Q3 2021 Earnings Presentation

TJ Parass, CEO & John Curran, CFO | November 4, 2021

GTY TECHNOLOGY

Bonfire
CITYBASE
eCivis
OpenCounter
Questica
SHERPA

Forward Looking Statements

This presentation includes "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The company's actual results may differ from its expectations, estimates and projections and, consequently, you should not rely on these forward-looking statements as predictions of future events. Words such as "expect," "estimate," "project," "budget," "forecast," "anticipate," "intend," "plan," "may," "will," "could," "should," "believes," "predicts," "potential," "continue" and similar expressions are intended to identify such forward-looking statements. These forward-looking statements include, without limitation, the company's expectations with respect to future performance. These forward-looking statements involve significant risks and uncertainties that could cause the actual results to differ materially from the expected results. Most of these factors are outside of the company's control and are difficult to predict.

Factors that may cause such differences include, but are not limited to: (1) the impact of the COVID-19 pandemic, or other public health crises, on our operations, our customers and the economy; (2) the risk that the ongoing integration of the businesses acquired in our business combination disrupts current plans and operations; (3) the ability to recognize the anticipated benefits of the business combination, which may be affected by, among other things, competition, the ability of the combined company to grow and manage growth profitably and retain its key employees; (4) our failure to generate sufficient cash flow from our business to make payments on our debt; (5) changes in applicable laws or regulations; (6) the possibility that the company may be adversely affected by other economic, business or competitive factors; and (7) other risks and uncertainties included in our Annual Report on Form 10-K for the year ended December 31, 2020 and our subsequent filings with the Securities and Exchange Commission.

We caution you that the foregoing list of factors is not exclusive, and readers should not place undue reliance upon any forward-looking statements, which speak only as of the date made. We do not undertake or accept any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements to reflect any change in our expectations or any change in events, conditions or circumstances on which any such statement is based, except as required by securities laws.

Use Of Non-GAAP Financial Measures

To supplement its condensed consolidated financial statements, which are prepared in accordance with U.S. generally accepted accounting principles, or GAAP, GTY has provided in this presentation certain financial measures that have not been prepared in accordance with GAAP defined as "non-GAAP financial measures," which include (i) non-GAAP revenues, (ii) non-GAAP gross profit and non-GAAP gross margin (iii) and non-GAAP loss from operations.

GTY's management uses these non-GAAP financial measures internally in analyzing its financial results and believes they are useful to investors, as a supplement to the corresponding GAAP measures, in evaluating GTY's ongoing operational performance and trends. However, it is important to note that particular items GTY excludes from, or includes in, its non-GAAP financial measures may differ from the items excluded from, or included in, similar non-GAAP financial measures used by other companies in the same industry. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared 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 financial measures has been provided in the tables included in the appendix of this presentation and in our most recent earnings release.

Non-GAAP Revenues. Non-GAAP revenues are defined as GAAP revenues adjusted for the impact of purchase accounting resulting from GTY's business combination which reduced its acquired contract liabilities to fair value. The company believes that presenting non-GAAP revenues is useful to investors as it eliminates the impact of the purchase accounting adjustments to revenues to allow for a direct comparison between periods.

Non-GAAP Gross profit and Non-GAAP Gross margin. Non-GAAP gross profit is defined as GAAP gross profit adjusted for the impact of purchase accounting resulting GTY's business combination and share-based compensation included in cost of revenues. Non-GAAP gross margin is defined as non-GAAP gross profit divided by non-GAAP revenues. The company believes that presenting non-GAAP gross profit and margin is useful to investors as it eliminates the impact of the purchase accounting adjustments to allow for a direct comparison between periods.

Non-GAAP Loss from operations. Non-GAAP loss from operations is defined as GAAP loss from operations adjusted for the impact of purchase accounting to revenues resulting from GTY's business combination, the amortization of acquired intangible assets, share-based compensation, acquisition related costs, goodwill impairment expenses, restructuring expenses and the change in fair value of contingent consideration. The company believes that presenting non-GAAP loss from operations is useful to investors as it eliminates the impact of certain non-cash and acquisition related expenses to allow a direct comparison of loss from operations between periods.

GTY HOW GOV WORKS

Our **cloud-based platforms** help **government** organizations transform the way they **engage citizens** and **manage their operations**.

