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

# FORM 10-Q

**☑ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2024
OR
**☐ TRANSITION REPORT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period From _____ to _____
Commission File Number: 1-09720

# PAR TECHNOLOGY CORPORATION

(Exact name of registrant as specified in its charter)

| **Delaware** | **16-1434688** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**PAR Technology Park, 8383 Seneca Turnpike, New Hartford, New York 13413-4991**
(Address of principal executive offices, including zip code)

**(315) 738-0600**
(Registrant's telephone number, including area code)

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $0.02 par value | PAR | New York Stock Exchange |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | |
|---|---|---|
| Large Accelerated Filer ☑ | Accelerated Filer ☐ | Non-Accelerated Filer ☐ |
| Smaller Reporting Company ☐ | 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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

As of May 7, 2024, 33,991,085 shares of the registrant's common stock, $0.02 par value, were outstanding.

**PAR TECHNOLOGY CORPORATION**
**TABLE OF CONTENTS**
**PART I**
**FINANCIAL INFORMATION**


| Item Number | Description | Page |
|---|---|---|
| | Forward-Looking Statements | |
| Item 1. | Financial Statements (unaudited) | 2 |
| | Condensed Consolidated Balance Sheets at March 31, 2024 and December 31, 2023 (unaudited) | 2 |
| | Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2024 and March 31, 2023 (unaudited) | 3 |
| | Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2024 and March 31, 2023 (unaudited) | 4 |
| | Condensed Consolidated Statements of Changes in Shareholders' Equity for the Three Months Ended March 31, 2024 and March 31, 2023 (unaudited) | 5 |
| | Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2024 and March 31, 2023 (unaudited) | 6 |
| | Notes to Condensed Consolidated Financial Statements (unaudited) | 8 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 21 |
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 31 |
| Item 4. | Controls and Procedures | 32 |
| | PART II | |
| | OTHER INFORMATION | |
| Item 1. | Legal Proceedings | 32 |
| Item 1A. | Risk Factors | 32 |
| Item 2. | Unregistered Sales of Equity Securities and Use Of Proceeds | 32 |
| Item 5. | Other Information | 32 |
| Item 6. | Exhibits | 33 |
| | Signatures | 34 |



"PAR®," "Brink POS®," "Punchh®," "MENU™," "Data Central®," "Open Commerce®," "PAR® Pay", "PAR® Payment Services", "Stuzo™," and other trademarks identifying our products and services appearing in this Quarterly Report belong to us. This Quarterly Report may also contain trade names and trademarks of other companies. Our use of such other companies' trade names or trademarks is not intended to imply any endorsement or sponsorship by these companies of us or our products or services.

Unless the context indicates otherwise, references in this Quarterly Report to "we," "us," "our," the "Company," and "PAR" mean PAR Technology Corporation and its consolidated subsidiaries.

## FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the quarter ended March 31, 2024 contains “forward-looking statements” within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical in nature, but rather are predictive of PAR's future operations, financial condition, financial results, business strategies and prospects. Forward-looking statements are generally identified by words such as “anticipate,” “believe,” “can”, “could”, “continue,” “expect,” “estimate,” “future”, “goal”, “intend,” “may,” “opportunity,” “plan,” “should,” "strive," “target”, "vision," “will,” “would,” “will likely result,” and similar expressions. Forward-looking statements are based on management's current expectations and assumptions that are subject to risks and uncertainties, many of which are beyond PAR's control, which could cause PAR's actual results to differ materially from those expressed in or implied by forward-looking statements, including statements relating to and PAR's expectations regarding: the plans, strategies and objectives of management for future operations, including PAR’s service and product offerings, its go-to-market strategies and the expected development, demand, performance, market share or competitive performance of its products and services; PAR's ability to achieve and sustain profitability; projections of net revenue, margins, expenses, cash flows, or other financial items; PAR's annual recurring revenue, active sites, subscription service margins, net loss, net loss per share and other key performance indicators and non-GAAP financial measures; PAR's expectations about the availability and terms of product and component supplies for our hardware; the timing and expected benefits of acquisitions, divestitures, and capital markets transactions; PAR’s human capital strategies and engagement; current or future macroeconomic trends or geopolitical events and the impact of those trends and events on PAR and its business, financial condition, and results of operations; claims, disputes or other litigation matters; and assumptions underlying any of the foregoing. Factors, risks, trends, and uncertainties that could cause PAR’s actual results to differ materially from those expressed in or implied by forward-looking statements include: PAR's ability to successfully develop or acquire and transition new products and services and enhance existing products and services to meet evolving customer needs and respond to emerging technological trends, including artificial intelligence; PAR's ability to add and maintain active sites, retain and manage suppliers, secure alternative suppliers, and manage inventory levels, manufacturing disruptions or logistics challenges, including shipping delays and cost increases; PAR's ability to successfully attract, develop and retain necessary qualified employees to develop and expand its business, and execute product installations and respond to customer service level needs; the protection of PAR's intellectual property; PAR's ability to retain and add integration partners, and its success in acquiring and developing relevant technology for current, new, and potential customers for its service and product offerings; macroeconomic trends, such as a recession or slowed economic growth, fluctuating interest rates, inflation, and changes in consumer confidence and discretionary spending; geopolitical events, such as effects of the Russia-Ukraine war, tensions with China and between China and Taiwan, the Israel-Hamas conflict and other hostilities in the Middle East; risks associated with PAR's international operations; the effects of global pandemics, such as COVID-19 or other public health crises; changes in estimates and assumptions PAR makes in connection with the preparation of its financial statements, or in building its business and operational plans and in executing PAR's strategies; disruptions in operations from data breaches and cyberattacks, including heightened risks due to the rapid development and adoption of artificial intelligence technologies globally; PAR's ability to maintain proper and effective internal control over financial reporting; PAR's ability to execute its business, operational plans, and strategies and manage its business continuity risks, including disruptions or delays in product assembly and fulfillment; potential impacts, liabilities and costs from pending or potential investigations, claims and disputes; and other factors, risks, trends and uncertainties that could cause PAR's actual results to differ materially from those expressed in or implied by forward-looking statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the Securities and Exchange Commission (“SEC”) on February 27, 2024, in this Quarterly Report, and in our other filings with the SEC. Given these risks and uncertainties, readers are cautioned not to place undue reliance on forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities law.

## PART I – FINANCIAL INFORMATION

### Item 1. FINANCIAL STATEMENTS (unaudited)

**PAR TECHNOLOGY CORPORATION**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
(In thousands, except share amounts)
(unaudited)

| **Assets** | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents | $ 50,780 | $ 37,369 |
| Cash held on behalf of customers | 12,558 | 10,170 |
| Short-term investments | 21,730 | 37,194 |
| Accounts receivable – net | 69,958 | 63,382 |
| Inventories | 25,054 | 23,594 |
| Other current assets | 14,205 | 8,890 |
| Total current assets | 194,285 | 180,599 |
| Property, plant and equipment – net | 15,356 | 15,755 |
| Goodwill | 619,632 | 489,654 |
| Intangible assets – net | 157,713 | 94,852 |
| Lease right-of-use assets | 3,627 | 4,083 |
| Other assets | 18,300 | 17,663 |
| **Total Assets** | $ 1,008,913 | $ 802,606 |
| **Liabilities and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 39,832 | $ 29,808 |
| Accrued salaries and benefits | 14,264 | 19,141 |
| Accrued expenses | 11,153 | 10,443 |
| Customers payable | 12,558 | 10,170 |
| Lease liabilities – current portion | 1,201 | 1,366 |
| Customer deposits and deferred service revenue | 14,710 | 9,304 |
| Total current liabilities | 93,718 | 80,232 |
| Lease liabilities – net of current portion | 2,519 | 2,819 |
| Long-term debt | 378,155 | 377,647 |
| Deferred service revenue – noncurrent | 3,296 | 4,204 |
| Other long-term liabilities | 4,825 | 4,639 |
| Total liabilities | 482,513 | 469,541 |
| Shareholders' equity: | | |
| Preferred stock, $0.02 par value, 1,000,000 shares authorized | — | — |
| Common stock, $0.02 par value, 58,000,000 shares authorized, 35,439,115 and 29,386,234 shares issued, 33,973,906 and 28,029,915 outstanding at March 31, 2024 and December 31, 2023, respectively | 703 | 584 |
| Additional paid in capital | 844,210 | 625,154 |
| Accumulated deficit | (293,244) | (274,956) |
| Accumulated other comprehensive loss | (3,653) | (939) |
| Treasury stock, at cost, 1,465,209 shares and 1,356,319 shares at March 31, 2024 and December 31, 2023, respectively | (21,616) | (16,778) |
| Total shareholders' equity | 526,400 | 333,065 |
| **Total Liabilities and Shareholders' Equity** | $ 1,008,913 | $ 802,606 |

See accompanying notes to unaudited interim condensed consolidated financial statements

**PAR TECHNOLOGY CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
(In thousands, except per share amounts)
(unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Revenues, net: | | |
| Hardware | $ 18,226 | $ 26,777 |
| Subscription service | 38,379 | 27,965 |
| Professional service | 13,468 | 13,842 |
| Contract | 35,424 | 31,853 |
| Total revenues, net | 105,497 | 100,437 |
| Costs of sales: | | |
| Hardware | 14,170 | 22,381 |
| Subscription service | 18,594 | 13,925 |
| Professional service | 11,251 | 11,366 |
| Contract | 32,919 | 29,572 |
| Total cost of sales | 76,934 | 77,244 |
| Gross margin | 28,563 | 23,193 |
| Operating expenses: | | |
| Sales and marketing | 10,926 | 9,398 |
| General and administrative | 25,608 | 18,080 |
| Research and development | 15,768 | 14,315 |
| Amortization of identifiable intangible assets | 932 | 464 |
| Adjustment to contingent consideration liability | — | (5,200) |
| Total operating expenses | 53,234 | 37,057 |
| Operating loss | (24,671) | (13,864) |
| Other income (expense), net | 306 | (59) |
| Interest expense, net | (1,708) | (1,667) |
| Loss before benefit from (provision for) income taxes | (26,073) | (15,590) |
| Benefit from (provision for) income taxes | 7,785 | (315) |
| Net loss | $ (18,288) | $ (15,905) |
| Net loss per share (basic and diluted) | $ (0.62) | $ (0.58) |
| Weighted average shares outstanding (basic and diluted) | 29,516 | 27,344 |

See accompanying notes to unaudited interim condensed consolidated financial statements

**PAR TECHNOLOGY CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
(In thousands)
(unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| Net loss | $ (18,288) | $ (15,905) |
| Other comprehensive loss, net of applicable tax: | | |
| Foreign currency translation adjustments | (2,714) | (42) |
| Comprehensive loss | $ (21,002) | $ (15,947) |

See accompanying notes to unaudited interim condensed consolidated financial statements

