REFINITIV

DELTA REPORT

10-Q

ALRM - ALARM.COM HOLDINGS, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1618
CHANGES	364
DELETIONS	807
ADDITIONS	447

REFINITIV

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023 March 31, 2024
OR

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

For the transition period from to

Commission File Number: 001-37461

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ALARM.COM HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**26-4247032**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
8281 Greensboro Drive Suite 100 Tysons Virginia	**22102**
(Address of principal executive offices)	(Zip Code)

Tel: (877) 389-4033
(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, $0.01 par value per share	**ALRM**	**The Nasdaq Stock Market LLC**

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. þ 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). þ 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	þ	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 þ No

As of November 2, 2023 May 2, 2024, there were 49,987,784 50,188,716 outstanding shares of the registrant's common stock, par value $0.01 per share.

ALARM.COM HOLDINGS, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE FISCAL QUARTER ENDED SEPTEMBER 30, 2023 MARCH 31, 2024

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PART I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (unaudited)

ALARM.COM HOLDINGS, INC.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Revenue:	**Revenue:**				
Revenue:					
Revenue:					
SaaS and license revenue					

SaaS and license revenue					
SaaS and license revenue	SaaS and license revenue	$ 145,027	$ 133,126	$ 420,853	$ 385,826
Hardware and other revenue	Hardware and other revenue	76,827	83,012	234,592	248,594
Hardware and other revenue					
Hardware and other revenue					
Total revenue					
Total revenue					
Total revenue	Total revenue	221,854	216,138	655,445	634,420
Cost of revenue(1)**:**	**Cost of revenue**(1)**:**				
Cost of revenue(1)**:**					
Cost of revenue(1)**:**					
Cost of SaaS and license revenue					
Cost of SaaS and license revenue					
Cost of SaaS and license revenue	Cost of SaaS and license revenue	21,917	18,437	63,076	54,019
Cost of hardware and other revenue	Cost of hardware and other revenue	59,488	67,149	180,868	208,990
Cost of hardware and other revenue					
Cost of hardware and other revenue					
Total cost of revenue					
Total cost of revenue					
Total cost of revenue	Total cost of revenue	81,405	85,586	243,944	263,009
Operating expenses:	**Operating expenses:**				
Operating expenses:					
Operating expenses:					
Sales and marketing					
Sales and marketing					
Sales and marketing	Sales and marketing	23,861	23,057	74,278	69,182
General and administrative	General and administrative	31,455	28,011	88,753	81,314
General and administrative					
General and administrative					
Research and development					
Research and development					
Research and development	Research and development	61,014	55,581	183,840	161,227
Amortization and depreciation	Amortization and depreciation	7,948	7,587	23,481	23,123
Amortization and depreciation					
Amortization and depreciation					
Total operating expenses					
Total operating expenses					
Total operating expenses	Total operating expenses	124,278	114,236	370,352	334,846
Operating income	**Operating income**	16,171	16,316	41,149	36,565
Operating income					
Operating income					
Interest expense					

Interest expense					
Interest expense	Interest expense	(906)	(787)	(2,601)	(2,356)
Interest income	Interest income	8,493	2,903	21,092	4,062
Other (expense) / income, net		(435)	(76)	(1,214)	42
Interest income					
Interest income					
Other expense, net					
Other expense, net					
Other expense, net					
Income before income taxes	**Income before income taxes**	23,323	18,356	58,426	38,313
Provision for income taxes		3,972	246	9,257	472
Income before income taxes					
Income before income taxes					
Provision for / (benefit from) income taxes					
Provision for / (benefit from) income taxes					
Provision for / (benefit from) income taxes					
Net income					
Net income					
Net income	**Net income**	19,351	18,110	49,169	37,841
Net loss attributable to redeemable noncontrolling interests	Net loss attributable to redeemable noncontrolling interests	173	222	570	412
Net loss attributable to redeemable noncontrolling interests					
Net loss attributable to redeemable noncontrolling interests					
Net income attributable to common stockholders					
Net income attributable to common stockholders					
Net income attributable to common stockholders	**Net income attributable to common stockholders**	$ 19,524	$ 18,332	$ 49,739	$ 38,253
Per share information attributable to common stockholders:	**Per share information attributable to common stockholders:**				
Per share information attributable to common stockholders:					
Per share information attributable to common stockholders:					
Net income per share:					
Net income per share:					
Net income per share:	Net income per share:				
Basic	Basic	$ 0.39	$ 0.37	$ 1.00	$ 0.77
Basic					

Basic					
Diluted					
Diluted					
Diluted	Diluted	$ 0.37	$ 0.35	$ 0.94	$ 0.73
Weighted average common shares outstanding:	Weighted average common shares outstanding:				
Weighted average common shares outstanding:					
Weighted average common shares outstanding:					
Basic					
Basic					
Basic	Basic	49,917,533	49,791,465	49,782,571	49,974,925
Diluted	Diluted	54,778,793	54,832,528	54,588,826	54,988,020
Diluted					
Diluted					

(1) Exclusive of amortization and depreciation shown in operating expenses below.

See accompanying notes to the condensed consolidated financial statements.

ALARM.COM HOLDINGS, INC.
Condensed Consolidated Statements of Comprehensive Income
(in thousands)
(unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Net income	Net income	$ 19,351	$ 18,110	$ 49,169	$ 37,841
Net income					
Net income					
Other comprehensive (loss) / income					
Other comprehensive (loss) / income					
Other comprehensive (loss) / income	Other comprehensive (loss) / income				
Foreign currency translation adjustment	Foreign currency translation adjustment	(752)	—	76	—
Foreign currency translation adjustment					
Foreign currency translation adjustment					
Total other comprehensive (loss) / income					
Total other comprehensive (loss) / income					
Total other comprehensive (loss) / income	Total other comprehensive (loss) / income	(752)	—	76	—
Comprehensive income	Comprehensive income	18,599	18,110	49,245	37,841
Comprehensive income					
Comprehensive income					
Comprehensive loss attributable to redeemable noncontrolling interests					
Comprehensive loss attributable to redeemable noncontrolling interests					

Comprehensive loss attributable to redeemable noncontrolling interests	Comprehensive loss attributable to redeemable noncontrolling interests	173	222	570	412
Comprehensive income attributable to common stockholders	Comprehensive income attributable to common stockholders	$ 18,772	$ 18,332	$ 49,815	$ 38,253
Comprehensive income attributable to common stockholders					
Comprehensive income attributable to common stockholders					

See accompanying notes to the condensed consolidated financial statements.

ALARM.COM HOLDINGS, INC.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	March 31, 2024				
Assets	**Assets**				
Current assets:	Current assets:				
Current assets:					
Current assets:					
Cash and cash equivalents					
Cash and cash equivalents					
Cash and cash equivalents	Cash and cash equivalents	$ 679,969	$ 622,165		
Accounts receivable, net of allowance for credit losses of $3,856 and $2,835, and net of allowance for product returns of $2,175 and $1,551 as of September 30, 2023 and December 31, 2022, respectively		110,267	124,283		
Accounts receivable, net of allowance for credit losses of $4,054 and $3,864, and net of allowance for product returns of $2,595 and $2,279 as of March 31, 2024 and December 31, 2023, respectively					
Accounts receivable, net of allowance for credit losses of $4,054 and $3,864, and net of allowance for product returns of $2,595 and $2,279 as of March 31, 2024 and December 31, 2023, respectively					
Accounts receivable, net of allowance for credit losses of $4,054 and $3,864, and net of allowance for product returns of $2,595 and $2,279 as of March 31, 2024 and December 31, 2023, respectively					
Inventory	Inventory	114,248	115,584		
Other current assets, net of allowance for credit losses of $0 as of September 30, 2023 and December 31, 2022		26,685	29,056		

Other current assets, net			
Total current assets	Total current assets	931,169	891,088
Property and equipment, net	Property and equipment, net	55,862	57,172
Intangible assets, net	Intangible assets, net	82,498	82,458
Goodwill	Goodwill	153,847	148,183
Deferred tax assets	Deferred tax assets	126,800	84,185
Operating lease right-of-use assets	Operating lease right-of-use assets	26,840	28,933
Other assets, net of allowance for credit losses of $2 as of September 30, 2023 and December 31, 2022		34,481	37,356
Other assets, net of allowance for credit losses of $4,003 and $5 as of March 31, 2024 and December 31, 2023, respectively			
Total assets	**Total assets**	$1,411,497	$1,329,375
Liabilities, redeemable noncontrolling interests and stockholders' equity	**Liabilities, redeemable noncontrolling interests and stockholders' equity**		
Current liabilities:	Current liabilities:		
Current liabilities:			
Current liabilities:			
Accounts payable, accrued expenses and other current liabilities			
Accounts payable, accrued expenses and other current liabilities			
Accounts payable, accrued expenses and other current liabilities	Accounts payable, accrued expenses and other current liabilities	$ 122,552	$ 119,657
Accrued compensation	Accrued compensation	26,491	25,582
Deferred revenue	Deferred revenue	10,336	7,540
Operating lease liabilities	Operating lease liabilities	12,538	12,157
Total current liabilities	Total current liabilities	171,917	164,936
Deferred revenue	Deferred revenue	12,503	10,792
Convertible senior notes, net	Convertible senior notes, net	492,727	490,370
Operating lease liabilities	Operating lease liabilities	23,245	27,380
Operating lease liabilities			
Operating lease liabilities			
Other liabilities	Other liabilities	13,065	13,050
Total liabilities	**Total liabilities**	713,457	706,528

Commitments and contingencies (Note 12)	Commitments and contingencies (Note 12)			Commitments and contingencies (Note 12)
Redeemable noncontrolling interests	Redeemable noncontrolling interests	30,342	23,988	
Stockholders' equity	**Stockholders' equity**			
Preferred stock, $0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding as of September 30, 2023 and December 31, 2022		—	—	
Common stock, $0.01 par value, 300,000,000 shares authorized; 51,687,998 and 50,985,454 shares issued; and 49,915,713 and 49,452,709 shares outstanding as of September 30, 2023 and December 31, 2022, respectively		517	510	
Preferred stock, $0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding as of March 31, 2024 and December 31, 2023				
Preferred stock, $0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding as of March 31, 2024 and December 31, 2023				
Preferred stock, $0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding as of March 31, 2024 and December 31, 2023				
Common stock, $0.01 par value, 300,000,000 shares authorized; 52,113,344 and 51,888,838 shares issued; and 50,092,681 and 49,868,175 shares outstanding as of March 31, 2024 and December 31, 2023, respectively				
Additional paid-in capital	Additional paid-in capital	529,070	497,199	
Treasury stock, at cost; 1,772,285 and 1,532,745 shares as of September 30, 2023 and December 31, 2022, respectively		(96,847)	(83,993)	
Treasury stock, at cost; 2,020,663 shares as of March 31, 2024 and December 31, 2023				
Accumulated other comprehensive income	Accumulated other comprehensive income	76	—	
Retained earnings	Retained earnings	234,882	185,143	
Total stockholders' equity	**Total stockholders' equity**	667,698	598,859	

Total liabilities, redeemable noncontrolling interests and stockholders' equity	**Total liabilities, redeemable noncontrolling interests and stockholders' equity**	$1,411,497	$1,329,375

See accompanying notes to the condensed consolidated financial statements.

ALARM.COM HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

		Nine Months Ended September 30,			Three Months Ended March 31,	
Cash flows from operating activities:		**2023**	**2022**			
Cash flows from / (used in) operating activities:				**Cash flows from / (used in) operating activities:**	**2024**	**2023**
Net income	Net income	$ 49,169	$ 37,841			
Adjustments to reconcile net income to net cash flows from operating activities:						
Adjustments to reconcile net income to net cash flows from / (used in) operating activities:						
Provision for credit losses on accounts receivable						
Provision for credit losses on accounts receivable						
Provision for credit losses on accounts receivable	Provision for credit losses on accounts receivable	1,422	1,606			
Reserve for product returns	Reserve for product returns	2,979	3,721			
Recovery of credit losses on notes receivable		—	(77)			
Inventory write-down		1,181	—			
Provision for credit losses on notes receivable						
Amortization on patents and tooling						
Amortization on patents and tooling						
Amortization on patents and tooling	Amortization on patents and tooling	965	1,037			

Amortization and depreciation	Amortization and depreciation	23,481	23,123
Amortization of debt issuance costs	Amortization of debt issuance costs	2,357	2,342
Amortization of operating leases	Amortization of operating leases	8,540	7,767
Deferred income taxes	Deferred income taxes	(42,612)	(42,566)
Change in fair value of contingent liability	Change in fair value of contingent liability	23	—
Stock-based compensation	Stock-based compensation	36,423	38,053
Gain on investment		—	(140)
Changes in operating assets and liabilities (net of business acquisitions):	Changes in operating assets and liabilities (net of business acquisitions):		
Changes in operating assets and liabilities (net of business acquisitions):			
Changes in operating assets and liabilities (net of business acquisitions):			
Accounts receivable			
Accounts receivable			
Accounts receivable	Accounts receivable	11,048	(18,321)
Inventory	Inventory	2,750	(37,043)
Other current and non-current assets	Other current and non-current assets	6,423	(7,443)
Accounts payable, accrued expenses and other current liabilities	Accounts payable, accrued expenses and other current liabilities	371	17,803
Deferred revenue	Deferred revenue	4,507	3,531
Operating lease liabilities	Operating lease liabilities	(10,329)	(9,390)
Other liabilities	Other liabilities	(2,605)	611
Cash flows from operating activities		96,093	22,455
Cash flows from / (used in) operating activities			

Cash flows used in investing activities:	**Cash flows used in investing activities:**		
Business acquisition, net of cash acquired			
Business acquisition, net of cash acquired			
Business acquisition, net of cash acquired	Business acquisition, net of cash acquired	(9,696)	(31,730)
Additions to property and equipment	Additions to property and equipment	(5,349)	(28,084)
Additions to property and equipment			
Additions to property and equipment			
Issuances of notes receivable			
Issuances of notes receivable			
Issuances of notes receivable	Issuances of notes receivable	(300)	(3,000)
Receipt of payments on notes receivable	Receipt of payments on notes receivable	40	49
Capitalized software development costs	Capitalized software development costs	(315)	—
Purchase of investment in unconsolidated entity	Purchase of investment in unconsolidated entity	(200)	—
Proceeds from sale of investment		—	140
Purchases of developed technology and other assets		(5,915)	—
Cash flows used in investing activities	Cash flows used in investing activities	(21,735)	(62,625)
Cash flows used in financing activities:			
Cash flows used in investing activities			
Cash flows used in investing activities			
Cash flows from financing activities:			
Payments of deferred consideration for acquisitions		(1,672)	—
Purchases of treasury stock, including transaction costs		(12,854)	(51,866)
Purchases of redeemable noncontrolling interest		(832)	—
Payments of acquired debt			
Payments of acquired debt			
Payments of acquired debt	Payments of acquired debt	(3,016)	—

Issuances of common stock from equity-based plans	Issuances of common stock from equity-based plans	3,129	3,391
Cash flows used in financing activities		(15,245)	(48,475)
Cash flows from financing activities			
Effect of exchange rate changes on cash, cash equivalents and restricted cash	Effect of exchange rate changes on cash, cash equivalents and restricted cash	(57)	—
Net increase / (decrease) in cash, cash equivalents and restricted cash	**Net increase / (decrease) in cash, cash equivalents and restricted cash**	59,056	(88,645)
Cash, cash equivalents and restricted cash at beginning of the period	**Cash, cash equivalents and restricted cash at beginning of the period**	622,879	710,621
Cash, cash equivalents and restricted cash at end of the period	**Cash, cash equivalents and restricted cash at end of the period**	$ 681,935	$ 621,976
Reconciliation of cash, cash equivalents and restricted cash:	**Reconciliation of cash, cash equivalents and restricted cash:**		
Reconciliation of cash, cash equivalents and restricted cash:			
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents			
Cash and cash equivalents			
Cash and cash equivalents	Cash and cash equivalents	$ 679,969	$ 621,347
Restricted cash included in other current assets and other assets	Restricted cash included in other current assets and other assets	1,966	629
Total cash, cash equivalents and restricted cash	Total cash, cash equivalents and restricted cash	$ 681,935	$ 621,976

See accompanying notes to the condensed consolidated financial statements.

ALARM.COM HOLDINGS, INC.
Condensed Consolidated Statements of Equity
(in thousands)
(unaudited)

	Redeemable Noncontrolling Interests	Redeemable Noncontrolling Interests	Redeemable Noncontrolling Interests

		Common Stock								Shares
	Redeemable Noncontrolling Interests	Common Stock Shares	Amount	Additional Paid-In Capital	Treasury Stock Shares	Amount	Accumulated Other Comprehensive Income / (Loss)	Retained Earnings	Total Stockholders' Equity	
Balance as of December 31, 2022	**$ 23,988**	**50,985**	**$ 510**	**$ 497,199**		**1,533**	**$ (83,993)**	**$ —**	**$ 598,859**	
Balance as of December 31, 2023					**Total Stockholders' Equity**					
Common stock issued in connection with equity-based plans	—	270	3	1,308	—	—	—	—	1,311	
Stock-based compensation expense	—	—	—	12,686	—	—	—	—	12,686	
Accretion adjustments of redeemable noncontrolling interest to redemption value	2,061	—	—	(2,061)	—	—	—	—	(2,061)	
Net income / (loss) attributable to common stockholders	(209)	—	—	—	—	—	—	14,416	14,416	
Other comprehensive income	—	—	—	—	—	—	170	—	170	
Balance as of March 31, 2023	**$ 25,840**	**51,255**	**$ 513**	**$ 509,132**	**1,533**	**$(83,993)**	**$ 170**	**$199,559**	**$ 625,381**	
Common stock issued in connection with equity-based plans	—	270	2	200	—	—	—	—	202	
Purchase of treasury stock	—	—	—	—	134	(6,726)	—	—	(6,726)	
Stock-based compensation expense	—	—	—	11,965	—	—	—	—	11,965	
Purchases of redeemable noncontrolling interest	(1,238)	—	—	406	—	—	—	—	406	
Stock-based compensation expense										
Accretion adjustments of redeemable noncontrolling interest to redemption value	3,454	—	—	(3,454)	—	—	—	—	(3,454)	
Net income / (loss) attributable to common stockholders	(188)	—	—	—	—	—	—	15,799	15,799	
Other comprehensive income	—	—	—	—	—	—	658	—	658	
Balance as of June 30, 2023	**$ 27,868**	**51,525**	**$ 515**	**$ 518,249**	**1,667**	**$(90,719)**	**$ 828**	**$215,358**	**$ 644,231**	
Common stock issued in connection with equity-based plans	—	163	2	1,614	—	—	—	—	1,616	
Purchase of treasury stock	—	—	—	—	105	(6,128)	—	—	(6,128)	
Stock-based compensation expense	—	—	—	11,854	—	—	—	—	11,854	

	Redeemable Noncontrolling Interests	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Income	Retained Earnings	Total
Accretion adjustments of redeemable noncontrolling interests to redemption values	2,647	—	—	(2,647)	—	—	—	—	(2,647)
Net income / (loss) attributable to common stockholders	(173)	—	—	—	—	—	—	19,524	19,524
Other comprehensive loss / Other comprehensive loss	—	—	—	—	—	—	(752)	—	(752)
Balance as of September 30, 2023	**$ 30,342**	**51,688**	**$ 517**	**$ 529,070**	**1,772**	**$ (96,847)**	**$ 76**	**$ 234,882**	**$ 667,698**
Balance as of March 31, 2024									

ALARM.COM HOLDINGS, INC.
Condensed Consolidated Statements of Equity — (Continued)
(in thousands)
(unaudited)

	Redeemable Noncontrolling Interests	Redeemable Noncontrolling Interests	Redeemable Noncontrolling Interests	Common Stock	Additional Paid-In Capital	Treasury Stock	Accumulated Other Comprehensive Income	Retained Earnings
Balance as of December 31, 2022								
Balance as of December 31, 2022								
Balance as of December 31, 2022								
Common stock issued in connection with equity-based plans								
Stock-based compensation expense								
Stock-based compensation expense								
Stock-based compensation expense								
Accretion adjustments of redeemable noncontrolling interest to redemption value								

Accretion adjustments of redeemable noncontrolling interest to redemption value								
Accretion adjustments of redeemable noncontrolling interest to redemption value								
Net income / (loss) attributable to common stockholders								
Other comprehensive income								
Balance as of March 31, 2023								

	Redeemable Noncontrolling Interests	Common Stock		Additional Paid-In Capital	Treasury Stock		Retained Earnings	Total Stockholders' Equity
		Shares	Amount		Shares	Amount		
Balance as of December 31, 2021	**$ 12,888**	**50,407**	**$ 504**	**$ 498,979**	**147**	**$ (5,149)**	**$ 118,833**	**$ 613,167**
Adoption of accounting standard on debt with conversion and other options	—	—	—	(56,515)	—	—	9,972	(46,543)
Common stock issued in connection with equity-based plans	—	85	1	1,079	—	—	—	1,080
Purchase of treasury stock	—	—	—	—	354	(23,331)	—	(23,331)
Stock-based compensation expense	—	—	—	12,110	—	—	—	12,110
Accretion adjustments of redeemable noncontrolling interest to redemption value	2,569	—	—	(2,569)	—	—	—	(2,569)
Net income / (loss) attributable to common stockholders	(176)	—	—	—	—	—	9,079	9,079

Balance as of March 31, 2022	**$ 15,281**	**50,492**	**$ 505**	**$ 453,084**	**501**	**$ (28,480)**	**$ 137,884**	**$ 562,993**
Common stock issued in connection with equity-based plans	—	205	2	581	—	—	—	583
Purchase of treasury stock	—	—	—	—	481	(28,168)	—	(28,168)
Reclassification of subsidiary long-term incentive plan liability related to modification	—	—	—	3,104	—	—	—	3,104
Stock-based compensation expense	—	—	—	12,789	—	—	—	12,789
Accretion adjustments of redeemable noncontrolling interest to redemption value	860	—	—	(860)	—	—	—	(860)
Net income / (loss) attributable to common stockholders	(14)	—	—	—	—	—	10,842	10,842
Balance as of June 30, 2022	**$ 16,127**	**50,697**	**$ 507**	**$ 468,698**	**982**	**$ (56,648)**	**$ 148,726**	**$ 561,283**
Common stock issued in connection with equity-based plans	—	150	1	1,727	—	—	—	1,728
Purchase of treasury stock	—	—	—	—	5	(367)	—	(367)
Stock-based compensation expense	—	—	—	13,154	—	—	—	13,154
Noncontrolling interest assumed through acquisition	6,770	—	—	—	—	—	—	—
Accretion adjustments of redeemable noncontrolling interest to redemption value	354	—	—	(354)	—	—	—	(354)
Net income / (loss) attributable to common stockholders	(222)	—	—	—	—	—	18,332	18,332

Balance as of September 30, 2022	**$**	**23,029**	**50,847**	**$**	**508**	**$ 483,225**	**987**	**$ (57,015)**	**$ 167,058**	**$ 593,776**

See accompanying notes to the condensed consolidated financial statements.

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited)
September 30, March 31, 2024 and 2023 and 2022

Note 1. Organization

Alarm.com Holdings, Inc. (referred to herein as Alarm.com, the Company, or we) is the leading platform for the intelligently connected property. Our cloud-based platform offers an expansive suite of Internet of Things, or IoT, solutions addressing opportunities in the residential, multi-family, small business and enterprise commercial markets. Alarm.com's solutions include security, video and video analytics, energy management, access control, electric utility grid management, indoor gunshot detection, water management, health and wellness and data-rich emergency response. Our solutions are delivered through an established network of trusted service provider partners, who are experts at selling, installing and supporting our solutions. The number of our service provider partners exceeded 11,000 as of December 31, 2022.We derive revenue from the sale of our cloud-based Software-as-a-Service, or SaaS, services, license fees, software, hardware, activation fees and other revenue. Our fiscal year ends on December 31.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements include our accounts and those of our majority-owned and controlled subsidiaries after elimination of intercompany accounts and transactions.

These unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP, for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission, or SEC. Accordingly, they do not include all the information and footnotes required by GAAP for annual financial statements. They should be read together with our audited consolidated financial statements and related notes thereto for the year ended December 31, 2022 December 31, 2023 included in our Annual Report on Form 10-K filed with the SEC on February 24, 2023 February 22, 2024, or the Annual Report. The condensed consolidated balance sheet as of December 31, 2022 December 31, 2023 was derived from our audited financial statements but does not include all disclosures required by GAAP for annual financial statements.

In the opinion of management, these condensed consolidated financial statements include all normal recurring adjustments necessary for a fair statement of the results of operations, financial position and cash flows for the periods presented. However, the global economy, credit markets and financial markets have and may continue to experience significant volatility as a result of significant worldwide events, including public health crises, such as the COVID-19 pandemic, and geopolitical upheaval, such as Russia's incursion into Ukraine and the war conflict between Israel and Hamas, regional adversaries, disruptions to global supply chains, rising interest rates, risk of recession and inflation (collectively, the Macroeconomic Conditions). These Macroeconomic Conditions have and may continue to create supply chain disruptions, inventory disruptions, and fluctuations in economic growth, including fluctuations in employment rates, inflation, energy prices and consumer sentiment. It remains difficult to assess or predict the ultimate duration and economic impact of the Macroeconomic Conditions. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that can be expected for our entire fiscal year ending December 31, 2023 December 31, 2024, which is increasingly true in periods of extreme uncertainty, such as the uncertainty caused by the Macroeconomic Conditions. Prolonged uncertainties could cause further economic slowdown or cause other unpredictable events, each of which could adversely affect our business, results of operations or financial condition.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. As of the date of issuance of these financial statements, we are not aware of any specific event or circumstance that would require us to update our estimates, assumptions and judgments or revise the carrying value of our assets or liabilities. However, our estimates, judgments and assumptions are continually evaluated based on available information and experience and may change as new events occur and additional information is obtained. Because of the use of estimates inherent in the financial reporting process and in light of the continuing uncertainty arising from the Macroeconomic Conditions, actual results could differ from those estimates and any such differences may be material. Estimates are used when accounting for revenue recognition, allowances for credit losses, allowance for hardware returns, estimates of obsolete inventory, long-term incentive compensation, the lease term and incremental borrowing rates for leases, stock-based compensation, income taxes, legal reserves, and goodwill, intangible assets and other long-lived assets.

Significant Accounting Policies

Other than those disclosed herein, there There have been no other material changes to our significant accounting policies during the three and nine months ended September 30, 2023 March 31, 2024 from those disclosed in our Annual Report.

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
September 30, March 31, 2024 and 2023 and 2022

Comprehensive Income Recent Accounting Pronouncements

Comprehensive income consists of net income and other comprehensive income. Other comprehensive (loss) / incomerefers to gains and losses that are recorded as an element of stockholders' equity and excluded from net income. Our other comprehensive (loss) / income consists of foreign currency translation adjustments. Adopted

Foreign Currency During the three months ended March 31, 2024, we did not adopt any new accounting pronouncements.

For foreign operations where substantially *Not Yet Adopted*

On November 27, 2023, the Financial Accounting Standards Board, or FASB, issued ASU 2023-07, "Segment Reporting (Topic 280)," which revises the disclosure requirements about a public entity's reportable segments and a reportable segment's expenses. This amendment requires a public entity to (i) disclose significant segment expense that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, (ii) disclose an amount for other segment items by reportable segment and a description of its composition and (iii) provide annual disclosures about a reportable segment's profit or loss and assets currently required by Topic 280 in interim periods. The amendment is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. This amendment is required to be applied retrospectively to all monetary transactions prior periods presented. We are currently assessing the impact this pronouncement will have on our consolidated financial statement disclosures.

On December 14, 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740)," which requires additional annual disclosures regarding specific categories in the local currency, we use income tax rate reconciliation as well additional information for reconciling items that meet a quantitative threshold. This amendment also requires annual disclosures regarding the local currency as our functional currency. For these foreign operations, assets and liabilities are translated at period-end exchange rates and revenue and expense items are translated at weighted-average exchange rates prevailing during the periods being reported. The effects of translating financial statements of foreign operations into our reporting currency are recognized as a cumulative translation adjustment within accumulated other comprehensive income, a separate component of stockholders' equity. Gains or losses from foreign currency remeasurements that arise from exchange rate fluctuations on transactions denominated in a currency other than the functional currency are included in our results of operations.

Redeemable Noncontrolling Interests

Noncontrolling interests with redemption features that are not solely within our control are considered redeemable noncontrolling interests. Our redeemable noncontrolling interests relate to our 86% equity ownership interest in PC Open Incorporated, a Washington corporation, doing business as OpenEye and our 85% equity ownership interest in Noonlight, Inc., or Noonlight, a Delaware corporation. The OpenEye and Noonlight stockholder agreements contain a put option that gives the minority stockholders the right to sell their shares to us based on the fair value of the shares and also contain a call option that gives us the right to purchase the remaining shares from the minority stockholders based on the fair value of the shares. The next put and call options related to OpenEye can each be exercised beginning in the first quarter of 2024. The put and call options related to Noonlight can each be exercised beginning in the first quarter of 2026. These redeemable noncontrolling interests are considered temporary equity and we report them between liabilities and stockholders' equity in the condensed consolidated balance sheets. The amount of income taxes paid, including income taxes paid disaggregated by (i) federal, state and foreign taxes as well as (ii) individual jurisdictions in which income taxes paid is equal to or greater than five percent of total income taxes paid. Additionally, this amendment requires annual disclosures for income from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign as well as income tax expense (or benefit) disaggregated between federal, state and foreign. The amendment is effective for annual periods beginning after December 15, 2024, and early adoption is permitted. This amendment should be applied on a prospective basis, but retrospective application is permitted. We are currently assessing the net income or loss attributable to the redeemable noncontrolling interests is recorded in the condensed impact this pronouncement will have on our consolidated statements of operations and the accretion of the redemption values is recorded as an adjustment to additional paid-in capital. We account for purchases of redeemable noncontrolling interest as a component of stockholders' equity when control is maintained. We recognize the difference between the consideration paid for the acquired redeemable noncontrolling interest and the fair value of the acquired redeemable noncontrolling interest as an adjustment to additional paid-in capital. financial statement disclosures.