GTY TECHNOLOGY

GTY HOW GOV WORKS

5 / 8
Product Suites / Gov Sectors

1,850+
State & Local Customers

~400
Employees

$119B
State & Local Annual IT Spend [1]

[1] *Source: Government Technology, 2021 IT Spending: State & Local vs. Federal*

GTY TECHNOLOGY

GTY TECHNOLOGY

Cloud / SaaS

- **Modern** Tech Stacks
- **Recurring** Business Models

Best-of-Breed

- For Gov's **Unique Requirements**
- High **Competitive Win** Rates

Broad Appeal

- **5** Functional Areas & **8** Gov Sectors
- **$10k** - **$1M+** ACVs

Bonfire
PROCUREMENT

CITYBASE
PAYMENTS

eCivis
GRANTS MANAGEMENT

OpenCounter
PERMITTING

Questica SHERPA
BUDGETING

Q3 2021 Highlights

8th quarter in a row of solid mid-20's recurring revenue growth; strong tailwinds in government digital transformation

- **ARR up 25%** year on year (YoY)
- **74 new customers** and **Avg ARR per customer up 13%** YoY
- **GAAP Revenues increased 29%** YoY
- **Churn rates remain low;** customer satisfaction high

Enhanced operating profile, supports growth initiatives

- **GAAP Gross Profit increased 30%** YoY
- **GAAP Operating Loss up 16%** YoY
- **Cash flow positive as expected** due to invoice seasonality
- **Strong cash position** for S&M and R&D investment

CEO Outlook

Strong market tailwinds in late 2021, ramping throughout 2022

- **The pipeline of opportunities continues to swell as our customers/prospects are increasingly comfortable with their spending outlook** due to **(1)** the continuing economic recovery, **(2)** budgets for 2021 and 2022 are less negatively impacted than initially feared, and **(3)** the expected impact of ARPA funding should provide a long tail of support.
- We're seeing **increased Sales productivity** vs. 2020 and prior years, and a substantially increased late-stage pipeline for H2.
- Labor headwinds remain a challenge at GTY and for our customers.
- We're **continuing our prudent ramp-up of S&M**:
  - Solid execution in the quarter on new S&M hires planned to increase capacity for 2022
  - Recruiting: In response to a more competitive hiring environment, we expanded our HR/recruiting team and placed an increased presence on our unique employer brand. The result was a net gain of 22 heads including 13 in a sales and marketing capacity.
  - Staff Retention: While our attrition is in-line with tech industry average it remains elevated when compared to prior years but has come down during the quarter.

Financials

John Curran, CFO

Income Statement Highlights

GAAP P&L Metrics							
				Y/Y Change		Q/Q Change	
$ in millions	**Q321**	**Q221**	**Q320**	**$**	**%**	**$**	**%**
Revenue	$16.3	$14.3	$12.6	$3.7	29%	$1.9	14%
Gross Profit	$10.3	$9.1	$8.0	$2.4	30%	$1.2	14%
Operating Exp	$18.8	$17.0	$15.2	$3.6	23%	$1.8	11%
Operating Loss	($8.5)	($7.9)	($7.3)	($1.2)	16%	($0.5)	7%

Non-GAAP P&L Metrics *							
				Y/Y Change		Q/Q Change	
$ in millions	**Q321**	**Q221**	**Q320**	**$**	**%**	**$**	**%**
Revenue	$16.4	$14.4	$12.7	$3.6	**29%**	$1.9	13%
Gross Profit	$10.9	$9.6	$8.3	$2.6	**31%**	$1.3	14%
Operating Exp	$11.0	$10.6	$9.8	$1.3	**13%**	$0.4	**4%**
Operating Loss	($0.1)	($1.1)	($1.4)	$1.3	**-91%**	$0.9	-88%

- **Non-GAAP Revenue** up **29%** Y/Y
- **Non-GAAP Gross Profit** increased **31%** Y/Y
- **Non-GAAP Operating Expenses** up **13%** Y/Y; up **4%** Q/Q due to increase in spending
- **Non-GAAP Operating Loss** improved **91%** Y/Y

GTY TECHNOLOGY

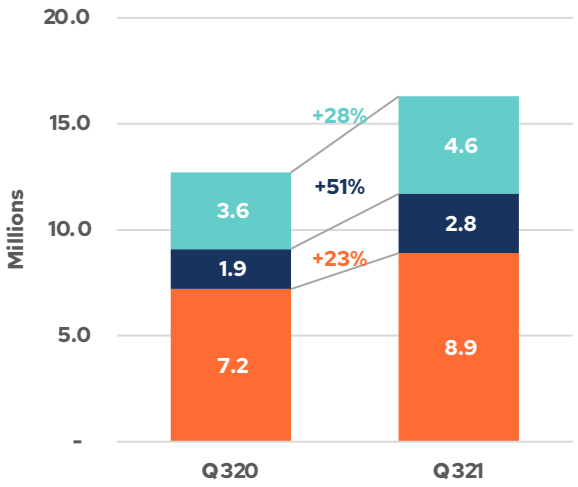
Note: numbers may not foot due to rounding