**PAR TECHNOLOGY CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
(In thousands)
(unaudited)

| | Common Stock | | Additional Paid in | Accumulated | Accumulated Other Comprehensive | Treasury Stock | | Total Shareholders' |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Deficit | Loss | Shares | Amount | Equity |
| Balances at December 31, 2023 | 29,386 | $ 584 | $ 625,154 | $ (274,956) | $ (939) | 1,356 | $(16,778) | $ 333,065 |
| Issuance of common stock upon the exercise of stock options | 107 | 2 | 1,103 | — | — | — | — | 1,105 |
| Net issuance of restricted stock awards and restricted stock units | 329 | 4 | (4) | — | — | — | — | — |
| Issuance of common stock for acquisition (see Note 3) | 442 | 9 | 19,161 | — | — | — | — | 19,170 |
| Proceeds from private placement of common stock, net of issuance costs of $5.5 million | 5,175 | 104 | 194,386 | — | — | — | — | 194,490 |
| Treasury stock acquired from employees upon vesting or forfeiture of restricted stock | — | — | — | — | — | 109 | (4,838) | (4,838) |
| Stock-based compensation | — | — | 4,410 | — | — | — | — | 4,410 |
| Foreign currency translation adjustments | — | — | — | — | (2,714) | — | — | (2,714) |
| Net loss | — | — | — | (18,288) | — | — | — | (18,288) |
| Balances at March 31, 2024 | 35,439 | $ 703 | $ 844,210 | $ (293,244) | $ (3,653) | 1,465 | $(21,616) | $ 526,400 |

| | Common Stock | | Additional Paid in | Accumulated | Accumulated Other Comprehensive | Treasury Stock | | Total Shareholders' |
|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital | Deficit | Loss | Shares | Amount | Equity |
| Balances at December 31, 2022 | 28,590 | $ 570 | $ 595,286 | $ (205,204) | $ (1,365) | 1,271 | $(14,093) | $ 375,194 |
| Issuance of common stock upon the exercise of stock options | 5 | — | 52 | — | — | — | — | 52 |
| Net issuance of restricted stock awards and restricted stock units | 160 | 2 | — | — | — | — | — | 2 |
| Treasury stock acquired from employees upon vesting or forfeiture of restricted stock | — | — | — | — | — | 79 | (2,478) | (2,478) |
| Stock-based compensation | — | — | 3,055 | — | — | — | — | 3,055 |
| Foreign currency translation adjustments | — | — | — | — | (42) | — | — | (42) |
| Net loss | — | — | — | (15,905) | — | — | — | (15,905) |
| Balances at March 31, 2023 | 28,755 | $ 572 | $ 598,393 | $ (221,109) | $ (1,407) | 1,350 | $(16,571) | $ 359,878 |

See accompanying notes to unaudited interim condensed consolidated financial statements

**PAR TECHNOLOGY CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
(In thousands)
(unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| **Cash flows from operating activities:** | | |
| Net loss | $ (18,288) | $ (15,905) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 7,226 | 6,933 |
| Accretion of debt in interest expense, net | 508 | 522 |
| Accretion of discount on held to maturity investments in interest expense, net | (397) | — |
| Current expected credit losses | 564 | 489 |
| Provision for obsolete inventory | 108 | 88 |
| Stock-based compensation | 4,410 | 3,055 |
| Adjustment to contingent consideration liability | — | (5,200) |
| Deferred income tax | (8,049) | — |
| **Changes in operating assets and liabilities:** | | |
| Accounts receivable | (5,090) | (7,034) |
| Inventories | (1,605) | 5,051 |
| Other current assets | (4,552) | (2,512) |
| Other assets | (724) | 752 |
| Accounts payable | 9,521 | 4,063 |
| Accrued salaries and benefits | (5,160) | (7,647) |
| Accrued expenses | (3,376) | 1,067 |
| Customer deposits and deferred service revenue | (945) | (343) |
| Customers payable | 2,388 | 216 |
| Other long-term liabilities | (115) | (343) |
| **Net cash used in operating activities** | (23,576) | (16,748) |
| **Cash flows from investing activities:** | | |
| Cash paid for acquisition, net of cash acquired | (166,292) | — |
| Capital expenditures | (45) | (823) |
| Capitalization of software costs | (1,385) | (481) |
| Proceeds from sale of held to maturity investments | 18,980 | 24,610 |
| Purchases of held to maturity investments | (3,119) | (25,073) |
| **Net cash used in investing activities** | (151,861) | (1,767) |
| **Cash flows from financing activities:** | | |
| Proceeds from private placement of common stock, net of issuance costs | 194,490 | — |
| Treasury stock acquired from employees upon vesting or forfeiture of restricted stock | (4,838) | (2,478) |
| Proceeds from exercise of stock options | 1,105 | 52 |
| **Net cash provided by (used in) financing activities** | 190,757 | (2,426) |
| **Effect of exchange rate changes on cash and cash equivalents** | 479 | (512) |
| **Net increase (decrease) in cash and cash equivalents and cash held on behalf of customers** | 15,799 | (21,453) |
| **Cash and cash equivalents and cash held on behalf of customers at beginning of period** | 47,539 | 77,533 |
| **Cash and cash equivalents and cash held on behalf of customers at end of period** | $ 63,338 | $ 56,080 |
| | | |
| **Reconciliation of cash and cash equivalents and cash held on behalf of customers** | | |
| Cash and cash equivalents | $ 50,780 | $ 48,659 |
| Cash held on behalf of customers | 12,558 | 7,421 |
| Total cash and cash equivalents and cash held on behalf of customers | $ 63,338 | $ 56,080 |

See accompanying notes to unaudited interim condensed consolidated financial statements

**PAR TECHNOLOGY CORPORATION**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**
(In thousands)
(unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid for income taxes | $ 340 | $ 507 |
| Capitalized software recorded in accounts payable | 24 | 776 |
| Capital expenditures in accounts payable | 176 | 87 |
| Common stock issued for acquisition | 19,170 | — |

See accompanying notes to unaudited interim condensed consolidated financial statements

**PAR TECHNOLOGY CORPORATION**
**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**
**(unaudited)**

## Note 1 — Summary of Significant Accounting Policies

### Nature of Business

PAR Technology Corporation (the "Company" or "PAR," "we," or "us"), through its consolidated subsidiaries, operates in two segments - the Restaurant/Retail segment and the Government segment. The Restaurant/Retail segment provides leading omnichannel cloud-based software and hardware solutions to the restaurant and retail industries. Our product and service offerings include point-of-sale, customer engagement and loyalty, digital ordering and delivery, operational intelligence technologies, payment processing, hardware, and related technologies, solutions, and services. We provide enterprise restaurants, franchisees, and other restaurant outlets in the three major restaurant categories - quick service, fast casual, and table service - with operational efficiencies through a data-driven network with integration capabilities from point-of-sale to the kitchen, to fulfillment. Our subscription services are grouped into two categories: Engagement Cloud, which includes Punchh and Stuzo for customer loyalty and engagement and MENU for omnichannel digital ordering and delivery and Operator Cloud, which includes Brink POS for front-of-house, PAR Payment Services and PAR Pay for payments, and Data Central for back-of-house. PAR's Government segment provides technical expertise and development of advanced systems and software solutions for the U.S. Department of Defense ("DoD"), the intelligence community and other federal agencies. Additionally, we provide support services for satellite command and control, communication, and information technology systems at several DoD facilities worldwide. The Government segment has three principal contract offerings: intelligence, surveillance, and reconnaissance solutions ("ISR Solutions"), mission systems operations and maintenance ("Mission Systems"), and commercial software products for use in analytic and operational environments that leverage geospatial intelligence data ("Commercial Software"). The accompanying consolidated financial statements include the Company's accounts and those of its consolidated subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

### Basis of Presentation

The accompanying financial statements of PAR Technology Corporation and its consolidated subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and the instructions to Form 10-Q and Regulation S-X pertaining to interim financial statements as promulgated by the SEC. In the opinion of management, the Company's financial statements include all normal and recurring adjustments necessary in order to make the financial statements not misleading and to provide a fair presentation of the Company's financial results for the interim period included in this Quarterly Report. Interim results are not necessarily indicative of results for the full year or any future periods. The information included in this Quarterly Report should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Annual Report").

### Use of Estimates

The preparation of the financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to these estimates and assumptions include revenue recognition, stock-based compensation, the recognition and measurement of assets acquired and liabilities assumed in business combinations at fair value, the carrying amount of property, plant, and equipment including right-to-use assets and liabilities, identifiable intangible assets and goodwill, valuation allowances for receivables, valuation of excess and obsolete inventories, and measurement of contingent consideration at fair value. Actual results could differ from those estimates.

**Cash and Cash Equivalents and Cash Held on Behalf of Customers**

Cash and cash equivalents and cash held on behalf of customers consist of the following:

| (in thousands) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Cash and cash equivalents | | |
| Cash | $ 48,593 | $ 37,329 |
| Money market funds | 2,187 | 40 |
| Cash held on behalf of customers | 12,558 | 10,170 |
| Total cash and cash equivalents and cash held on behalf of customers | $ 63,338 | $ 47,539 |

The Company maintained bank balances that, at times, exceeded the federally insured limit during the three months ended March 31, 2024. The Company has not experienced losses relating to these deposits and management does not believe that the Company is exposed to any significant credit risk with respect to these amounts.

**Short-Term Investments**

The carrying value of investment securities consist of the following:

| (in thousands) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Short-term investments | | |
| Treasury bills and notes | $ 21,730 | $ 37,194 |
| Total short-term investments | $ 21,730 | $ 37,194 |

The Company did not record any material gains or losses on these securities during the three months ended March 31, 2024. The estimated fair value of these securities approximated their carrying value as of March 31, 2024 and December 31, 2023.

**Other Assets**

Other assets include deferred implementation costs of $8.5 million and $8.8 million and deferred commissions of $3.1 million and $2.6 million at March 31, 2024 and December 31, 2023, respectively. Amortization of deferred implementation costs were $1.5 million and $1.0 million for the three months ended March 31, 2024 and 2023, respectively. Amortization of deferred commissions were $0.4 million and $0.2 million for the three months ended March 31, 2024 and 2023, respectively.

Other assets also include the cash surrender value of life insurance related to the Company’s deferred compensation plan eligible to certain employees. The funded balance is reviewed on an annual basis. The balance of the life insurance policies was $3.3 million and $3.3 million at March 31, 2024 and December 31, 2023, respectively.

**Other Long-Term Liabilities**

Other long-term liabilities include amounts owed to employees that participate in the Company’s deferred compensation plan. Amounts owed to employees participating in the deferred compensation plan were $1.2 million and $1.4 million at March 31, 2024 and December 31, 2023, respectively.

**Operating Expenses Presentation Changes**

Beginning with the 2023 Annual Report, we have retroactively split our historical "Selling, general and administrative" financial statement line item ("FSLI"), presented in the condensed consolidated statements of operations under "Operating expenses" into two FSLIs, "Sales and marketing" and "General and administrative", to provide clearer insight into these operationally and economically different operating expenses. This split did not change our total historical operating expenses previously reported.