Note 3. Revenue from Contracts with Customers

Contract Assets

The changes in our contract assets are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,			
	2024 2024 2024			
Beginning of period balance Beginning of period balance				
Beginning of period balance Beginning of period balance	$ 13,581	$ 7,415	$ 13,975	$ 4,520
Commission costs and upfront payments to a customer capitalized in period Commission costs and upfront payments to a customer capitalized in period	1,808	5,253	5,028	9,980

Reimbursement of previously capitalized upfront payments to customers		(6,774)	—	(6,774)	—
Commission costs and upfront payments to a customer capitalized in period					
Commission costs and upfront payments to a customer capitalized in period					
Amortization of contract assets					
Amortization of contract assets					
Amortization of contract assets	Amortization of contract assets	(1,117)	(1,369)	(4,731)	(3,201)
End of period balance	End of period balance	$ 7,498	$ 11,299	$ 7,498	$ 11,299
End of period balance					
End of period balance					

On July 27, 2023, we received $6.9 million ***Contract Liabilities***

The changes in cash related to the reimbursement of previously capitalized upfront payments to a customer. On the date of payment, the $6.8 million unamortized portion of the our contract asset balance was reduced to zero and the remaining amount of $0.1 million recorded liabilities are as an increase to SaaS and license revenue. follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Beginning of period balance	$ 22,885	$ 18,332
Revenue deferred in period	6,424	5,940
Revenue recognized from amounts included in contract liabilities	(5,097)	(4,041)
End of period balance	$ 24,212	$ 20,231

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
September 30, March 31, 2024 and 2023 and 2022

Contract Liabilities

The changes in our contract liabilities are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Beginning of period balance	$ 21,460	$ 17,241	$ 18,332	$ 14,837
Revenue deferred in period	6,250	4,373	17,909	13,750
Revenue recognized from amounts included in contract liabilities	(4,871)	(3,179)	(13,402)	(10,152)
End of period balance	$ 22,839	$ 18,435	$ 22,839	$ 18,435

Note 4. Accounts Receivable, Net

The components of accounts receivable, net are as follows (in thousands):

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Accounts receivable	Accounts receivable	$ 116,298	$ 128,669		
Allowance for credit losses	Allowance for credit losses	(3,856)	(2,835)		

Allowance for product returns	Allowance for product returns		(2,175)	(1,551)
Accounts receivable, net	Accounts receivable, net		$ 110,267	$ 124,283

For the three and nine months ended September 30, 2023 March 31, 2024, we recorded a provision for credit losses of $0.8 million and $1.4 million $0.3 million, respectively, as compared to $1.1 million and $1.6 million $0.5 million for the same periods period in the prior year.

For the three and nine months ended September 30, 2023 March 31, 2024, we recorded a reserve for product returns of $0.5 million and $3.0 million $1.1 million in our hardware and other revenue, respectively, as compared to $2.0 million and $3.7 million $1.2 million for the same periods period in the prior year. Historically, we have not experienced write-offs for uncollectible accounts or sales returns that have differed significantly from our estimates.

Allowance for Credit Losses - Accounts Receivable

The allowance for credit losses is a valuation account that is deducted from the accounts receivable and notes receivable amortized cost basis (see Note 8) to present the net amount expected to be collected. We estimate the allowance balance by applying the loss-rate method using relevant available information from internal and external sources, including historical write-off activity, current conditions and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for changes in economic conditions, such as changes in unemployment rates. We use projected economic conditions over a period no more than twelve months based on data from external sources. For periods beyond the twelve-month reasonable and supportable forecast period, we revert to historical loss information immediately.

The allowance for credit losses is measured on a pooled basis when similar risk characteristics exist. When assessing whether to measure certain financial assets on a pooled basis, we considered various risk characteristics, including the financial asset type, size and the historical or expected credit loss pattern. We identified the following two portfolio segments for our accounts receivable: (i) outstanding accounts receivable balances within Alarm.com and certain subsidiaries and (ii) outstanding accounts receivable balances within all other subsidiaries. There were no changes to our portfolio segments for our accounts receivable during the three and nine months ended September 30, 2023 March 31, 2024, and no changes to our policies or practices that influenced our estimate of expected credit losses for accounts receivable. Additionally, there were no significant changes in the amount of accounts receivable write-offs during the three and nine months ended September 30, 2023 March 31, 2024, as compared to historical periods.

Expected credit losses are estimated over the contractual term of the financial assets and we adjust the term for expected prepayments when appropriate. For the three and nine months ended September 30, 2023, March 31, 2024 and 2023, we recorded credit loss expense for accounts receivable and notes receivable of $0.6 million $4.0 million and $1.1 million, respectively, in general and administrative expense in our condensed consolidated statements of operations. For the three and nine months ended September 30, 2022, we recorded credit loss expense of $1.0 million and $1.3 million $0.5 million, respectively, in general and administrative expense in our condensed consolidated statements of operations. The contractual term excludes expected extensions, renewals and modifications because extension and renewal options are unconditionally cancelable by us. Write-offs of the amortized cost basis are recorded to the

allowance for credit losses. Any subsequent recoveries of previously written off balances are recorded as a reduction to credit loss expense.

The changes in our allowance for credit losses for accounts receivable are as follows (in thousands):

	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022		Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
	Alarm.com and Certain Subsidiaries	All Other Subsidiaries	Alarm.com and Certain Subsidiaries	All Other Subsidiaries	Alarm.com and Certain Subsidiaries	All Other Subsidiaries	Alarm.com and Certain Subsidiaries	All Other Subsidiaries
	Three Months Ended March 31, 2024							
	Three Months Ended March 31, 2024							
	Three Months Ended March 31, 2024							
	Alarm.com and Certain Subsidiaries							
	Alarm.com and Certain Subsidiaries							
	Alarm.com and Certain Subsidiaries							
Beginning of period balance								

Beginning of period balance									
Beginning of period balance	Beginning of period balance	$ (2,968)	$ (191)	$ (2,450)	$ (58)	$ (2,755)	$ (80)	$ (2,035)	$ (133)
(Provision for) / recovery of expected credit losses	(Provision for) / recovery of expected credit losses	(820)	15	(1,057)	(2)	(1,307)	(115)	(1,676)	70
(Provision for) / recovery of expected credit losses									
(Provision for) / recovery of expected credit losses									
Write-offs									
Write-offs									
Write-offs	Write-offs	89	19	30	1	363	38	234	4
End of period balance	End of period balance	$ (3,699)	$ (157)	$ (3,477)	$ (59)	$ (3,699)	$ (157)	$ (3,477)	$ (59)
End of period balance									
End of period balance									

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
March 31, 2024 and 2023

Note 5. Inventory

The components of inventory are as follows (in thousands):

		September 30, 2023	December 31, 2022		
	March 31, 2024			March 31, 2024	December 31, 2023
Raw materials	Raw materials	$ 33,675	$ 38,098		
Work-in-process	Work-in-process	404	—		
Finished goods	Finished goods	80,169	77,486		
Total inventory	Total inventory	$ 114,248	$ 115,584		

Inventory values include are net of a write-down of $1.2 million $1.4 million during the nine months year ended September 30, 2023 December 31, 2023, which is reflected in cost of hardware and other revenue within our condensed consolidated statements of operations. The inventory write-down is was the result of a lower of cost or net realizable value adjustment for finished goods.

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
September 30, 2023 and 2022

Note 6. Acquisitions

Asset Acquisition

On April 21, 2023, Alarm.com Incorporated, one of our wholly-owned subsidiaries, acquired certain assets of Vintra, Inc., or Vintra. Substantially all of the acquired assets consisted of developed technology. We believe the acquisition of the developed technology will expand Alarm.com's learning program and accelerate deployment of advanced video analytics solutions for the Alarm.com and OpenEye platforms.

In consideration for the purchase of the acquired assets, we paid $5.5 million in cash on April 21, 2023, after deducting $0.3 million related to the settlement of an outstanding loan issued to Vintra during March 2023 and $1.0 million related to an agreed holdback provision. The holdback is expected to be paid by the third quarter of 2024, subject to offset for any indemnification obligations. Additionally, we incurred $0.4 million in direct transaction costs related to legal fees during 2023 that were capitalized as a component of the consideration transferred. The $7.1 million purchase price consideration allocated to developed technology was recorded as an intangible asset at the time of the asset acquisition and is being amortized on a straight-line basis over an estimated useful life of five years. The remaining $0.1 million purchase price consideration was allocated to property and equipment.

Acquisition of a Business - EBS

On January 18, 2023, one of our wholly-owned subsidiaries acquired 100% of the issued and outstanding shares of capital stock of EBS Spółka z ograniczoną odpowiedzialnością, or EBS, an international producer of universal smart communicator devices, headquartered in Warsaw, Poland. We believe this acquisition will assist in the continued expansion of our international operations as well as benefit our supply chain operations.

In consideration for the purchase of EBS, we paid $9.8 million in cash on January 18, 2023, after deducting $2.2 million related to agreed holdback provisions. An earn-out up to an additional $2.5 million is payable if certain performance targets are met, which was initially recorded at the acquisition date fair value of $2.0 million. The acquisition was accounted for as a business combination within our Alarm.com segment. The purchase price allocation was finalized during the third quarter of 2023. The overall impacts to our condensed consolidated financial statements were not considered material for the three and nine months ended September 30, 2023.

Acquisition of a Business - Noonlight

On September 23, 2022, Alarm.com Incorporated acquired 85% of the issued and outstanding shares of capital stock of Noonlight. Noonlight provides a connected safety and event management software and services platform that enables new applications and provides enhanced emergency response capabilities. We believe the acquisition of Noonlight will enhance our comprehensive suite of interactive cloud-based services and allow us to expand markets for emergency response services as well as accelerate innovation in those services.

In consideration for the purchase of 85% of the issued and outstanding shares of capital stock of Noonlight, we paid $31.9 million in cash on September 23, 2022, after deducting $1.5 million related to an outstanding loan issued to Noonlight during May 2022 and $4.9 million related to agreed holdback provisions. The working capital adjustment was finalized during the first quarter of 2023 and $0.4 million was paid during the second quarter of 2023. The remaining amount of the holdback of $4.6 million is expected to be paid to the stockholders of Noonlight by the end of the first quarter of 2024, subject to offset for any indemnification obligations.

The table below sets forth the purchase consideration and the fair value allocation of the tangible and intangible net assets acquired (in thousands):

		September 23, 2022
Calculation of Purchase Consideration:		
Cash paid, net of working capital adjustment	$	31,805
Outstanding principal and interest of loan provided to Noonlight		1,537
Holdback consideration		4,910
Total consideration	$	38,252
Tangible and Intangible Net Assets:		
Cash	$	188
Accounts receivable		291
Other current and non-current assets		200
Property and equipment		45
Deferred tax assets		424
Developed technology		9,335
Trade names		150
Accounts payable		(321)
Accrued expenses and other current liabilities		(318)
Deferred revenue		(67)
Redeemable noncontrolling interest		(6,770)
Goodwill		35,095
Total tangible and intangible net assets	$	38,252

Goodwill of $35.1 million reflects the value of acquired workforce and synergies we expect to achieve from integrating Noonlight's suite of emergency response cloud-managed application program interfaces into our existing comprehensive suite of interactive cloud-based services. None of the goodwill recognized is expected to be deductible for income tax purposes in future periods. We allocate goodwill to reporting units based on expected benefit from synergies and have allocated the goodwill to the Alarm.com segment.

Fair Value of Net Assets Acquired and Intangibles

The acquired activities and assets in the purchase of Noonlight constituted a business and with the exception of contract liabilities accounted for under Topic 606, in accordance with Accounting Standards Codification, or ASC 805, "*Business Combinations*," the assets and liabilities were recorded at their respective fair values as of September 23, 2022. We developed the fair value of intangible net assets using a multi-period excess earnings method for developed technology and the relief from royalty method for the trade name.

Developed Technology

Developed technology primarily consists of intellectual property of proprietary software that is marketed for sale. We valued the developed technology using the multi-period excess earnings method, an income approach. The significant assumptions used in the income approach include estimates about future expected cash flows from the developed technology, the obsolescence factor and the discount rate. We are amortizing the Noonlight developed technology, valued at $9.3 million, on an attribution method based on the discounted cash flows of the model over an estimated useful life of seven years.

Trade Names

We valued the trade names acquired using a relief from royalty method. The significant assumptions used in the income approach include future expected cash flows from the trade name, the royalty rate and the discount rate. We are amortizing the trade names, valued at $0.2 million, on an attribution basis derived from the discounted cash flows of the model over an estimated useful life of five years.

Redeemable Noncontrolling Interest

We have a redeemable noncontrolling interest related to our 85% equity ownership interest in Noonlight. The Noonlight stockholder agreement contains a put option that gives the minority Noonlight stockholders the right to sell their remaining 15% equity ownership interest to us based on the fair value of the shares and also contains a call option that gives us the right to purchase the remaining Noonlight shares from the minority Noonlight stockholders based on the fair value of the shares. The put and call options can each be exercised beginning in the first quarter of 2026. This redeemable noncontrolling interest was recorded at fair value on September 23, 2022, by applying the income approach using unobservable inputs for projected cash flows, including projected financial results and a discount rate, which are considered Level 3 inputs. This redeemable noncontrolling interest is considered temporary equity and we report it between liabilities and stockholders' equity in the condensed consolidated balance sheets. The redemption value of the Noonlight noncontrolling interest was $6.8 million as of September 23, 2022 and $6.5 million as of September 30, 2023.

Business Combinations in Operations - Noonlight

The operations of the Noonlight business combination discussed above were included in the condensed consolidated financial statements as of the acquisition date. The pro forma information as well as the revenue and net losses of the business combination were not material to the condensed consolidated financial statements in the year of the acquisition.

Note 7. Goodwill and Intangible Assets, Net

The changes in goodwill by reportable segment are outlined below (in thousands):

	Alarm.com	Other	Total
Balance as of January 1, 2023	$ 148,183	$ —	$ 148,183
Goodwill acquired	7,200	—	7,200
Measurement period adjustments	(1,509)	—	(1,509)
Foreign currency translation adjustment	(27)	—	(27)
Balance as of September 30, 2023	$ 153,847	$ —	$ 153,847

	Alarm.com	Other	Total
Balance as of January 1, 2024	$ 154,498	$ —	$ 154,498
Foreign currency translation adjustment	(65)	—	(65)
Balance as of March 31, 2024	$ 154,433	$ —	$ 154,433

On January 18, 2023, we acquired 100% of the issued and outstanding shares of capital stock of EBS and initially recorded $7.2 million of goodwill in the Alarm.com segment. The measurement period adjustments relate

ALARM.COM HOLDINGS, INC.
Notes to the Noonlight Condensed Consolidated Financial Statements (Unaudited) — (Continued)
March 31, 2024 and EBS working capital and tax adjustments during the three and nine months ended September 30, 2023. 2023

The following table reflects changes in the net carrying amount of the components of intangible assets (in thousands):

	Customer Relationships	Developed Technology	Trade Name	Capitalized Software Development Costs	Total
Balance as of January 1, 2023	$ 47,522	$ 33,553	$ 1,383	$ —	$82,458
	Customer Relationships				
	Customer Relationships				
	Customer Relationships	Developed Technology	Trade Name	Capitalized Software Development Costs	Total
Balance as of January 1, 2024					
Intangible assets acquired	Intangible assets acquired 2,395	11,583	537	—	14,515
Capitalized software development costs	Capitalized software development costs —	—	—	397	397
Amortization	Amortization (8,141)	(6,168)	(563)	—	(14,872)
Balance as of September 30, 2023	$ 41,776	$ 38,968	$ 1,357	$ 397	$82,498
Balance as of March 31, 2024					

We recorded $5.6 million and $14.9 million $4.7 million of amortization related to our intangible assets for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to $4.6 million and $13.7 million for the same periods period in the prior year. There were no impairments of long-lived intangible assets during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. During the nine three months ended September 30, 2022 March 31, 2024, we wrote-off $0.7 million in $0.3 million of fully amortized developed technology intangible assets previously acquired were written-off in the Alarm.com segment that were acquired in 2014 related to customer relationships, developed as the technology trade name and other intangible assets that was no longer existed as of January 1, 2022. in use.

The following tables reflect the weighted average remaining life and carrying value of finite-lived intangible assets (in thousands, except weighted-average remaining life):

	September 30, 2023				March 31, 2024			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Weighted-Average Remaining Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Weighted-Average Remaining Life (in years)
Customer relationships	$128,280	$ (86,504)	$41,776	6.4	$128,280	$ (91,403)	$36,877	5.9
Developed technology	70,061	(31,093)	38,968	5.0	69,731	(34,610)	35,121	4.5
Trade name	4,474	(3,117)	1,357	2.7	4,474	(3,464)	1,010	2.6
Capitalized software development costs	397	—	397	3.0	1,361	(11)	1,350	3.2
Total intangible assets	$203,212	$ (120,714)	$82,498	5.6				
Total intangible assets					$203,846	$ (129,488)	$74,358	5.2

		December 31, 2022					December 31, 2023							
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Value	Weighted-Average Remaining Life (in years)		Gross Carrying Amount				Accumulated Amortization		Net Carrying Value	
Customer relationships	Customer relationships	$125,885	$ (78,363)	$ 47,522	7.0	Customer relationships	$128,280	$		$ (88,986)	$	$ 39,294		6.2
Developed technology	Developed technology	58,478	(24,925)	33,553	5.8	Developed technology	70,061	(32,887)		(32,887)	37,174		37,174	4
Trade name	Trade name	3,937	(2,554)	1,383	2.4	Trade name	4,474	(3,257)		(3,257)	1,217		1,217	2
Capitalized software development costs								Capitalized software development costs	882			(3)		
Total intangible assets	Total intangible assets	$188,300	$ (105,842)	$ 82,458	6.5	Total intangible assets	$203,697	$		$ (125,133)	$	$ 78,564		5.4

Note 8. Other Assets

Loan to a Distribution Partner

In December 2022, we amended a subordinated credit agreement with the affiliated entity of one of our distribution partners. partners, or the Affiliate. The amended subordinated credit agreement with the affiliated entity of the distribution partner Affiliate matures on June 18, 2027 and interest on the outstanding principal balance accrues at a rate of 12.0% per annum and is payable in kind. In March 2024, the Affiliate was in default on a loan arrangement with one of its third party secured lenders. Based on this information from the Affiliate, during the three months ended March 31, 2024, we recorded a credit loss expense of $4.0 million in general and administrative expense and recorded a reduction to our interest income of $0.5 million related to the reversal of payable in kind interest associated with the subordinated credit agreement. We placed this loan in nonaccrual status as of March 31, 2024. As of September 30, 2023 and December 31, 2022 March 31, 2024, $4.4 million and the $4.0 million outstanding notes receivable balance had a full allowance for credit losses. As of December 31, 2023, $4.5 million of the notes receivable balance related to the subordinated credit agreement was included in other assets in our condensed consolidated balance sheets, respectively.

For the three and nine months ended September 30, 2023, we recognized $0.9 million and $2.5 million of revenue from the distribution partner associated with this loan, respectively, as compared to $0.8 million and $2.3 million for the same periods in the prior year.

sheet.

For the three months ended March 31, 2024, we recognized $0.7 million of revenue from the distribution partner associated with this loan, as compared to $0.8 million for the same period in the prior year.

Loan to a Service Provider Partner

In July 2020, we entered into a loan agreement with a service provider partner, under which we agreed to loan the service provider partner up to $2.5 million, collateralized by the assets of the service provider partner. Interest on the outstanding principal accrues at a rate per annum equal to 9.0% and monthly interest and principal payments began in April 2021. The maturity date of the loan is July 24, 2025. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, $1.1 million $1.0 million of principal was outstanding from the service provider partner under the loan agreement.

For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, we recognized less than $0.1 million and $0.1 million, respectively, of revenue from the service provider partner associated with this loan.

Loan to a Technology Partner

In June 2022, we entered into a convertible promissory note with a technology partner, under which we agreed to loan the technology partner $1.5 million. Interest on the outstanding principal accrues at a rate per annum equal to 6.5%, starting one year from the effective date of the loan. Interest and principal payments are due on the maturity date of the loan, which is June 27, 2029, unless the loan is converted prior to the maturity date, which may occur upon a qualified financing event, as defined in the convertible promissory note, upon a sale of the technology partner or upon our election on the maturity date of the loan. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, $1.5 million of principal was outstanding from the technology partner under the convertible promissory note.

For the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, we did not record any revenue from the technology partner associated with this convertible promissory note.

Investment in a Hardware Supplier

In October 2018, we entered into a subordinate convertible promissory note with one of our hardware suppliers. In July 2019, we converted the outstanding notes receivable balance of $5.6 million into 9,520,832 shares of Series B preferred stock in the hardware supplier. We concluded that the $5.6 million equity investment, which is included in the Alarm.com segment, does not meet the criteria for consolidation and will be accounted for using the measurement alternative. Under the alternative, we measure investments without readily determinable fair values at cost, less impairment, adjusted for observable price changes from orderly transactions for identical or similar investments. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, our investment in the hardware supplier was $5.6 million.

Investments in Technology Partners

In February 2021, we paid $5.0 million in cash to purchase 1,000,000 shares of Series B-2 Preferred Stock from a technology partner as part of a financing round that included other investors. The $5.0 million equity investment, which is included in the Alarm.com segment, does not meet the criteria for consolidation and is accounted for using the measurement alternative. Under the measurement alternative, we measure investments without readily determinable fair values at cost, less impairment, adjusted for observable price changes from orderly transactions for identical or similar investments. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, our investment in the technology partner was $5.7 million.

In December 2022, we paid $5.1 million in cash to another technology partner to purchase 4,231,717 shares of its Series A Preferred Stock. The $5.1 million equity investment, which is included in the Alarm.com segment, does not meet the criteria for consolidation and is accounted for using the measurement alternative. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, our investment in the technology partner was $5.1 million.

Allowance for Credit Losses - Notes Receivable

We identified the following two one portfolio segments segment, loan receivables, for our notes receivable: (i) loan receivables and (ii) receivable. We previously disclosed a hardware financing receivables. receivable portfolio segment; however, there has been no activity within that portfolio segment since 2022. There were no changes to our portfolio segments for our notes receivable during the three and nine months ended September 30, 2023, and no changes to our policies or practices involving the issuance of notes receivable, customer acquisitions or any other factors that influenced our estimate of expected credit losses for notes receivable. There were no hardware financing receivables outstanding as of September 30, 2023 and December 31, 2022 receivable during the three months ended March 31, 2024.

We do not accrue interest on notes receivable that are considered impaired or are 90 days or greater past due based on their contractual payment terms. Notes receivable that are 90 days or greater past due are placed on nonaccrual status. Notes receivable may be placed on nonaccrual status earlier if, in management's opinion, a timely collection of the full principal and interest becomes uncertain. After a note receivable has been placed on nonaccrual status, interest will be recognized when cash

is received. A note receivable may be returned to accrual status after all of the customer's delinquent balances of principal and interest have been settled, and collection of all remaining contractual amounts due is reasonably assured. We have elected not to measure an allowance for credit losses for accrued interest receivables. We write-off any accrued interest on notes receivable

that are considered impaired or are 90 days or greater past due based on their contractual payment terms by reversing interest income. The accrued interest receivable as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was less than $0.1 million, and is reflected in other current assets and other assets within our condensed consolidated balance sheets and excluded from the amortized cost basis of the notes receivable. During the three months ended March 31, 2024, we recorded a reduction to our interest income of $0.5 million related to the reversal of payable in kind interest associated with a subordinated credit agreement with the Affiliate. We did not write-off any accrued interest receivable during the three and nine months ended September 30, 2023 and 2022. March 31, 2023.

There were no purchases or sales of financial assets during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. There were no significant changes in the amount of note receivable write-offs during the three and nine months ended September 30, 2023 March 31, 2024, as compared to historical periods.

The changes in our allowance for credit losses for notes receivable are as follows (in thousands):

	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022		Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
	Loan Receivables	Hardware Financing Receivables	Loan Receivables	Hardware Financing Receivables	Loan Receivables	Hardware Financing Receivables	Loan Receivables	Hardware Financing Receivables
	Three Months Ended March 31, 2024							
	Three Months Ended March 31, 2024							
	Three Months Ended March 31, 2024							

Beginning of period balance	Beginning of period balance	$ (2)	$ —	$ (2)	$ —	$ (2)	$ —	$ (79)	$ (1)
Recovery of / (provision for) expected credit losses		—	—	(1)	—	—	—	76	1
Beginning of period balance									
Beginning of period balance									
Provision for expected credit losses									
Provision for expected credit losses									
Provision for expected credit losses									
Write-offs									
Write-offs									
Write-offs	Write-offs	—	—	—	—	—	—	—	—
End of period balance	End of period balance	$ (2)	$ —	$ (3)	$ —	$ (2)	$ —	$ (3)	$ —
End of period balance									
End of period balance									

We manage our notes receivables using delinquency as a key credit quality indicator. The following tables reflect the current and delinquent notes receivable by class of financing receivables and by year of origination (in thousands):

		September 30, 2023						
		March 31, 2024						
Loan Receivables:	Loan Receivables:	2023	2022	2021	2020	2019	Prior	Total
Current	Current	$ —	$1,500	$ —	$1,053	$ —	$4,389	$6,942
30-59 days past due	30-59 days past due	—	—	—	—	—	—	—
60-89 days past due	60-89 days past due	—	—	—	—	—	—	—
90-119 days past due	90-119 days past due	—	—	—	—	—	—	—
120+ days past due	120+ days past due	—	—	—	—	—	—	—
Total	Total	$ —	$1,500	$ —	$1,053	$ —	$4,389	$6,942

	March 31, 2024					
Loan Receivables:	2024	2023	2022	2021	2020	Prior	Total

		December 31, 2022						
		December 31, 2023						
Loan Receivables:	Loan Receivables:	2022	2021	2020	2019	2018	Prior	Total
Current	Current	$1,500	$ —	$1,093	$ 1	$ —	$4,015	$6,609
30-59 days past due	30-59 days past due	—	—	—	—	—	—	—
60-89 days past due	60-89 days past due	—	—	—	—	—	—	—
90-119 days past due	90-119 days past due	—	—	—	—	—	—	—

	December 31, 2023						
Loan Receivables:	2023	2022	2021	2020	2019	Prior	Total

120+ days past due	120+ days past due	—	—	—	—	—	—	—
Total	Total	$1,500	$ —	$1,093	$ 1	$ —	$4,015	$6,609

There was one note receivable placed on nonaccrual status as of March 31, 2024 in the amount of $4.0 million. There were no notes receivable placed on nonaccrual status as of September 30, 2023 and December 31, 2022 December 31, 2023. During the three and nine months ended September 30, 2023 March 31, 2024 and 2022, 2023, there was no interest income recognized related to notes receivable that were in nonaccrual status.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no notes receivable placed in nonaccrual status for which there was not a related allowance for credit losses. As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, there were no notes receivable that were 90 days or greater past due for which we continued to accrue interest income.

Prepaid Expenses

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, $17.4 million $16.9 million and $14.5 million $14.6 million of prepaid expenses were included in other current assets, respectively, primarily related to software licenses, insurance, and long lead-time parts related to our inventory. inventory and insurance.

Note 9. Fair Value Measurements

The following tables present our assets and liabilities measured at fair value on a recurring basis (in thousands):

	Fair Value Measurements on a Recurring Basis			
Assets:	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market accounts as of September 30, 2023	$ 658,036	$ —	$ —	$ 658,036
Money market accounts as of December 31, 2022	510,326	—	—	510,326
Liabilities:				
Contingent consideration liability from acquisition as of September 30, 2023	$ —	$ —	$ 2,016	$ 2,016
Contingent consideration liability from acquisition as of December 31, 2022	—	—	—	—

	Fair Value Measurements on a Recurring Basis			
Assets:	**Level 1**	**Level 2**	**Level 3**	**Total**
Money market accounts as of March 31, 2024	$ 723,877	$ —	$ —	$ 723,877
Money market accounts as of December 31, 2023	679,734	—	—	679,734
Liabilities:				
Contingent consideration liability from acquisition as of March 31, 2024	$ —	$ —	$ 2,092	$ 2,092
Contingent consideration liability from acquisition as of December 31, 2023	—	—	2,061	2,061

The following table summarizes the change in fair value of the Level 3 liabilities contingent consideration liability with significant unobservable inputs (in thousands):

	Three Months Ended March 31,			
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	2024			
	2024			
	2024			
	Three Months Ended September 30,		**Nine Months Ended September 30,**	
Beginning of period balance				
	2023	**2022**	**2023**	**2022**

Beginning of period balance

		Contingent Consideration Liability from Acquisition	Subsidiary Long-Term Incentive Plan	Contingent Consideration Liability from Acquisition	Subsidiary Long-Term Incentive Plan
Beginning of period balance	Beginning of period balance	$ 2,020	$ —	$ —	$ 3,351
Acquired liabilities	Acquired liabilities	—	—	1,993	—
Acquired liabilities					
Acquired liabilities					
Changes in fair value included in earnings	Changes in fair value included in earnings	(4)	—	23	(247)
Reclassification to additional paid in capital upon modification		—	—	—	(3,104)
Changes in fair value included in earnings					
Changes in fair value included in earnings					
End of period balance	End of period balance	$ 2,016	$ —	$ 2,016	$ —
End of period balance					
End of period balance					

As of September 30, 2023 March 31, 2024, $656.1 million $718.7 million of our money market accounts was included in cash and cash equivalents, and $1.9 million $4.0 million was included in other assets and $1.2 million was included in other current assets in our condensed consolidated balance sheets. As of December 31, 2022 December 31, 2023, $509.6 million $675.6 million was included in cash and cash equivalents and $0.7 million $4.1 million was included in other assets in our condensed consolidated balance sheets. Our assets from money market assets accounts are valued using quoted prices in active markets. See Note 12 for the carrying amount and estimated fair value of our convertible senior notes as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

The liability for the subsidiary long-term incentive plan consisted of the potential cash payment contingent upon meeting certain financial milestones related to the agreement established with certain employees of one of our subsidiaries. This incentive plan was established in November 2017 and the amount of compensation awarded to employees depended on the fair market value of the subsidiary, which was determined in part by the subsidiary's projected financial results. We accounted for the subsidiary long-term incentive plan using fair value and established liabilities for the future payments under the terms of the incentive plan based on estimating revenue, EBITDA and EBITDA margin of the subsidiary over the period of the incentive plan through the anticipated achievement of the milestones. We estimated the fair value of the liability by using a Monte Carlo simulation model which involves several Level 3 unobservable inputs. The significant unobservable inputs used in the valuation included a weighted average revenue volatility and the revenue risk adjustment. The revenue volatility was weighted using revenue volatility results from the subsidiary's peer group as well as market transaction metrics. The revenue risk adjustment was calculated using capital structure allocations from the subsidiary's peer group, market transaction metrics as well as United States Treasury yields.