** See the appendix for a reconciliation to the most comparable GAAP metrics.*

Recurring Revenue Growth

Recurring Revenue w/o Pmts
Payments Recurring
Services & Other

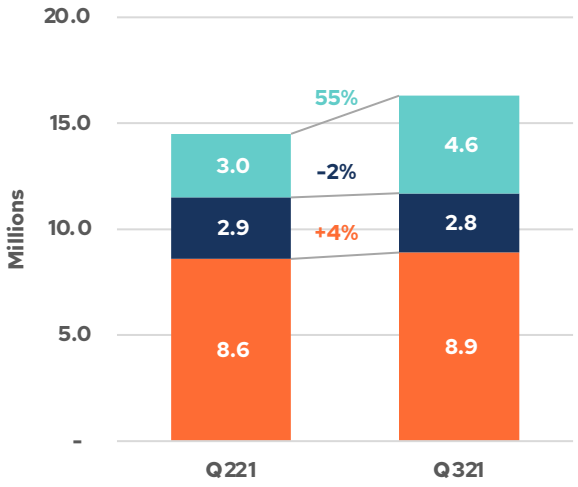
Y/Y Non-GAAP Revenue *



Total Recurring Revenue grew 29% Y/Y

Solid growth across all of our business units

Q/Q Non-GAAP Revenue *



Total Recurring Revenue grew 3% Q/Q

Seasonality in our Payments revenue impacts the Q/Q compare

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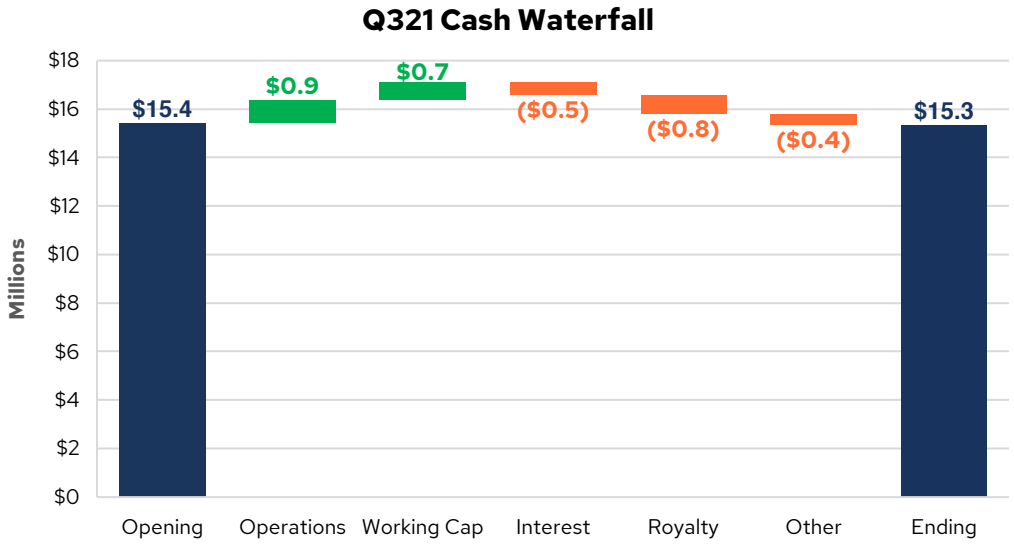
** See the appendix for a reconciliation to the most comparable GAAP metrics.*

Cash Flow Highlights



- Cash flow from operations **improved by $1.6M** compared to Q221 primarily driven by growth in revenue and gross profit.
- Working Capital was positive in the quarter due to timing of renewal invoicing and collections.
- The royalty payment is the final installment of contingent consideration associated with a Questica acquisition (closed prior to GTY's formation).

Positive cash flows from operations in the quarter as expected.

Note: numbers may not foot due to rounding

CFO Outlook

- **Non-GAAP Revenues for Q421** forecasted between **$16.3** and **$16.8M** or approximately 25% year over year growth.
- **Non-GAAP Revenues for 2021** forecasted between **$60.5** and **$61.0M** or approximately 24% year over year growth.
- **Non-GAAP Loss from Operations for Q421** forecasted between **$(2.0M)** and **$(2.5M)**.
- **Non-GAAP Loss from Operations for 2021** forecasted between **$(4.7M)** and **$(5.2M)**.
- **Investments in operating capacity** to support 2022 growth will likely result in a negative cash flow forecast for Q421.