**Related Party Transactions**

During the three months ended March 31, 2023, Ronald Shaich, the sole member of Act III Management LLC ("Act III Management"), served as a strategic advisor to the Company's board of directors pursuant to a strategic advisor agreement, which terminated on June 1, 2023. Keith Pascal, a director of the Company, is an employee of Act III Management and serves as its vice president and secretary. Mr. Pascal does not have an ownership interest in Act III Management.

As of March 31, 2024 and December 31, 2023, the Company had zero accounts payable owed to Act III Management. During the three months ended March 31, 2024 and 2023, the Company paid Act III Management zero and $0.1 million, respectively, for services performed under the strategic advisor agreement.

**Recently Adopted Accounting Pronouncements**

There were no recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2024 that are of significance or potential significance to the Company.

## Note 2 — Revenue Recognition

**Deferred Revenue**

Deferred revenue attributable to each of the Company's reporting segments is as follows:

| | March 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Current under one year | Non-current over one year | Current under one year | Non-current over one year |
| Restaurant/Retail | $ 12,897 | $ 3,296 | $ 7,250 | $ 4,204 |
| Government | — | — | — | — |
| Total | $ 12,897 | $ 3,296 | $ 7,250 | $ 4,204 |

Most performance obligations greater than one year relate to service and support contracts, that the Company expects to fulfill within 36 months. The Company expects to fulfill 100% of service and support contracts within 60 months.

The changes in deferred revenue, inclusive of both current and long-term, are as follows:

| (in thousands) | 2024 | 2023 |
|---|---|---|
| Beginning balance - January 1 | $ 11,454 | $ 13,584 |
| Acquired deferred revenue (Note 3) | 5,443 | — |
| Recognition of deferred revenue | (6,398) | (7,550) |
| Deferral of revenue | 5,694 | 7,668 |
| Ending balance - March 31 | $ 16,193 | $ 13,702 |

The above tables exclude customer deposits of $1.8 million and $1.6 million as of the three months ended March 31, 2024 and 2023, respectively. During the three months ended March 31, 2024 and 2023, the Company recognized revenue included in deferred revenue at the beginning of each respective period of $2.7 million and $3.1 million.

In the Government segment, the value of existing contracts at March 31, 2024, net of amounts relating to work performed to that date, was approximately $315.4 million, of which $72.0 million was funded, and at December 31, 2023, the value of existing contracts, net of amounts relating to work performed to that date, was approximately $326.0 million, of which $73.2 million was funded.

The value of existing contracts in the Government segment, net of amounts relating to work performed at March 31, 2024, is expected to be recognized as revenue over time as follows:

| (in thousands) | | |
|---|---|---|
| Next 12 months | $ | 192,342 |
| Months 13-24 | | 87,865 |
| Months 25-36 | | 16,996 |
| Thereafter | | 18,223 |
| Total | $ | 315,426 |

**Disaggregated Revenue**

The Company disaggregates revenue from contracts with customers by major product line for each of its reporting segments because the Company believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by contract terms and economic factors.

Disaggregated revenue is as follows:

| | Three Months Ended March 31, 2024 | | | |
|---|---|---|---|---|
| (in thousands) | Restaurant/Retail point in time | Restaurant/Retail over time | Government point in time | Government over time |
| Hardware | $ 18,226 | $ — | $ — | $ — |
| Subscription service | — | 38,379 | — | — |
| Professional service | 5,726 | 7,742 | — | — |
| Mission systems | — | — | — | 8,247 |
| Intelligence, surveillance, and reconnaissance solutions | — | — | — | 26,756 |
| Commercial software | — | — | 234 | 187 |
| Total | $ 23,952 | $ 46,121 | $ 234 | $ 35,190 |

| | Three Months Ended March 31, 2023 | | | |
|---|---|---|---|---|
| (in thousands) | Restaurant/Retail point in time | Restaurant/Retail over time | Government point in time | Government over time |
| Hardware | $ 26,777 | $ — | $ — | $ — |
| Subscription service | — | 27,965 | — | — |
| Professional service | 6,485 | 7,357 | — | — |
| Mission systems | — | — | — | 9,383 |
| Intelligence, surveillance, and reconnaissance solutions | — | — | — | 22,216 |
| Commercial software | — | — | 80 | 174 |
| Total | $ 33,262 | $ 35,322 | $ 80 | $ 31,773 |

## Note 3 — Acquisitions

On March 8, 2024, ParTech, Inc. ("ParTech"), acquired 100% of the outstanding equity interests of Stuzo Blocker, Inc., Stuzo Holdings, LLC and their subsidiaries (collectively, “Stuzo” and such acquisition, the “Stuzo Acquisition”), a digital engagement software provider to Convenience and Fuel Retailers (C-Stores), for purchase consideration of approximately $170.5 million paid in cash (the "Cash Consideration"), subject to certain adjustments (including customary adjustments for Stuzo cash, debt, debt-like items, and net working capital), and $19.2 million paid in shares of Company common stock. 441,598 shares of common stock were issued as purchase consideration, determined using a fair value share price of $43.41. The Company acquired Stuzo to expand our footprint in the C-Stores market vertical with an industry-leading guest engagement platform serving major brands in the space.

Consideration paid in cash on the date of acquisition included $1.5 million deposited into an escrow account administered by a third party to fund potential post-closing adjustments and obligations. The balance in the escrow account was $1.5 million as of March 31, 2024.

The Company incurred acquisition expenses related to its acquisition of Stuzo of approximately $2.9 million.

The transaction was accounted for as a business combination in accordance with ASC Topic 805, *Business Combinations*. Accordingly, assets acquired and liabilities assumed have been accounted for at their preliminarily determined respective fair values as of March 8, 2024, the date of acquisition. The fair value determinations were based on management's best estimates and assumptions, and with the assistance of independent valuation and tax consultants. Identified preliminary fair values are subject to measurement period adjustments within the permitted measurement period (up to one year from the acquisition date) as management finalizes its procedures and net working capital adjustments are settled.

The following table presents management's preliminary purchase price allocation:

| (in thousands) | Purchase price allocation |
|---|---|
| Cash | $ 4,244 |
| Accounts receivable | 2,208 |
| Property and equipment | 307 |
| Developed technology | 18,200 |
| Customer relationships | 39,000 |
| Trade name and trademarks | 6,600 |
| Non-competition agreements | 4,800 |
| Prepaid and other acquired assets | 774 |
| Goodwill | 132,140 |
| Total assets | 208,273 |
| Accounts payable | 317 |
| Accrued expenses | 4,459 |
| Deferred revenue | 5,443 |
| Deferred taxes | 8,349 |
| Consideration paid | $ 189,705 |

Intangible Assets

The Company identified four acquired intangible assets in the Stuzo Acquisition: developed technology; customer relationships; the Stuzo trade name and trademarks; and non-competition agreements. The preliminary fair value of developed technology and customer relationship intangible assets were determined utilizing the “multi-period excess earnings method”, which is predicated upon the calculation of the net present value of after-tax net cash flows respectively attributable to each asset. The Company applied a seven-year economic life and discount rate of 12.5% in determining the Stuzo developed technology intangible fair value. The Company applied a 7.0% estimated annual attrition rate and discount rate of 12.5% in determining the Stuzo customer relationships intangible preliminary fair value. The preliminary fair value of the Stuzo trade name and trademarks intangible was determined utilizing the “relief from royalty” approach, which is a form of the income approach that attributes savings incurred from not having to pay a royalty for the use of an asset. The Company applied a fair and reasonable royalty rate of 1.0% and discount rate of 12.5% in determining the Stuzo trade name intangible preliminary fair value. The preliminary fair value of the Stuzo non-competition agreements was determined utilizing the discounted earnings method. The estimated useful life of these identifiable intangible assets was preliminarily determined to be seven years for the developed technology, twelve years for the customer relationships, indefinite for the Stuzo trade name and trademarks, and five years for the non-competition agreements.

Goodwill

Goodwill represents the excess of consideration transferred for the fair value of net identifiable assets acquired and is tested for impairment at least annually. The goodwill value represents expected synergies from the product acquired and other benefits. It is not deductible for income tax purposes.

Deferred Taxes

The Company determined the deferred tax position to be recorded at the time of the Stuzo Acquisition in accordance with ASC Topic 740, *Income Taxes*, resulting in recognition of $8.3 million in deferred tax liabilities for future reversing of taxable temporary differences primarily for intangible assets.

The net deferred tax liability relating to the Stuzo Acquisition was determined by the Company to provide future taxable temporary differences that allow for the Company to utilize certain previously fully reserved deferred tax assets. Accordingly, the Company recognized a reduction to its valuation allowance resulting in a net tax benefit of $8.1 million for the three months ended March 31, 2024.

Pro Forma Financial Information - unaudited

For the three months ended March 31, 2024, the Stuzo Acquisition resulted in additional revenues of $2.7 million and net income of $0.4 million.

The following table summarizes the Company's unaudited pro forma results of operations for the three months ended March 31, 2024 and 2023 as if the Stuzo Acquisition had occurred on January 1, 2023:

| | Three Months Ended March 31, | |
|---|---|---|
| (in thousands) | 2024 | 2023 |
| Total revenue | $ 113,070 | $ 110,202 |
| Net loss | (25,186) | (8,158) |

The unaudited pro forma results presented above are for illustrative purposes only and do not reflect the realization of actual cost savings or any related integration costs. The unaudited pro forma results do not purport to be indicative of the results that would have been obtained, or to be a projection of results that may be obtained in the future. These unaudited pro forma results include certain adjustments, primarily due to increases in amortization expense due to the fair value adjustments of intangible assets, acquisition related costs and the impact of income taxes on the pro forma adjustments. $2.4 million of acquisition costs have been reflected in the 2023 pro forma results.

## Note 4 — Accounts Receivable, net

The Company's net accounts receivables consist of:

| (in thousands) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Government segment | $ 23,698 | $ 20,703 |
| Restaurant/Retail segment | 46,260 | 42,679 |
| Accounts receivable, net | $ 69,958 | $ 63,382 |

At March 31, 2024 and December 31, 2023, the Company had current expected credit losses of $2.0 million and $1.9 million, respectively, against accounts receivable for the Restaurant/Retail segment.

Changes in the current expected credit loss for the three months ended March 31 were:

| (in thousands) | 2024 | 2023 |
|---|---|---|
| Beginning Balance - January 1 | $ 1,949 | $ 2,134 |
| Provisions | 564 | 489 |
| Write-offs | (557) | (110) |
| Ending Balance - March 31 | $ 1,956 | $ 2,513 |

## Note 5 — Inventories, net

The components of inventory, adjusted for reserves, consisted of the following:

| (in thousands) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Finished goods | $ 14,973 | $ 13,564 |
| Work in process | 234 | 216 |
| Component parts | 9,203 | 9,147 |
| Service parts | 644 | 667 |
| Inventories, net | $ 25,054 | $ 23,594 |

At March 31, 2024 and December 31, 2023, the Company had excess and obsolescence reserves of $9.1 million and $9.0 million, respectively, against inventories.