In May 2022, we terminated the subsidiary long-term incentive plan. The fair value of the liability related to the subsidiary long-term incentive plan as of the termination date was consistent with the liability as of March 31, 2022. Concurrent with the termination of the subsidiary long-term incentive plan, we granted performance-based restricted stock units to those employees who previously participated in the subsidiary long-term incentive plan. We accounted for the termination of the subsidiary long-

term incentive plan and concurrent grant of performance-based restricted stock units as a modification of the original subsidiary long-term incentive plan. As a result, we reclassified the $3.1 million liability related to the subsidiary long-term incentive plan to additional paid-in capital during the three months ended June 30, 2022. Additionally, we recorded $1.2 million in incremental compensation costs as additional stock-based compensation expense to the applicable operating expense category based on the respective employee's function (sales and marketing, general and administrative or research and development) during the three months ended June 30, 2022. The incremental compensation costs represented the excess of the fair value of the performance-based restricted stock units over the fair value of the subsidiary long-term incentive plan as of the modification date of the subsidiary long-term incentive plan.

The contingent consideration liability consists of the potential earn-out payment related to our acquisition of 100% of the issued and outstanding capital stock of EBS on January 18, 2023. The earn-out payment is contingent on the satisfaction of certain performance targets related to the integration of EBS's hardware into the Alarm.com platform by December 31, 2025 and has a maximum potential payment of up to $2.5 million. We account for the contingent consideration using fair value and established a liability for the future earn-out payment based on an estimation of the probability of the future achievement of the performance targets. The contingent consideration liability was valued with Level 3 unobservable inputs, including the probability of expected achievement of the performance targets. At January 18, 2023, the fair value of the liability was $2.0 million. At each reporting date until December 31, 2025, or the achievement of the performance targets, we will remeasure the liability, using the same valuation approach. The fair value of the contingent consideration liability is included within accounts payable, accrued expenses and other current liabilities as well as other liabilities within our condensed consolidated balance sheets. Changes in fair value resulting from information that existed subsequent to the acquisition date are recorded in general and administrative expense in the condensed consolidated statements of operations. During the three and nine months ended September 30, 2023 March 31, 2024, the contingent consideration liability did not materially change from the acquisition date fair value of $2.0 million as there were minor changes in the expected probability of achievement for the performance targets. The unobservable inputs used in the valuation as of September 30, 2023 March 31, 2024 included a weighted average expected achievement percentage of 89.5%, weighted by the potential payout of the performance targets, including a range of 80.0% to 99.0%. The valuation also included a weighted average discount rate of 6.9% 5.5%, weighted by the probability of achievement of the performance targets at various dates, including a range of 6.8% 5.4% to 6.9% 5.7%. Selecting another probability of expected achievement or discount rate within an acceptable range would not result in a significant change to the fair value of the contingent consideration liability.

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of

financial instruments from one fair value level to another. There were no transfers into or out of Level 3 or reclassifications between levels of the fair value hierarchy during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. We also monitor the value of the investments for other-than-temporary impairment on a quarterly basis. 2023. No other-than-temporary impairments occurred during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Note 10. Leases

As of September 30, 2023 March 31, 2024, we leased office space, data centers and office equipment under non-cancelable operating leases with various expiration dates through 2030. In August 2014, we signed a lease for office space in Tysons, Virginia, where we relocated our headquarters to in February 2016. We have subsequently entered into amendments to this lease to provide us with additional office space. The lease term ends in 2026, includes a five-year renewal option and a cumulative tenant improvement allowance of $12.1 million.

Supplemental information related to leases is presented in the table below (in thousands, except weighted-average term and discount rate):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating lease cost	$ 2,919	$ 2,702	$ 8,540	$ 7,767
Cash paid for amounts included in the measurement of operating lease liabilities	3,533	3,290	10,329	9,390
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	1,214	1,415	5,329	7,127
	September 30, 2023	December 31, 2022		
Weighted-average remaining lease term — operating leases	3.2 years	3.4 years		
Weighted-average discount rate — operating leases	4.6 %	3.9 %		

	Three Months Ended March 31,	
	2024	2023
Operating lease cost	$ 2,976	$ 2,750
Cash paid for amounts included in the measurement of operating lease liabilities	3,221	3,362
Operating lease right-of-use assets obtained in exchange for new operating lease liabilities	2,643	3,927
	March 31, 2024	December 31, 2023
Weighted-average remaining lease term — operating leases	3.1 years	3.0 years
Weighted-average discount rate — operating leases	5.2 %	4.9 %

Maturities of lease liabilities are as follows (in thousands):

Year Ended December 31,	Year Ended December 31,	Operating Leases(1)	Year Ended December 31,	Operating Leases(1)
Remainder of 2023		$ 3,732		
2024		13,736		
Remainder of 2024				
2025	2025	11,601		

2026	2026	6,962
2027	2027	1,610
2028 and thereafter		2,386
2028		
2029 and thereafter		
Total lease payments	Total lease payments	40,027
Less: imputed interest(2)	Less: imputed interest(2)	4,244
Present value of lease liabilities	Present value of lease liabilities	$ 35,783

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(1) Excludes $5.1 million $3.6 million of legally binding minimum lease payments for leases executed but not yet commenced. There are no options to extend lease terms that were reasonably certain of being exercised included in these balances.

(2) Imputed interest was calculated using the incremental borrowing rate applicable for each lease.

We did not have any finance leases or subleases as of September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023. Our lease agreements do not contain any material residual value guarantees, restrictive covenants or variable lease payments. Short-term lease costs were immaterial for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Note 11. Liabilities

The components of accounts payable, accrued expenses and other current liabilities are as follows (in thousands):

		September 30, 2023	December 31, 2022
	March 31, 2024	March 31, 2024	December 31, 2023
Accounts payable	Accounts payable	$ 52,806	$ 53,121
Accrued expenses	Accrued expenses	18,342	17,539
Income taxes payable	Income taxes payable	36,114	43,576
Holdback liability from business combinations and asset acquisitions	Holdback liability from business combinations and asset acquisitions	7,340	—
Contingent consideration liability from acquisition			
Other current liabilities	Other current liabilities	7,950	5,421

Accounts payable, accrued expenses and other current liabilities	Accounts payable, accrued expenses and other current liabilities	$ 122,552	$ 119,657

The components of other liabilities are as follows (in thousands):

March 31, 2024	March 31, 2024	December 31, 2023

		September 30, 2023	December 31, 2022
Contingent consideration liability from acquisition			
Holdback liability from business combination		$ —	$ 4,560
Contingent consideration liability from acquisition			
Contingent consideration liability from acquisition	Contingent consideration liability from acquisition	2,016	—
Other liabilities	Other liabilities	11,049	8,490
Other liabilities	Other liabilities	$ 13,065	$ 13,050

Note 12. Debt, Commitments and Contingencies

The debt, commitments and contingencies described below would require us, or our subsidiaries, to make payments to third parties under certain circumstances.

Convertible Senior Notes

On January 20, 2021, we issued $500.0 million aggregate principal amount of 0% convertible senior notes due January 15, 2026 in a private placement to qualified institutional buyers, or the 2026 Notes. The terms of the 2026 Notes are governed by an Indenture, or the Indenture, by and between Alarm.com Holdings, Inc. and U.S. Bank National Association, as trustee. The 2026 Notes are senior unsecured obligations that do not bear regular interest and the principal amount of the 2026 Notes will not accrete. The 2026 Notes may bear special interest under specified circumstances related to our failure to comply with our reporting obligations under the Indenture. Special interest, if any, will be payable semiannually in arrears on January 15 and July 15 of each year, beginning on July 15, 2021. We received proceeds from the issuance of the 2026 Notes of $484.3 million, net of $15.7 million of transaction fees and other debt issuance costs.

We may not redeem the 2026 Notes prior to January 20, 2024. We may redeem for cash, all or any portion of the 2026 Notes, at our option, on or after January 20, 2024, at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid special interest, if any, to, but excluding, the redemption date, if the last reported sale price of our common stock has been at least 130% of the conversion price for the 2026 Notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption. No sinking fund is provided for the 2026 Notes.

The 2026 Notes will be convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding August 15, 2025, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on June 30, 2021 (and only during such calendar quarter), if the last reported sale price of our common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price for the 2026 Notes on each applicable trading day; (2) during the five business day period immediately after any 10 consecutive trading day period in which, for each trading day of that period, the trading price per $1,000 principal amount of 2026 Notes for such trading day was less than 98% of the product of the last reported sale price of our common stock and the conversion rate for the 2026 Notes on each such trading day; (3) if we call any or all of the 2026 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, but only with respect to the 2026 Notes called (or deemed called) for redemption; or (4) upon the occurrence of specified corporate events as set forth in the Indenture.

On or after August 15, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date of the 2026 Notes, holders of the 2026 Notes may convert all or any portion of their 2026 Notes at any time, regardless of the foregoing conditions. Upon conversion, we may satisfy our conversion obligation by paying or delivering, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. It is our current intent to settle the principal amount of the 2026 Notes with cash. The initial conversion rate for the 2026 Notes is 6.7939 shares of our common stock per $1,000 principal amount of 2026 Notes, which is equivalent to an initial conversion price of $147.19 per share of our common stock, subject to adjustment under certain circumstances in accordance with the terms of the Indenture. In addition, following certain corporate events that occur prior to the maturity date of the 2026 Notes or if we deliver a notice of redemption in respect of the 2026 Notes, we will, under certain circumstances, increase the conversion rate of the 2026 Notes for a holder who elects to convert its 2026 Notes (or any portion thereof) in connection with such a corporate event or convert its 2026 Notes called (or deemed called) for redemption during the related redemption period (as defined in the Indenture), as the case may be.

If we undergo a fundamental change (as defined in the Indenture), subject to certain exceptions and except as described in the Indenture, holders may require us to repurchase for cash all or any portion of their 2026 Notes at a fundamental change repurchase price equal to 100% of the principal amount of the 2026 Notes to be repurchased, plus accrued and unpaid special interest, if any, to, but excluding, the fundamental change repurchase date.

The Indenture includes customary covenants and sets forth certain events of default after which the 2026 Notes may be declared immediately due and payable and sets forth certain types of bankruptcy or insolvency events of default involving us after which the 2026 Notes become automatically due and payable.

We used some of the proceeds to repay the $110.0 million outstanding principal balance under our credit facility and also used some of the proceeds to pay accrued interest, fees and expenses related to our credit facility, which was terminated effective January 20, 2021. We are using the remaining net proceeds from the issuance of the 2026 Notes for working capital and other general corporate purposes, which may include acquisitions or strategic investments in complementary businesses or technologies.

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
September 30, 2023 and 2022

We account for the 2026 Notes as a liability. The debt issuance costs are presented as a deduction from the outstanding principal balance of the 2026 Notes and are amortized to interest expense using the effective interest method over the contractual term of the 2026 Notes at a rate of 0.6%.

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the fair value of our 2026 Notes was $434.3 million $461.2 million and $411.5 million $444.8 million, respectively. The fair value was determined based on the quoted price of the 2026 Notes in an inactive market on the last traded day of the quarter and has been classified as Level 2 in the fair value hierarchy. Based on the closing price of our common stock of $61.14 $72.47 on the last trading day of the quarter, the if-converted value of the 2026 Notes did not exceed the principal amount of $500.0 million as of September 30, 2023 March 31, 2024.

The net carrying amount of the liability component of the 2026 Notes is as follows (in thousands):

		September 30, 2023	December 31, 2022		
March 31, 2024				March 31, 2024	December 31, 2023
Principal	Principal	$ 500,000	$ 500,000		
Unamortized debt issuance costs	Unamortized debt issuance costs	(7,273)	(9,630)		
Unamortized debt issuance costs					
Unamortized debt issuance costs					
Net carrying amount	Net carrying amount	$ 492,727	$ 490,370		

Interest expense related to the 2026 Notes is as follows (in thousands):

	Three Months Ended March 31,
	Three Months Ended March 31,
	Three Months Ended March 31,
2024	
2024	
2024	

		Three Months Ended September 30,		Nine Months Ended September 30,	
Amortization of debt issuance costs					
		2023	2022	2023	2022
Amortization of debt issuance costs					
Amortization of debt issuance costs	Amortization of debt issuance costs	$ 787	$ 782	$ 2,357	$ 2,342
Total interest expense	Total interest expense	$ 787	$ 782	$ 2,357	$ 2,342
Total interest expense					
Total interest expense					

Acquired Debt - EBS

On January 18, 2023, one of our wholly-owned subsidiaries acquired 100% of ALARM.COM HOLDINGS, INC.
Notes to the issued Condensed Consolidated Financial Statements (Unaudited) — (Continued)
March 31, 2024 and outstanding shares of capital stock of EBS. As part of this acquisition we acquired $2.9 million of outstanding debt, which decreased to zero as of September 30, 2023. 2023

Commitments and Contingencies

Indemnification Agreements

We have various agreements that may obligate us to indemnify the other party to the agreement with respect to certain matters. Generally, these indemnification provisions are included in contracts arising in the normal course of business. Although we cannot predict the maximum potential amount of future payments that may become due under these indemnification agreements, we do not believe any potential liability that might arise from such indemnity provisions is probable or material.

Legal Proceedings

On June 2, 2015, Vivint, Inc., or Vivint, filed a lawsuit against us in U.S. District Court, District of Utah, alleging that our technology directly and indirectly infringes six patents that Vivint purchased. Vivint is seeking permanent injunctions, enhanced damages and attorneys' fees. We answered the complaint on July 23, 2015. Among other things, we asserted defenses based on non-infringement and invalidity of the patents in question. In 2017 and 2019, the U.S. Patent Trial and Appeal Board, or PTAB, issued final written decisions in inter partes reviews finding all or some of the claims in five of the asserted patents unpatentable. These decisions were affirmed on appeal. Discovery has closed with respect to seven claims in three of the asserted patents. Vivint has moved for partial summary judgment and Alarm.com has moved for summary judgment as to those seven claims; both motions are pending decision. Alarm.com has also moved for summary judgment as to the six asserted claims from the fourth asserted patent. Discovery has been stayed with respect to the fourth patent while the summary judgment motion remains pending. No trial date has been set.

Should Vivint prevail in proving Alarm.com infringes one or more of its patent claims, we could be required to pay damages of Vivint's lost profits and/or a reasonable royalty for sales of our solution. Since all remaining patent claims in the litigation have expired, Vivint shall not be entitled to injunctive relief as a remedy in this matter. While we believe we have valid defenses to Vivint's claims, any of these outcomes could result in a material adverse effect on our business. Based on currently available information, we have determined a loss is not probable or reasonably estimable at this time.

Further related to Vivint, on October 27, 2022, we filed a demand for arbitration of a dispute arising under the Patent Cross License Agreement between Alarm.com and Vivint executed in November 2013. Vivint has stopped paying license fees to Alarm.com under the agreement. Vivint had been paying the required license fees to Alarm.com since the agreement was executed in November 2013. Alarm.com disputes Vivint's refusal of payment and is seeking continued payments of license fees in the arbitration, as well as interest and declaratory relief. There can be no assurance that Alarm.com will be successful in the arbitration proceedings. As a result of Vivint's refusal to pay license fees under the agreement, which began during the fourth quarter of 2022, SaaS and license revenue and total revenue will continue to be lowered by approximately $6.0 million on a quarterly basis. We also believe that quarterly earnings and cash flow will continue to be impacted by the aforementioned $6.0 million, plus additional legal fees.

We also filed a lawsuit against Vivint on January 4, 2023 in U.S. District Court, Eastern District of Texas, alleging that Vivint infringes 15 of our patents. Since then, we have voluntarily dismissed without prejudice the infringement claims with respect to one of the patents, leaving 14 asserted patents. The case is docketed as No. 2:23-CV-0004-JRG-RSP (E.D. Tex.). We are seeking compensatory and enhanced damages, a permanent injunction and other relief. Vivint filed a partial motion to dismiss the complaint on February 27, 2023 which we have opposed. On March 8, 2023, Vivint filed counterclaims in the action alleging that Alarm.com's products and services directly and indirectly infringe 14 patents owned by Vivint. Most of Vivint's counterclaims also name our service provider ADT LLC as a defendant. Vivint is seeking permanent injunctions, enhanced damages and attorneys' fees. We answered the complaint on April 28, 2023. Among other things, we asserted defenses based on non-infringement and invalidity of Vivint's patents. Trial is scheduled to begin on September 9, 2024. While we believe we have valid defenses to Vivint's counterclaims, the outcome of these legal claims cannot be predicted with certainty and any of these outcomes could result in an adverse effect on our business. Based on currently available information, we have determined a loss is not probable or reasonably estimable at this time.

On January 10, 2022, EcoFactor, Inc., or EcoFactor, filed a lawsuit against us in U.S. District Court, District of Oregon, alleging Alarm.com's products and services directly and indirectly infringe five U.S. patents owned by EcoFactor. EcoFactor is seeking a permanent injunctions, injunction, enhanced damages and attorneys' fees. We moved to dismiss the case for failure to state a claim on March 28, 2022. EcoFactor had previously asserted two of the same patents against us in an October 2019 complaint with the U.S. International Trade Commission, or ITC. In July 2021, the ITC found in favor of Alarm.com. EcoFactor appealed the decision but withdrew its appeal in December 2021. Four We moved to dismiss the Oregon case for failure to state a claim on March 28, 2022. Three of the asserted patents are in ex parte reexamination proceedings at the PTO, and ex parte reexamination of a fourth patent concluded on August 23, 2023 after the claims were amended. On April 18, 2022, all claims of the a fifth patent were found unpatentable by the U.S. Patent Trial and Appeal Board, or PTAB, in an inter partes review, and all claims were canceled on April 18, 2022 February 1, 2024. Also on On April 18, 2022, the district court stayed the case at the request of the parties pending the disposition of PTAB and other proceedings involving the asserted patents.

Should EcoFactor prevail in its lawsuit we could be required to pay damages and/or a reasonable royalty for sales of our solution, we could be enjoined from making, using and selling our solution if a license or other right to continue selling such elements is not made available to us, and we could be required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us. While we believe we have valid defenses to EcoFactor's claims, the outcome of these legal claims cannot be predicted with certainty and any of these outcomes could result in an adverse effect on our business. Based on currently available information, we have determined a loss is not probable or reasonably estimable at this time.

On July 22, 2021, Causam Enterprises, Inc., or Causam, filed a lawsuit against us in U.S. District Court, Western District of Texas, alleging that Alarm.com's smart thermostats infringe four U.S. patents owned by Causam. Causam is seeking preliminary and permanent injunctions, enhanced damages and attorneys' fees. We have not yet responded to the complaint. On September 3, 2021, the court issued an order staying the lawsuit until the ITC investigation described below is finally resolved.

On July 28, 2021, Causam filed a complaint with the ITC naming Alarm.com Incorporated, Alarm.com Holdings, Inc., and EnergyHub, Inc., among others, as proposed respondents. The complaint alleges infringement of the same four patents Causam asserted in district court. Causam is seeking a permanent limited exclusion order and permanent cease and desist order. On August 27, 2021, the ITC instituted an investigation into Causam's allegations naming Alarm.com Incorporated, Alarm.com Holdings, Inc., EnergyHub Inc. and others as respondents. We answered the complaint on October 4, 2021. Among other things, we asserted defenses based on non-infringement and invalidity of the patents in question. An evidentiary hearing in the investigation was held from June 28, 2022 through July 1, 2022. On February 16, 2023, the ITC issued a final decision in favor of Alarm.com and EnergyHub. Causam filed an appeal of the ITC decision on April 14, 2023. Causam did not appeal the ITC decision with respect to Alarm.com and EnergyHub.

Should Causam prevail in its district court lawsuit we could be required to pay damages and/or a reasonable royalty for sales of our solution, we could be enjoined from making, using and selling our solution if a license or other right to continue selling such elements is not made available to us, and we could be required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us. While we believe we have valid defenses to Causam's claims, the outcome of these legal claims cannot be predicted with certainty, and any of these outcomes could result in an adverse effect on our business. Based on currently available information, we have determined a loss is not probable or reasonably estimable at this time.

In addition to the matters described above, we may be required to provide indemnification to certain of our service provider partners for certain claims regarding our solutions. For example, we are incurring incur costs associated with the indemnification of our service provider ADT, LLC Central Security Group – Nationwide, Inc. (d/b/a Alert 360), or CSG, in an ongoing patent infringement suits.

On February 25, 2021, Vivint filed a lawsuit litigation. In 2018, Ubiquitous Connectivity, LP, or Ubiquitous, brought suit against ADT LLC a/k/a ADT LLC of Delaware d/b/a ADT Security Services CSG in U.S. District Court, Northern District of Utah, Oklahoma, alleging that ADT Pulse, Control, and Blue each infringe one or more patents owned by Vivint. Vivint is seeking damages and attorneys' fees. Vivint filed a second amended complaint on March 8, 2022. ADT answered the second amended complaint on March 22, 2022, asserted defenses based on non-infringement and invalidity infringement of all five asserted patents and counterclaimed for declaratory judgment of invalidity of all five asserted two U.S. patents. The PTAB granted inter partes review of two case was stayed by agreement of the asserted parties for several years while the patents at ADT's request. On June 17, 2022, the court entered an order staying the case in view of the pending proceedings suit were challenged before the PTAB, with the exception of certain discovery of source code. PTAB. In decisions issued in February and March 2023, January 2021, the PTAB found all challenged deemed 42 out of 46 claims of the two asserted patents under review unpatentable. Vivint filed appeals Ubiquitous appealed a portion of the PTAB decisions PTAB's findings to the United States Court of Appeals for the Federal Circuit. The Federal Circuit affirmed the PTAB's ruling on April 13, 2023 August 8, 2023. As a result, only four patent claims remain at issue and May 30, 2023 the Northern District of Oklahoma case is no longer stayed. The case is currently in the discovery phase. A claim construction hearing is scheduled for December 12, 2024. A hearing on dispositive motions, including for summary judgment, is scheduled for April 15, 2026. A trial is scheduled for June 22, 2026.

Should Vivint Ubiquitous prevail on the its infringement claims, that one or more elements of ADT's products infringe, we could be required to indemnify ADT CSG for damages in the form of a reasonable royalty or ADT of Ubiquitous's lost profits. CSG could be enjoined from making, using, and selling our solution if a license or other right to continue selling our technology is not made available or if we are unable to design around such patents, and we could be required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us. The outcome of these legal claims cannot be predicted with certainty. We believe there are valid defenses to the claims made by Vivint. Based on currently available information, we have determined a loss is not probable or reasonably estimable at this time.

We also incurred costs associated with the indemnification of our service provider Monitronics International, Inc. d/b/a Brinks in patent infringement suits. On November 4, 2022, January 13, 2023 and April 18, 2023, IOT Innovations LLC, or IOT, sued Monitronics in U.S. District Court, Eastern District of Texas, alleging patent infringement of certain products and services sold by Monitronics. Together, IOT asserted infringement of 26 patents and sought permanent injunctions, enhanced damages and attorneys' fees. On October 3, 2023, IOT filed a stipulation of dismissal of all three cases, ending the cases and the Company's involvement therein.

We may also be a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not have a material adverse effect on our business.

Other than the preceding matters, we are not a party to any lawsuit or proceeding that, in the opinion of management, is reasonably possible or probable of having a material adverse effect on our financial position, results of operations or cash flows. We reserve for contingent liabilities based on ASC 450, "*Contingencies*," when it is determined that a liability, inclusive of defense costs, is probable and reasonably estimable. Litigation is subject to many factors that are difficult to predict, so there can be no assurance that, in the event of a material unfavorable result in one or more claims, we will not incur material costs.

Note 13. Stockholders' Equity

Stock Repurchase Programs

On December 3, 2020, our board of directors authorized a stock repurchase program, under which we were authorized to purchase up to an aggregate of $100.0 million of our outstanding common stock during the three-year period ending December 3, 2023. No shares of our common stock were repurchased under this program during the three and nine months ended September 30, 2023. During the three and nine months ended September 30, 2022, we repurchased 5,595 and 840,249 shares of our common stock under this program for $0.4 million and $51.9 million, respectively, which includes applicable commissions and fees.

On February 15, 2023, our board of directors authorized the cancellation of the balance under the stock repurchase program ending December 3, 2023 and also authorized a stock repurchase program, effective February 23, 2023, under which we are authorized to purchase up to an aggregate of $100.0 million of our outstanding common stock during the two-year period ending February 23, 2025. During the three and nine months ended September 30, 2023, 105,285 and 239,540 No shares of our common stock were repurchased under this program for $6.2 million during the three months ended March 31, 2024 and $12.9 million, respectively, which includes applicable commissions and fees. As of 2023. Beginning January 1, 2023, we are subject to a 1.0% excise tax on the value of net corporate stock repurchases under the Inflation Reduction Act of 2022. When applicable, the excise tax will be included as part of the cost basis of shares acquired and is presented within stockholders' equity in the condensed consolidated balance sheets.

Note 14. Stock-Based Compensation

Stock-based compensation expense is included in the following line items in the condensed consolidated statements of operations (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	**2022**	**2023**	**2022**
Cost of hardware and other revenue	Cost of hardware and other revenue	$ 3	$ —	$ 3	$ —
Cost of hardware and other revenue					
Cost of hardware and other revenue					
Sales and marketing					
Sales and marketing					
Sales and marketing	Sales and marketing	854	983	2,778	3,481
General and administrative	General and administrative	3,260	3,953	9,873	11,135
General and administrative					
General and administrative					
Research and development					
Research and development					
Research and development	Research and development	7,689	8,218	23,769	23,437
Total stock-based compensation expense	Total stock-based compensation expense	$ 11,806	$ 13,154	$ 36,423	$ 38,053
Total stock-based compensation expense					
Total stock-based compensation expense					

The following table summarizes the components of non-cash stock-based compensation expense (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	**2022**	**2023**	**2022**
Stock options	Stock options	$ 1,133	$ 1,015	$ 3,116	$ 2,742
Stock options					
Stock options					
Restricted stock units					
Restricted stock units					
Restricted stock units	Restricted stock units	10,629	12,087	33,170	35,165
Employee stock purchase plan	Employee stock purchase plan	44	52	137	146

Employee stock purchase plan					
Employee stock purchase plan					
Total stock-based compensation expense	Total stock-based compensation expense	$ 11,806	$ 13,154	$ 36,423	$ 38,053
Tax (shortfall) / windfall benefit from stock-based awards		$ (111)	$ 916	$ (802)	$ 1,949
Total stock-based compensation expense					
Total stock-based compensation expense					
Tax windfall benefit / (shortfall) from stock-based awards					
Tax windfall benefit / (shortfall) from stock-based awards					
Tax windfall benefit / (shortfall) from stock-based awards					

We granted 4,500 and 197,900 stock options pursuant to our 2015 Equity Incentive Plan during the three and nine months ended September 30, 2023, respectively, as compared to 87,000 and 182,000 stock options for the same periods in the prior year. There were 38,044 and 121,179 stock options exercised during the three and nine months ended September 30, 2023, respectively, as compared to 62,324 and 101,586 stock options for the same periods in the prior year. There was an aggregate of 117,025 and 303,422 restricted stock units without performance conditions granted to certain of our employees and directors during the three and nine months ended September 30, 2023, respectively, as compared to an aggregate of 229,400 and 819,824 restricted stock units without performance conditions for the same periods in the prior year. There were no restricted stock units with performance conditions granted to certain of our employees during the three and nine months ended September 30, 2023, as compared to 96,289 and 168,223 restricted stock units with performance conditions for the same periods in the prior year. There were 112,310 and 506,260 restricted stock units without performance conditions that vested during the three and nine months ended September 30, 2023, respectively, as compared to 75,452 and 312,947 restricted stock units without performance conditions vested during the same periods in the prior year. There were zero and 39,406 restricted stock units with performance conditions that vested during the three and nine months ended September 30, 2023, respectively, as compared to zero restricted stock units with performance conditions vested for the same periods in the prior year.

We granted 6,000 and 2022 21,400 stock options pursuant to our 2015 Equity Incentive Plan during the three months ended March 31, 2024 and 2023, respectively. There were 128,526 stock options exercised during the three months ended March 31, 2024, as compared to 70,951 stock options for the same period in the prior year. There was an aggregate of 88,150 restricted stock units without performance conditions granted to certain of our employees during the three months ended March 31, 2024, as compared to an aggregate of 82,875 restricted stock units without performance conditions for the same period in the prior year. There were no restricted stock units with performance conditions granted to our employees during the three months ended March 31, 2024 and 2023. There were 81,696 restricted stock units without performance conditions that vested during the three months ended March 31, 2024, as compared to 167,085 restricted stock units without performance conditions vested during the same period in the prior year. There were no restricted stock units with performance conditions that vested during the three months ended March 31, 2024, as compared to 9,000 restricted stock units with performance conditions vested for the same period in the prior year.

