Adjustment: Stock-based compensation expense	(3,065)	(3,068)	(9,864)	(8,470)
Non-GAAP Research and development	\$ 22,060	\$ 21,686	\$ 66,173	\$ 64,146
General and administrative	\$ 25,769	\$ 25,002	\$ 72,664	\$ 75,345
Adjustment: Stock-based compensation expense	(5,728)	(5,771)	(16,735)	(15,296)
Adjustment: Transaction and acquisition-related costs	(1,081)	-	(1,081)	7
Adjustment: Non-recurring items not indicative of ongoing operations ⁽¹⁾	(21)	(773)	609	(4,408)
Non-GAAP General and administrative	\$ 18,939	\$ 18,458	\$ 55,457	\$ 55,648
Depreciation and amortization	\$ 9,092	\$ 9,051	\$ 27,607	\$ 26,515
Adjustment: Amortization of acquired intangibles	(3,413)	(3,623)	(10,240)	(10,870)
Non-GAAP Depreciation and amortization	\$ 5,679	\$ 5,428	\$ 17,367	\$ 15,645
Impairment and write-off of intangible assets	\$ -	\$ -	\$ 162	\$ -
Adjustment: Impairment and write-off of intangible assets	-	-	(162)	-
Non-GAAP Impairment and write-off of intangible assets	\$ -	\$ -	\$ -	\$ -
Total operating expenses	\$ 81,088	\$ 77,542	\$ 237,269	\$ 233,422
Total Non-GAAP operating expenses	\$ 66,376	\$ 63,061	\$ 195,777	\$ 190,522

Glossary of Terms

Total Transactions Processed

We define transactions processed as the number of invoice transactions and payment transactions, such as invoices, purchase orders, checks, ACH payments and VCCs, processed through our platform during a particular period. We believe that transactions processed is an important measure of our business because it is a key indicator of the use by both buyers and suppliers of our solutions and our ability to generate revenue, since a majority of our revenue is generated based on transactions processed.

Total Transaction Yield

We define transaction yield as the total revenue during a particular period divided by the total transactions processed during such period. We believe that transaction yield is an important measure of the value of solutions to buyers and suppliers as we scale

Total Payment Volume

We define total payment volume as the dollar sum of buyers' AP payments paid to their suppliers through the AvidPay Network during a particular period. We believe total payment volume is an important measure of our AvidPay Network business as it quantifies the demand for our payment services