## Note 6 — Identifiable Intangible Assets and Goodwill

The Company's identifiable intangible assets represent intangible assets acquired in acquisitions and software development costs. The components of identifiable intangible assets are:

| (in thousands) | March 31, 2024 | December 31, 2023 | Estimated Useful Life | Weighted-Average Amortization Period |
|---|---|---|---|---|
| Acquired developed technology | $ 138,000 | $ 119,800 | 3 - 7 years | 4.80 years |
| Internally developed software costs | 37,346 | 36,876 | 3 years | 1.83 years |
| Customer relationships | 53,510 | 14,510 | 7 - 12 years | 10.50 years |
| Trade names | 1,410 | 1,410 | 2 - 5 years | 0.75 years |
| Non-competition agreements | 4,830 | 30 | 1 - 5 years | 5 years |
| | 235,096 | 172,626 | | |
| Impact of currency translation on intangible assets | 581 | 1,399 | | |
| Less: accumulated amortization | (94,590) | (88,259) | | |
| | 141,087 | 85,766 | | |
| Internally developed software costs not meeting general release threshold | 3,826 | 2,886 | | |
| Trademarks, trade names (non-amortizable) | 12,800 | 6,200 | Indefinite | |
| | $ 157,713 | $ 94,852 | | |

Software costs placed into service during the three months ended March 31, 2024 and 2023, were $0.5 million and $0.9 million, respectively.

The following table summarizes amortization expense for acquired developed technology and internally developed software:

| (in thousands) | Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| Amortization of acquired developed technology | $ 4,235 | $ 4,078 |
| Amortization of internally developed software | 1,326 | 1,735 |
| Amortization of identifiable intangible assets recorded in cost of sales | 5,561 | 5,813 |
| Amortization expense recorded in operating expenses | 932 | 464 |
| Impact of foreign currency translation on intangible assets | 639 | (129) |

The expected future amortization of intangible assets, assuming straight-line amortization of capitalized software development costs and acquisition related intangibles, excluding software development costs not meeting the general release threshold, is as follows:

| (in thousands) | |
|---|---|
| 2024, remaining | $ 21,973 |
| 2025 | 28,541 |
| 2026 | 25,665 |
| 2027 | 21,900 |
| 2028 | 12,323 |
| Thereafter | 30,685 |
| Total | $ 141,087 |

Goodwill carried by the Restaurant/Retail and Government segments is as follows:

| (in thousands) | 2024 | 2023 |
|---|---|---|
| Beginning balance - January 1 | $ 489,654 | $ 486,762 |
| Stuzo Acquisition | 132,140 | — |
| Foreign currency translation | (2,162) | 321 |
| Ending balance - March 31 | $ 619,632 | $ 487,083 |

## Note 7 — Debt

The following table summarizes information about the net carrying amounts of long-term debt as of March 31, 2024:

| (in thousands) | 2026 Notes | 2027 Notes | Total |
|---|---|---|---|
| Principal amount of notes outstanding | $ 120,000 | $ 265,000 | $ 385,000 |
| Unamortized debt issuance cost | (1,628) | (5,217) | (6,845) |
| Total notes payable | $ 118,372 | $ 259,783 | $ 378,155 |

The following table summarizes information about the net carrying amounts of long-term debt as of December 31, 2023:

| (in thousands) | 2026 Notes | 2027 Notes | Total |
|---|---|---|---|
| Principal amount of notes outstanding | $ 120,000 | $ 265,000 | $ 385,000 |
| Unamortized debt issuance cost | (1,811) | (5,542) | (7,353) |
| Total notes payable | $ 118,189 | $ 259,458 | $ 377,647 |

The following table summarizes interest expense recognized on the long-term debt:

| | Three Months Ended March 31, | |
|---|---|---|
| (in thousands) | 2024 | 2023 |
| Contractual interest expense | $ 1,856 | $ 2,011 |
| Accretion of debt in interest expense | 508 | 522 |
| Total interest expense | $ 2,364 | $ 2,533 |

The following table summarizes the future principal payments as of March 31, 2024:

| (in thousands) | | |
|---|---|---|
| 2024, remaining | $ | — |
| 2025 | | — |
| 2026 | | 120,000 |
| 2027 | | 265,000 |
| 2028 | | — |
| Thereafter | | — |
| Total | $ | 385,000 |

## Note 8 — Common Stock

In connection with, and to partially fund the Cash Consideration related to the Stuzo Acquisition, on March 7, 2024, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with funds and accounts advised by T. Rowe Price Investment Management, Inc., ADW Capital, Voss Capital, Greenhaven Road Capital, Jane Street, Progeny 3, Fund 1 Investments LLC, Newtyn Capital, Ghisallo Capital Management and Burkehill Global Management (collectively, the "Purchasers") to raise approximately $200 million through a private placement of PAR common stock. Pursuant to the Purchase Agreement, PAR issued and sold 5,174,638 shares of its common stock at a 10% discount to the Purchasers for a gross purchase price of approximately $200 million ($38.65 per share). Net proceeds from the Purchase Agreement were approximately $194.4 million, net of issuance costs of $5.5 million.

On January 2, 2024, the Company entered into a consulting agreement with PAR Act III, LLC ("PAR Act III") pursuant to which PAR Act III will provide the Company with strategic consulting, merger and acquisition technology due diligence, and other professional and expert services that may be requested from time to time by the Company's Chief Executive Officer through April 8, 2026. In consideration for the services provided under the consulting agreement, the Company amended its common stock purchase warrant issued to PAR Act III on April 8, 2021 (the "Warrant") to extend the termination date of the Warrant to April 8, 2028, subject to the consulting agreement remaining in effect through April 8, 2026.

The issuance date fair value of the Warrant extension was determined to be $4.5 million based on using the Black-Scholes model with the following assumptions as of January 2, 2024:

| | Original Warrant | Modified Warrant |
|---|---|---|
| Expected term | 2.25 years | 4.25 years |
| Risk free interest rate | 4.33 % | 3.93 % |
| Expected volatility | 55.01 % | 63.39 % |
| Expected dividend yield | None | None |
| Fair value (per warrant) | $ 7.36 | $ 16.21 |

In connection with the Company's March 2024 offering of its common stock, as a result of anti-dilution provisions of the Warrant, an additional 6,312 shares of common stock are available for purchase under the Warrant, at an exercise price of $74.96 per share. 100% of the shares available for purchase under the Warrant are exercisable at the exercise price of $74.96 per share.

The Warrant is accounted for as stock-based compensation to non-employees pursuant to ASC Topic 718, *Stock Compensation,* by way of ASC Topic 815, *Derivatives and Hedging*, due to the Warrant extension being in exchange for consulting services. The issuance date fair value of the Warrant extension of $4.5 million will be recognized as stock based compensation expense ratably over the requisite service period for the Warrant extension ending April 8, 2026.

## Note 9 — Stock-Based Compensation

Stock-based compensation expense, net of forfeitures of $0.7 million and $0.1 million, was $4.4 million and $3.1 million for the three months ended March 31, 2024 and 2023, respectively.

At March 31, 2024, the aggregate unrecognized compensation expense related to unvested equity awards was $35.5 million, which is expected to be recognized as compensation expense in fiscal years 2024 through 2027.

A summary of stock option activity for the three months ended March 31, 2024 is below:

| (in thousands, except for weighted average exercise price) | Options outstanding | Weighted average exercise price |
|---|---|---|
| Outstanding at January 1, 2024 | 920 | $ 13.04 |
| Exercised | (107) | 10.29 |
| Canceled/forfeited | (11) | 9.94 |
| Outstanding at March 31, 2024 | 802 | $ 13.46 |

A summary of unvested restricted stock units activity for the three months ended March 31, 2024 is below:

| (in thousands, except for weighted average award value) | Restricted Stock Unit Awards | Weighted average award value |
|---|---|---|
| Outstanding at January 1, 2024 | 839 | $ 35.83 |
| Granted | 429 | 48.81 |
| Vested | (329) | 32.88 |
| Canceled/forfeited | (110) | 34.88 |
| Outstanding at March 31, 2024 | 829 | $ 44.38 |

A total of 330,000 shares of Company common stock are available for purchase under the Company's 2021 Employee Stock Purchase Plan ("ESPP"), subject to adjustment as provided for in the ESPP. As of March 31, 2024, no shares of common stock were purchased.

## Note 10 — Net Loss Per Share

Net loss per share is calculated in accordance with ASC Topic 260, *Earnings per Share*, which specifies the computation, presentation and disclosure requirements for earnings per share (“EPS”). It requires the presentation of basic and diluted EPS. Basic EPS excludes all dilution and is based upon the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that would occur if convertible securities or other contracts to issue common stock were exercised. At March 31, 2024, there were 802,000 anti-dilutive stock options outstanding compared to 1,021,000 as of March 31, 2023. At March 31, 2024 there were 829,000 anti-dilutive restricted stock units compared to 634,000 as of March 31, 2023.

## Note 11 — Commitments and Contingencies

From time to time, the Company is party to legal proceedings arising in the ordinary course of business. Additionally, U.S. Government contract costs are subject to periodic audit and adjustment. Based on information currently available, and based on its evaluation of such information, the Company believes the legal proceedings in which it is currently involved are not material or are not likely to result in a material adverse effect on the Company’s business, financial condition or results of operations, or cannot currently be estimated.

## Note 12 — Segment and Related Information

The Company is organized in two segments, Restaurant/Retail and Government. Management views the Restaurant/Retail and Government segments separately in operating its business, as the products and services are different for each segment. Information noted as “Other” primarily relates to the Company’s corporate operations.