Note 15. Earnings Per Share

Basic and Diluted Earnings Per Share

The components of basic and diluted earnings per share are as follows (in thousands, except share and per share amounts):

		Three Months Ended September 30,		Nine Months Ended September 30,	
Numerator:	**Numerator:**	**2023**	**2022**	**2023**	**2022**
Numerator:					
Numerator:					
Net income					
Net income					
Net income	Net income	$ 19,351	$ 18,110	$ 49,169	$ 37,841
Net loss attributable to redeemable noncontrolling interests	Net loss attributable to redeemable noncontrolling interests	173	222	570	412
Net loss attributable to redeemable noncontrolling interests					
Net loss attributable to redeemable noncontrolling interests					

Net income attributable to common stockholders - basic (A)					
Net income attributable to common stockholders - basic (A)					
Net income attributable to common stockholders - basic (A)	Net income attributable to common stockholders - basic (A)	19,524	18,332	49,739	38,253
Add back interest expense, net of tax, attributable to convertible senior notes	Add back interest expense, net of tax, attributable to convertible senior notes	593	588	1,774	1,761
Add back interest expense, net of tax, attributable to convertible senior notes					
Add back interest expense, net of tax, attributable to convertible senior notes					
Net income attributable to common stockholders - diluted (B)					
Net income attributable to common stockholders - diluted (B)					
Net income attributable to common stockholders - diluted (B)	Net income attributable to common stockholders - diluted (B)	$ 20,117	$ 18,920	$ 51,513	$ 40,014
Denominator:	**Denominator:**				
Denominator:					
Denominator:					
Weighted average common shares outstanding — basic (C)					
Weighted average common shares outstanding — basic (C)					
Weighted average common shares outstanding — basic (C)	Weighted average common shares outstanding — basic (C)	49,917,533	49,791,465	49,782,571	49,974,925
Dilutive effect of convertible senior notes, stock options and restricted stock units	Dilutive effect of convertible senior notes, stock options and restricted stock units	4,861,260	5,041,063	4,806,255	5,013,095
Dilutive effect of convertible senior notes, stock options and restricted stock units					
Dilutive effect of convertible senior notes, stock options and restricted stock units					
Weighted average common shares outstanding — diluted (D)					
Weighted average common shares outstanding — diluted (D)					
Weighted average common shares outstanding — diluted (D)	Weighted average common shares outstanding — diluted (D)	54,778,793	54,832,528	54,588,826	54,988,020
Net income per share:	Net income per share:				
Net income per share:					
Net income per share:					

Basic (A/C)									
Basic (A/C)									
Basic (A/C)	Basic (A/C)	$	0.39	$	0.37	$	1.00	$	0.77
Diluted (B/D)	Diluted (B/D)	$	0.37	$	0.35	$	0.94	$	0.73
Diluted (B/D)									
Diluted (B/D)									

The following securities have been excluded from the calculation of diluted weighted average common shares outstanding as the inclusion of these securities would have an anti-dilutive effect:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Stock options	Stock options	587,476	346,283	587,476	396,742
Stock options					
Stock options					
Restricted stock units	Restricted stock units	36,000	128,675	87,425	248,792
Restricted stock units					
Restricted stock units					

Our redeemable noncontrolling interests are related to our 86% equity ownership interests in OpenEye, and our 85% equity ownership interest in Noonlight. See Note 6 for details on the put option and call option contained in the Noonlight stockholder agreement.

We use the if-converted method when calculating the dilutive impact of the 2026 Notes on net income per share. As a result, we included 3,396,950 shares related to the 2026 Notes within the weighted average shares outstanding when calculating the diluted net income per share for each of the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. Additionally, we included $0.6 million and $1.8 million of debt issuance cost amortization, net of tax, within the numerator of the diluted net income per share for the three and nine months ended September 30, 2023 March 31, 2024 and 2022, respectively.

2023. We use the treasury stock method when calculating the dilutive impact of the stock options and restricted stock units on net income per share.

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Note 16. Significant Service Providers and Distributors

During the three and nine months ended September 30, 2023 March 31, 2024, our 10 largest revenue service provider partners or distributors accounted for 49% and 50% 48% of our consolidated revenue, respectively, as compared to 52% and 49% 50% for the same periods period in the prior year. One of our service provider partners within the Alarm.com segment individually represented greater than 15% but not more than 20% of our revenue for each of the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

No One service provider partner or distributor in the Alarm.com segment represented more than 10% of accounts receivable as of September 30, 2023. Two service provider partners or distributors in the Alarm.com segment each represented greater than 10% of accounts receivable as of December 31, 2022 March 31, 2024 and December 31, 2023.

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Note 17. Income Taxes

For purposes of interim reporting, our annual effective income tax rate is estimated in accordance with ASC 740-270, *"Interim Reporting."* This rate is applied to the pre-tax book income of the entities expected to be benefited during the year. Discrete items that impact the tax provision are recorded in the period incurred.

For the three and nine months ended September 30, 2023 March 31, 2024, we recorded a provision for income taxes of $4.0 million and $9.3 million $2.7 million, respectively, resulting in an effective income tax rate of 17.0% and 15.8% for those periods. 10.5%. For the three and nine months ended September 30, 2022 March 31, 2023, we recorded a provision for benefit from income taxes of $0.2 million and $0.5 million $1.2 million, respectively, resulting in an effective income tax rate of 1.3% and 1.2% for those periods. (9.4)%. For the three months ended September 30, 2023 March 31, 2024, our effective tax rate was below the 21.0% statutory rate primary primarily due to research and development tax credits claimed, the foreign derived intangible income deduction, the release of an unrecognized tax benefit liability due to the closure of the 2018 and a favorable true-up adjustment of our 2022 2019 Internal Revenue Service federal income tax provision estimate, examination and tax windfall benefits from employee stock-based compensation, partially offset by the impact of state taxes, foreign withholding taxes federal estimated tax payment interest expense and a stock-based compensation tax shortfall. other nondeductible expenses. For the nine three months ended September 30, 2023 March 31, 2023, our effective tax rate was below the 21.0% statutory rate primarily due to research and development tax credits claimed and the foreign derived intangible income deduction, partially offset by an unfavorable true-up adjustment of our 2022 income tax provision estimate associated with research and development tax credits, the impact of state taxes, foreign withholding taxes, other nondeductible expenses and a stock-based compensation tax shortfall. For the three and nine months ended September 30, 2022, our effective tax rate was below the 21.0% statutory rate primarily due to research and development tax credits claimed, tax windfall benefits from employee stock-based compensation and the foreign derived intangible income deduction, partially offset by the impact of state taxes, foreign withholding taxes and other nondeductible expenses.

We recognize a valuation allowance if, based on the weight of available evidence, both positive and negative, it is more likely than not that some portion, or all, of net deferred tax assets will not be realized. Our valuation allowance for state research and development tax credit carryforwards and net deferred tax assets of our EBS subsidiary was $2.6 million $3.8 million as of December 31, 2022 December 31, 2023 and increased decreased to $2.9 million $3.7 million as of September 30, 2023 March 31, 2024.

We apply guidance for uncertainty in income taxes that requires the application of a more likely than not threshold to the recognition and de-recognition of uncertain tax positions. If the recognition threshold is met, this guidance permits us to recognize a tax benefit measured at the largest amount of the tax benefit that, in our judgment, is more likely than not to be realized upon settlement. We recorded a net increase decrease to the unrecognized tax benefits liability of $1.1 million $1.9 million primarily due to the closure of the 2018 and 2019 Internal Revenue Service federal income tax return examination, partially offset by a liability for research and development tax credits claimed during the nine three months ended September 30, 2023 March 31, 2024. We recorded an increase to the unrecognized tax benefits liability of $2.1 million $0.7 million primarily for research and development tax credits claimed during the nine three months ended September 30, 2022 March 31, 2023.

Our condensed consolidated balance sheets included an accrual for total interest expense related to unrecognized tax benefits of $0.8 million as of December 31, 2023, which decreased to $0.6 million as of March 31, 2024. We recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense.

Our tax returns are subject to on-going review and examination by various tax authorities. Tax authorities may not agree with the treatment of items reported in our tax returns, and therefore the outcome of tax reviews and examinations can be unpredictable. On October 13, 2021, the Internal Revenue Service commenced an examination of our federal income tax return for 2018 and on August 12, 2022, the Internal Revenue Service expanded the examination to include our federal income tax return for 2019, both of which are ongoing. The anticipated completion date of 2019. On January 25, 2024, the Internal Revenue Service examinations cannot be estimated at this time. notified us that the income tax examination of our 2018 and 2019 federal income tax returns has been closed. As a result, we owe $0.6 million in additional federal taxes, including interest, and recognized a net income tax benefit of $1.7 million during the three months ended March 31, 2024.

As of September 30, 2023 and December 31, 2022 March 31, 2024, we did not have material undistributed foreign earnings. We have not recorded a deferred tax liability on the undistributed earnings from our condensed consolidated balance sheets included a $0.3 million accrual for total interest expense related foreign subsidiaries, as such earnings are considered to unrecognized tax benefits. We recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense. be indefinitely reinvested.

In August 2022, the Inflation Reduction Act of 2022 was enacted in the United States which, among other provisions, includes a minimum 15.0% tax on companies that have a three-year average annual adjusted financial statement income of more than $1.0 billion and a 1.0% excise tax on the value of net corporate stock repurchases. Both provisions became effective on January 1, 2023 and the provisions did not have a material impact on our financial condition or results of operations as of September 30, 2023. for the periods presented.

Note 18. Segment Information

We have two reportable segments:

- Alarm.com segment
- Other segment

Our chief operating decision maker is our chief executive officer. Management determined the operational data used by the chief operating decision maker is that of the two reportable segments. Management bases strategic goals and decisions on these segments and the data presented below is used to measure financial results.

Our Alarm.com segment represents our cloud-based and Software platforms for the intelligently connected property and related solutions that contributed 93% and 94% of our revenue, net of intersegment eliminations, for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to 94% 95% for the same periods period in the prior year. Our Other segment is focused on researching, developing and offering residential and commercial automation solutions and energy management products and services in adjacent markets. Inter-segment revenue includes sales of hardware between our segments.

Management evaluates the performance of its segments and allocates resources to them based on operating income / (loss) as compared to prior periods and current performance levels. The reportable segment operational data is presented in the tables below (in thousands):

	Three Months Ended March 31, 2024	Three Months Ended Mar 2024			
	Alarm.com	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other
SaaS and license revenue					
Hardware and other revenue					

Total revenue	
Operating income / (loss)	

	Three Months Ended September 30, 2023				
	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other	Total

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

Three Months Ended March 31, 2023

	Alarm.com	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other

		Alarm.com	Other	Intersegment Alarm.com	Intersegment Other	Total
SaaS and license revenue	SaaS and license revenue	$ 130,711	$14,316	$ —	$ —	$ 145,027
Hardware and other revenue	Hardware and other revenue	76,336	1,685	(1,021)	(173)	76,827
Total revenue	Total revenue	207,047	16,001	(1,021)	(173)	221,854
Operating income / (loss)	Operating income / (loss)	18,929	(3,270)	406	106	16,171

	Three Months Ended September 30, 2022				
	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other	Total
SaaS and license revenue	$ 122,555	$10,571	$ —	$ —	$ 133,126
Hardware and other revenue	82,300	1,876	(1,059)	(105)	83,012
Total revenue	204,855	12,447	(1,059)	(105)	216,138
Operating income / (loss)	20,874	(4,738)	105	75	16,316

	Nine Months Ended September 30, 2023				
	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other	Total
SaaS and license revenue	$ 384,116	$36,737	$ —	$ —	$ 420,853
Hardware and other revenue	232,464	5,263	(2,678)	(457)	234,592
Total revenue	616,580	42,000	(2,678)	(457)	655,445
Operating income / (loss)	52,761	(12,340)	453	275	41,149

	Nine Months Ended September 30, 2022				
	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other	Total
SaaS and license revenue	$ 357,031	$28,795	$ —	$ —	$ 385,826
Hardware and other revenue	245,679	6,834	(3,302)	(617)	248,594
Total revenue	602,710	35,629	(3,302)	(617)	634,420
Operating income / (loss)	50,545	(14,467)	459	28	36,565

	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other	Total

Assets as of September 30, 2023	$1,457,416	$46,326	$ (92,247)	$ 2	$1,411,497
Assets as of December 31, 2022	1,366,343	53,927	(90,929)	34	1,329,375

	Alarm.com	Other	Intersegment Alarm.com	Intersegment Other	Tota
	Alarm.com				
	Alarm.com				
Assets as of March 31, 2024					
Assets as of December 31, 2023					

ALARM.COM HOLDINGS, INC.
Notes to the Condensed Consolidated Financial Statements (Unaudited) — (Continued)
September 30, 2023 and 2022

Our SaaS and license revenue for the Alarm.com segment included software license revenue of $5.7 million and $17.8 million $5.2 million for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to $6.5 million and $20.5 million $6.2 million for the same periods period in the prior year. There was no software license revenue recorded for the Other segment during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Amortization and depreciation expense was $7.7 million and $22.7 million $7.1 million for the Alarm.com segment for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to $7.3 million and $22.2 million $7.4 million for the same periods period in the prior year. Amortization and depreciation expense was $0.2 million and $0.8 million for the Other segment for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to $0.3 million and $0.9 million for the same periods period in the prior year. Additions to property and equipment were $2.1 million and $7.9 million $3.9 million for the Alarm.com segment for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to $1.9 million and $27.6 million for $3.0 million the same periods period in the prior year. Additions to property and equipment were less than $0.1 million and $0.2 million for the Other segment for each of the three and nine months ended September 30, 2023, respectively, as compared to less than $0.1 million March 31, 2024 and $0.2 million for the same periods in the prior year. 2023.

We derived substantially all revenue from North America for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023. Substantially all of our long-lived assets were in North America as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

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

You should read the following discussion and analysis of our financial condition and results of operations together with (1) our condensed consolidated financial statements and the related notes and other financial information included elsewhere in this Quarterly Report on Form 10-Q, or Quarterly Report, and (2) the audited consolidated financial statements and the related notes and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2022 December 31, 2023 included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023 filed on February 24, 2023 February 22, 2024, or Annual Report, with the Securities and Exchange Commission, or SEC. This Quarterly Report contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "might," "objective," "ongoing," "plan," "predict," "project," "potential," "should," "will," "would" "would," or the negative or plural of these words or similar expressions or variations and such forward-looking statements include, but are not limited to, statements with respect to the anticipated impact of the global economic uncertainty and financial market conditions caused by significant world events, including public health crises, such as the COVID-19 pandemic, and geopolitical upheaval, such as Russia's incursion into Ukraine and the war conflict between Israel and Hamas, regional adversaries, disruptions to global supply chains, rising interest rates, risk of recession and inflation (collectively, the Macroeconomic Conditions) on our business, results of operations and financial condition, including on our hardware sales and our Software-as-a-Service, or SaaS, and license revenue growth rate; our business strategy, plans and objectives for future operations; continued enhancements of our platform and offerings; our future financial and business performance and the potential impact of trade policies and related tariffs on our cost of hardware revenue and hardware revenue margins. margins; and our future financial and business performance. The events described in these forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified in the section titled "Risk Factors" set forth in Part II, Item 1A of this Quarterly Report and elsewhere in this and in our other SEC filings. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

Alarm.com is the leading platform for the intelligently connected property. Our cloud-based platform offers an expansive suite of Internet of Things, or IoT, solutions addressing opportunities in the residential, multi-family, small business and enterprise commercial markets. Alarm.com's solutions include security, video and video analytics, energy management, access control, electric utility grid management, indoor gunshot detection, water management, health and wellness and data-rich emergency response. During 2022, 2023, our platforms processed more than 300 billion 325 billion data points generated by over 100 million 150 million connected devices. We believe that this scale of subscribers, connected devices and data operations makes us the leader in the connected property market.

Our solutions are delivered through an established network of trusted service providers, who are experts at selling, installing and supporting our solutions. The number of our service provider partners exceeded 11,000 as of December 31, 2022. We primarily generate SaaS and license revenue through our service provider partners, who resell these services and pay us monthly fees. These service provider contracts typically have an initial term of one year, with subsequent renewal terms of one year. Our service provider partners have indicated that they typically have three to five-year service contracts with residential and commercial property owners who use our solutions. We also generate hardware and other revenue, primarily from our service provider partners and distributors. Our hardware sales include connected devices that enable our services, such as video cameras, video recorders, gunshot detection sensors, gateway modules and smart thermostats. We believe our network of service providers and the length of our service relationships with residential and commercial property owners, combined with our robust SaaS platforms and over 20 years of operating experience, contribute to a compelling business model.

Our solutions are designed to make both residential and commercial properties safer, smarter and more efficient. Our technology platforms support all participants in what we refer to as the connected property market. This market includes the residential and commercial property owners who subscribe to our services, the hardware partners who manufacture devices that integrate with our platforms and the service provider partners who install and maintain our solutions.

The Alarm.com platform enables our service provider partners to deploy our interactive security, video monitoring, intelligent automation, access control, energy management and wellness solutions as stand-alone offerings or as combined solutions to address the needs of a broad range of customers.

Highlights of Third First Quarter Results

We primarily generate SaaS and license revenue, our largest source of revenue, through our service provider partners who resell our services and pay us monthly fees. Our service provider partners sell, install and support Alarm.com solutions that enable residential and commercial property owners to intelligently secure, connect, control and automate their properties. Our subscribers consist of all of the properties maintained by those residential and commercial property owners to which we are delivering at least one of our solutions. We derive a portion of our revenue from licensing our intellectual property to third parties on a per customer basis. SaaS and license revenue represented 65% and 64% 67% of our revenue during the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to 62% and 61% 65% in the same periods period in the prior year.

We also generate SaaS and license revenue from monthly fees charged to service providers on a per subscriber basis for access to our non-hosted software platform, or Software platform. The non-hosted software for interactive security, automation and related solutions is typically deployed and operated by the service provider in its own network operations center. Software license revenue represented 3% 2% of our revenue during each of the three and nine months ended September 30, 2023 and 2022. March 31, 2024, as compared to 3% in the same period in the prior year.

We also generate revenue from the sale of many types of hardware, including video cameras, video recorders, cellular radio modules, smart thermostats, image sensors, gunshot detection sensors and other peripherals, that enable our solutions. Our hardware and other revenue also includes our revenue from the sale of perpetual licenses that provide our customers in the commercial market the right to use our video surveillance software for an indefinite period of time in exchange for a one-time license fee. Additionally, our hardware and other revenue includes our revenue from the sale of licenses that provide our customers the right to use our gunshot detection solution in exchange for license fees. Hardware and other revenue represented 35% and 36% 33% of our revenue during the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to 38% and 39% 35% in the same periods period in the prior year. We typically expect hardware and other revenue to fluctuate as a percentage of total revenue.

Highlights of our financial performance for the periods covered in this Quarterly Report include:

- SaaS and license revenue increased 9% 11% to $145.0 million $150.3 million during the three months ended September 30, 2023 March 31, 2024 from $133.1 million $135.4 million during the three months ended September 30, 2022. SaaS and license revenue increased 9% to $420.9 million in the nine months ended September 30, 2023 from $385.8 million in the nine months ended September 30, 2022 March 31, 2023. Included in SaaS and license revenue was software license revenue, which decreased to $5.7 million $5.2 million during the three months ended September 30, 2023 March 31, 2024 from $6.5 million $6.2 million during the three months ended September 30, 2022. Software license revenue decreased to $17.8 million in the nine months ended September 30, 2023 from $20.5 million in the nine months ended September 30, 2022 March 31, 2023.

- Total revenue increased 3% 6% to $221.9 million $223.3 million during the three months ended September 30, 2023 March 31, 2024 from $216.1 million $209.7 million during the three months ended September 30, 2022. Total revenue increased 3% to $655.4 million in the nine months ended September 30, 2023 from $634.4 million in the nine months ended September 30, 2022 March 31, 2023.

- Net income increased to $19.4 million $23.4 million during the three months ended September 30, 2023 March 31, 2024, as compared to $18.1 million $14.2 million during the three months ended September 30, 2022. Net income increased to $49.2 million in the nine months ended September 30, 2023, as compared to $37.8 million in the nine months ended September 30, 2022 March 31, 2023. Net income attributable to common stockholders increased to $19.5 million $23.6 million during the three months ended September 30, 2023 March 31, 2024, as compared to $18.3 million $14.4 million during the three months ended September 30, 2022. Net income attributable to common stockholders increased to $49.7 million in the nine months ended September 30, 2023, as compared to $38.3 million in the nine months ended September 30, 2022 March 31, 2023.

- Non-GAAP adjusted EBITDA, a non-GAAP measurement of operating performance, increased to $41.4 million $37.0 million during the three months ended September 30, 2023 March 31, 2024 from $40.8 million $30.6 million during the three months ended September 30, 2022. Non-GAAP adjusted EBITDA increased to $108.4 million in the nine months ended September 30, 2023 from $107.9 million in the nine months ended September 30, 2022 March 31, 2023.

Please see *Non-GAAP Measures* below in this section of this Quarterly Report for a discussion of the limitations of non-GAAP adjusted EBITDA (a non-GAAP measure) and a reconciliation of non-GAAP adjusted EBITDA from net income, the most directly comparable measurement in accordance with accounting principles generally accepted in the United States, or GAAP, for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Recent Developments

The global economy, credit markets and financial markets have and may continue to experience significant volatility as a result of the Macroeconomic Conditions. These Macroeconomic Conditions have and may continue to create supply chain disruptions, inventory disruptions, and fluctuations in economic growth, including fluctuations in employment rates, inflation, energy prices and consumer sentiment. It remains difficult to assess or predict the ultimate duration and economic impact of the Macroeconomic Conditions. The results of operations for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results that can be expected for our entire fiscal year ending December 31, 2023 December 31, 2024, which is increasingly true in periods of extreme uncertainty, such as the uncertainty caused by the Macroeconomic Conditions. Prolonged uncertainty with respect to the Macroeconomic Conditions could cause further economic slowdown or cause other unpredictable events, each of which could adversely affect our business, results of operations or financial condition.

Other Business Metrics

We regularly monitor a number of financial and operating metrics in order to measure our current performance and estimate our future performance. Our other business metrics may be calculated in a manner different from the way similar business metrics used by other companies are calculated and include the following (dollars in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
SaaS and license revenue	SaaS and license revenue	$ 145,027	$ 133,126	$ 420,853	$ 385,826
SaaS and license revenue					
SaaS and license revenue					
Non-GAAP adjusted EBITDA					
Non-GAAP adjusted EBITDA					
Non-GAAP adjusted EBITDA	Non-GAAP adjusted EBITDA	41,435	40,840	108,383	107,894
		Twelve Months Ended March 31,			
		Twelve Months Ended September 30,			
		Twelve Months Ended March 31,			
		2023	2022		
		Twelve Months Ended March 31,			
		2024			
		2024			
		2024			
SaaS and license revenue renewal rate	SaaS and license revenue renewal rate	93 %	94 %		
SaaS and license revenue renewal rate					
SaaS and license revenue renewal rate					

SaaS and License Revenue

SaaS and license revenue is a GAAP measure that we use to measure our current performance and estimate our future performance. We believe that SaaS and license revenue is an indicator of the productivity of our existing service provider partners and their ability to activate and maintain subscribers using our intelligently connected property solutions, our ability to add new service provider partners reselling our solutions, the demand for our intelligently connected property solutions and the pace at which the market for these solutions is growing.

Non-GAAP Adjusted EBITDA

Non-GAAP adjusted EBITDA is a non-GAAP measure that represents our net income before interest expense, interest income, certain activity within other (expense) / income, expense, net, provision for / (benefit from) income taxes, amortization and depreciation expense, stock-based compensation expense, acquisition-related expense, and legal costs and settlement fees incurred and received in connection with non-ordinary course litigation and other disputes, particularly costs involved in ongoing intellectual property litigation. We do not consider these items to be indicative of our core operating performance. The non-cash items include amortization and depreciation expense, amortization of debt issuance costs for the January 20, 2021 issuance of $500.0 million aggregate principal amount of 0% convertible senior notes due January 15, 2026, or the 2026 Notes, included in interest expense and stock-based compensation expense related to restricted stock units and other forms of equity compensation, including, but not limited to, the sale of common stock. We do not adjust for ordinary course legal expenses resulting from maintaining and enforcing our intellectual property portfolio and license agreements.

We record interest expense primarily related to our 2026 Notes. We exclude interest expense in calculating non-GAAP adjusted EBITDA because we believe that the exclusion of interest expense will provide for more meaningful information about our financial performance. We exclude interest income and certain activity within other (expense) / income, expense, net including gains, losses or impairments on investments and other assets, as well as gains on settlement fees and losses on the early extinguishment of debt, when applicable, from non-GAAP adjusted EBITDA because we do not consider it part of our ongoing results of operations. We exclude the impact related to our provision for / (benefit from) income taxes from non-GAAP adjusted EBITDA because we do not consider this tax adjustment to be part of our ongoing results of operations.

GAAP requires that operating expenses include the amortization of acquired intangible assets, which principally include acquired customer relationships, developed technology and trade names. We exclude amortization of intangibles from non-GAAP adjusted EBITDA because we do not consider amortization expense when we evaluate our ongoing business operations, nor do we factor amortization expense into our evaluation of potential acquisitions, or our measurement of the performance of those acquisitions. We believe that the exclusion of amortization expense enables the comparison of our performance to other companies in our industry as other companies may be more or less acquisitive than us we are, and therefore, amortization expense may vary significantly by company based on their acquisition history. Although we exclude amortization of acquired intangible assets from non-GAAP adjusted EBITDA, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation.

We record depreciation primarily for investments in property and equipment. We exclude depreciation in calculating non-GAAP adjusted EBITDA because we do not consider depreciation when we evaluate our ongoing business operations.

We exclude stock-based compensation expense, which relates to restricted stock units and other forms of equity incentives primarily awarded to employees of Alarm.com, because they are non-cash charges that we do not consider when assessing the operating performance of our business. Additionally, the determination of stock-based compensation expense can be calculated using various methodologies and is dependent upon subjective assumptions and other factors that vary on a company-by-company basis. Therefore, we believe that excluding stock-based compensation expense from non-GAAP adjusted EBITDA improves the comparability of our results to the results of other companies in our industry.

Included in operating expenses are incremental costs directly related to business and asset acquisitions as well as changes in the fair value of contingent consideration liabilities, when applicable. We exclude acquisition-related expense from non-GAAP adjusted EBITDA because we believe that the exclusion of this expense allows us to better provide meaningful information about our operating performance, facilitates comparisons to our historical operating results, improves the comparability of our results to the results of other companies in our industry, and ultimately, we believe helps investors better understand the acquisition-related expense and the effects of the transaction on our results of operations.

We exclude non-ordinary course litigation expense because we do not consider legal costs and settlement fees incurred and received in litigation and litigation-related matters of non-ordinary course lawsuits and other disputes, particularly costs incurred in ongoing intellectual property litigation, to be indicative of our core operating performance. We do not adjust for ordinary course legal expenses, including those expenses resulting from maintaining and enforcing our intellectual property portfolio and license agreements.

Non-GAAP adjusted EBITDA is a key measure our management uses to understand and evaluate our core operating performance and trends to generate future operating plans, to make strategic decisions regarding the allocation of capital, and to make investments in initiatives that are focused on cultivating new markets for our solutions. In particular, the exclusion of certain expenses in calculating non-GAAP adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis and, in the case of exclusion of acquisition-related adjustments and certain historical legal expenses, excludes items that we do not consider to be indicative of our core operating performance. Non-GAAP adjusted EBITDA is not a measure calculated in accordance with GAAP and should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Please see *Non-GAAP Measures* in this section for a discussion of the limitations of non-GAAP adjusted EBITDA and a reconciliation of non-GAAP adjusted EBITDA from net income, the most directly comparable GAAP measurement, for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

SaaS and License Revenue Renewal Rate

Our SaaS and license revenue renewal rate is an operating metric. We measure our SaaS and license revenue renewal rate on a trailing 12-month basis by dividing (a) the total SaaS and license revenue recognized during the trailing 12-month period from our subscribers on our Alarm.com platform who were subscribers on the first day of the period, by (b) total SaaS and license revenue we would have recognized during the period from those same subscribers assuming no terminations, or service level upgrades or downgrades. The SaaS and license revenue renewal rate represents both residential and commercial properties. Our SaaS and license revenue renewal rate is expressed as an annualized percentage and it is calculated across our entire subscriber base on the Alarm.com platform excluding subscribers of service providers that may use one of our other platforms as a substitute for the Alarm.com platform. Our service provider partners have indicated that they typically have three to five-year service contracts with residential and commercial property owners who use our solutions. Our SaaS and license revenue renewal rate includes subscribers whose contract with their service provider reached the end of its contractual term during the measurement period, as well as subscribers whose contract with their service provider has not reached the end of its contractual term during the measurement period, and is not intended to estimate the rate at which our subscribers renew their contracts with our service provider partners. We believe our SaaS and license revenue renewal rate allows us to measure our ability to retain and grow our SaaS and license revenue and serves as an indicator of the lifetime value of our subscriber base.

Components of Operating Results

Our fiscal year ends on December 31. The key elements of our operating results include:

Revenue

We derive our revenue from three primary sources: the sale of cloud-based SaaS services on our integrated Alarm.com platform, the sale of licenses and services on the Software platform and the sale of hardware products. We sell our platform and hardware solutions to service provider partners that resell our solutions and hardware to residential and commercial property owners, who are the service provider partners' customers.

SaaS and License Revenue. We generate the majority of our SaaS and license revenue primarily from monthly fees charged to our service provider partners on a per subscriber basis for access to our cloud-based intelligently connected property platform and related solutions. Our fees per subscriber vary based upon the service plan and features utilized.

We offer multiple service level packages for our platform solutions including a range of solutions and a range of a la carte add-ons for additional features. The fee paid by our service provider partners each month for the delivery of our solutions is based on the combination of packages and add-ons enabled for each subscriber. We utilize tiered pricing plans where our service provider partners may receive prospective pricing discounts driven by volume.

We also generate SaaS and license revenue from the fees paid to us when we license our intellectual property to third parties for use of our patents. In addition, in certain markets, our EnergyHub subsidiary sells its demand response service for an annual service fee, with pricing based on the number of subscribers or amount of aggregate electricity demand made available for a utility's or market's control.

On October 27, 2022, we filed a demand for arbitration of a dispute arising under the Patent Cross License Agreement between Alarm.com and Vivint executed in November 2013. Vivint has stopped paying license fees to Alarm.com under the agreement. Vivint had been paying the required license fees to Alarm.com since the agreement was executed in November 2013. Alarm.com disputes Vivint's refusal of payment and is seeking continued payments of license fees in the arbitration, as well as interest and declaratory relief. As a result of Vivint's refusal to pay license fees under the agreement, which began during the fourth quarter of 2022, SaaS and license revenue and total revenue will continue to be lowered by approximately $6.0 million on a quarterly basis. We also believe that quarterly earnings and cash flow will continue to be impacted by the aforementioned $6.0 million, plus additional legal fees.

Software License Revenue. Our SaaS and license revenue also includes our software license revenue from monthly fees charged to service providers on a per subscriber basis for access to our Software platform. The non-hosted software for interactive security, automation and related solutions is typically deployed and operated by the service provider in its own network operations center. Our agreements for the Software platform solution typically include software and services, such as post-contract customer support, or PCS. Software license revenue included in SaaS and license revenue is expected to continue to decline over time as we transition subscribers to our cloud-based hosted platform.

Hardware and Other Revenue. We generate hardware and other revenue primarily from the sale of video cameras, video recorders, smart thermostats and cellular radio modules that provide access to our cloud-based platforms and, to a lesser extent, the sale of other devices, including image sensors, gunshot detection sensors and peripherals. We primarily transfer hardware to our customers upon delivery to the customer, which corresponds with the time at which the customer obtains control of the hardware. We record a reserve against revenue for hardware returns based on historical returns.