Summary

TJ Parass, CEO

- **Strong ARR growth** and client additions continue to show our broad appeal
- **Strong financial base from which to escalate growth** via increased S&M spending and R&D investments to take advantage of expected tailwinds
- **Tracking on-plan for full year 2021**

GTY HOW GOV WORKS

Q&A

GTY TECHNOLOGY

Appendix

Operating Metrics

Customers – We define the number of customers as the number of accounts with a unique account identifier for which we have an active contract in the period indicated.

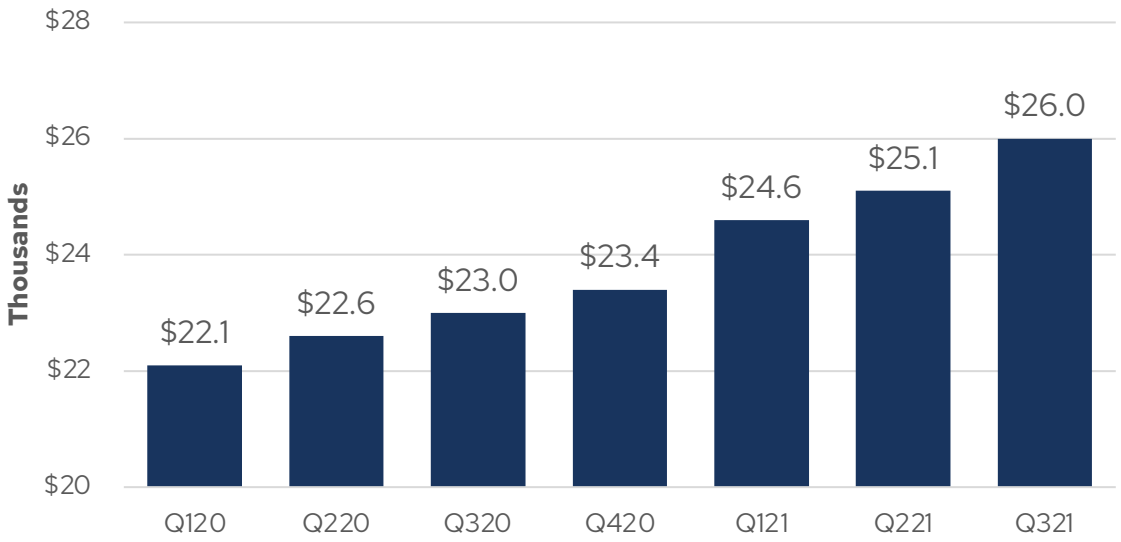
New Customers – Customers that have signed a new contract with a GTY entity in the period. Does not include expansion of business with existing customers.

Annual Recurring Revenue (ARR) – We define ARR as the annualized revenue run-rate of subscription, maintenance or transaction-based agreements from all customers at a point in time. For transaction-based CityBase contracts we use the following calculation:

- For large projects (>$10K per month) with 12 months or more of history we use the trailing 12 months of history
- For large projects with less than 12 months, we calculate an annualized value based on history available
- For small projects we annualize the most recent month's activity

Average ARR per Customer – Calculated by dividing our ending ARR for the period by our total customers at the end of the period.

Average ARR per Customer



Average ARR per Customer is increasing as we continue to expand our business with large Cities, Counties and States

Reconciliation of Non-GAAP Financial Measures

Three Month periods ended 9/30/21, 6/30/21 and 9/30/20 (in thousands and unaudited)

Non-GAAP Reconciliation	Three Months Ended		
	September 30, 2021	June 30, 2021	September 30, 2020
Revenues	$ 16,257	$ 14,317	$ 12,587
Purchase accounting adjustment to revenue	105	104	128
Non-GAAP Revenues	$ 16,362	$ 14,421	$ 12,715
Gross Profit	$ 10,343	$ 9,101	$ 7,967
Purchase accounting adjustment to revenue	105	104	128
Share-based compensation	$ 447	$ 363	225
Non-GAAP Gross Profit	$ 10,895	$ 9,568	$ 8,320
Gross Margin	64%	64%	63%
Non-GAAP Gross Margin	67%	66%	65%
Loss from operations	$ (8,469)	$ (7,921)	$ (7,272)
Purchase accounting adjustment to revenue	105	104	128
Amortization of intangibles	3,668	3,644	3,683
Share-based compensation	3,336	1,868	2,024
Restructuring charges	-	-	2
Change in fair value of contingent consideration	1,235	1,250	-
Non-GAAP Loss from operations	$ (125)	$ (1,055)	$ (1,435)