Information as to the Company's segments is set forth in the tables below:

| (in thousands) | Three Months Ended March 31, 2024 | 2023 |
|---|---|---|
| **Revenues:** | | |
| Restaurant/Retail | $ 70,073 | $ 68,584 |
| Government | 35,424 | 31,853 |
| Total | $ 105,497 | $ 100,437 |
| | | |
| **Operating (loss) income:** | | |
| Restaurant/Retail | $ (26,965) | $ (16,146) |
| Government | 2,294 | 2,282 |
| Total | (24,671) | (13,864) |
| Other income (expense), net | 306 | (59) |
| Interest expense, net | (1,708) | (1,667) |
| Loss before benefit from (provision for) income taxes | $ (26,073) | $ (15,590) |
| | | |
| **Depreciation, amortization and accretion:** | | |
| Restaurant/Retail | $ 7,615 | $ 7,340 |
| Government | 119 | 115 |
| Total | $ 7,734 | $ 7,455 |
| | | |
| **Capital expenditures including software costs:** | | |
| Restaurant/Retail | $ 1,503 | $ 2,037 |
| Government | 127 | 130 |
| Total | $ 1,630 | $ 2,167 |
| | | |
| **Revenues by country:** | | |
| United States | $ 99,957 | $ 95,437 |
| International | 5,540 | 5,000 |
| Total | $ 105,497 | $ 100,437 |

The following table represents assets by reporting segment:

| (in thousands) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Restaurant/Retail | $ 894,236 | $ 694,568 |
| Government | 29,469 | 24,475 |
| Other | 85,208 | 83,563 |
| Total | $ 1,008,913 | $ 802,606 |

The following table represents assets by country based on the location of the assets:

| (in thousands) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| United States | $ 978,952 | $ 767,894 |
| International | 29,961 | 34,712 |
| Total | $ 1,008,913 | $ 802,606 |

The following table represents goodwill by reporting segment:

| (in thousands) | March 31, 2024 | December 31, 2023 |
|---|---|---|
| Restaurant/Retail | $ 618,896 | $ 488,918 |
| Government | 736 | 736 |
| Total | $ 619,632 | $ 489,654 |

Customers comprising 10% or more of the Company's total revenues by reporting segment are summarized as follows:

| | Three Months Ended March 31, | |
|---|---|---|
| | 2024 | 2023 |
| **Restaurant/Retail reporting segment:** | | |
| Yum! Brands, Inc. | 8 % | 10 % |
| **Government reporting segment:** | | |
| U.S. Department of Defense | 34 % | 32 % |
| **All Others** | 58 % | 58 % |
| | 100 % | 100 % |

No other customer within "All Others" represented 10% or more of the Company's total revenue for the three months ended March 31, 2024 or 2023.

## Note 13 — Fair Value of Financial Instruments

The Company's financial instruments have been recorded at fair value using available market information and valuation techniques. The fair value hierarchy is based upon three levels of input, which are:

Level 1 — quoted prices in active markets for identical assets or liabilities (observable)

Level 2 — inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that are observable market data for essentially the full term of the asset or liability (observable)

Level 3 — unobservable inputs that are supported by little or no market activity, but are significant to determining the fair value of the asset or liability (unobservable)

The Company's financial instruments primarily consist of cash and cash equivalents, cash held on behalf of customers, short-term investments, debt instruments and deferred compensation assets and liabilities. The carrying amounts of cash and cash equivalents, cash held on behalf of customers, and short-term investments as of March 31, 2024 and December 31, 2023 were considered representative of their fair values because of their short-term nature. Debt instruments are recorded at principal amount net of unamortized debt issuance cost and discount (refer to "Note 7 - Debt" for additional information). The estimated fair value of the 2.875% Convertible Senior Notes due 2026 (the "2026 Notes") and 1.50% Convertible Senior Notes due 2027 (the "2027 Notes") at March 31, 2024 was $149.1 million and $244.2 million respectively. The estimated fair value of the 2026 Notes and 2027 Notes at December 31, 2023 was $145.6 million and $236.1 million respectively. The valuation techniques used to determine the fair value of the Company's long-term debt are classified in Level 2 of the fair value hierarchy as they are derived from broker quotations.

Deferred compensation assets and liabilities primarily relate to the Company's deferred compensation plan, which allows for pre-tax salary deferrals for certain key employees. Changes in the fair value of the deferred compensation liabilities are derived using quoted prices in active markets of the asset selections made by plan participants. Deferred compensation liabilities are classified in Level 2, the fair value classification as defined under FASB ASC Topic 820, *Fair Value Measurements*, because their inputs are derived principally from observable market data by correlation to the hypothetical investments. The Company holds insurance investments to partially offset the Company's liabilities under its deferred compensation plan, which are recorded at fair value each period using the cash surrender value of the insurance investments.

The cash surrender value of the life insurance policy was $3.3 million and $3.3 million at March 31, 2024 and December 31, 2023, respectively, and is included in other assets on the condensed consolidated balance sheets. Amounts owed to employees participating in the deferred compensation plan at March 31, 2024 were $1.2 million compared to $1.4 million at December 31, 2023 and are included in other long-term liabilities on the condensed consolidated balance sheets.

The Company uses a Monte Carlo simulation of a discounted cash flow model to determine the fair value of the earn-out liability associated with the acquisition of MENU Technologies AG (the "MENU Acquisition"). Significant inputs used in the simulation are not observable in the market and thus the liability represents a Level 3 fair value measurement as defined in ASC 820. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. The amount paid that is less than or equal to the liability on the acquisition date will be reflected as cash used in financing activities in the Company's condensed consolidated statements of cash flows. Any amount paid in excess of the liability on the acquisition date will be reflected as cash used in operating activities.

The following table presents the changes in the estimated fair values of the Company's liabilities for contingent consideration measured using significant unobservable inputs (Level 3) for the three months ended March 31:

| (in thousands) | 2024 | 2023 |
|---|---|---|
| Balance at January 1 | $ 600 | $ 9,800 |
| Change in fair value of contingent consideration | — | (5,200) |
| Balance at March 31 | $ 600 | $ 4,600 |

The balance of the fair value of the liability was recorded within "Accrued expenses" in the condensed consolidated balance sheets. The change in fair value of contingent consideration was recorded within "Adjustment to contingent consideration liability" in the condensed consolidated statements of operations.

The following table provides quantitative information associated with the fair value measurement of the Company's liabilities for contingent consideration as of March 31, 2024 and December 31, 2023:

| Contingency Type | Maximum Payout [1] (undiscounted) (in thousands) | Fair Value | Valuation Technique | Unobservable Inputs | Weighted Average or Range |
|---|---|---|---|---|---|
| Revenue based payments | $ 5,600 | $ 600 | Monte Carlo | Revenue volatility | 25.0 % |
| | | | | Discount rate | 11.5 % |
| | | | | Projected year of payments | 2024 |

[1] Maximum payout as determined by Monte Carlo valuation simulation; the disclosed contingency is not subject to a contractual maximum payout.

## Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto included under "Part I, Item 1. Financial Statements (unaudited)" of this Quarterly Report and our audited consolidated financial statements and the notes thereto included under "Part II, Item 8. Financial Statements and Supplementary Data" of the 2023 Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors, including those discussed under "Forward-Looking Statements".

### OVERVIEW

#### Q1 2024 Performance Highlights

- Annual Recurring Revenues ("ARR") grew to $185.7 million - representing total growth of 60.2% and organic growth of 24.8% from $115.9 million reported as of March 31, 2023.

- Active sites expansion
  - Engagement Cloud active sites expanded to 92.7 thousand - a 36.2% increase from the 68.1 thousand reported as of March 31, 2023.
  - Operator Cloud active sites expanded to 27.0 thousand - a 20.7% increase from the 22.4 thousand reported as of March 31, 2023.

#### Q1 2024 Corporate Development Highlights

- **Private Placement of Common Stock:** In connection with, and to partially fund the Stuzo Acquisition, on March 7, 2024, the Company issued and sold 5,174,638 shares of its common stock at $38.65 per share. Net proceeds from the private placement were approximately $194.4 million, net of issuance costs of $5.5 million.

- **Stuzo Acquisition:** On March 8, 2024, the Company acquired Stuzo, a digital engagement software provider to Convenience and Fuel Retailers (C-Stores), for approximately $190 million. The purchase consideration was approximately $170.5 million paid in cash, subject to certain adjustments (including customary adjustments for Stuzo cash, debt, debt-like items, and net working capital), and $19.2 million paid in shares of Company common stock. The acquisition of Stuzo contributed $41.0 million in ARR and 20.7 thousand active sites included within Engagement Cloud as of March 31, 2024.

- **TASK Announcement:** On March 8, 2024, the Company and TASK Group Holdings Limited, an Australian public company limited by shares and listed on the Australian Securities Exchange (“TASK”), entered into a Scheme Implementation Agreement, pursuant to which, subject to the satisfaction or waiver of certain conditions, the Company will acquire all TASK ordinary shares pursuant to a court-approved scheme of arrangement under Part 5.1 of Australia’s Corporations Act 2001. TASK is an Australia-based global food service transaction platform, that offers international unified commerce solutions, including interactive customer engagement and seamless integration, tailored for major brands worldwide. The acquisition of TASK is expected to contribute $40.0 million in ARR based on figures reported as of September 30, 2023. The closing of the TASK Transaction is expected to occur in the third quarter of 2024, subject to the satisfaction or waiver of certain conditions.

Refer to "Key Performance Indicators and Non-GAAP Financial Measures" below for important information on key performance indicators and non-GAAP financial measures, including ARR, active sites, and adjusted subscription service gross margin, used by us to evaluate Restaurant/Retail segment performance.

## RESULTS OF OPERATIONS

**Consolidated Results:**

| in thousands | Three Months Ended March 31, 2024 | 2023 | Percentage of total revenue 2024 | 2023 | Increase (decrease) 2024 vs 2023 |
|---|---|---|---|---|---|
| Revenues, net: | | | | | |
| Hardware | $ 18,226 | $ 26,777 | 17.3 % | 26.7 % | (31.9)% |
| Subscription service | 38,379 | 27,965 | 36.4 % | 27.8 % | 37.2 % |
| Professional service | 13,468 | 13,842 | 12.8 % | 13.8 % | (2.7)% |
| Contract | 35,424 | 31,853 | 33.6 % | 31.7 % | 11.2 % |
| Total revenues, net | $ 105,497 | $ 100,437 | 100.0 % | 100.0 % | 5.0 % |
| | | | | | |
| Gross margin | | | | | |
| Hardware | $ 4,056 | $ 4,396 | 3.8 % | 4.4 % | (7.7)% |
| Subscription service | 19,785 | 14,040 | 18.8 % | 14.0 % | 40.9 % |
| Professional service | 2,217 | 2,476 | 2.1 % | 2.5 % | (10.5)% |
| Contract | 2,505 | 2,281 | 2.4 % | 2.3 % | 9.8 % |
| Total gross margin | $ 28,563 | $ 23,193 | 27.1 % | 23.1 % | 23.2 % |
| | | | | | |
| Operating expenses: | | | | | |
| Sales and marketing | $ 10,926 | $ 9,398 | 10.4 % | 9.4 % | 16.3 % |
| General and administrative | 25,608 | 18,080 | 24.3 % | 18.0 % | 41.6 % |
| Research and development | 15,768 | 14,315 | 14.9 % | 14.3 % | 10.2 % |
| Amortization of identifiable intangible assets | 932 | 464 | 0.9 % | 0.5 % | 100.9 % |
| Adjustment to contingent consideration liability | — | (5,200) | — % | (5.2)% | (100.0)% |
| Total operating expenses | $ 53,234 | $ 37,057 | 50.5 % | 36.9 % | 43.7 % |
| | | | | | |
| Operating loss | $ (24,671) | $ (13,864) | (23.4)% | (13.8)% | 78.0 % |
| Other income (expense), net | 306 | (59) | 0.3 % | (0.1)% | (618.6)% |
| Interest expense, net | (1,708) | (1,667) | (1.6)% | (1.7)% | 2.5 % |
| Loss before benefit from (provision for) income taxes | (26,073) | (15,590) | (24.7)% | (15.5)% | 67.2 % |
| Benefit from (provision for) income taxes | 7,785 | (315) | 7.4 % | (0.3)% | (2571.4)% |
| Net loss | $ (18,288) | $ (15,905) | (17.3)% | (15.8)% | 15.0 % |