Our hardware and other revenue also includes our revenue from the sale of perpetual licenses that provide our customers in the commercial market the right to use our OpenEye video surveillance software for an indefinite period of time in exchange for a one-time license fee, which is generally paid at contract inception. fee. Additionally, our hardware and other revenue includes our revenue from Shooter Detection Systems related to the sale of licenses that provide our customers the right to use our indoor gunshot detection solution in exchange for license fees, which are generally paid at contract inception. fees. Hardware and other revenue may also include activation fees charged to some of our service provider partners for activation of a new subscriber account on our platforms, as well as fees paid by service provider partners for our marketing services. The decision whether to charge an activation fee is based in part on the expected number of subscribers to be added by our service provider partners and as a result, many of our largest service provider partners do not pay an activation fee.

Our revenue, and in particular our hardware revenue, has in the past and may in the future be negatively affected by the Macroeconomic Conditions and their related impacts. It remains difficult to assess or predict the ultimate duration and economic impact of the Macroeconomic Conditions.

Cost of Revenue

Our cost of SaaS and license revenue primarily includes the amounts paid to wireless network providers and, to a lesser extent, the costs of running our network operations centers which are expensed as incurred, as well as patent and royalty costs in connection with technology licensed from third-party providers and amounts paid to distributed energy resource providers. Our cost of SaaS and license revenue also includes our cost of software license revenue, which primarily includes the payroll and payroll-related costs of the department dedicated to providing service exclusively to those service providers that host the Software platform. As of March 31, 2024 and 2023, we had 75 and 99 employees who manufacture hardware for our suite of IoT solutions, respectively. Our cost of hardware and other revenue primarily includes cost of raw materials, tooling, freight shipments and amounts paid to our third-party manufacturer for production and fulfillment of our cellular radio modules and image sensors, and procurement costs for our video cameras, video recorders, smart thermostats and gunshot detection sensors, which we purchase from an original equipment manufacturer, and other devices. Cost of hardware and other revenue also includes material costs and labor cost related to our employees who manufacture hardware for our suite of IoT solutions. Additionally, our cost of hardware and other revenue includes royalty costs in connection with technology licensed from third-party providers.

We record the cost of SaaS and license revenue as expenses are incurred, which corresponds to the delivery period of our services to our subscribers. We record the cost of hardware and other revenue primarily when the hardware and other services are delivered to the service provider partner, which occurs when control of the hardware and other services transfers to the service provider partner. Our cost of revenue excludes amortization and depreciation shown in operating expenses.

Since 2019, the U.S. government has implemented and imposed significant changes to U.S. trade policy with respect to China. Tariffs have subjected certain Alarm.com products manufactured overseas to additional import duties of up to 25%. The

amount of the import tariff and the number of products subject to tariffs have changed numerous times based on action by the U.S. government. Approximately one-fifth to one-half of the hardware products that we sell to our service provider partners are imported from China and could be subject to increased tariffs. While the additional import duties have resulted in an increase to our cost of hardware revenue, these import duties had a modest impact on hardware revenue margins. If tariffs are increased or are expanded to apply to more of our products, such actions may increase our cost of hardware revenue and reduce our hardware revenue margins in the future. We continue to monitor the changes in tariffs.

Our costs of hardware revenue increased during the second half of 2021 primarily due to an increase in costs for freight shipments, including expedited shipping costs, as well as an increase in inventory component costs. We currently expect our hardware revenue margins in 2023 2024 to approximate the hardware revenue margins experienced during the third and fourth quarters of 2022 as opposed to the hardware revenue margins experienced during the fourth quarter of 2021 and first quarter of 2022 as a result of price increases we implemented on certain products during the first six months of 2022 to partially offset our increases in costs. from 2023.

Operating Expenses

Our operating expenses consist of sales and marketing, general and administrative, research and development and amortization and depreciation expenses. Salaries, bonuses, stock-based compensation, benefits and other personnel related costs are the most significant components of each of these expense categories, excluding amortization and depreciation. We include stock-based compensation expense in connection with the grant of restricted stock units and other forms of equity compensation, including equity compensation with performance conditions, in the applicable operating expense category based on the respective equity award recipient's function (sales and marketing, general and administrative or research and development). We grew from 1,699 1,858 employees as of September 30, 2022 March 31, 2023 to 1,986 2,002 employees as of September 30, 2023, including 77 employees who manufacture hardware for our March 31, 2024suite of IoT solutions, , and grew from 1,909 1,989 employees as of June 30, 2023 December 31, 2023. We expect to continue to hire new employees to support the projected future growth of our business.

Sales and Marketing Expense. Sales and marketing expense consists primarily of personnel and related expenses for our sales and marketing teams, including salaries, bonuses, stock-based compensation, benefits, travel, and commissions. Our sales and marketing teams engage in sales, account management, service provider partner support, advertising, promotion of our products and services and marketing.

The number of employees in sales and marketing functions increased from 504 519 as of September 30, 2022 March 31, 2023 to 566 564 as of September 30, 2023 March 31, 2024 and increased decreased from 553 565 as of June 30, 2023 December 31, 2023. We expect to continue to invest in our sales and marketing activities to expand our business both domestically and internationally. internationally and we expect to increase our marketing expense in 2024 as compared to 2023. We intend to increase the size of our sales force and our service provider partner support team to provide additional support to our existing service provider partner base to drive their productivity in selling our solutions as well as to enroll new service provider partners in North America and in international markets.

General and Administrative Expense. General and administrative expense consists primarily of personnel and related expenses for our administrative, legal, human resources, finance and accounting personnel, including salaries, bonuses, stock-based compensation, benefits and other personnel costs. Additional expenses included in this category are legal costs, including those that are incurred to defend and license our intellectual property, as well as non-personnel costs, such as travel related expenses, rent, subcontracting and professional fees, audit fees, tax services, and insurance expenses. Also included in general and administrative expenses are credit losses and acquisition-related expenses, which consist primarily of legal, accounting and professional service fees directly related to acquisitions and valuation gains or losses on acquisition-related contingent liabilities.

The number of employees in general and administrative functions increased from 214 198 as of September 30, 2022 March 31, 2023 to 227 224 as of September 30, 2023 March 31, 2024 and increased decreased from 199 229 as of June 30, 2023 December 31, 2023. Excluding intellectual property litigation and acquisition-related expense, we expect general and administrative costs to increase prospectively as our business grows. This includes cost increases related to human resources, accounting, finance, and legal personnel, additional external legal, audit fees and other expenses associated with regulations governing public companies. While somewhat unpredictable, we also expect to continue to incur costs related to litigation involving intellectual property as well as additional legal fees related to the dispute arising under the Patent Cross License Agreement between Alarm.com and Vivint. property. See the section of this Quarterly Report titled "Legal Proceedings" for additional information regarding litigation matters.

Research and Development Expense. Research and development expense consists primarily of personnel and related expenses for our employees working on our product development and software and device engineering teams, including salaries, bonuses, stock-based compensation, benefits and other personnel costs. Also included are non-personnel costs such as consulting and professional fees paid to third-party development resources.

The number of employees in research and development functions increased from 981 1,042 as of September 30, 2022 March 31, 2023 to 1,116 1,139 as of September 30, 2023 March 31, 2024 and increased from 1,053 1,118 as of June 30, 2023 December 31, 2023. Our research and development efforts are focused on innovating new features and enhancing the functionality of our platforms and the solutions we offer to our service provider partners and subscribers. We will also continue to invest in efforts to extend our platforms to adjacent markets and internationally to maintain our leadership position in the development of intelligently connected property technology, and continued enhancement of our Partner Services Platform, a comprehensive suite of enterprise-grade business management solutions for our service provider partners.

Amortization and Depreciation. Amortization and depreciation consists of amortization of intangible assets originating from our acquisitions as well as our internally-developed capitalized software. Our depreciation expense is related to investments in property and equipment. Acquired intangible assets include developed technology, customer related intangibles, trademarks and trade names. We expect in the near term that amortization and depreciation may fluctuate based on our acquisition activity, development of our platforms and capitalized expenditures.

Interest Expense

We record interest expense associated with our 2026 Notes and acquired debt. Interest expense in 2023 2024 is expected to remain relatively consistent with the interest expense in 2022. 2023.

Interest Income

Interest income consists of interest income earned on our cash and cash equivalents, our notes receivable and our restricted cash. Interest income in 2023 2024 will depend, in part, on our use of cash and fluctuations in interest rates.

Other (Expense) / Income, Expense, Net

Other (expense) / income, expense, net primarily consists of non-operating and miscellaneous expense and income.

Provision for / (Benefit from) Income Taxes

We are subject to U.S. federal, state and local income taxes as well as foreign income taxes. During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. As a result, we recognize tax liabilities based on estimates of whether additional taxes will be due. For the nine three months ended September 30, 2023 March 31, 2024, our effective tax rate was below the 21.0% statutory rate primarily due to research and development tax credits claimed, and the foreign derived intangible income deduction, the release of an unrecognized tax benefit liability due to the closure of the 2018 and 2019 Internal Revenue Service federal income tax return examination and tax windfall benefits from employee stock-based compensation, partially offset by an unfavorable true-up adjustment of our 2022 income tax provision estimate associated with research and development tax credits, the impact of state taxes, foreign withholding taxes, federal estimated tax payment interest expense and other nondeductible expenses and a stock-based compensation tax shortfall. expenses. We recognize stock-based compensation tax shortfalls and excess tax windfall benefits on a discrete basis during the quarter in which they occur, and we anticipate our effective tax rate will vary from quarter to quarter depending on our stock price as well as the vesting and exercises of various forms of equity compensation under our equity incentive plans each period, including restricted stock units and stock options.

Results of Operations

The following table sets forth our unaudited selected condensed consolidated statements of operations (in thousands) and data as a percentage of revenue for the periods presented (in thousands, except percentages): presented:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Revenue:	Revenue:				
Revenue:					

Revenue:									
SaaS and license revenue									
SaaS and license revenue									
SaaS and license revenue	SaaS and license revenue	$ 145,027	65 %	$ 133,126	62 %	$ 420,853	64 %	$ 385,826	61 %
Hardware and other revenue	Hardware and other revenue	76,827	35	83,012	38	234,592	36	248,594	39
Hardware and other revenue									
Hardware and other revenue									
Total revenue									
Total revenue									
Total revenue	Total revenue	221,854	100	216,138	100	655,445	100	634,420	100
Cost of revenue(1):	Cost of revenue(1):								
Cost of revenue(1):									
Cost of revenue(1):									
Cost of SaaS and license revenue									
Cost of SaaS and license revenue									
Cost of SaaS and license revenue	Cost of SaaS and license revenue	21,917	10	18,437	9	63,076	10	54,019	8
Cost of hardware and other revenue	Cost of hardware and other revenue	59,488	27	67,149	31	180,868	27	208,990	33
Cost of hardware and other revenue									
Cost of hardware and other revenue									
Total cost of revenue									
Total cost of revenue									
Total cost of revenue	Total cost of revenue	81,405	37	85,586	40	243,944	37	263,009	41
Operating expenses:	Operating expenses:								
Operating expenses:									
Operating expenses:									
Sales and marketing(2)									
Sales and marketing(2)									
Sales and marketing(2)	Sales and marketing(2)	23,861	11	23,057	11	74,278	11	69,182	11
General and administrative(2)	General and administrative(2)	31,455	14	28,011	13	88,753	14	81,314	13
General and administrative(2)									
General and administrative(2)									
Research and development(2)									
Research and development(2)									
Research and development(2)	Research and development(2)	61,014	27	55,581	26	183,840	28	161,227	25
Amortization and depreciation	Amortization and depreciation	7,948	4	7,587	3	23,481	4	23,123	4
Amortization and depreciation									
Amortization and depreciation									
Total operating expenses									
Total operating expenses									
Total operating expenses	Total operating expenses	124,278	56	114,236	53	370,352	57	334,846	53
Operating income	Operating income	16,171	7	16,316	7	41,149	6	36,565	6
Operating income									

Operating income								
Interest expense								
Interest expense								
Interest expense Interest expense	(906)	—	(787)	—	(2,601)	—	(2,356)	—
Interest income Interest income	8,493	4	2,903	1	21,092	3	4,062	—
Other (expense) / income, net	(435)	—	(76)	—	(1,214)	—	42	—
Interest income								
Interest income								
Other expense, net								
Other expense, net								
Other expense, net								
Income before income taxes Income before income taxes	23,323	11	18,356	8	58,426	9	38,313	6
Provision for income taxes	3,972	2	246	—	9,257	1	472	—
Income before income taxes								
Income before income taxes								
Provision for / (benefit from) income taxes								
Provision for / (benefit from) income taxes								
Provision for / (benefit from) income taxes								
Net income Net income	$ 19,351	9 %	$ 18,110	8 %	$ 49,169	8 %	$ 37,841	6 %
Net income								
Net income								

(1) Excludes amortization and depreciation shown in operating expenses below.

(2) Operating expenses include stock-based compensation expense as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Stock-based compensation expense data: **Stock-based compensation expense data:**				
Stock-based compensation expense data:				
Stock-based compensation expense data:				
Cost of hardware and other revenue				
Cost of hardware and other revenue				
Cost of hardware and other revenue Cost of hardware and other revenue	$ 3	$ —	$ 3	$ —
Sales and marketing Sales and marketing	854	983	2,778	3,481
Sales and marketing				
Sales and marketing				
General and administrative				
General and administrative				
General and administrative General and administrative	3,260	3,953	9,873	11,135
Research and development Research and development	7,689	8,218	23,769	23,437
Research and development				
Research and development				
Total stock-based compensation expense Total stock-based compensation expense	$ 11,806	$ 13,154	$ 36,423	$ 38,053
Total stock-based compensation expense				
Total stock-based compensation expense				

The following table sets forth the components of cost of revenue as a percentage of revenue:

	Three Months Ended September 30,	Nine Months Ended September 30,

		2023	2022	2023	2022
Components of cost of revenue as a percentage of revenue:	**Components of cost of revenue as a percentage of revenue:**				
Components of cost of revenue as a percentage of revenue:					
Components of cost of revenue as a percentage of revenue:					
Cost of SaaS and license revenue as a percentage of SaaS and license revenue					
Cost of SaaS and license revenue as a percentage of SaaS and license revenue					
Cost of SaaS and license revenue as a percentage of SaaS and license revenue	Cost of SaaS and license revenue as a percentage of SaaS and license revenue	15 %	14 %	15 %	14 %
Cost of hardware and other revenue as a percentage of hardware and other revenue	Cost of hardware and other revenue as a percentage of hardware and other revenue	77	81	77	84
Cost of hardware and other revenue as a percentage of hardware and other revenue					
Cost of hardware and other revenue as a percentage of hardware and other revenue					
Total cost of revenue as a percentage of total revenue	Total cost of revenue as a percentage of total revenue	37 %	40 %	37 %	41 %
Total cost of revenue as a percentage of total revenue					
Total cost of revenue as a percentage of total revenue					

Comparison of the Three and Nine Months Ended September 30, 2023 March 31, 2024 to September 30, 2022 March 31, 2023

The following tables in this section set forth our selected condensed consolidated statements of operations (in thousands), data for the percentage change and data as a percentage of revenue for the periods presented (in thousands, except percentages): three months ended March 31, 2024 and March 31, 2023.

Revenue

		Three Months Ended September 30,		%	Nine Months Ended September 30,		%
		2023	2022	Change	2023	2022	Change
Revenue	Revenue						
Revenue							
Revenue							
SaaS and license revenue							
SaaS and license revenue							
SaaS and license revenue	SaaS and license revenue	$ 145,027	$ 133,126	9 %	$ 420,853	$ 385,826	9 %
Hardware and other revenue	Hardware and other revenue	76,827	83,012	(7)	234,592	248,594	(6)
Hardware and other revenue							
Hardware and other revenue							

Total revenue	Total revenue	$ 221,854	$ 216,138	3 %	$ 655,445	$ 634,420	3 %
Total revenue						
Total revenue						

The $5.7 million $13.6 million increase in total revenue for the three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year was primarily the result of a $11.9 million $15.0 million, or 9% 11%, increase in our SaaS and license revenue, partially offset by a $6.2 million $1.4 million, or 7% 2%, decrease in our hardware and other revenue. Our software license revenue included within SaaS and license revenue decreased $0.8 million $1.0 million to $5.7 million $5.2 million during the three months ended September 30, 2023 March 31, 2024 as compared to $6.5 million $6.2 million during the same period in the prior year primarily due to the result of the continuing transition of customers from non-hosted software to our cloud based hosted platform. The SaaS and license revenue for the Alarm.com segment increased $8.2 million $12.2 million for the three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year primarily due to growth in our subscriber base, including the revenue impact from subscribers we added in 2022. The increase in SaaS and license revenue for the Alarm.com segment was partially offset by $5.7 million in license revenue from Vivint during the three months ended September 30, 2022 that did not occur during the three months ended September 30, 2023. 2023. The SaaS and license revenue for our Other segment increased $3.7 million $2.7 million for the three months ended September 30, 2023 as compared to the same period in the prior year primarily due to an increase in sales of our energy management and demand response solutions. The decrease in hardware and other revenue for the three months ended September 30, 2023 as compared to the same period in the prior year was primarily from the $5.9 million decrease in hardware and other revenue, net of intersegment eliminations, in the Alarm.com segment arising from a decrease in the volume of cellular radio modules sold due to the shut down of 3G and CDMA wireless networks in 2022 by certain cellular carriers, as well as a decrease in the volume of video cameras and thermostats sold. Hardware and other revenue, net of intersegment eliminations, in our Other segment decreased $0.3 million for the three months ended September 30, 2023 as compared to the same period in the prior year primarily due to decreased sales related to our Heating, Ventilation and Air Conditioning solutions.

The $21.0 million increase in total revenue for the nine months ended September 30, 2023 as compared to the same period in the prior year was primarily the result of a $35.0 million, or 9%, increase in our SaaS and license revenue, partially offset by a $14.0 million, or 6%, decrease in our hardware and other revenue. Our software license revenue included within SaaS and license revenue decreased $2.7 million to $17.8 million during the nine months ended September 30, 2023, as compared to $20.5 million during the same period in the prior year primarily due to the result of the continuing transition of customers from non-hosted software to our cloud based hosted platform. The SaaS and license revenue for the Alarm.com segment increased $27.1 million for the nine months ended September 30, 2023 as compared to the same period in the prior year primarily due to growth in our subscriber base, including the revenue impact from subscribers we added in 2022. The increase in SaaS and license revenue for the Alarm.com segment was partially offset by $16.6 million in license revenue from Vivint during the nine months ended September 30, 2022 that did not occur during the nine months ended September 30, 2023. The SaaS and license revenue for our Other segment increased $7.9 million for the nine months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year primarily due to an increase in sales of our energy management and demand response solutions as well as our property management solution. The decrease in hardware and other revenue for the nine three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year was primarily from the $12.6 million $1.0 million decrease in hardware and other revenue, net of intersegment eliminations, in the Alarm.com segment arising from a decrease in the volume of cellular radio modules sold due to the shut down of 3G and CDMA wireless networks in 2022 by certain cellular carriers, as well as a decrease in the volume of video cameras and thermostats sold. Hardware and other revenue, net of intersegment eliminations, in our Other segment decreased $1.4 million $0.3 million for the nine three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year primarily due to decreased sales related to our property management and Heating, Ventilation and Air Conditioning solutions.

Cost of Revenue

		Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	% Change	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	% Change
Cost of revenue(1)	Cost of revenue(1)						
Cost of revenue(1)							
Cost of revenue(1)							
Cost of SaaS and license revenue							
Cost of SaaS and license revenue							
Cost of SaaS and license revenue	Cost of SaaS and license revenue	$ 21,917	$ 18,437	19 %	$ 63,076	$ 54,019	17 %
Cost of hardware and other revenue	Cost of hardware and other revenue	59,488	67,149	(11)	180,868	208,990	(13)
Cost of hardware and other revenue							
Cost of hardware and other revenue							
Total cost of revenue							
Total cost of revenue							
Total cost of revenue	Total cost of revenue	$ 81,405	$ 85,586	(5) %	$ 243,944	$ 263,009	(7) %
% of total revenue	*% of total revenue*	*37 %*	*40 %*		*37 %*	*41 %*	
% of total revenue							

% of total revenue	

(1) Excludes amortization and depreciation shown in operating expenses.

The $4.2 million decrease $0.3 million increase in cost of revenue for the three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year was the result of a $7.7 million $0.8 million, or 11% 4%, increase in cost of SaaS and license revenue, partially offset by a $0.5 million, or 1%, decrease in cost of hardware and other revenue, partially offset by a $3.5 million, or 19%, increase in cost of SaaS and license revenue. Our cost of software license revenue included within cost of SaaS and license revenue was $0.1 million $0.2 million for each of the three months ended September 30, 2023 and 2022. The cost of hardware and other revenue for the Alarm.com segment decreased $7.5 million during the three months ended September 30, 2023 March 31, 2024 as compared to $0.1 million during the same period in the prior year primarily due to a decrease in the number of hardware units shipped, a decrease in inventory component costs and a decrease in costs for freight shipments. year. The cost of SaaS and license revenue for the Alarm.com segment increased $2.2 million $0.1 million during the three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year primarily due to the growth in our subscriber base, which drove a corresponding increase in amounts paid to wireless network providers. The cost of hardware and other revenue for the Other Alarm.com segment decreased $0.2 million during the three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year primarily due to a decrease in the number of hardware units shipped a decrease in inventory component costs and a decrease in costs for freight shipments. The cost of SaaS and license revenue for the Other segment increased $1.3 million $0.7 million during the three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year primarily due to an increase in sales of our energy management and demand response solutions, which drove a corresponding increase in amounts paid to distributed energy resource providers. The cost of hardware and other revenue for the Other segment decreased $0.3 million during the three months ended March 31, 2024 as compared to the same period in the prior year primarily due to a decrease in the number of hardware units shipped and a decrease in costs for freight shipments.

Cost of hardware and other revenue as a percentage of hardware and other revenue was 77% for the three months ended September 30, 2023 March 31, 2024 and 81% 76% for the same period in the prior year. The decrease increase in cost of hardware and other revenue as a percentage of hardware and other revenue for the three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year is primarily due to a decrease in inventory component and freight shipment costs, price increases we implemented on certain products as well as a reflection of the mix of product sales during the periods. Cost of SaaS and license revenue as a percentage of SaaS and license revenue was 15% 14% for each of the three months ended September 30, 2023 March 31, 2024 and 14% for the same period in the prior year. 2023. Cost of software license revenue as a percentage of software license revenue was 2% 3% for each of the three months ended September 30, 2023 March 31, 2024 and 2022.

The $19.1 million decrease in cost of revenue for the nine months ended September 30, 2023 as compared to the same period in the prior year was the result of a $28.1 million, or 13%, decrease in cost of hardware and other revenue, partially offset by a $9.0 million, or 17%, increase in cost of SaaS and license revenue. Our cost of software license revenue included within cost of SaaS and license revenue was $0.4 million for each of the nine months ended September 30, 2023 and 2022. The cost of hardware and other revenue for the Alarm.com segment decreased $26.9 million during the nine months ended September 30, 2023 as compared to the same period in the prior year primarily due to a decrease in the number of hardware units shipped, a decrease in inventory component costs and a decrease in costs for freight shipments. The cost of SaaS and license revenue for the Alarm.com segment increased $6.5 million during the nine months ended September 30, 2023 as compared to the same period in the prior year primarily due to the growth in our subscriber base, which drove a corresponding increase in amounts paid to wireless network providers. The cost of hardware and other revenue for the Other segment decreased $1.2 million during the nine months ended September 30, 2023 as compared to the same period in the prior year primarily due to a decrease in the number of hardware units shipped, a decrease in inventory component costs and a decrease in costs for freight shipments. The cost of SaaS and license revenue for the Other segment increased $2.5 million during the nine months ended September 30, 2023 as compared to the same period in the prior year primarily due to an increase in sales of our energy management and demand response solutions, which drove a corresponding increase in amounts paid to distributed energy resource providers.

Cost of hardware and other revenue as a percentage of hardware and other revenue was 77% for the nine months ended September 30, 2023 and 84% 2% for the same period in the prior year. The decrease in cost of hardware and other revenue as a percentage of hardware and other revenue for the nine months ended September 30, 2023 as compared to the same period in the prior year is primarily due to a decrease in inventory component and freight shipment costs, price increases we have implemented on some of our products as well as a reflection of the mix of product sales during the periods. Cost of SaaS and license revenue as a percentage of SaaS and license revenue was 15% for the nine months ended September 30, 2023 and 14% for the same period in the prior year. Cost of software license revenue as a percentage of software license revenue was 2% for each of the nine months ended September 30, 2023 and 2022.

Sales and Marketing Expense

		Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	% Change	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	% Change
Sales and marketing	Sales and marketing	$ 23,861	$ 23,057	3 %	$ 74,278	$ 69,182	7 %
Sales and marketing							
Sales and marketing							
% of total revenue	*% of total revenue*	*11 %*	*11 %*		*11 %*	*11 %*	
% of total revenue							
% of total revenue							

The $0.8 million increase $1.2 million decrease in sales and marketing expense for the three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year was primarily due to a $1.6 million increase $1.4 million decrease in marketing expense and a $0.8 million decrease in personnel and related costs for our Alarm.com segment, attributable in part to increases in the headcount for our sales team and our service provider partner support team to support our growth, partially offset by a $1.2 million decrease in marketing expense, including advertising costs. segment. Personnel and related costs includes salary, benefits, stock-based compensation and travel expenses. Sales These decreases in sales and marketing expense for our Alarm.com segment also increased were partially offset by $0.2 million a $0.1 million increase in our expenses for external consultants for the three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year due to an increase in our expenses for external consultants. year. Sales and marketing expense from our Other segment increased $0.3 million $0.8 million for the three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year, primarily due to an increase in personnel and related costs, attributable in part to increases in the headcount for our sales team. The overall number of employees in our sales and marketing teams increased from 519 as of March 31, 2023 to 564 as of March 31, 2024.

General and Administrative Expense

	Three Months Ended March 31,	% Change

	2024	2023	
General and administrative	$ 29,296	$ 28,499	3 %
% of total revenue	*13 %*	*14 %*	

The $5.1 million $0.8 million increase in sales general and marketing administrative expense for the nine three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year was primarily due to a $6.1 million $4.0 million increase in personnel and the provision for credit losses related costs for to a loan we provided to an affiliated entity of one of our Alarm.com segment, attributable in part to increases in the headcount for our sales team and our service provider partner support team to support our growth, distribution partners, partially offset by a $3.1 million $3.0 million decrease in marketing expense, including advertising cost. Sales and marketing expense for our Alarm.com segment also increased by $0.8 million for the nine months ended September 30, 2023 as compared to the same period in the prior year due to an increase in our expenses for external consultants. Sales and marketing expense from our Other segment increased $1.0 million for the nine months ended September 30, 2023, as compared to the same period in the prior year, primarily due to increases in personnel and related costs, attributable in part to increases in the headcount for our sales team. The overall number of employees in our sales and marketing teams increased from 504 as of September 30, 2022 to 566 as of September 30, 2023.

General and Administrative Expense

	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2023	2022	Change	2023	2022	Change
General and administrative	$ 31,455	$ 28,011	12 %	$ 88,753	$ 81,314	9 %
% of total revenue	*14 %*	*13 %*		*14 %*	*13 %*	

The $3.4 million increase in general and administrative expense for the three months ended September 30, 2023 as compared to the same period in the prior year was primarily due to a $3.3 million increase in legal costs for our Alarm.com segment related to intellectual property litigation. General and administrative expenses from our Other segment decreased by $0.4 million $0.3 million for the three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year, primarily due to a $0.5 million decrease in the provision for credit losses, partially offset by a $0.2 million increase in personnel and related costs.

The $7.4 million increase overall number of employees in general and administrative functions increased from 198 as of March 31, 2023 to 224 as of March 31, 2024.

Research and Development Expense

	Three Months Ended March 31,		%
	2024	2023	Change
Research and development	$ 65,956	$ 61,908	7 %
% of total revenue	*30 %*	*29 %*	

The $4.0 million increase in research and development expense for the nine three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year was primarily due to a $3.0 million increase in personnel and related costs for our Alarm.com segment and a $1.9 million increase in our expenses for external consultants. Additionally, legal costs related to intellectual property litigation increased $1.1 million, rent expense increased $0.6 million, the provision for credit losses increased $0.4 million and insurance-related costs increased $0.4 million for our Alarm.com segment for the nine months ended September 30, 2023 as compared to the same period in the prior year. General and administrative expenses from our Other segment decreased by $1.3 million for the nine months ended September 30, 2023 as compared to the same period in the prior year, primarily due to a $0.8 million decrease in personnel and related costs and a $0.5 million decrease in the provision for credit losses. The overall number of employees in general and administrative functions increased from 214 as of September 30, 2022 to 227 as of September 30, 2023.

Research and Development Expense

	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2023	2022	Change	2023	2022	Change
Research and development	$ 61,014	$ 55,581	10 %	$ 183,840	$ 161,227	14 %
% of total revenue	*27 %*	*26 %*		*28 %*	*25 %*	

The $5.4 million increase in research and development expense for the three months ended September 30, 2023 as compared to the same period in the prior year was primarily due to a $4.3 million $2.5 million increase in personnel and related costs for our Alarm.com segment, attributable in part to an increase in headcount of employees in research and development functions as well as a $0.5 million $0.8 million increase in our expenses for external consultants. Research and development expense from our Other segment increased by $0.9 million $1.0 million for the three months ended September 30, 2023 as compared to the same period in the prior year, primarily due to an increase in personnel and related costs.

The $22.6 million increase in research and development expense for the nine months ended September 30, 2023 as compared to the same period in the prior year was primarily due to a $17.7 million increase in personnel and related costs for our Alarm.com segment, attributable in part to an increase in headcount of employees in research and development functions as well as a $1.5 million increase in our expenses for external consultants. Research and development expense from our Other segment increased by $3.2 million for the nine months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year, primarily due to an increase in personnel and related costs. The overall number of employees in research and development functions increased from 981 1,042 as of September 30, 2022 March 31, 2023 to 1,116 1,139 as of September 30, 2023 March 31, 2024.