**Segment Revenue by Product Line as Percentage of Total Revenue**

| in thousands | Three Months Ended March 31, 2024 | 2023 | Percentage of total revenue 2024 | 2023 | Increase (decrease) 2024 vs 2023 |
|---|---|---|---|---|---|
| Hardware | $ 18,226 | $ 26,777 | 17.3 % | 26.7 % | (31.9) % |
| Subscription service | 38,379 | 27,965 | 36.4 % | 27.8 % | 37.2 % |
| Professional service | 13,468 | 13,842 | 12.8 % | 13.8 % | (2.7) % |
| Total Restaurant/Retail | 70,073 | 68,584 | 66.4 % | 68.3 % | 2.2 % |
| | | | | | |
| Mission systems | 8,247 | 9,383 | 7.8 % | 9.3 % | (12.1) % |
| ISR solutions | 26,756 | 22,216 | 25.4 % | 22.1 % | 20.4 % |
| Commercial software | 421 | 254 | 0.4 % | 0.3 % | 65.7 % |
| Total Government | 35,424 | 31,853 | 33.6 % | 31.7 % | 11.2 % |
| | | | | | |
| Total revenue | $ 105,497 | $ 100,437 | 100.0 % | 100.0 % | 5.0 % |

**Revenues, Net**

| in thousands | Three Months Ended March 31, 2024 | 2023 | Percentage of total revenue 2024 | 2023 | Increase (decrease) 2024 vs 2023 |
|---|---|---|---|---|---|
| Hardware | $ 18,226 | $ 26,777 | 17.3 % | 26.7 % | (31.9) % |
| Subscription service | 38,379 | 27,965 | 36.4 % | 27.8 % | 37.2 % |
| Professional service | 13,468 | 13,842 | 12.8 % | 13.8 % | (2.7) % |
| Contract | 35,424 | 31,853 | 33.6 % | 31.7 % | 11.2 % |
| Total revenues, net | $ 105,497 | $ 100,437 | 100.0 % | 100.0 % | 5.0 % |

*For the three months ended March 31, 2024 compared to the three months ended March 31, 2023*

Total revenues were $105.5 million for the three months ended March 31, 2024, an increase of $5.1 million or 5.0% compared to $100.4 million for the three months ended March 31, 2023.

Hardware revenues were $18.2 million for the three months ended March 31, 2024, a decrease of $8.6 million or 31.9% compared to $26.8 million for the three months ended March 31, 2023. The decrease was substantially driven by decreases in hardware revenues from terminals of $3.2 million, peripherals (scanners, printers, payment devices) of $2.8 million, and kitchen display systems of $1.3 million, all substantially driven by the timing of enterprise customer hardware refreshes and the timing of the Company's market launch of its next generation PAR terminal and headset.

Subscription service revenues were $38.4 million for the three months ended March 31, 2024, an increase of $10.4 million or 37.2% compared to $28.0 million for the three months ended March 31, 2023. The increase was substantially driven by increased subscription service revenues from our Operator Cloud services of $5.9 million driven by a 20.7% increase in active sites and a 22.2% increase in average revenue per site, and from our Engagement Cloud services of $4.5 million, primarily driven by $2.7 million of post acquisition revenues from the Stuzo Acquisition. The residual increase of $1.8 million from our Engagement Cloud services was driven by a 5.8% organic increase in active sites and a 7.5% organic increase in average revenue per site.

Professional service revenues were $13.5 million for the three months ended March 31, 2024, a decrease of $0.4 million or 2.7% from $13.8 million for the three months ended March 31, 2023. The decrease was substantially driven by a $1.3 million decrease in hardware repair services and field operations, partially offset by a $1.0 million increase in installation services.

Contract revenues were $35.4 million for the three months ended March 31, 2024, an increase of $3.6

million or 11.2% compared to $31.9 million for the three months ended March 31, 2023. The increase was substantially driven by the Government segment's ISR Solutions product line revenues due to continued Counter-small Unmanned Aircraft System tasks orders.

**Gross Margin**

| | Three Months Ended March 31, | | Gross Margin Percentage | | |
|---|---|---|---|---|---|
| in thousands | 2024 | 2023 | 2024 | 2023 | 2024 vs 2023 |
| Hardware | $ 4,056 | $ 4,396 | 22.3 % | 16.4 % | 5.9 % |
| Subscription service | 19,785 | 14,040 | 51.6 % | 50.2 % | 1.4 % |
| Professional service | 2,217 | 2,476 | 16.5 % | 17.9 % | (1.4)% |
| Contract | 2,505 | 2,281 | 7.1 % | 7.2 % | (0.1)% |
| Total gross margin | 28,563 | 23,193 | 27.1 % | 23.1 % | 4.0 % |

*For the three months ended March 31, 2024 compared to the three months ended March 31, 2023*

Total gross margin as a percentage of revenue for the three months ended March 31, 2024, increased to 27.1% as compared to 23.1% for the three months ended March 31, 2023.

Hardware margin as a percentage of hardware revenue for the three months ended March 31, 2024, increased to 22.3% as compared to 16.4% for the three months ended March 31, 2023. The increase in margin was substantially driven by improved inventory management resulting in lower excess and obsolescent inventory charges during the three months ended March 31, 2024.

Subscription service margin as a percentage of subscription service revenue for the three months ended March 31, 2024, increased to 51.6% as compared to 50.2% for the three months ended March 31, 2023. The increase was substantially driven by a continued focus on efficiency improvements with our hosting and customer support costs for our Operator Cloud offerings as well as improved margins stemming from Stuzo's post-acquisition operations. Subscription service margin for the three months ended March 31, 2024, included $5.4 million of amortization of acquired and internally developed technology compared to $5.7 million of amortization of acquired and internally developed technology for the three months ended March 31, 2023. Excluding the amortization of acquired and internally developed technology, adjusted subscription service gross margin was 66% compared to 71% for the three months ended March 31, 2024 and 2023, respectively, primarily driven by higher maintenance and support costs for our Engagement Cloud offerings (refer to "Non-GAAP Financial Measures" below for important information regarding adjusted subscription service gross margin, a non-GAAP financial measure).

Professional service margin as a percentage of professional service revenue for the three months ended March 31, 2024, decreased to 16.5% as compared to 17.9% for the three months ended March 31, 2023. The decrease was substantially driven by a decrease in margin for hardware service repair, partially offset by an increase in margin for field operations.

Contract margin as a percentage of contract revenue for the three months ended March 31, 2024, was relatively unchanged at 7.1% as compared to 7.2% for the three months ended March 31, 2023.

**Sales and Marketing Expense ("S&M")**

| | Three Months Ended March 31, | | Percentage of total revenue | | Increase (decrease) |
|---|---|---|---|---|---|
| in thousands | 2024 | 2023 | 2024 | 2023 | 2024 vs 2023 |
| Sales and marketing | $ 10,926 | $ 9,398 | 10.4 % | 9.4 % | 16.3 % |

*For the three months ended March 31, 2024 compared to the three months ended March 31, 2023*

S&M expenses were $10.9 million for the three months ended March 31, 2024, an increase of $1.5 million or 16.3% compared to $9.4 million for the three months ended March 31, 2023. The increase was substantially driven by $0.8 million of higher compensation costs for salaries, bonus, and commissions, $0.3 million in purchased

services for marketing events, and $0.2 million of severance as we continue to support the growth of our business.

**General and Administrative Expense ("G&A")**

| in thousands | Three Months Ended March 31, 2024 | 2023 | Percentage of total revenue 2024 | 2023 | Increase (decrease) 2024 vs 2023 |
|---|---|---|---|---|---|
| General and administrative | $ 25,608 | $ 18,080 | 24.3 % | 18.0 % | 41.6 % |

*For the three months ended March 31, 2024 compared to the three months ended March 31, 2023*

G&A expenses were $25.6 million for the three months ended March 31, 2024, an increase of $7.5 million or 41.6% compared to $18.1 million for the three months ended March 31, 2023. The increase was substantially driven by a $4.4 million increase in costs related to transaction due diligence. The residual increase of $3.1 million was driven by higher compensation costs for salaries and bonuses of $1.9 million, stock-based compensation of $0.7 million, and severance of $0.5 million as we continue to efficiently support the growth of our business.

**Research and Development Expenses ("R&D")**

| in thousands | Three Months Ended March 31, 2024 | 2023 | Percentage of total revenue 2024 | 2023 | Increase (decrease) 2024 vs 2023 |
|---|---|---|---|---|---|
| Research and development | $ 15,768 | $ 14,315 | 14.9 % | 14.3 % | 10.2 % |

*For the three months ended March 31, 2024 compared to the three months ended March 31, 2023*

R&D expenses were $15.8 million for the three months ended March 31, 2024, an increase of $1.5 million or 10.2% compared to $14.3 million for the three months ended March 31, 2023. The increase was substantially driven by an increase in R&D expense of $0.6 million driven by post-acquisition Stuzo R&D expenses and a $0.3 million increase in severance costs. The residual increase of $0.6 million was substantially driven by increases in R&D expense for our Operator Cloud offerings of $0.3 million and hardware offerings of $0.3 million, both driven by higher compensation costs for salaries and bonuses as we continue to improve and diversify our product and service offerings.

**Other Operating Expenses**

| in thousands | Three Months Ended March 31, 2024 | 2023 | Percentage of total revenue 2024 | 2023 | Increase (decrease) 2024 vs 2023 |
|---|---|---|---|---|---|
| Amortization of identifiable intangible assets | $ 932 | $ 464 | 0.9 % | 0.5 % | 100.9 % |
| Adjustment to contingent consideration liability | — | (5,200) | — % | (5.2)% | (100.0) % |

*For the three months ended March 31, 2024 compared to the three months ended March 31, 2023*

Amortization of identifiable intangible assets was $0.9 million for the three months ended March 31, 2024, an increase of $0.5 million as compared to $0.5 million for the three months ended March 31, 2023.

Included in operating expenses for the three months ended March 31, 2023, was a $5.2 million decrease to the fair value of the contingent consideration liability for certain post-closing revenue focused milestones from the MENU Acquisition. There was no comparable decrease to expense for the three months ended March 31, 2024.

**Other Income (Expense), Net**

| in thousands | Three Months Ended March 31, 2024 | 2023 | Percentage of total revenue 2024 | 2023 | Increase (decrease) 2024 vs 2023 |
|---|---|---|---|---|---|
| Other income (expense), net | $ 306 | $ (59) | 0.3 % | (0.1)% | (618.6) % |

*For the three months ended March 31, 2024 compared to the three months ended March 31, 2023*

Other income (expense), net was $0.3 million for the three months ended March 31, 2024, a decrease of $0.4 million compared to $(0.1) million for the three months ended March 31, 2023. Other income (expense), net substantially includes rental income, net of applicable expenses, foreign currency transactions gains and losses and other non-operating income/expenses. The change was substantially driven by sales and use tax expense and other miscellaneous expenses.

**Interest Expense, Net**

| in thousands | Three Months Ended March 31, 2024 | 2023 | Percentage of total revenue 2024 | 2023 | Increase (decrease) 2024 vs 2023 |
|---|---|---|---|---|---|
| Interest expense, net | $ (1,708) | $ (1,667) | (1.6)% | (1.7)% | 2.5 % |

*For the three months ended March 31, 2024 compared to the three months ended March 31, 2023*

Interest expense, net was relatively unchanged at $1.7 million for the three months ended March 31, 2024 as compared to $1.7 million for the three months ended March 31, 2023.

**Taxes**

| in thousands | Three Months Ended March 31, 2024 | 2023 | Percentage of total revenue 2024 | 2023 | Increase (decrease) 2024 vs 2023 |
|---|---|---|---|---|---|
| Benefit from (provision for) income taxes | $ 7,785 | $ (315) | 7.4 % | (0.3)% | (2571.4)% |

*For the three months ended March 31, 2024 compared to the three months ended March 31, 2023*

Benefit from (provision for) income taxes was $7.8 million for the three months ended March 31, 2024, a decrease of $8.1 million as compared to $(0.3) million for the three months ended March 31, 2023. The change was substantially driven by a reduction of the Company's valuation allowance which resulted from the establishment of deferred tax liabilities related to the Stuzo Acquisition.

**Key Performance Indicators and Non-GAAP Financial Measures:**

We monitor certain key performance indicators and non-GAAP financial measures in the evaluation and management of our business; certain key performance indicators and non-GAAP financial measures are provided in this Quarterly Report because we believe they are useful in facilitating period-to-period comparisons of our business performance. Key performance indicators and non-GAAP financial measures do not reflect and should be viewed independently of our financial performance determined in accordance with GAAP. Key performance indicators and non-GAAP financial measures are not forecasts or indicators of future or expected results and should not have undue reliance placed upon them by investors.

***Key Performance Indicators***

Within this Quarterly Report the Company makes reference to annual recurring revenue, or ARR, and active sites, which are both key performance indicators. The Company utilizes ARR and active sites as key performance indicators of the scale of our subscription services for both new and existing customers.

ARR is the annualized revenue from our subscription services, which includes subscription fees for our SaaS solutions and related support, managed platform development services, and transaction-based fees for

payment processing services. We generally calculate ARR by annualizing the monthly recurring revenue for all active sites as of the last day of each month for the respective reporting period. ARR is an operating measure, it does not reflect our revenue determined in accordance with GAAP, and ARR should be viewed independently of, and not combined with or substituted for, our revenue and other financial information determined in accordance with GAAP. Further, ARR is not a forecast of future revenue and investors should not place undue reliance on ARR as an indicator of our future or expected results.

Active sites represent locations active on our subscription services as of the last day of the respective reporting period.

Starting with this Quarterly Report, our key performance indicators ARR and active sites are presented as two subscription service product lines: Engagement Cloud (Punchh, Stuzo, and MENU) and Operator Cloud (Brink POS, PAR Payment Services, PAR Pay, and Data Central). Our subscription service product lines were adjusted to align with how management views our business after the Stuzo Acquisition.

**Annual Recurring Revenue**

| | As of March 31, | | Increase (decrease) | |
|---|---|---|---|---|
| In thousands | 2024 | 2023 | 2024 vs 2023 | |
| Engagement Cloud* | 107,161 | 59,357 | 80.5 | % |
| Operator Cloud | 78,503 | 56,541 | 38.8 | % |
| Total | $ 185,664 | $ 115,898 | 60.2 | % |

*Engagement Cloud ARR includes Stuzo ARR only in the three months ended March 31, 2024.

**Active Sites**

| | As of March 31, | | Increase (decrease) | |
|---|---|---|---|---|
| In thousands | 2024 | 2023 | 2024 vs 2023 | |
| Engagement Cloud* | 92.7 | 68.1 | 36.2 | % |
| Operator Cloud | 27.0 | 22.4 | 20.7 | % |

*Engagement Cloud active sites includes Stuzo active sites only in the three months ended March 31, 2024.

***Non-GAAP Financial Measures***

Within this Quarterly Report, the Company makes reference to adjusted subscription service gross margin, EBITDA, adjusted EBITDA, adjusted net loss, and adjusted diluted net loss per share which are non-GAAP financial measures. Adjusted subscription service gross margin represents subscription service gross margin adjusted to exclude amortization from acquired and internally developed software. EBITDA represents net loss before income taxes, interest expense and depreciation and amortization. Adjusted EBITDA represents EBITDA as adjusted to exclude certain non-cash and non-recurring charges, including stock-based compensation, acquisition expenses, certain pending litigation expenses and other non-recurring charges that may not be indicative of our financial performance. Adjusted net loss and adjusted diluted net loss per share represents net loss and net loss per share excluding amortization of acquired intangible assets, certain non-cash and non-recurring charges, including stock-based compensation, acquisition expense, certain pending litigation expenses and other non-recurring charges that may not be indicative of our financial performance.

The Company is presenting adjusted subscription service gross margin, adjusted EBITDA, adjusted net loss, and adjusted diluted net loss per share because we believe that these financial measures provide supplemental information that may be useful to investors in evaluating the Company's core business operating results and comparing such results to other similar companies. Management believes that adjusted subscription service gross margin, EBITDA, adjusted EBITDA, adjusted net loss, and adjusted diluted net loss per share, when viewed with the Company's results of operations in accordance with GAAP and the reconciliations to the most directly comparable GAAP measures provided in the tables below (refer to "Gross margin" discussion above for a reconciliation of subscription service gross margin to adjusted subscription service gross margin), provide useful information about operating performance and period-over-period growth, and provide additional information that is useful for evaluating the operating performance of the Company's core business without regard to potential distortions. Management also believes that adjusted EBITDA provides investors with insight into factors and trends that could affect the Company's ongoing cash earnings, from which capital investments are made and debt is serviced.

The Company's results of operations are impacted by certain non-cash and non-recurring charges, including stock-based compensation, acquisition related expenditures, and other non-recurring charges that may not be indicative of the Company’s on-going or long-term financial performance. Management believes that adjusting its net loss and diluted net loss per share to remove non-recurring charges provides a useful perspective with respect to the Company's results of operations and provides supplemental information to both management and investors by removing items that are difficult to predict and are often unanticipated.

Adjusted subscription service gross margin, EBITDA, adjusted EBITDA, adjusted net loss, and adjusted diluted net loss per share are not measures of financial performance under GAAP and should not be considered as alternatives to subscription service gross margin or net income (loss) as indicators of operating performance. Additionally, these measures may not be comparable to similarly titled measures disclosed by other companies. The tables below provide reconciliations between net loss and EBITDA, adjusted EBITDA, and adjusted net loss, as well as between diluted net loss per share and adjusted diluted net loss per share.

| | Three Months Ended March 31, | |
|---|---|---|
| in thousands | 2024 | 2023 |
| Reconciliation of Net Loss to EBITDA and Adjusted EBITDA | | |
| Net loss | $ (18,288) | $ (15,905) |
| (Benefit from) provision for income taxes | (7,785) | 315 |
| Interest expense, net | 1,708 | 1,667 |
| Depreciation and amortization | 7,226 | 6,933 |
| EBITDA | $ (17,139) | $ (6,990) |
| Stock-based compensation expense (1) | 4,410 | 3,055 |
| Contingent consideration (2) | — | (5,200) |
| Transaction costs (3) | 4,412 | — |
| Severance (4) | 1,434 | 253 |
| Other (income) expense, net (5) | (306) | 59 |
| Adjusted EBITDA | $ (7,189) | $ (8,823) |

1 Adjustments reflect stock-based compensation expense of $4.4 million and $3.1 million for the three months ended March 31, 2024 and 2023, respectively.

2 Adjustment reflects a non-cash reduction to the fair market value of the contingent consideration liability related to the MENU Acquisition.

3 Adjustment reflects non-recurring professional fees incurred in transaction due diligence, including acquisition costs associated with the Stuzo Acquisition and costs incurred with the planned acquisition of TASK.

4 Adjustment reflects the severance included in cost of sales, sales and marketing expense, general and administrative expense, and research and development expense of $1.4 million and $0.3 million for the three months ended March 31, 2024 and 2023, respectively.

5 Adjustment reflects foreign currency transaction gains and losses, rental income and losses, and other non-recurring expenses recorded in other (income) expense, net, in the accompanying statements of operations.

| in thousands, except per share amounts | Three Months Ended March 31, | | | |
|---|---|---|---|---|
| Reconciliation of Net Loss/Diluted Net Loss per Share to Adjusted Net Loss/Adjusted Diluted Net Loss per Share: | 2024 | | 2023 | |
| Net loss/diluted net loss per share | $ (18,288) | $ (0.62) | $ (15,905) | $ (0.58) |
| Benefit from income taxes (1) | (8,105) | (0.27) | — | — |
| Non-cash interest expense (2) | 508 | 0.02 | 522 | 0.02 |
| Acquired intangible assets amortization (3) | 5,167 | 0.18 | 4,564 | 0.17 |
| Stock-based compensation expense (4) | 4,410 | 0.15 | 3,055 | 0.11 |
| Contingent consideration (5) | — | — | (5,200) | (0.19) |
| Transaction costs (6) | 4,412 | 0.15 | — | — |
| Severance (7) | 1,434 | 0.05 | 253 | 0.01 |
| Other (income) expense, net (8) | (306) | (0.01) | 59 | — |
| Adjusted net loss/adjusted diluted net loss per share | $ (10,768) | $ (0.36) | $ (12,652) | $ (0.46) |
| | | | | |
| Adjusted weighted average common shares outstanding | 29,516 | | 27,344 | |

1 Adjustment reflects a partial release of our deferred tax asset valuation allowance of $8.1 million resulting from the Stuzo Acquisition. The income tax effect of the below adjustments were not tax-effected due to the valuation allowance on all of our net deferred tax assets.

2 Adjustment reflects non-cash amortization of issuance costs related to the Company's long-term debt of $0.5 million and $0.5 million for the three months ended March 31, 2024 and 2023, respectively.

3 Adjustment reflects amortization expense of acquired developed technology included within cost of sales of $4.3 million and $4.1 million for the three months ended March 31, 2024 and 2023, respectively; and amortization expense of acquired intangible assets of $0.9 million and $0.5 million for the three months ended March 31, 2024 and 2023, respectively.

4 Adjustment reflects stock-based compensation expense of $4.4 million and $3.1 million for the three months ended March 31, 2024 and 2023, respectively.

5 Adjustment reflects a non-cash reduction to the fair market value of the contingent consideration liability related to the MENU Acquisition.

6 Adjustment reflects non-recurring professional fees incurred in transaction due diligence, including acquisition costs associated with the Stuzo Acquisition and costs incurred with the planned acquisition of TASK.