Amortization and Depreciation

	Three Months Ended September 30,	% Change	Nine Months Ended September 30,	% Change

		2023	2022		2023	2022	
Amortization and depreciation	Amortization and depreciation	$ 7,948	$ 7,587	5 %	$ 23,481	$ 23,123	2 %
Amortization and depreciation							
Amortization and depreciation							
% of total revenue	*% of total revenue*	*4 %*	*3 %*		*4 %*	*4 %*	
% of total revenue							
% of total revenue							

Amortization and depreciation increased $0.4 million decreased $0.3 million for each of the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same periods period in the prior year, primarily due to changes in amortization expense related to the intangible assets that were acquired in connection with the purchase of EBS Spółka z ograniczoną odpowiedzialnością, or EBS, on January 18, 2023. we previously acquired.

Interest Expense

		Three Months Ended September 30,		%	Nine Months Ended September 30,		%
		2023	2022	Change	2023	2022	Change
Interest expense	Interest expense	$ (906)	$ (787)	15 %	$ (2,601)	$ (2,356)	10 %
Interest expense							
Interest expense							
% of total revenue	*% of total revenue*	*— %*	*— %*		*— %*	*— %*	
% of total revenue							
% of total revenue							

Interest expense increased $0.1 million and $0.2 million remained relatively consistent for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the same periods period in the prior year, primarily due to the interest expense incurred on the assumed debt from the acquisition of EBS on January 18, 2023. year.

Interest Income

		Three Months Ended September 30,		%	Nine Months Ended September 30,		%
		2023	2022	Change	2023	2022	Change
Interest income	Interest income	$ 8,493	$ 2,903	193 %	$ 21,092	$ 4,062	419 %
Interest income							
Interest income							
% of total revenue	*% of total revenue*	*4 %*	*1 %*		*3 %*	*— %*	
% of total revenue							
% of total revenue							

Interest income increased $5.6 million and $17.0 million $3.4 million for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the same periods period in the prior year, primarily due to an increase in interest income earned on cash and cash equivalents from higher interest rates and higher amounts of cash and cash equivalents. The increase in interest income was partially offset by a $0.5 million reduction to interest income for the reversal of payable in kind interest associated with a subordinated credit agreement with an affiliated entity of one of our distribution partners during the three and nine months ended September 30, 2023 March 31, 2024, which did not occur during the three months ended March 31, 2023.

Other (Expense) / Income, Expense, Net

	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2023	2022	Change	2023	2022	Change
Other (expense) / income, net	$ (435)	$ (76)	472 %	$ (1,214)	$ 42	(2,990) %
Other expense, net						
Other expense, net						

Other expense, net					
% of total revenue	% of total revenue	— %	— %	— %	— %
% of total revenue					
% of total revenue					

Other (expense) / income, expense, net increased $0.4 million and $1.3 million $0.2 million for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the same periods period in the prior year, primarily due to an increase in non-operating and miscellaneous expenses.

Provision for / (Benefit from) Income Taxes

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	% Change	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	% Change
Provision for income taxes	$ 3,972	$ 246	1,515 %	$ 9,257	$ 472	1,861 %
Provision for / (benefit from) income taxes						
Provision for / (benefit from) income taxes						
Provision for / (benefit from) income taxes						
% of total revenue	% of total revenue 2 %	— %		1 %	— %	
% of total revenue						
% of total revenue						

The provision for income taxes increased $3.7 million and $8.8 million $4.0 million for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to the same periods period in the prior year. Our effective tax rate was 17.0% and 15.8% 10.5% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to 1.3% and 1.2% (9.4)% for the same periods period in the prior year. The increase in the provision for income taxes for the three and nine months ended September 30, 2023 March 31, 2024 as compared to the same periods period in the prior year was primarily due to an increase in income before income taxes foreign withholding taxes and a stock-based compensation tax shortfall. Additionally, the increase decrease in the provision for income taxes for the nine months ended September 30, 2023 as compared to the same period in the prior year was due to an unfavorable true-up adjustment of our 2022 income tax provision estimate associated with estimated research and development tax credits recorded during the second quarter of 2023. credits.

Segment Information

We have two reportable segments: Alarm.com and Other. Our Alarm.com segment represents our cloud-based and Software platforms for the intelligently connected property and related solutions that contributed 93% and 94% of our revenue, net of intersegment eliminations, for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to 94% 95% for the same periods period in the prior year. Our Other segment is focused on researching, developing and offering residential and commercial automation solutions and energy management products and services in adjacent markets. The consolidated subsidiaries that make up our Other segment are in the investment stage and have incurred significant operating expenses relative to their revenue.

Our Alarm.com segment increased from 1,540 1,672 employees as of September 30, 2022 March 31, 2023 to 1,778 1,780 employees as of September 30, 2023 March 31, 2024 and increased from 1,712 1,776 employees as of June 30, December 31, 2023. Our Other segment increased from 159 186 employees as of September 30, 2022 March 31, 2023 to 208 222 employees as of September 30, 2023 March 31, 2024 and increased from 197 213 employees as of June 30, December 31, 2023. Inter-segment revenue includes sales of hardware between our segments.

The following table presents our revenue, inter-segment revenue and operating expenses by segment (in thousands):

	Three Months Ended September 30, 2023 SaaS and license revenue	2023 Hardware and other revenue	2023 Operating expenses	2022 SaaS and license revenue	2022 Hardware and other revenue	2022 Operating expenses
Three Months Ended March 31, 2024 SaaS and license revenue						
Alarm.com	$130,711	$ 76,336	$111,477	$122,555	$ 82,300	$102,315
Other	14,316	1,685	12,921	10,571	1,876	12,041

	Three Months Ended March 31, 2024 SaaS and license revenue	2024 Hardware and other revenue	2024 Operating expenses	2023 SaaS and license revenue	2023 Hardware and other revenue	2023 Operating expenses
Alarm.com						
Other						

Intersegment Alarm.com	Intersegment Alarm.com	—	(1,021)	(120)	—	(1,059)	(120)
Intersegment Other	Intersegment Other	—	(173)	—	—	(105)	—
Total	Total	$145,027	$ 76,827	$ 124,278	$133,126	$ 83,012	$ 114,236

	Nine Months Ended September 30,					
	2023			2022		
	SaaS and license revenue	Hardware and other revenue	Operating expenses	SaaS and license revenue	Hardware and other revenue	Operating expenses
Alarm.com	$384,116	$232,464	$ 333,684	$357,031	$245,679	$ 301,049
Other	36,737	5,263	37,028	28,795	6,834	34,157
Intersegment Alarm.com	—	(2,678)	(360)	—	(3,302)	(360)
Intersegment Other	—	(457)	—	—	(617)	—
Total	$420,853	$234,592	$ 370,352	$385,826	$248,594	$ 334,846

Our SaaS and license revenue for the Alarm.com segment included software license revenue of $5.7 million and $17.8 million $5.2 million for the three and nine months ended September 30, 2023 March 31, 2024, respectively, as compared to $6.5 million and $20.5 million $6.2 million for the same periods period in the prior year. There was no software license revenue recorded for the Other segment during the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Critical Accounting Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue, costs and expenses during the reported period. In accordance with GAAP, we base our estimates on historical experience and on various other assumptions that we believe are reasonable under the circumstances. Because of the use of estimates inherent in the financial reporting process in light of the continuing uncertainty arising from the Macroeconomic Conditions, actual results could differ from those estimates and any such differences may be material. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. Except as disclosed in Note 2 of our notes to the condensed consolidated financial statements, there were no other material changes to our use of estimates or other critical accounting policies from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 December 31, 2023 filed with the SEC on February 24, 2023 February 22, 2024.

Recent Accounting Pronouncements

See Note 2 of our condensed consolidated financial statements for information related to recently issued accounting standards.

Liquidity and Capital Resources

Working Capital

The following table summarizes our cash and cash equivalents, accounts receivable, net and working capital, for the periods indicated (in thousands):

		September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Cash and cash equivalents	Cash and cash equivalents	$ 679,969	$ 622,165		
Accounts receivable, net	Accounts receivable, net	110,267	124,283		
Working capital	Working capital	759,252	726,152		

We define working capital as current assets minus current liabilities. Our cash and cash equivalents as of September 30, 2023 March 31, 2024 are available for working capital purposes. Our investment policy defines allowable investments and establishes guidelines relating to credit quality, diversification and maturities of our investments to preserve capital, maintain liquidity and limit the amount of credit risk exposure. As of September 30, 2023 March 31, 2024, our cash and cash equivalents were primarily held in money market accounts.

Liquidity and Capital Resources

As of September 30, 2023 March 31, 2024, we had $680.0 million $747.9 million in cash and cash equivalents. We consider all highly liquid instruments purchased with an original maturity from the date of purchase of three months or less to be cash equivalents. To date, we have principally financed our operations through cash generated by operating activities and through private and public equity and debt financings. We mitigate the risk of loss for our cash and cash equivalents by depositing funds with a number of reputable financial institutions and monitoring risk profiles and investment strategies of money market funds.

On October 27, 2022, we filed a demand for arbitration of a dispute arising under the Patent Cross License Agreement between Alarm.com and Vivint executed in November 2013. Vivint has stopped paying license fees to Alarm.com under the agreement. Vivint had been paying the required license fees to Alarm.com since the agreement was executed in November 2013. Alarm.com disputes Vivint's refusal of payment and is seeking continued payments of license fees in the arbitration, as well as interest and declaratory relief. As a result of Vivint's refusal to pay license fees under the agreement, which began during the fourth quarter of 2022, cash flows from operating activities will continue to be lowered by approximately $6.0 million on a quarterly basis, plus additional legal fees.

Beginning in 2022, the Tax Cuts and Jobs Act of 2017 amended Internal Revenue Code Section 174, or Section 174, to eliminate the option to immediately deduct research and development expenditures in the year incurred, requiring these expenditures to be capitalized and amortized. amortized over five years for domestic expenditures and over 15 years for foreign expenditures. While we calculated the 2022 Federal federal and state cash tax increase from Section 174 to be $38.1 million, we did not pay this additional cash tax liability as part of our 2022 estimated tax payments due to the possible deferral, modification or repeal of Section 174. The additional 2022 Federal federal cash tax liability was included in current income taxes payable as of December 31, 2022, and was paid in February 2023. The increased 2022 state tax liability was paid in April 2023 in the amount of $7.5 million. We calculated the 2023 federal and state cash tax increase from Section 174 to be $43.5 million, which we paid in April 2024. The Section 174 impact on 2023 2024 cash flows from operating activities will depend on, among other factors, our 2023 2024 operating results and the level of 2023 2024 research and development activity. Based on information currently available to us, we estimate the increased 2023 2024 Section 174 Federal federal and state cash tax payable for our 2023 2024 taxable income to be in the range of $40.0 million $35.0 million to $45.0 million $40.0 million if the requirement to capitalize and amortize research and development expenditures is not deferred, modified or repealed. This estimate is based on the limited information that is currently available and is subject to change. While the largest impact will be to cash flow from operating activities, the impact for domestic research and development expenditures would continue over the five-year amortization period, but would decrease over that period and is expected to be immaterial beginning in year six.

On January 31, 2024, the U.S. House of Representatives passed H.R. 7024, which, among other provisions, would retroactively change the effective date of the requirement to capitalize Section 174 domestic research and development expenditures from January 1, 2022 to January 1, 2026. Foreign research and development expenditures would continue to be capitalized and amortized over 15 years as of January 1, 2022. If the bill is passed by the Senate and signed into law by the President as currently drafted, the bill would allow us to receive a partial refund of the 2022 and 2023 Section 174 federal income tax paid, the amount and timing of which cannot be estimated at this time. Any state impact would depend on the relevant individual state laws.

We believe our existing cash and cash equivalents and our future cash flows from operating activities will be sufficient to meet our anticipated operating cash needs for at least the next 12 months. Over the final three nine months of fiscal year 2023, 2024, we expect our capital expenditure requirements to be between $1.0 million $4.0 million and $2.0 million $6.0 million, primarily related to purchases of computer software and equipment as well as the continued build out of our leased and owned office space. space as well as purchases of computer software and equipment. Maturities of lease liabilities for our various office, data center and equipment leases as of September 30, 2023 March 31, 2024 are as follows: $3.7 million $10.6 million for the remainder of 2023, $13.7 million in 2024, $11.6 million $12.5 million in 2025, $7.0 million $7.8 million in 2026, $1.6 million $2.5 million in 2027, and $2.4 million $1.8 million in 2028 and $1.9 million in 2029 and thereafter.

Our future working capital, capital expenditure and cash requirements will depend on many factors, including the impact of the Macroeconomic Conditions on the economy and our operations, the rate of our revenue growth, the amount and timing of our investments in human resources and capital equipment, future acquisitions and investments, and the timing and extent of our introduction of new solutions and platform and solution enhancements. As the impact of the Macroeconomic Conditions on the economy and our operations evolves, we will continue to assess our liquidity needs. To the extent our cash and cash equivalents and cash flows from operating activities are insufficient to fund our future activities, we may need to borrow additional funds or raise funds from public or private equity or debt financings. If we raise additional funds through the incurrence of indebtedness, such indebtedness would likely have rights that are senior to holders of our equity securities and could contain covenants that restrict our operations. Any additional equity financing would be dilutive to our current stockholders.

Material Cash Requirements

As of September 30, 2023 March 31, 2024, there were no material changes in our cash requirements from those disclosed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our Annual Report.

Sources of Liquidity

On January 20, 2021, we issued $500.0 million aggregate principal amount of 0% convertible senior notes due January 15, 2026 in a private placement to qualified institutional buyers and received proceeds of $484.3 million, net of $15.7 million of transaction fees and other debt issuance costs. The 2026 Notes are discussed in more detail above in Note 12 to the condensed consolidated financial statements.

Dividends

We did not declare or pay dividends during the three and nine months ended September 30, 2023 March 31, 2024 or 2022. 2023. We cannot provide any assurance that we will declare or pay cash dividends on our common stock in the future. We currently anticipate that we will retain all of our future earnings, if any, for use in the operation and expansion of our business and we do not anticipate paying cash dividends in the foreseeable future. Payment of future cash dividends, if any, will be at the discretion of the board of directors after taking into account various factors, including our financial condition, operating results, current and anticipated cash needs, the requirements of current or then-existing debt instruments and other factors the board of directors deems relevant.

Stock Repurchase Programs

On December 3, 2020, our board of directors authorized a stock repurchase program, under which we were authorized to purchase up to an aggregate of $100.0 million of our outstanding common stock during the three-year period ending December 3, 2023. No shares of our common stock were repurchased under this program during the three and nine months ended September 30, 2023. During the three and nine months ended September 30, 2022, we repurchased 5,595 and 840,249 shares of our common stock under this program for $0.4 million and $51.9 million, respectively, which includes applicable commissions and fees.

On February 15, 2023, our board of directors authorized the cancellation of the balance under the stock repurchase program ending December 3, 2023 and also authorized a stock repurchase program, effective February 23, 2023, under which we are authorized to purchase up to an aggregate of $100.0 million of our outstanding common stock during the two-year period ending February 23, 2025. During the three and nine months ended September 30, 2023, 105,285 March 31, 2024 and 239,540 2023, no shares of our common stock were repurchased under this program for $6.2 million and $12.9 million, respectively, which includes applicable commissions and fees. program. As of January 1, 2023, we are subject to a 1.0% excise tax on the value of net corporate stock repurchases under the Inflation Reduction Act of 2022. When applicable, the excise tax will be included as part of the cost basis of shares acquired and is presented within stockholders' equity in the condensed consolidated balance sheets.

Historical Cash Flows

The following table sets forth our cash flows for the periods indicated (in thousands):

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities	$ 96,093	$ 22,455
Cash flows used in investing activities	(21,735)	(62,625)
Cash flows used in financing activities	(15,245)	(48,475)

	Three Months Ended March 31,	
	2024	2023
Cash flows from / (used in) operating activities	$ 49,853	$ (3,521)
Cash flows used in investing activities	(3,961)	(12,943)
Cash flows from financing activities	6,356	842

Operating Activities

Cash flows from operating activities have typically been generated from our net income and by changes in our operating assets and liabilities, particularly from accounts receivable and inventory, adjusted for non-cash expense items such as amortization and depreciation, deferred income taxes and stock-based compensation.

For the nine three months ended September 30, 2023 March 31, 2024, cash flows from operating activities were $96.1 million $49.9 million, compared to $22.5 million cash flows used in operating activities of $3.5 million for the same period in the prior year. This $73.6 million $53.4 million increase in cash flows from operating activities was due to a $62.4 million $28.6 million increase in cash from operating assets and liabilities, and a $11.3 million $15.6 million increase in net income, partially offset by a $0.1 million decrease in non-cash and other reconciling items. items and a $9.2 million increase in net income.

The $62.4 million $28.6 million increase in cash from operating assets and liabilities was primarily due to a $39.8 million change in inventory resulting from a decrease in purchased inventory following prior year purchase activity to reduce risks and uncertainties in our supply chain as well as differences in the timing of disbursements and the collection of receipts as well as a $10.0 million change in inventory resulting from a decrease in purchased inventory during the nine three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year. The $0.1 million decrease $15.6 million increase in non-cash and other reconciling items was primarily due to a $1.6 million $13.5 million change in deferred income taxes, which was primarily driven by the capitalization and amortization of research and development expenditures under Section 174, as well as an increase in the provision for credit losses on notes receivable related to a loan we provided to an affiliated entity of one of our distribution partners. These increases in non-cash and other reconciling items were partially offset by a $1.4 million decrease in stock-based compensation during the nine three months ended September 30, 2023 March 31, 2024 as compared to the same period in the prior year, partially offset by a $1.2 million inventory write-down during the nine months ended September 30, 2023, which did not occur during the nine months ended September 30, 2022. year.

Investing Activities

Our investing activities typically include acquisitions, capital expenditures, investments in unconsolidated entities, notes receivable issued to companies with offerings complementary to ours and proceeds from the repayment of those notes receivable. Our capital expenditures have primarily been for general business use, including leasehold improvements as we have expanded our office space to accommodate our growth in headcount, computer equipment used internally and expansion of our network operations centers.

For the nine three months ended September 30, 2023 March 31, 2024, cash flows used in investing activities were $21.7 million $4.0 million, compared to $62.6 million $12.9 million for the same period in the prior year. The $40.9 million $8.9 million decrease in cash flows used in investing activities was primarily due to the $31.9 million paid to purchase 85% of the issued and outstanding shares of capital stock of Noonlight, Inc., during the nine months ended September 30, 2022 and $21.8 million purchase of developable land during the nine months ended September 30, 2022, which did not occur during the nine months ended September 30, 2023, as well as a $2.7 million decrease in the issuance of notes receivable during the nine months ended September 30, 2023 as compared to the same period in the prior year. The decrease in cash flows used in investing activities was partially offset by $9.7 million paid to purchase 100% of the issued and outstanding shares of capital stock of EBS, net of cash acquired, and the $5.9 million paid to purchase certain assets from Vintra, including direct transaction costs, during the nine three months ended September 30, 2023 March 31, 2023, which did not occur during the nine three months ended September 30, 2022 March 31, 2024. The decrease in cash flows used in investing activities was partially offset by a $0.7 million increase in purchases of equipment as well as a $0.2 million increase in the issuance of notes receivable during the three months ended March 31, 2024 as compared to the same period in the prior year.

Financing Activities

Cash generated by financing activities includes proceeds from the 2026 Notes and proceeds from the issuance of common stock from employee stock option exercises and from our employee stock purchase plan. Cash used in financing activities typically includes repurchases of common stock and repayments of debt.

For the nine three months ended September 30, 2023 March 31, 2024, cash flows used in from financing activities were $15.2 million $6.4 million, compared to $48.5 million $0.8 million for the same period in the prior year. The $33.3 million decrease $5.6 million increase in cash flows used in from financing activities was primarily due to a $5.0 million increase in the $39.0 million decrease in purchases issuance of shares of our common stock during the nine three months ended September 30, 2023 March 31, 2024, as compared to the same period in the prior year, partially offset by $3.0 million year. The increase in cash flows from financing activities was also due to the $0.5 million in debt payments related to the debt assumed in the acquisition of EBS as well as $1.7 million paid for holdback provisions from prior business combinations and asset acquisitions during the nine three months ended September 30, 2023 March 31, 2023, which did not occur during the nine three months ended September 30, 2022 March 31, 2024.

Non-GAAP Measures

We define non-GAAP adjusted EBITDA as our net income before interest expense, interest income, certain activity within other (expense) / income, expense, net, provision for / (benefit from) income taxes, amortization and depreciation expense, stock-based compensation expense, acquisition-related expense, and legal costs and settlement fees incurred and received in connection with non-ordinary course litigation and other disputes, particularly costs involved in ongoing intellectual property litigation. We do not consider these items to be indicative of our core operating performance. The non-cash items include amortization and depreciation expense, amortization of debt issuance costs for the 2026 Notes included in interest expense, stock-based compensation expense related to restricted stock units and other forms of equity compensation, including, but not limited to, the sale of common stock. We do not adjust for ordinary course legal expenses resulting from maintaining and enforcing our intellectual property portfolio and license agreements. Non-GAAP adjusted EBITDA is not a measure calculated in accordance with GAAP. See the table below for a reconciliation of non-GAAP adjusted EBITDA from net income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

We have included non-GAAP adjusted EBITDA in this report because it is a key measure our management uses to understand and evaluate our core operating performance and trends, to generate future operating plans, to make strategic decisions regarding the allocation of capital and to make investments in initiatives that are focused on cultivating new markets for our solutions. We also use non-GAAP adjusted EBITDA, a non-GAAP financial measure, as a performance measure under our executive bonus plan. Further, we believe the exclusion of certain expenses in calculating non-GAAP adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis and, in the case of exclusion of acquisition-related expense and certain historical legal expenses, excludes items that we do not consider to be indicative of our core operating performance. Accordingly, we believe that non-GAAP adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

Our use of non-GAAP adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are: (a) although amortization and depreciation are non-cash charges, the assets being amortized and depreciated may have to be replaced in the future, and non-GAAP adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; (b) non-GAAP adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; (c) non-GAAP adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation; (d) non-GAAP adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and (e) other companies, including companies in our industry, may calculate non-GAAP adjusted EBITDA or similarly titled measures differently, which reduces its usefulness as a comparative measure.

Because of these and other limitations, you should consider non-GAAP adjusted EBITDA alongside our other GAAP-based financial performance measures, net income and our other GAAP financial results. The following table presents a reconciliation of non-GAAP adjusted EBITDA from net income, the most directly comparable GAAP measure, for each of the periods indicated (in thousands):

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Non-GAAP adjusted EBITDA:	**Non-GAAP adjusted EBITDA:**				
Non-GAAP adjusted EBITDA:					
Non-GAAP adjusted EBITDA:					
Net income					
Net income					
Net income	Net income	$ 19,351	$ 18,110	$ 49,169	$ 37,841
Adjustments:	Adjustments:				
Interest expense, interest income and certain activity within other (expense) / income, net		(7,587)	(2,116)	(18,491)	(1,859)
Provision for income taxes		3,972	246	9,257	472
Adjustments:					
Adjustments:					
Interest expense, interest income and certain activity within other expense, net					
Interest expense, interest income and certain activity within other expense, net					
Interest expense, interest income and certain activity within other expense, net					
Provision for / (benefit from) income taxes					
Provision for / (benefit from) income taxes					
Provision for / (benefit from) income taxes					
Amortization and depreciation expense	Amortization and depreciation expense	7,948	7,587	23,481	23,123
Amortization and depreciation expense					
Amortization and depreciation expense					
Stock-based compensation expense					
Stock-based compensation expense					
Stock-based compensation expense	Stock-based compensation expense	11,806	13,154	36,423	38,053

Acquisition-related expense	Acquisition-related expense	(4)	728	576	728
Acquisition-related expense					
Acquisition-related expense					
Litigation expense					
Litigation expense					
Litigation expense	Litigation expense	5,949	3,131	7,968	9,536
Total adjustments	Total adjustments	22,084	22,730	59,214	70,053
Total adjustments					
Total adjustments					
Non-GAAP adjusted EBITDA	Non-GAAP adjusted EBITDA	$ 41,435	$ 40,840	$ 108,383	$ 107,894
Non-GAAP adjusted EBITDA					
Non-GAAP adjusted EBITDA					

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of inflation and foreign exchange rates.

The uncertainty that exists with respect to the economic impact of the Macroeconomic Conditions continues to create significant volatility in the financial markets subsequent to the quarter ended September 30, 2023 March 31, 2024.

Market Risk

On January 20, 2021, we issued the 2026 Notes. We carry these instruments at face value less unamortized issuance costs. However, the fair value of the 2026 Notes fluctuates when the market price of our common stock fluctuates.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition or results of operations. While we have experienced inflationary pressures on our inventory component and freight costs, we implemented price increases on certain products in 2022 to partially offset these increases in costs. If our costs become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations.

Foreign Currency Exchange Risk

Because substantially all of our revenue and operating expenses are denominated in U.S. dollars, we do not believe our exposure to foreign currency exchange risk is material to our business, financial condition or results of operations. If a significant portion of our revenue and operating expenses becomes denominated in currencies other than U.S. dollars, we may not be able to effectively manage this risk, and our business, financial condition and results of operations could be adversely affected by translation and by transactional foreign currency conversions.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to the company's management, including its chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures,

no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023 March 31, 2024. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023 March 31, 2024, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during our most recent fiscal quarter ended September 30, 2023 March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On June 2, 2015, Vivint, Inc., or Vivint, filed a lawsuit against us in U.S. District Court, District of Utah, alleging that our technology directly and indirectly infringes six patents that Vivint purchased. Vivint is seeking permanent injunctions, enhanced damages and attorneys' fees. We answered the complaint on July 23, 2015. Among other things, we asserted defenses based on non-infringement and invalidity of the patents in question. In 2017 and 2019, the U.S. Patent Trial and Appeal Board, or PTAB, issued final written decisions in inter partes reviews finding all or some of the claims in five of the asserted patents unpatentable. These decisions were affirmed on appeal. Discovery has closed with respect to seven claims in three of the asserted patents. Vivint has moved for partial summary judgment and Alarm.com has moved for summary judgment as to those seven claims; both motions are pending decision. Alarm.com has also moved for summary judgment as to the six asserted claims from the fourth asserted patent. Discovery has been stayed with respect to the fourth patent while the summary judgment motion remains pending. No trial date has been set.

Should Vivint prevail in proving Alarm.com infringes one or more of its patent claims, we could be required to pay damages of Vivint's lost profits and/or a reasonable royalty for sales of our solution. Since all remaining patent claims in the litigation have expired, Vivint shall not be entitled to injunctive relief as a remedy in this matter. While we believe we have valid defenses to Vivint's claims, any of these outcomes could result in a material adverse effect on our business. Even if we were to prevail, this litigation could continue to be costly and time-consuming, divert the attention of our management and key personnel from our business operations and dissuade potential customers from purchasing our solution, which would also materially harm our business. During the course of the litigation, we anticipate announcements of the results of hearings and motions, and other interim developments related to the litigation. If securities analysts or investors regard these announcements as negative, the market price of our common stock may decline.

Further related to Vivint, on October 27, 2022, we filed a demand for arbitration of a dispute arising under the Patent Cross License Agreement between Alarm.com and Vivint executed in November 2013. Vivint has stopped paying license fees to Alarm.com under the agreement. Vivint had been paying the required license fees to Alarm.com since the agreement was executed in November 2013. Alarm.com disputes Vivint's refusal of payment and is seeking continued payments of license fees in the arbitration, as well as interest and declaratory relief. There can be no assurance that Alarm.com will be successful in the arbitration proceedings. As a result of Vivint's refusal to pay license fees under the agreement, which began during the fourth quarter of 2022, SaaS and license revenue and total revenue will continue to be lowered by approximately $6.0 million on a quarterly basis. We also believe that quarterly earnings and cash flow will continue to be impacted by the aforementioned $6.0 million, plus additional legal fees.

We also filed a lawsuit against Vivint on January 4, 2023 in U.S. District Court, Eastern District of Texas, alleging that Vivint infringes 15 of our patents. Since then, we have voluntarily dismissed without prejudice the infringement claims with respect to one of the patents, leaving 14 asserted patents. The case is docketed as No. 2:23-CV-0004-JRG-RSP (E.D. Tex.). We are seeking compensatory and enhanced damages, a permanent injunction and other relief. Vivint filed a partial motion to dismiss the complaint on February 27, 2023 which we have opposed. On March 8, 2023, Vivint filed counterclaims in the action alleging that Alarm.com's products and services directly and indirectly infringe 14 patents owned by Vivint. Most of Vivint's counterclaims also name our service provider ADT LLC as a defendant. Vivint is seeking permanent injunctions, enhanced damages and attorneys' fees. We answered the complaint on April 28, 2023. Among other things, we asserted defenses based on non-infringement and invalidity of Vivint's patents. Trial is scheduled to begin on September 9, 2024.

Should Vivint prevail in proving Alarm.com infringes one or more of its patent claims, we could be required to pay damages of Vivint's lost profits and/or a reasonable royalty for sales of our solution. As to the unexpired patents asserted by Vivint, we or ADT could be enjoined from making, using and selling our solution if a license or other right to continue selling our technology is not made available or we are unable to design around such patents, and required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us. While we believe we have valid defenses to Vivint's claims, any of these outcomes could result in a material adverse effect on our business. Even if we were to prevail, this litigation could continue to be costly and time-consuming, divert the attention of our management and key personnel from our business operations and dissuade potential customers from purchasing our solution, which would also materially harm our business. During the course of the litigation, we anticipate announcements of the results of hearings and motions, and other interim developments related to the litigation. If securities analysts or investors regard these announcements as negative, the market price of our common stock may decline.

On January 10, 2022, EcoFactor, Inc., or EcoFactor, filed a lawsuit against us in U.S. District Court, District of Oregon, alleging Alarm.com's products and services directly and indirectly infringe five U.S. patents owned by EcoFactor. EcoFactor is seeking a permanent injunctions, injunction, enhanced damages and attorneys' fees. We moved to dismiss the case for failure to state a claim on March 28, 2022. EcoFactor had previously asserted two of the same patents against us in an October 2019 complaint with the U.S. International Trade Commission, or ITC. In July 2021, the ITC found in favor of Alarm.com. EcoFactor appealed the decision but withdrew its appeal in December 2021. Four We moved to dismiss the Oregon case for failure to state a claim on March 28, 2022. Three of the asserted patents are in ex parte reexamination proceedings at the PTO, and ex parte reexamination of a fourth patent concluded on August 23, 2023 after the claims were amended. On April 18, 2022, all claims of the a fifth patent were found unpatentable by the U.S. Patent Trial and Appeal Board, or PTAB, in an inter partes review, and all claims were canceled on April 18, 2022 February 1, 2024. Also on April

18, 2022, On April 18, 2022, the district court stayed the case at the request of the parties pending the disposition of PTAB and other proceedings involving the asserted patents.

Should EcoFactor prevail in its lawsuit we could be required to pay damages and/or a reasonable royalty for sales of our solution, we could be enjoined from making, using and selling our solution if a license or other right to continue selling such elements is not made available to us, and we could be required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us. While we believe we have valid defenses to EcoFactor's claims, the outcome of these legal claims cannot be predicted with certainty and any of these outcomes could result in an adverse effect on our business.

On July 22, 2021, Causam Enterprises, Inc., or Causam, filed a lawsuit against us in U.S. District Court, Western District of Texas, alleging that Alarm.com's smart thermostats infringe four U.S. patents owned by Causam. Causam is seeking preliminary and permanent injunctions, enhanced damages and attorneys' fees. We have not yet responded to the complaint. On September 3, 2021, the court issued an order staying the lawsuit until the ITC investigation described below is finally resolved.

On July 28, 2021, Causam filed a complaint with the ITC naming Alarm.com Incorporated, Alarm.com Holdings, Inc., and EnergyHub, Inc., among others, as proposed respondents. The complaint alleges infringement of the same four patents Causam asserted in district court. Causam is seeking a permanent limited exclusion order and permanent cease and desist order. On August 27, 2021, the ITC instituted an investigation into Causam's allegations naming Alarm.com Incorporated, Alarm.com Holdings, Inc., EnergyHub Inc. and others as respondents. We answered the complaint on October 4, 2021. Among other things, we asserted defenses based on non-infringement and invalidity of the patents in question. An evidentiary hearing in the investigation was held from June 28, 2022 through July 1, 2022. On February 16, 2023, the ITC issued a final decision in favor of Alarm.com and EnergyHub. Causam filed an appeal of the ITC decision on April 14, 2023. Causam did not appeal the ITC decision with respect to Alarm.com and EnergyHub.

Should Causam prevail in its district court lawsuit we could be required to pay damages and/or a reasonable royalty for sales of our solution, we could be enjoined from making, using and selling our solution if a license or other right to continue selling such elements is not made available to us, and we could be required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us. While we believe we have valid defenses to Causam's claims, the outcome of these legal claims cannot be predicted with certainty, and any of these outcomes could result in an adverse effect on our business.

In addition to the matters described above, we may be required to provide indemnification to certain of our service provider partners for certain claims regarding our solutions. For example, we are incurring incurred costs associated with the indemnification of our service provider ADT, LLC Central Security Group – Nationwide, Inc. (d/b/a Alert 360), or CSG, in an ongoing patent infringement suits.

On February 25, 2021, Vivint filed a lawsuit litigation. In 2018, Ubiquitous Connectivity, LP, or Ubiquitous, brought suit against ADT LLC a/k/a ADT LLC of Delaware d/b/a ADT Security Services CSG in U.S. District Court, Northern District of Utah, Oklahoma, alleging that ADT Pulse, Control, and Blue each infringe one or more patents owned by Vivint. Vivint is seeking damages and attorneys' fees. Vivint filed a second amended complaint on March 8, 2022. ADT answered the second amended complaint on March 22, 2022, asserted defenses based on non-infringement and invalidity infringement of all five asserted patents and counterclaimed for declaratory judgment of invalidity of all five asserted two U.S. patents. The PTAB granted inter partes review of two case was stayed by agreement of the asserted parties for several years while the patents at ADT's request. On June 17, 2022, the court entered an order staying the case in view of the pending proceedings suit were challenged before the PTAB, with the exception of certain discovery of source code. PTAB. In decisions issued in February and March 2023, January 2021, the PTAB found all challenged deemed 42 out of 46 claims of the two asserted patents under review unpatentable. Vivint filed appeals Ubiquitous appealed a portion of the PTAB decisions PTAB's findings to the United States Court of Appeals for the Federal Circuit. The Federal Circuit affirmed the PTAB's ruling on April 13, 2023 August 8, 2023. As a result, only four patent claims remain at issue and May 30, 2023 the Northern District of Oklahoma case is no longer stayed. The case is currently in the discovery phase. A claim construction hearing is scheduled for December 12, 2024. A hearing on dispositive motions, including for summary judgment, is scheduled for April 15, 2026. A trial is scheduled for June 22, 2026.

Should Vivint Ubiquitous prevail on the its infringement claims, that one or more elements of ADT's products infringe, we could be required to indemnify ADT CSG for damages in the form of a reasonable royalty or ADT of Ubiquitous's lost profits. CSG could be enjoined from making, using, and selling our solution if a license or other right to continue selling our technology is not made available or if we are unable to design around such patents, and we could be required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us. The outcome of these legal claims cannot be predicted with certainty.

We also incurred costs associated with the indemnification of our service provider Monitronics International, Inc. d/b/a Brinks in patent infringement suits. On November 4, 2022, January 13, 2023 and April 18, 2023, IOT Innovations LLC, or IOT, sued Monitronics in U.S. District Court, Eastern District of Texas, alleging patent infringement of certain products and services sold by Monitronics. Together, IOT asserted infringement of 26 patents and sought permanent injunctions, enhanced damages and attorneys' fees. On October 3, 2023, IOT filed a stipulation of dismissal of all three cases, ending the cases and the Company's involvement therein.

We may also be a party to litigation and subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors. For a description of our legal proceedings, see Note 12 to our condensed consolidated financial statements for additional information.

ITEM 1A. RISK FACTORS

Our business is subject to numerous risks. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Quarterly Report on Form 10-Q, or Quarterly Report, as well as our other public filings with the Securities and Exchange Commission, or SEC. Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and prospects and cause the trading price of our common stock to decline.

Summary of Risks Affecting Our Business

Any of the following risks could have a material adverse effect on our business, financial condition, results of operations and prospects and cause the trading price of our common stock to decline:

- Our quarterly results of operations have fluctuated and are likely to continue to fluctuate and may be negatively affected by the Macroeconomic Conditions.
- Our actual operating results may differ significantly from any guidance provided. If our actual results of operations fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially.
- We may not sustain our growth rate and we may not be able to manage any future growth effectively.
- We sell security and life safety solutions and if these solutions fail for any reason, we could be subject to liability and our business, reputation and results of operations could suffer.
- Failure to maintain the security of our information and technology networks, including information relating to our service provider partners, subscribers and employees, could expose us to liability and adversely affect us.
- The markets in which we participate are highly competitive and many companies, including large technology companies, broadband and security service providers and other managed service providers, are actively targeting the home and business automation, security monitoring, video monitoring and energy management markets.
- We rely on our service provider network to acquire additional subscribers, and the inability of our service providers to attract additional subscribers or retain their current subscribers could adversely affect our operating results.
- We receive a substantial portion of our revenue from a limited number of service provider partners, and the loss of, or a significant reduction in, orders from one or more of our major service provider partners would result in decreased revenue and profitability.
- We have relatively limited visibility regarding the consumers that ultimately purchase our solutions, and we often rely on information from third-party service providers to help us manage our business. We operate in an evolving connected home market. If the connected property market does not grow as we expect or if a significant number of our target consumers choose to adopt point products that control discrete functions rather than our connected property solutions, we may not be able to achieve sustained growth or our business may decline.
- We benefit from integration of our solutions with third-party platform providers. If developers of third-party platform providers choose not to partner with us, or are acquired by our competitors, our integrated solutions platform, business and results of operations may be harmed.
- Our strategy includes pursuing acquisitions, and our potential inability to successfully consummate acquisitions or integrate newly-acquired technologies, assets or businesses may harm our financial results.
- If we are unable to adapt to technological change, including maintaining compatibility with a wide range of devices, as well as changes in access to wireless networks through which we provide our wireless alarm, notification and intelligent automation services, our ability to remain competitive could be impaired and we may need to incur significant capital expenditures to update our

technology.

- We operate in a regulated industry and our business, operations and service provider partners are subject to various foreign, U.S. federal, state and local laws and regulations, including relating to consumer protection, licensing, Internet and data privacy, tax, tariff, import/export restrictions or other trade barriers. Failure to comply with applicable laws and regulations could harm our business and we may incur significant expenditures related to compliance efforts.
- We are involved from time to time in legal proceedings where a negative outcome could result in a material adverse effect on our business, financial condition, cash flows and results of operations.
- Assertions by third parties that we are infringing their intellectual property subject us to costly and time-consuming litigation or expensive licenses that could harm our business and results of operations.
- We depend on our suppliers. The loss of any key supplier or the inability of a key supplier to deliver their products to us on time or at the contracted price would materially and adversely affect our business, financial condition, cash flows and results of operations.

Risks Related to Our Business and Industry

Our actual operating results may differ significantly from any guidance provided.

Our guidance, including forward-looking statements, is prepared by management and is qualified by, and subject to, a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Many of these uncertainties and contingencies are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to represent that actual results could not fall outside of the suggested ranges.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. In particular, guidance relating to the anticipated results of operations of an acquired business is inherently more speculative in nature than other guidance as management will, necessarily, be less familiar with the business, procedures and operations of the acquired business. Similarly, guidance offered in periods of extreme uncertainty, such as the uncertainty caused by the Macroeconomic Conditions, is inherently more speculative in nature than guidance offered in periods of relative stability. Accordingly, any guidance with respect to our projected financial performance is necessarily only an estimate of what management believes is realizable as of the date the guidance is given. Actual results will vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data will diminish the farther in the future that the data is forecasted.

Actual operating results may be different from our guidance, and such differences may be adverse and material. In light of the foregoing, investors are urged to put the guidance in context and not to place undue reliance on it. In addition, the market price of our common stock may reflect various market assumptions as to the accuracy of our guidance. If our actual results of operations fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially.

Our quarterly results of operations have fluctuated and are likely to continue to fluctuate. As a result, we may fail to meet or exceed the expectations of investors or securities analysts, which could cause our stock price to decline.

Our quarterly operating results, including the levels of our revenue, gross margin, cash flow and deferred revenue, may fluctuate as a result of a variety of factors, including adverse Macroeconomic Conditions, the product mix that we sell, the relative sales related to our platforms and solutions and other factors which are outside of our control. If our quarterly revenue or results of operations fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Fluctuations in our results of operations may be due to a number of factors, including:

- the portion of our revenue attributable to SaaS and license versus hardware and other sales;
- our ability to manage the businesses we have acquired, and to integrate and manage any future acquisitions of businesses;
- fluctuations in demand, including due to seasonality or broader economic factors, for our platforms and solutions;
- changes in pricing by us in response to competitive pricing actions;
- our ability to increase, retain and incentivize the service provider partners that market, sell, install and support our platforms and solutions;
- the ability of our hardware vendors to continue to manufacture high-quality products and to supply sufficient components and products to meet our demands;
- the timing and success of introductions of new solutions, products or upgrades by us or our competitors and the entrance of new competitors;
- changes in our business and pricing policies or those of our competitors;
- the ability to accurately forecast revenue as we generally rely upon our service provider partner network to generate new revenue;
- our ability to control costs, including our operating expenses and the costs of the hardware we purchase;
- changes in U.S. trade policies, including new or potential tariffs or penalties on imported products;
- competition, including entry into the industry by new competitors and new offerings by existing competitors;
- issues related to introductions of new or improved products such as supply chain disruptions or shortages of prior generation products or short-term decreased demand for next generation products;

- perceived or actual problems with the security, privacy, integrity, reliability, quality or compatibility of our solutions, including those related to security breaches in our systems, our subscribers' systems, unscheduled downtime, or outages;

- the amount and timing of expenditures, including those related to expanding our operations, including through acquisitions, increasing research and development, introducing new solutions or paying litigation expenses;

- the ability to effectively manage growth within existing and new markets domestically and abroad;

- changes in the payment terms for our platforms and solutions;

- collectibility of receivables due from service provider partners and other third parties;

- the strength of regional, national and global economies; and

- the impact of natural disasters such as earthquakes, hurricanes, fires, power outages, floods, epidemics, pandemics and public health crises, including COVID-19, and other catastrophic events or man-made problems such as terrorism, civil unrest and actual or threatened armed conflict, or global or regional economic, political and social conditions.

Further, as disclosed under "Item 1 – Legal Proceedings," Vivint, Inc., or Vivint, has stopped paying license fees to Alarm.com under its Patent Cross License Agreement with us, which is having a material adverse effect upon our business, financial condition and results of operations and is causing our results of operations to fluctuate. This matter is subject to ongoing arbitration and there can be no assurance that Alarm.com will be successful in these proceedings. Fluctuations in our quarterly operating results may be particularly pronounced in the current economic environment. Due to the foregoing factors and the other risks discussed in this Quarterly Report, you should not rely on quarter-to-quarter comparisons of our results of operations as an indication of our future performance. For the same reason, you should not consider our recent revenue growth and changes in non-GAAP adjusted EBITDA or results of one quarter as indicative of our future performance. See the "Non-GAAP Measures" section of Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of the limitations of non-GAAP adjusted EBITDA and a reconciliation of non-GAAP adjusted EBITDA from net income, the most directly comparable GAAP measurement, for the three and nine months ended September 30, 2023 March 31, 2024 and 2022. 2023.

Downturns in general economic and market conditions and reductions in spending may reduce demand for our platforms and solutions, which could harm our revenue, results of operations and cash flows.

Our revenue, results of operations and cash flows depend on the overall demand for our platforms and solutions. Negative Macroeconomic Conditions in the general economy both in the United States and abroad, including conditions resulting from the COVID-19 pandemic, inflation, changes in gross domestic product growth, financial and credit market fluctuations, energy costs, international trade relations and other geopolitical tensions, the availability and cost of credit, rising interest rates and the global housing and mortgage markets could cause a decrease in consumer discretionary spending and business investment and diminish growth expectations in the U.S. economy and abroad.

During weak economic times, the available pool of service providers may decline as the prospects for home building and home renovation projects diminish, which may have a corresponding impact on our growth prospects. In addition, there is an increased risk during these periods that an increased percentage of our service provider partners will file for bankruptcy protection, which may harm our reputation, revenue, profitability and results of operations. In addition, we may determine that the cost of pursuing any claim may outweigh the recovery potential of such claim. Likewise, consumer bankruptcies can detrimentally affect the business stability of our service provider partners.

The current Macroeconomic Conditions have caused significant uncertainty and volatility in global markets, which has and may continue to cause consumer discretionary spending to decline for an unknown period of time. A prolonged economic slowdown and a material reduction in new home construction and renovation projects may result in diminished sales of our platforms and solutions. Further worsening, broadening or protracted extension of the economic downturn could have a negative impact on our business, revenue, results of operations and cash flows.

We sell security and life safety solutions and if our solutions fail for any reason, we could be subject to liability and our business could suffer.

We sell security and life safety solutions, which are designed to secure the safety of our subscribers and their residences or commercial properties. If these solutions fail for any reason, including due to defects in our software, a carrier outage, a failure of our network operations centers, a failure on the part of one of our service provider partners or user error, some of which have happened from time to time, we could be subject to liability for such failures and our business could suffer.

Our platforms and solutions may contain undetected defects in the software, infrastructure, third-party components or processes. We continue to follow our previously implemented hybrid return to office plan that includes mandatory in-office workdays and voluntary remote workdays, and mandatory in-office workdays. The continued remote workdays which may make us more vulnerable to cyber-attacks and may create operational or other challenges, any of which could harm our systems or our business. Although we have taken precautionary measures to prepare for these threats and challenges, there is no guarantee our precautions will fully protect our systems. We continue to monitor the situation and may adjust our current policies as more information and guidance become available. If our platforms or solutions suffer from defects, we could experience harm to our branded reputation, claims by our subscribers or service provider partners or lost revenue during the period required to address the cause of the defects. We have found and may find defects in new, acquired or upgraded solutions, resulting in loss of, or delay in, market acceptance of our platforms and solutions, which could harm our business, financial condition, cash flows or results of operations.

Since solutions that enable our platforms are installed by our service provider partners, if they do not install or maintain such solutions correctly, our platforms and solutions may not function properly. If the improper installation or maintenance of our platforms and solutions leads to service or equipment failures after introduction of, or an upgrade to, our platforms or a solution, we could experience harm to our branded reputation, claims by our subscribers or service provider partners or lost revenue during the period required to address the cause of the problem. Further, we rely on our service provider partners to provide the primary source of support and ongoing service to our subscribers and, if our service provider partners fail to provide an adequate level of support and services to our subscribers, it could have a material adverse effect on our reputation, business, financial condition, cash flows or results of operations.

Any defect in, or disruption to, our platforms and solutions could cause consumers not to purchase additional solutions from us, prevent potential consumers from purchasing our platforms and solutions or harm our reputation. Although our contracts with our service provider partners limit our liability to our service provider partners for these defects, disruptions or errors, we nonetheless could be subject to litigation for actual or alleged losses to our service provider partners or our subscribers, which may require us to spend significant time and money in litigation or arbitration, or to pay significant settlements or damages. Defending a lawsuit, regardless of its merit, could be costly, divert management's attention and affect our ability to obtain or maintain liability insurance on acceptable terms and could harm our business. Although we currently maintain some warranty reserves, we cannot assure you that these warranty reserves will be sufficient to cover future liabilities.

Our business is subject to the risks of earthquakes, hurricanes, fires, power outages, floods, pandemics and public health crises, natural disasters and other catastrophic events, and to interruption by man-made problems such as terrorism, civil unrest and actual or threatened armed conflict, or global or regional economic, political and social conditions.

A significant natural disaster, such as an earthquake, hurricane, fire, flood, pandemic, or a public health crisis, such as COVID-19, or a significant power outage could harm our business, financial condition, cash flows and results of operations. The impact of climate change may increase these risks due to changes in weather patterns, such as increases in storm intensity and frequency, sea-level rise, melting of permafrost and temperature extremes in areas where we conduct our business. Natural disasters could affect our hardware vendors, our wireless carriers or our network operations centers. Further, if a natural disaster occurs in a region from which we derive a significant portion of our revenue, such as metropolitan areas in North America, consumers in that region may delay or forego purchases of our platforms and solutions from service providers in the region, which may harm our results of operations for a particular period. In addition, terrorist acts or acts of war could cause disruptions in our business or the business of our hardware vendors, service providers, subscribers or the economy as a whole. More generally, these and other geopolitical, social and economic conditions could result in increased volatility in worldwide financial markets and economies that could harm our sales. Given our concentration of sales during the second and third quarters, any disruption in the business of our hardware vendors, service provider partners or subscribers that impacts sales during the second or third quarter of each year could have a greater impact on our annual results. All of the aforementioned risks may be augmented if the disaster recovery plans for us, our service provider partners and our suppliers prove to be inadequate. To the extent that any of the above results in delays or cancellations of orders, or delays in the manufacture, deployment or shipment of our platforms and solutions, our business, financial condition, cash flows and results of operations would be harmed.

Geopolitical conditions, including trade disputes and direct or indirect acts of war or terrorism, could have an adverse effect on our operations and financial results.

Since we operate on a global basis, our operations could be disrupted by geopolitical conditions, trade disputes, international boycotts and sanctions, political and social instability, acts of war, terrorist activity or other similar events. From time to time, we could have a large investment in a particular asset type, a large revenue stream associated with a particular customer or industry, or a large number of customers located in a particular geographic region. A discrete event impacting a specific asset type, customer, industry, or region in which we have a concentrated exposure could negatively impact our results of operations.

For example, in February 2022 Russia initiated military action against Ukraine. In response, the U.S. and certain other countries imposed sanctions and export controls against Russia, Belarus and certain individuals and entities connected to Russian or Belarusian political, business, and financial organizations, and the U.S. and certain other countries could impose further sanctions, trade restrictions, and other retaliatory actions should the conflict continue or worsen. It is not possible to predict the broader consequences of the conflict, including related geopolitical tensions, the movement of refugees, and the measures and retaliatory actions taken by the U.S. and other countries in respect thereof as well as any counter measures or retaliatory actions by Russia or Belarus in response, including, for example, potential cyberattacks or the disruption of energy exports, is likely to cause regional instability, geopolitical shifts, and could materially adversely affect global trade, currency exchange rates, regional economies and the global economy. In addition, in October 2023, the war between Israel and Hamas began, which has resulted in significant military activities in the region and may further escalate regional instability. The situations remain uncertain, and while it is difficult to predict the full impact of any of the foregoing, the conflicts and actions taken in response to the conflicts could increase our costs, disrupt our supply chain, reduce our sales and earnings, impair our ability to raise additional capital when needed on acceptable terms, if at all, or otherwise adversely affect our business, financial condition, and results of operations.

We may not sustain our growth rate and we may not be able to manage any future growth effectively.

We have experienced significant growth and also have substantially expanded our operations in a short period of time. Our revenue increased from $502.4 million $618.0 million in 2019 2020 to $842.6 million $881.7 million in 2022 2023 and increased from $634.4 million $209.7 million for the nine three months ended September 30, 2022 March 31, 2023 to $655.4 million $223.3 million for the nine three months ended September 30, 2023 March 31, 2024. We do not expect to achieve similar growth rates in future periods. You should not rely on our operating results for any prior quarterly or annual periods as an indication of our future operating performance. If we are unable to maintain expected revenue growth in both absolute dollars and as a percentage of prior period revenue, our financial results could suffer and our stock price could decline.

Our future operating results depend, to a large extent, on our ability to successfully manage any future expansion and growth. To successfully manage our growth and obligations as a public company, we believe we must effectively, among other things:

- maintain our relationships with existing service provider partners and add new service provider partners;
- increase our subscriber base and help our service provider partners maintain and improve their revenue retention rates, while also expanding their cross-sell effectiveness;
- manage our relationships with our hardware vendors and other key suppliers;
- add, train and integrate sales and marketing personnel;
- expand our international operations; and
- continue to implement and improve our administrative, financial and operational systems, procedures and controls.

We intend to continue to invest in research and development, sales and marketing, and general and administrative functions and other areas to grow our business. We are likely to recognize the costs associated with these increased investments earlier than some of the anticipated benefits and the return on these investments may be lower, or may develop more slowly, than we expect, which could adversely affect our operating results.

If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities or develop new solutions or enhancements to our existing solutions and we may fail to satisfy subscriber and service provider partner requirements, maintain the quality of our solutions, execute on our business plan or respond to competitive pressures, which could result in our financial results suffering and a decline in our stock price.

We have expanded our business rapidly in recent periods. If we fail to manage the expansion of our operations and infrastructure effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.

We increased our number of full-time employees from 1,160 1,404 as of December 31, 2019 December 31, 2020 to 1,986 2,002 as of September 30, 2023, including 77 employees who manufacture hardware for our suite of IoT solutionsMarch 31, 2024. Our growth has placed, and may continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. We intend to further expand our overall business, service provider partner network, subscriber base, headcount and operations, including by acquiring other businesses. Creating and maintaining a global organization and managing a geographically dispersed workforce requires substantial management effort and significant additional investment in our infrastructure. We will be required to continue to improve our operational, financial and management controls and our reporting procedures to ensure timely and accurate reporting of our operational and financial results and we may not be able to do so effectively. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross profit or operating expenses in any particular quarter. If we fail to manage our anticipated growth and change in a manner that preserves the key aspects of our corporate culture, the quality of our solutions may suffer, which could negatively affect our brand and reputation and harm our ability to retain and attract service provider partners and consumers.

From time to time, we are involved in legal proceedings where a negative outcome, including an adverse litigation judgment or settlement, could expose us to monetary damages or limit our ability to operate our business, resulting in a material adverse effect on our business, financial condition, cash flows and results of operations.

We are involved and have been involved in the past in legal proceedings from time to time, including claims directly against us or claims against certain of our service provider partners that we have agreed to indemnify. For example, on June 2, 2015, Vivint filed a lawsuit against us alleging our technology directly and indirectly infringes six patents purchased by Vivint. On January 10, 2022, EcoFactor, Inc., or EcoFactor, filed a lawsuit against us alleging Alarm.com's products and services directly and indirectly infringe five U.S. patents owned by EcoFactor. On July 22, 2021, Causam Enterprises, Inc., or Causam, filed a lawsuit against us alleging that Alarm.com's smart thermostats infringe four U.S. patents owned by Causam. On July 28, 2021, Causam filed a complaint with the U.S. International Trade Commission, or ITC, naming Alarm.com Incorporated, Alarm.com Holdings, Inc., and EnergyHub, Inc., among others, as proposed respondents. The complaint alleges infringement of the same four patents Causam asserted in court. See the section of this Quarterly Report titled "Legal Proceedings" for additional information regarding each of these matters and the other legal proceedings we are involved in. We may not be able to accurately assess the risks related to any of these suits, and we may be unable to accurately assess our level of exposure as the results of any litigation, investigations and other legal proceedings are inherently unpredictable. Any claims against us, whether meritorious or not, could be time consuming, result in costly litigation, damage our reputation, require significant amounts of management time and divert significant resource. Companies in our industry have been subject to claims related to patent infringement, regulatory matters, and product liability, as well as contract and employment-related claims. As a result of patent infringement and other intellectual property proceedings, we have, and may be required to seek in the future, licenses under patents or intellectual property rights owned by third parties, including open-source software and other commercially available software, which can be costly, or cross-license agreements relating to our and third-party intellectual property. The outcome of legal claims and proceedings against us cannot be predicted with certainty, and a negative outcome could result in a material adverse effect on our business, financial condition, cash flows and results of operations.

Our business operates in a regulated industry.

Our business, operations and service provider partners are subject to various U.S. federal, state and local consumer protection laws, licensing regulation and other laws and regulations, and to similar laws and regulations in the other countries in which we operate. Our advertising and sales practices and that of our U.S. service provider partner network are subject to regulation by the U.S. Federal Trade Commission, or the FTC, in addition to state consumer protection laws. The FTC and the Federal Communications Commission have issued regulations that place restrictions on, among other things, unsolicited automated telephone calls to residential and wireless telephone subscribers by means of automatic telephone dialing systems and the use of prerecorded or artificial voice messages. If our service provider partners were to take actions in violation of these regulations, such as telemarketing to individuals on the "Do Not Call" registry or using automatic telephone dialing systems and prerecorded or artificial voice messages, we could be subject to fines, penalties, private actions or enforcement actions by government regulators. Although we have taken steps to insulate ourselves from any such wrongful conduct by our service provider partners, and to contractually require our service provider partners to comply with these laws and regulations, we have in the past incurred costs to settle alleged violations of the Telephone Consumer Protection Act, or TCPA, and no assurance can be given that we will not be exposed to future liability as result of our service provider partners' conduct. Further, to the extent that any changes in law or regulation further restrict the lead generation activity of our service provider partners, these restrictions could result in a material reduction in subscriber acquisition opportunities, reducing the growth prospects of our business and adversely affecting our financial condition and future cash flows. In addition, most states in which we operate have licensing laws directed specifically toward the monitored security services industry. Our business relies heavily upon cellular telephone service to communicate signals. Cellular telephone companies are currently regulated by both federal and state governments. State-level privacy and data security laws in California and various other U.S. states regulate our, and our service provider partners', use, collection, and disclosure of subscribers' personal information. A number of proposed privacy bills in other U.S. states could place restrictions on how we and our service provider partners use personal information and market to consumers in those states. Other laws and regulations, including consumer protection laws, laws and regulations governing advertising and sales practices, as well as privacy and data security laws and regulations apply in the other countries in which we operate. See "Evolving government and industry regulation and changes in applicable laws relating to the Internet and data privacy may increase our expenditures related to compliance efforts or otherwise limit the solutions we can offer, which may harm our business and adversely affect our financial condition" below. Furthermore, the SEC proposed adopted expansive rules, requiring which are currently stayed, that require public companies to disclose, among other things, information about the material impact of climate change on their business, as well as information about companies' governance, risk management and strategy related to climate risk. The SEC has also finalized rules to enhance and standardize disclosures regarding cybersecurity risk management, strategy, governance and cybersecurity incident reporting by public companies. Changes in laws or regulations could require us to change the way we operate, which could increase costs or otherwise disrupt operations. In addition, failure to comply with any such applicable laws or regulations could result in substantial fines or revocation of our operating permits and licenses, including in geographic areas where our services have substantial penetration, which could adversely affect our business, financial condition, cash flows and results of operations. Further, if these laws and regulations were to change or if we fail to comply with such laws and regulations as they exist today or in the future, our business, financial condition, cash flows and results of operations could be materially and adversely affected.

The markets in which we participate are highly competitive and many companies, including large technology companies, broadband and security service providers and other managed service providers, are actively targeting the home and business automation, security monitoring, video monitoring and energy management markets. If we are unable to compete effectively with these companies, our sales and profitability could be adversely affected.

We compete in several markets, including security, video, automation, energy management and wellness solutions. The markets in which we participate are highly competitive and competition may intensify in the future.

Our ability to compete depends on a number of factors, including:

- our platforms and solutions' functionality, performance, ease of use and installation, reliability, availability and cost effectiveness relative to that of our competitors' products;
- our success in utilizing new and proprietary technologies to offer solutions and features previously not available in the marketplace;
- our success in identifying new markets, applications and technologies;
- our ability to attract and retain service provider partners;
- our name recognition and reputation;
- our ability to recruit software engineers and sales and marketing personnel; and

- our ability to protect our intellectual property.

Consumers may prefer to purchase from their existing suppliers rather than a new supplier regardless of product performance or features. In the event a consumer decides to evaluate a new home automation, security monitoring, video monitoring, energy management, or wellness solution, the consumer may be more inclined to select one of our competitors whose product offerings are broader than those that we offer. In addition, consumers may prefer to purchase products that they can install themselves. If there are continuing restrictions on our service providers' ability to meet with residential and commercial property owners in person, our ability to compete will depend on our ability to make our products available for remote installation or to make certain of our products easily installable by consumers rather than solely by our service providers.