7 Adjustment reflects the severance included in cost of sales, sales and marketing expense, general and administrative expense, and research and development expense of $1.4 million and $0.3 million for the three months ended March 31, 2024 and 2023, respectively.

8 Adjustment reflects foreign currency transaction gains and losses, rental income and losses, and other non-recurring expenses recorded in other (income) expense, net, in the accompanying statements of operations.

## LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash and cash equivalents and short-term investments. As of March 31, 2024, we had cash and cash equivalents of $50.8 million and short-term investments of $21.7 million. Cash and cash equivalents consist of highly liquid investments with maturities of 90 days or less, including money market funds. Short-term investments are held-to-maturity investment securities consisting of investment-grade interest bearing instruments, primarily treasury bills and notes, which are stated at amortized cost.

Cash used in operating activities was $23.6 million for the three months ended March 31, 2024, compared to $16.7 million for the three months ended March 31, 2023. Cash used for the three months ended March 31, 2024 was substantially driven by a net loss from operations of $18.3 million, net of non-cash charges of $4.4 million, and additional net working capital requirements substantially driven by an increase in accounts receivable of $5.1 million resulting from revenue growth.

Cash used in investing activities was $151.9 million for the three months ended March 31, 2024 compared to $1.8 million for the three months ended March 31, 2023. Investing activities during the three months ended March 31, 2024 included $166.3 million of cash consideration in connection with the Stuzo Acquisition (net of cash acquired), capital expenditures of $1.4 million for developed technology costs associated with our Restaurant/Retail software platforms, partially off-set by $15.9 million of proceeds from net sales of short-term held-to-maturity investments.

Cash provided by financing activities was $190.8 million for the three months ended March 31, 2024, compared to cash used in financing activities of $2.4 million for the three months ended March 31, 2023. Cash provided by financing activities during the three months ended March 31, 2024 was substantially driven by a private placement of common stock of $194.5 million (net of issuance costs), refer to "Note 8 – Common Stock" of the notes to interim condensed consolidated financial statements in "Part I, Item 1. Financial Statements and Supplementary Data" of this Quarterly Report for additional information. We do not have any off-balance sheet arrangements or obligations.

We expect our available cash and cash equivalents will be sufficient to meet our operating needs for at least the next 12 months. Over the next 12 months our total contractual obligations are $31.4 million, consisting of purchase commitments for normal operations (purchase of inventory, software licensing, use of external labor, and third-party cloud services) of $22.8 million, principal and interest payments on long-term debt of $7.4 million and facility lease obligations of $1.2 million. We expect to fund such commitments with cash provided by operating activities and our sources of liquidity.

Our non-current contractual obligations are $410.2 million, consisting of purchase commitments for normal operations (purchase of inventory, software licensing, use of external labor, and third-party cloud services) of $8.3 million, interest payments of $13.7 million and principal payments of $385.0 million related to long-term debt, and facility leases of $3.0 million. Refer to “Note 7 – Debt” of the notes to interim condensed consolidated financial statements in "Part I, Item 1. Financial Statements and Supplementary Data" of this Quarterly Report for additional information.

Our actual cash needs will depend on many factors, including our rate of revenue growth, growth of our SaaS revenues, the timing and extent of spending to support our product development and acquisition integration efforts, the timing of introductions of new products and enhancements to existing products, market acceptance of our products, and the factors described above in this "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Quarterly Report and in the 2023 Annual Report and our other filings with the SEC.

From time to time, we may seek to raise additional capital through equity, equity-linked, and debt financing arrangements. In addition, our board of directors and management regularly evaluate our business, strategy, and financial plans and prospects. As part of this evaluation, the board of directors and management periodically consider strategic alternatives to maximize value for our shareholders, including strategic transactions such as an acquisition, or a sale or spin-off of non-strategic company assets or businesses, including a sale of PAR Government Systems Corporation and/or one or more of its subsidiaries. We cannot provide assurance that any additional financing or strategic alternatives will be available to us on acceptable terms or at all.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements are based on the application of accounting principles generally accepted in the United States of America. GAAP requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue, and expense amounts reported. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently applied. Valuations based on estimates are reviewed for reasonableness and adequacy on a consistent basis. Significant items subject to these estimates and assumptions include revenue recognition, stock-based compensation, the recognition and measurement of assets acquired and liabilities assumed in business combinations at fair value, the carrying amount of property, plant, and equipment including right-to-use assets and liabilities, identifiable intangible assets and goodwill, valuation allowances for receivables, valuation of excess and obsolete inventories, and measurement of contingent consideration at fair value. Actual results could differ from these estimates. Our estimates are subject to uncertainties, including those associated with market conditions, risks and trends. Refer to "Part II, Item 1A. Risk Factors" of this Quarterly Report for additional information. Our critical accounting policies have not changed materially from the discussion of those policies included under “Critical Accounting Policies and Estimates” in our 2023 Annual Report.

## Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### *Foreign Currency Exchange Risk*

Our primary exposures relate to certain non-dollar denominated sales and operating expenses in Canada, Europe, Asia, and Australia. These primary currencies are the Great British Pound, the Euro, the Swiss Franc, the Serbian Dinar, the Australian dollar, the Singapore dollar, the Canadian dollar, the Indian Rupee and the Chinese Renminbi. Accordingly, changes in exchange rates may negatively affect our revenue and net income (loss) as expressed in U.S. dollars. We also have foreign currency risk related to foreign currency transactions and monetary assets and liabilities, including intercompany balances denominated in currencies that are not the functional currency. We have experienced and will continue to experience fluctuations in our net income (loss) as a result of gains (losses) on these foreign currency transactions and the remeasurement of monetary assets and liabilities. As of March 31, 2024, the impact of foreign currency exchange rate changes on our revenues and net income (loss) was not material. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy.

### *Interest Rate Risk*

As of March 31, 2024, we had $120.0 million, and $265.0 million in aggregate principal amount outstanding on the 2026 Notes and the 2027 Notes, respectively.

We carry the long-term debt at face value less amortized debt issuance costs on the condensed consolidated balance sheets. Since the long-term debt bears interest at fixed rates, we have no financial statement risk associated with changes in interest rates. However, the fair value of the long-term debt changes when the market price of our common stock fluctuates or interest rates change.

## Item 4. CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of March 31, 2024. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2024.

### Changes in Internal Control Over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, did not identify changes that occurred in our internal control over financial reporting during the quarter ended March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

# Part II - OTHER INFORMATION

## Item 1. LEGAL PROCEEDINGS

The information in “Note 11 – Commitments and Contingencies” of the notes to the financial statements "Part I, Item 1. Financial Statements" is incorporated herein by reference. We do not believe that we have any pending litigation that would have a material adverse effect on our financial condition or results of operations.

## Item 1A. RISK FACTORS

The risks described in the “Part I, Item 1A. Risk Factors” section of our 2023 Annual Report could materially and adversely affect our business, financial condition, and results of operations, and the trading price of our common stock could decline. The Risk Factors section in our 2023 Annual Report remains current in all material respects. Refer also to the other information set forth in this Quarterly Report, including in the Forward-Looking Statements, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Financial Statements sections.

## Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Under our equity incentive plan, employees may elect to have us withhold shares to satisfy minimum statutory federal, state and local tax withholding obligations arising from the vesting of their restricted stock and restricted stock units. When we withhold these shares, we are required to remit to the appropriate taxing authorities the market price of the shares withheld, which could be deemed a purchase of shares by us on the date of withholding. For the three months ended March 31, 2024, 108,890 shares were withheld.

The table below presents information regarding the Company's purchases of its common stock for the time periods presented.

| Period | Total Number of Shares Withheld | Average Price Paid Per Share |
|---|---|---|
| January 1, 2024 - January 31, 2024 | — | $ — |
| February 1, 2024 - February 29, 2024 | 27,484 | $ 48.69 |
| March 1, 2024 - March 31, 2024 | 81,406 | $ 43.01 |
| Total | 108,890 | $ 44.45 |

## Item 5. OTHER INFORMATION

During the three months ended March 31, 2024, none of the Company’s directors or officers (as defined in Rule 16a-1(f) of the Exchange Act) adopted, modified, or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement” (as defined in Item 408 of Regulation S-K).

## Item 6. EXHIBITS

| Exhibit Number | Exhibit Description | Incorporated by reference into this Quarterly Report on Form 10-Q | | Date Filed or Furnished |
|---|---|---|---|---|
| | | Form | Exhibit No. | |
| 2.1 | Purchase Agreement, dated March 8, 2024, PAR Technology Corporation, ParTech, Inc., the persons identified as Company Sellers on the signature pages thereto, Longshore Capital Fund I, L.P., a Delaware limited partnership, and Longshore Capital Management, LLC, a Delaware limited liability company, in its capacity as the Seller Representative. | Form 8-K (File No.001-09720) | 2.1 | 3/11/2024 |
| 2.2 | Scheme Implementation Agreement, dated March 9, 2024, by and between PAR Technology Corporation and TASK Group Holdings Limited. | Form 8-K (File No.001-09720) | 2.2 | 3/11/2024 |
| 3.1 | Restated Certificate of Incorporation, as currently in effect | Form 10-Q (File No. 001-09720) | 3.1 | 11/9/2022 |
| 3.2 | Amended and Restated Bylaws, as currently in effect | Form 8-K (File No.001-09720) | 3.1 | 2/14/2024 |
| 10.1 | Separation Letter, dated February 9, 2024, to Raju Malhotra | | | Filed herewith |
| 10.2 | Securities Purchase Agreement, dated March 7, 2024, between PAR Technology Corporation and the purchasers identified therein. | Form 8-K (File No.001-09720) | 10.1 | 3/11/2024 |
| 10.3 | Registration Rights Agreement, dated March 8, 2024, between PAR Technology Corporation and the purchasers identified therein. | Form 8-K (File No.001-09720) | 10.2 | 3/11/2024 |
| 10.4 | Amendment to the Amended and Restated Employment Letter between PAR Technology Corporation and Savneet Singh, dated March 25, 2024 | Form 8-K (File No.001-09720) | 10.1 | 3/28/2024 |
| 31.1 | Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended | | | Filed herewith |
| 31.2 | Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended | | | Filed herewith |
| 32.1 | Certification of Principal Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350 | | | Furnished herewith |
| 32.2 | Certification of Principal Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350 | | | Furnished herewith |
| 101.INS | Inline XBRL Instance Document | | | Filed herewith |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document | | | Filed herewith |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document | | | Filed herewith |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document | | | Filed herewith |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document | | | Filed herewith |
| 101.PRE | Inline XBRL Taxonomy Extension Presentation Linkbase Document | | | Filed herewith |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) | | | Filed herewith |

*SIGNATURES*

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

PAR TECHNOLOGY CORPORATION
(Registrant)

Date: May 9, 2024

/s/ Bryan A. Menar
Bryan A. Menar
Chief Financial Officer
(Principal Financial Officer)