Our current competitors include providers of other technology platforms for the connected property with interactive security, including Alula (formed following the merger of ipDatatel, LLC and Resolution Products, LLC), Avigilon Corporation, Brivo Inc., Digital Monitoring Products Inc., Eagle Eye Networks Inc., Honeywell International Inc., Resideo Technologies Inc., SecureNet Technologies, LLC, Telular Corporation (acquired by AMETEK, Inc.), United Technologies Corporation, and Verkada Inc., which sell solutions to service providers, cable operators, technology retailers and other residential and commercial automation providers. We also compete with interactive, monitored security solutions sold directly to subscribers and may also be sold through our partners, including companies like Abode Systems, Inc., Arlo Technologies, Inc., Cove Smart, LLC, Scout Security, Inc. and SimpliSafe, Inc. In addition, our service provider partners compete with security solutions sold directly to subscribers, as well as managed service providers, such as cable television, telephone and broadband companies like Comcast Cable Communications, LLC and Rogers Communications, Inc., and providers of point products, including Google Inc.'s Nest Labs, Inc. Amazon.com offers Amazon Home Services security packages with bundled equipment and professional installation, and Amazon Key, a security camera and smart lock integration feature. Ring Inc., owned by Amazon.com, offers a connected video doorbell, video cameras and an integrated security system, Ring Alarm. Samsung's SmartThings offers a security system and a home automation and awareness hub. Arlo Technologies, Inc. and Wyze Labs, Inc. offers connected video cameras, a connected video doorbell, and smart security devices. Apple Inc. offers a feature that allows some manufacturers' connected devices and accessories, including video cameras and doorbells, to be controlled through its HomeKit service available in Apple's iOS operating system. Additionally, Canary and other companies offer all in one video monitoring and awareness devices. In addition, we may compete with other large and small technology companies that offer control capabilities among their products, applications and services, and have ongoing development efforts to address the broader connected home market.

Many of our competitors have longer operating histories, greater name recognition, larger customer bases and significantly greater financial, technical, sales, marketing, distribution and other resources than we have. We expect to encounter new competitors as we enter new markets as well as increased competition, both domestically and internationally, from other established and emerging home automation, security monitoring, video monitoring and automation, wellness, and energy management companies as well as large technology companies. In addition, there may be new technologies that are introduced that reduce demand for our solutions or make them obsolete. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties and rapidly acquire significant market share. Increased competition could also result in price reductions and loss of market share, any of which could result in lower revenue and negatively affect our ability to grow our business.

Aggressive business tactics by our competitors may reduce our revenue.

Increased competition in the markets in which we compete may result in aggressive business tactics by our competitors, including:

- selling at a discount;
- offering products similar to our platforms and solutions on a bundled basis at no charge;
- announcing competing products combined with extensive marketing efforts;
- providing financing incentives to consumers; and
- asserting intellectual property rights irrespective of the validity of the claims.

Our service provider partners may switch and offer the products and services of competing companies, which would adversely affect our sales and profitability. Competition from other companies may also adversely affect our negotiations with service provider partners and suppliers, including, in some cases, requiring us to lower our prices. Opportunities to take market share using innovative products, services and sales approaches may also attract new entrants to the field. We may not be able to compete successfully with the offerings and sales tactics of other companies, which could result in the loss of service provider partners offering our platforms and solutions and, as a result, our revenue and profitability could be adversely affected.

If we fail to compete successfully against our current and future competitors, or if our current or future competitors employ aggressive business tactics, including those described above, demand for our platforms and solutions could decline, we could experience cancellations of our services to consumers, or we could be required to reduce our prices or increase our expenses.

The proper and efficient functioning of our network operations centers and data back-up systems is central to our solutions.

Our solutions operate with a hosted architecture and we update our solutions regularly while our solutions are operating. If our solutions and/or upgrades fail to operate properly, our solutions could stop functioning for a period of time, which could put our users at risk. Our ability to keep our business operating is highly dependent on the proper and efficient operation of our network operations centers and data back-up systems. systems, as well as the systems of the third-party technology providers we use to process certain information, such as video. Although our network operations centers have back-up computer and power systems, if there is a catastrophic event, natural disaster, terrorist attack, security breach or other extraordinary event, we may be unable to provide our subscribers with uninterrupted monitoring service or may be unable to adequately protect confidential information and data from unauthorized access or loss. Furthermore, because data back-up systems are susceptible to malfunctions and interruptions (including those due to equipment damage, power outages, human error, computer viruses, computer hacking, data corruption and a range of other hardware, software and network problems), we cannot guarantee that we will not experience data back-up failures in the future. A significant or large-scale security breach, malfunction or interruption of our network operations centers or data back-up systems could adversely affect our ability to keep our operations running efficiently or could result in unauthorized access to or loss of data. If such an event results in unauthorized access to or loss of service provider partner, subscriber, employee or other personally identifiable data subject to data privacy and security laws and regulations, then it could result in substantial fines by U.S. federal and state authorities, foreign data privacy authorities in the European Union, or the EU, Canada, and other countries, and/or private claims by companies or individuals. If a malfunction or security breach results in a wider or sustained disruption, it could have a material adverse effect on our reputation, business, financial condition, cash flows or results of operations.

Failure to maintain the security of our information and technology networks, including information relating to our service provider partners, subscribers and employees, could adversely affect us.

We are dependent on information technology networks and systems, including the Internet, to process, transmit and store electronic information and, in the normal course of our business, we collect and retain certain information pertaining to our service provider partners, subscribers and employees, including credit card information for many of our service provider partners and certain of our subscribers. If security breaches in connection with the delivery of our solutions allow unauthorized third parties to access any of this data or obtain control of our subscribers' systems, our reputation, business, financial condition, cash flows and results of operations could be harmed.

The legal, regulatory and contractual environment surrounding information security, privacy and credit card fraud is constantly evolving and companies that collect and retain such information are under increasing attack by cyber-criminals around the world. Further, as the regulatory focus on privacy issues continues to increase and worldwide laws and regulations concerning the protection of data and personal information expand and become more complex, these potential risks to our business will intensify. A significant actual or potential theft, loss, fraudulent use or misuse of service provider partner, subscriber, employee or other personally identifiable data, whether by third parties or as a result of employee malfeasance or otherwise, non-compliance with our contractual or other legal obligations regarding such data or a violation of our privacy and security policies with respect to such data could result in loss of confidential information, damage to our reputation, early termination of our service provider partner contracts, litigation, regulatory investigations or actions and other liabilities or actions against us, including significant fines by U.S. federal and state authorities, foreign data privacy authorities in the EU, Canada, and other countries and private claims by companies and individuals for violation of data privacy and security regulations. To the extent that any such exposure leads to credit card fraud or identity theft, we may experience a general decline in consumer confidence in our business, which may lead to an increase in attrition rates or may make it more difficult to attract new subscribers. If any one of these risks materializes our business, financial condition, cash flows or results of operations could be materially and adversely affected.

If our security measures are breached, including any breaches caused by cyber-attacks, our reputation may be damaged, we may be exposed to significant liabilities under U.S. and foreign laws, and our business and results of operations may be adversely affected.

Cyber-attacks from computer hackers and cyber criminals and other malicious Internet-based activity continue to increase generally, and perpetrators of cyber-attacks may be able to develop and deploy viruses, worms, ransomware, malware, DNS attacks, wireless network attacks, attacks on our cloud networks, phishing attempts, social engineering attempts, distributed denial of service attacks and other advanced persistent threats or malicious software programs that attack our products and services, our networks and network endpoints or otherwise exploit any security vulnerabilities of our products, services and networks. Techniques used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target. As a result, we may be unable to anticipate these techniques or to implement adequate preventative measures. We cannot be certain that advances in cyber-capabilities or other developments will not compromise or breach the technology protecting the networks that access our platforms and solutions, and we can make no assurance that we will be able to detect, prevent, timely and adequately address or mitigate the negative effects of cyber-attacks or other security breaches. We continue to follow our previously implemented hybrid return to office plan that includes mandatory in-office workdays and voluntary remote workdays, and mandatory in-office workdays. The continued remote workdays which may make us more vulnerable to cyber-attacks or other security breaches.

Security breaches of, or sustained attacks against, our networks and infrastructure could create system disruptions and shutdowns that could result in disruptions to our operations or unauthorized access to or loss of our data. If such an event results in unauthorized access to or loss of any data subject to data privacy and security laws and regulations, then we could be subject to substantial fines by U.S. federal and state authorities, foreign data privacy authorities in the EU, Canada, and other countries, and private claims by companies or individuals. A system disruption, shutdown, or loss of data may result in adverse publicity and therefore adversely affect the market's perception of the security and reliability of our services. A cyber-attack may cause additional costs, such as investigative and remediation costs, and the costs of providing individuals and/or data owners with notice of the breach, legal fees and the costs of any additional fraud detection activities required by law, a court or a third-party. Additionally, some of our customer contracts require us to indemnify customers from damages they may incur as a result of a breach of our networks and systems. There can be no assurance that the limitation of liability provisions in our contracts for a security breach would be enforceable or would otherwise protect us from any such liabilities or damages with respect to any particular claim. While we maintain general liability insurance coverage and coverage for technology errors or omissions, we cannot assure you that such coverage will be available in sufficient amounts to cover one or more large claims related to a breach, will continue to be available on acceptable terms or at all. If any one of these risks materializes, our business, financial condition, cash flows or results of operations could be materially and adversely affected.

In addition to the core operating environment of Alarm.com, we also have acquired businesses and subsidiaries that in some cases operate data infrastructure that is distinct from the Alarm.com operating environment, and therefore have distinct data security vulnerabilities. The overall management of cybersecurity risk involves coordination between Alarm.com and our acquired businesses and subsidiaries, and data security risks in these entities may be heightened where the technology platform is less mature than the Alarm.com core platform.

We rely on our service provider partner network to acquire additional subscribers, and the inability of our service provider partners to attract additional subscribers or retain their current subscribers could adversely affect our operating results.

Substantially all of our revenue is generated through the sales of our platforms and solutions by our service provider partners, who incorporate our solutions in certain of the products and packages they sell to their customers, and our service provider partners are responsible for subscriber acquisition, as well as providing customer service and technical support for our platforms and solutions to the subscribers. We provide our service provider partners with specific training and programs to assist them in selling and providing support for our platforms and solutions, but we cannot assure you that these steps will be effective. In addition, we rely on our service provider partners to sell our platforms and solutions into new markets in the intelligent and connected property space. If our service provider partners are unsuccessful in marketing, selling and supporting our platforms and solutions, our operating results could be adversely affected.

In order for us to maintain our current revenue sources and grow our revenues, we must effectively manage and grow relationships with our service provider partners. Recruiting and retaining qualified service provider partners and training them in our technology and solutions requires significant time and resources and has been made more challenging by the Macroeconomic Conditions. If we fail to maintain our relationships with existing service provider partners or develop relationships with new service provider partners, our revenue and operating results would be adversely affected. In addition, to execute on our strategy to expand our sales internationally, we must develop, manage and grow relationships with service provider partners that sell into these markets.

Any of our service provider partners may choose to offer a product from one of our competitors instead of our platforms and solutions, elect to develop their own competing solutions or simply discontinue their operations with us. For example, we entered into a Patent Cross License Agreement in November 2013 with Vivint, pursuant to which we granted a license to use the intellectual property associated with our connected home solutions. Under the terms of this arrangement, and subsequent arrangements, Vivint has transitioned from selling our solutions directly to its customers to selling its own home automation product to its new customers. We now generate revenue from a monthly fee charged to Vivint on a per customer basis from sales of this service provider partner's product; however, these monthly fees are less on a per customer basis than fees we receive from our SaaS solutions. Therefore, we receive less revenue on a per customer basis from Vivint compared to our SaaS subscriber base, which may result in a lower revenue growth rate. As disclosed under "Item 1 – Legal Proceedings," Vivint has stopped paying license fees to Alarm.com under its Patent Cross License Agreement with us, which is having a material adverse effect upon our business, financial condition and results of operations. This matter is subject to ongoing arbitration and there can be no assurance that Alarm.com will be successful in these proceedings. Similarly, we entered into a patent license agreement with ADT pursuant to which we granted a license to use certain Alarm.com intellectual property following the termination or expiration of the initial term of our master service agreement with ADT. Under the terms of the license, ADT will pay us a monthly royalty for each subscriber to its branded residential interactive security, automation and video service offerings that is covered by any of our licensed patents and not supported on our platforms. We must also work to expand our network of service provider partners to ensure that we have sufficient geographic coverage and technical expertise to address new markets and technologies. While it is difficult to estimate the total number of available service provider partners in our markets, there are a finite number of service provider partners that are able to perform the types of technical installations required for our platforms and solutions. In the event that we saturate the available service provider pool, or if market or other forces cause the available pool of service providers to decline, it may be increasingly difficult to grow our business. If we are unable to expand our network of service provider partners, our business could be harmed.

As consumers' product and service options grow, it is important that we enhance our service provider partner footprint by broadening the expertise of our service provider partners, working with larger and more sophisticated service provider partners and expanding the mainstream solutions our service provider partners offer. If we do not succeed in this effort, our current and potential future service provider partners may be unable or unwilling to broaden their offerings to include our connected property solutions, resulting in harm to our business.

We receive a substantial portion of our revenue from a limited number of service provider partners, and the loss of, or a significant reduction in, orders from one or more of our major service provider partners would result in decreased revenue and profitability.

Our success is highly dependent upon establishing and maintaining successful relationships with a variety of service provider partners. We market and sell our platforms and solutions through a channel assisted sales model and we derive substantially all of our revenue from these service provider partners. We generally enter into agreements with our service provider partners outlining the terms of our relationship, including service provider pricing commitments, installation, maintenance and support requirements, and our sales registration process for registering potential sales to subscribers. These service provider contracts typically have an initial term of one year, with subsequent renewal terms of one year, and are terminable at the end of the initial term or renewal terms without cause upon written notice to the other party. In some cases, these contracts provide the service provider partner with the right to terminate prior to the expiration of the term without cause upon 30 days written notice, or, in the case of certain termination events, the right to terminate the contract immediately. While we have developed a network of over 11,000 service provider partners as of December 31, 2022 to sell, install and support our platforms and solutions, we receive a substantial portion of our revenue from a limited number of channel partners and significant customers. During the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, our 10 largest revenue service provider partners or distributors accounted for 49% 50%, 47% 49% and 48% 47% of our revenue, respectively. ADT LLC, or ADT, represented greater than 15% but not more than 20% of our revenue in 2023, 2022 2021 and 2020. 2021. ADT also represented more than 10% of accounts receivable as of December 31, 2022 December 31, 2023.

We amended our master service agreement with ADT, or MSA, to extend the initial term through January 1, 2023 and , which also includes subsequent renewal terms of one year unless either party provides written notice of non-renewal. The amendment to provide the MSA also provides for the integration of certain third party third-party products into the ADT Command and Control software platform which we operate. In connection with the amendment to the MSA, we agreed to provide ADT a license to use certain Alarm.com intellectual property following the termination or expiration of the initial term of the MSA for which ADT will pay us a monthly royalty for each subscriber to its ADT branded residential interactive security, automation and video service offerings that is covered by any of our licensed patents and not enabled by one of our software platforms. We cannot assure you that we will be able to meet the conditions set forth in the amended agreement. We continue to generate revenue from each subscriber that is already installed on one of our platforms for the life of that subscriber account but the number of such subscribers would likely decline over time. While we would generate revenue from ADT subscribers not on our platform using service offerings covered by any of our licensed patents from the per subscriber royalty fee charged to ADT under the patent license, these monthly fees will be less on a per subscriber basis than fees we receive from our SaaS solutions. In addition, even if ADT continues to use other services that we offer, we cannot assure you that the revenue from ADT or new accounts added by ADT will reach or exceed historical levels in any future period. We may not be able to offset any unanticipated decline in revenue from ADT with revenues from new customers or other existing customers. Any negative developments in ADT’s business, or any significant decrease in revenue from or loss of ADT as a customer could materially and adversely harm our business, financial condition, cash flows and results of operations.

We anticipate that we will continue to be dependent upon a limited number of service provider partners for a significant portion of our revenue for the foreseeable future and, in some cases, a portion of our revenue attributable to individual service provider partners may increase in the future. The loss of one or more key service provider partners, a reduction in sales through any major service provider partners or the inability or unwillingness of any of our major service provider partners to pay for our platforms and solutions would reduce our revenue and could impair our profitability.

Substantially all of the revenues associated with the non-hosted software platform are from a single customer and the loss of this customer could harm our operating results.

In March 2017, we acquired certain assets related to the Connect business unit of Icontrol Networks, Inc., or Icontrol, and all of the outstanding equity interests of the two subsidiaries through which Icontrol conducted its Piper business, which we refer to in this report as the Acquisition. Historically, ADT has accounted for, and continues to account for, substantially all of the revenue of the Connect business unit. In connection with the Acquisition we amended our MSA with ADT to cover services provided with respect to the non-hosted software platform, or Software platform. We cannot assure you that ADT will use the Software platform for its new customers or keep existing customers on the Software platform. In addition, even if ADT continues to use the Software platform, we cannot assure you that the revenue from ADT or new accounts added by ADT will reach or exceed historical levels of revenue for the Connect business unit in any future period. Any negative developments in ADT’s business, or any significant decrease in revenue from or loss of ADT as a customer could materially and adversely harm our business, financial condition, cash flows and results of operations.

We have relatively limited visibility regarding the consumers that ultimately purchase our solutions, and we often rely on information from third-party service providers to help us manage our business. If these service providers fail to provide timely or accurate information, our ability to quickly react to market changes and effectively manage our business may be harmed.

We sell our solutions through service provider partners. These service provider partners work with consumers to design, install, update and maintain their connected home and commercial installations and manage the relationship with our subscribers. While we are able to track orders from service provider partners and have access to certain information about the configurations of their Alarm.com systems that we receive through our platforms, we also rely on service provider partners to provide us with information about consumer behavior, product and system feedback, consumer demographics and buying patterns. We use this channel sell-through data, along with other metrics, to forecast our revenue, assess consumer demand for our solution, develop new solutions, adjust pricing and make other strategic business decisions. Channel sell-through data is subject to limitations due to collection methods and the third-party nature of the data and thus may not be complete or accurate. If we do not receive consumer information on a timely or accurate basis, or if we do not properly interpret this information, our ability to quickly react to market changes and effectively manage our business may be harmed.

Consumers may choose to adopt point products that provide control of discrete functions rather than adopting our connected property solutions. If we are unable to increase market awareness of the benefits of our unified solutions, our revenue may not continue to grow, or it may decline.

Many vendors have emerged, and may continue to emerge, to provide point products with advanced functionality for use in connected properties, such as a video doorbell or thermostat that can be controlled by an application on a smartphone. We expect more and more consumer electronic and consumer appliance products to be network-aware and connected — each very likely to have its own smart device (phone or tablet) application. Consumers may be attracted to the relatively low costs of these point products and the ability to expand their connected property control solution over time with minimal upfront costs, despite some of the disadvantages of this approach, which may reduce demand for our connected property solutions. If so, our service provider partners may switch and offer the point products and services of competing companies, which would adversely affect our sales and profitability. If a significant number of consumers in our target market choose to adopt point products rather than our connected property solutions, then our business, financial condition, cash flows and results of operations will be harmed, and we may not be able to achieve sustained growth or our business may decline.

Mergers or other strategic transactions involving our competitors could weaken our competitive position, which could adversely affect our ability to compete effectively and harm our results of operations.

Our industry is highly fragmented, and we believe it is likely that some of our existing competitors will consolidate or be acquired. In addition, some of our competitors may enter into new alliances with each other or may establish or strengthen cooperative relationships with systems integrators, third-party consulting firms or other parties. Any such consolidation, acquisition, alliance or cooperative relationship could adversely affect our ability to compete effectively and lead to pricing pressure and our loss of market share and could result in a competitor with greater financial, technical, marketing, service and other resources, all of which could harm our business, financial condition, cash flows and results of operations.

We are dependent on our connected property solutions, and the lack of continued market acceptance of our connected property solutions would result in lower revenue.

Our connected property solutions account for substantially all of our revenue and will continue to do so for the foreseeable future. As a result, our revenue could be reduced by:

- any decline in demand for our connected property solutions;
- the failure of our connected property solutions to achieve continued market acceptance;
- the introduction of products and technologies that serve as a replacement or substitute for, or represent an improvement over, our connected property solutions;
- technological innovations or new communications standards our connected property solutions do not address; and
- our inability to release enhanced versions of our connected property solutions on a timely basis.

We are vulnerable to fluctuations in demand for Internet-connected devices in general and interactive security systems in particular. If the market for connected home and commercial solutions grows more slowly than anticipated or if demand for connected home and commercial solutions does not grow as quickly as anticipated, whether as a result of competition, product obsolescence, technological change, unfavorable economic conditions, uncertain geopolitical environments, budgetary constraints of our consumers or other factors, we may not be able to continue to increase our revenue and earnings and our stock price would decline.

A significant decline in our SaaS and license revenue renewal rate would have an adverse effect on our business, financial condition, cash flows and results of operations.

We generally bill our service provider partners based on the number of subscribers they have on our platforms and the features being utilized by subscribers on a monthly basis in advance. Subscribers could elect to terminate our services in any given month. If our efforts and our service provider partners' efforts to satisfy our existing subscribers are not successful, we may not be able to retain them or sell additional functionality to them and, as a result, our revenue and ability to grow could be adversely affected. We track our SaaS and license revenue renewal rate on an annualized basis, as reflected in the section of this Quarterly Report titled "Management's Discussion and Analysis of Financial Condition and Results of Operations — Other Business Metrics — SaaS and License Revenue Renewal Rate." However, our service provider partners, who resell our services to our subscribers, have indicated that they typically have three to five-year service contracts with residential and commercial property owners who use our solutions. Our SaaS and license revenue renewal rate is calculated across our entire subscriber base, including subscribers whose contract with their service provider reached the end of its contractual term during the measurement period, as well as subscribers whose contract with their service provider has not reached the end of its contractual term during the measurement period, and is not intended to estimate the rate at which our subscribers renew their contracts with our service provider partners. As a result, we may not be able to accurately predict future trends in renewals and the resulting churn. Subscribers may choose not to renew their contracts for many reasons, including the belief our service is not required for their needs or is otherwise not cost-effective, a desire to reduce discretionary spending, or a belief our competitors' services provide better value. Additionally, our subscribers may not renew for reasons entirely out of our control, such as moving a residence or the dissolution of their business, which is particularly common for small to mid-sized businesses. A significant increase in our churn would have an adverse effect on our business, financial condition, cash flows or results of operations.

If we are unable to develop new solutions, sell our platforms and solutions into new markets or further penetrate our existing markets, our revenue may not grow as expected.

Our ability to increase sales will depend, in large part, on our ability to enhance and improve our platforms and solutions, introduce new solutions in a timely manner, sell into new markets and further penetrate our existing markets. The success of any enhancement or new solution or service depends on several factors, including the timely completion, introduction and market acceptance of enhanced or new solutions, the ability to maintain and develop relationships with service providers, the ability to attract, retain and effectively train sales and marketing personnel and the effectiveness of our marketing programs. Any new product or service we develop or acquire may not be introduced in a timely or cost-effective manner, and may not achieve the broad market acceptance necessary to generate significant revenue. Any new markets into which we attempt to sell our platforms and solutions, including new vertical markets and new countries or regions, may not be receptive. Our ability to further penetrate our existing markets depends on the quality, availability and reliability of our platforms and solutions and our ability to design our platforms and solutions to meet consumer demand.

We benefit from integration of our solutions with third-party platform providers. If these developers choose not to partner with us, or are acquired by our competitors, our business and results of operations may be harmed.

Our solutions are incorporated into the hardware of our third-party platform providers. For example, our hardware platform partners produce control devices that deliver our platform services to subscribers. It may be necessary in the future to renegotiate agreements relating to various aspects of these solutions or other third-party solutions. The inability to easily integrate with, or any defects in or disruption in the supply or availability of, any third-party solutions could result in increased costs, or in delays in new product releases or updates to our existing solutions until such issues have been resolved, which could have a material adverse effect on our business, financial condition, cash flows, results of operations and future prospects and could damage our reputation. In addition, if these third-party solution providers choose not to partner with us, choose to integrate their solutions with our competitors' platforms, or are unable or unwilling to update their solutions, our business, financial condition, cash flows and results of operations could be harmed. Further, if third-party solution providers that we partner with or that we would benefit from partnering with are acquired by our competitors, they may choose not to offer their solutions on our platforms, which could adversely affect our business, financial condition, cash flows and results of operations.

We rely on wireless carriers to provide access to wireless networks through which we provide our wireless alarm, notification and intelligent automation services, and any interruption of such access and any significant costs related to such interruption could materially and adversely impact our business, financial condition, cash flows, results of operation and reputation.

We rely on wireless carriers to provide access to wireless networks for machine-to-machine data transmissions, which are an integral part of our services. Our wireless carriers may suspend wireless service to expand, maintain or improve their networks, or may discontinue or sunset older wireless networks as new technology evolves. For example, certain cellular carriers have shut down their 3G and CDMA wireless networks in 2022 which required our subscribers to upgrade to alternative and potentially more expensive technologies. See "The technology we employ may become obsolete and we may need to incur significant capital expenditures to update our technology" below. Further, wireless carriers from time to time suffer service outages which range from local to national in scale during which security control panels may be unable to transmit life safety signals to emergency responders. Any such wireless carrier service disruptions could materially and adversely impact our ability to provide services to our service provider partners and subscribers and result in significant costs, which could materially and adversely impact our business, results of operations and reputation. In addition, product changes by wireless carriers, price increases or changes to existing contract terms or termination of our agreements could also have a material and adverse impact on our business, financial condition, cash flows and results of operations.

If we are unable to adapt to technological change, including maintaining compatibility with a wide range of devices, our ability to remain competitive could be impaired.

The market for connected home and commercial solutions is characterized by rapid technological change, frequent introductions of new products and evolving industry standards. Our ability to attract new subscribers and increase revenue from existing subscribers will depend in significant part on our ability to anticipate changes in industry standards, to continue to enhance our existing solutions or introduce new solutions on a timely basis to keep pace with technological developments, and to maintain compatibility with a wide range of connected devices in residential and commercial properties. We may change aspects of our platforms and may utilize open source technology in the future, which may cause difficulties including compatibility, stability and time to market. The success of any enhanced or new product or solution will depend on several factors, including the timely completion and market acceptance of the enhanced or new product or solution. Similarly, if any of our competitors implement new technologies before we are able to implement them, those competitors may be able to provide more effective products than ours, possibly at lower prices. Any delay or failure in the introduction of new or enhanced solutions could harm our business, financial condition, cash flows and results of operations.

The technology we employ may become obsolete and we may need to incur significant capital expenditures to update our technology.

Our industry is characterized by rapid technological innovation. Our platforms and solutions interact with the hardware and software technology of systems and devices located at our subscribers' properties and we depend upon cellular, broadband and other telecommunications providers to provide communication paths to our subscribers in a timely and efficient manner. We may be required to implement new technologies or adapt existing technologies in response to changing market conditions, consumer preferences or industry standards, which could require significant capital expenditures. The discontinuation of cellular communication technology, cellular networks or other services by telecommunications service providers can affect our services and require our subscribers to upgrade to alternative and potentially more expensive, technologies. For example, certain cellular carriers shut down their 3G and CDMA wireless networks in 2022. We worked with our service providers to convert or upgrade the equipment of end user accounts reliant upon 3G or CDMA networks, and we incurred costs and may continue to incur costs related to the 3G and CDMA network shutdown. If our service providers are not able to convert or upgrade the equipment of their customers who are currently using 3G or CDMA network technology, then those accounts may be terminated with us or we may not be able to bill for such accounts when such networks are no longer available which could adversely affect our business, financial condition, cash flows and results of operations.

It is also possible that one or more of our competitors could develop a significant technical advantage that allows them to provide additional or superior quality products or services, or to lower their price for similar products or services, which could put us at a competitive disadvantage. Our inability to adapt to changing technologies, market conditions or consumer preferences in a timely manner could materially and adversely affect our business, financial condition, cash flows or results of operations.

We depend on our suppliers. The loss of any key supplier or the inability of a key supplier to deliver their products to us on time or at the contracted price would materially and adversely affect our business, financial condition, cash flows and results of operations.

Our hardware products depend on the availability and quality of components that we procure from third-party suppliers, some of which are supplied by single or limited source suppliers. Reliance on suppliers generally involves several risks, including increased costs, the possibility of defective parts, and loss of a supplier due to their ability to effectively manage their own supply chain, ability to obtain a contract on commercially reasonable terms, bankruptcy, or other events, which can adversely affect the reliability and reputation of our platforms and solutions and our profitability. In addition, from time to time we provide advance payments or loans to our vendors to, for example, secure procurement of long lead time parts or to provide bridge financing to ensure continuity of operations. We are also dependent on industry supply conditions and subject to supply chain risks, including a shortage of components and reduced control over delivery schedules and increases in component costs, which can also adversely affect the reliability and reputation of our platforms and solutions and our profitability. These supply chain risks would be heightened in the event health precautions such as travel restrictions and shelter-in-place orders are implemented. In addition, limitations on factory capacity, including labor shortages, and delays in shipping times due to the Macroeconomic Conditions have in the past and may in the future adversely affect production of and the timing of delivery of components. While the global shortage of semiconductors used in our video, cellular communicator, and other products has eased, shortages of essential components of our products or significantly increased lead times for obtaining such components may lead to delays in our production, and we may be unable to fulfill orders for our hardware products on a timely basis or at all. Even if we are able to procure components from alternative sources, we may be required to pay more for them, which could adversely affect our profitability. We are working with our suppliers to secure components and materials to account for the continued longer lead times and limited availability, but we cannot assure you our efforts will be successful or that demand for our hardware products will continue at the same level. In addition, global transportation disruptions have led to slower shipping times generally, while fluctuations in passenger air travel have also led to reduced capacity and increased costs for air freight shipments, which may continue to adversely affect the timing and cost of delivery of components, materials and products. Any of these disruptions to our inventory and supply chain could have a material adverse effect on our business, financial condition, cash flows and results of operations. We have several large hardware suppliers from which we procure hardware on a purchase order basis, including three key suppliers that supplied products and components of our inventory which collectively represented 50% 37% of our hardware revenue for the nine three months ended September 30, 2023 March 31, 2024 (24%, 14% 8% and 12% 5% of hardware revenue, respectively). The failure of any of these key suppliers or their subcomponent suppliers to deliver product on time or at the contracted price would materially and adversely affect our business, financial condition, cash flows and results of operations. We are working with any impacted suppliers and their subcomponent provider to determine the amount and timing of any shortfall and to mitigate risks in this part of our supply chain, but we may not be successful. In addition, we rely on third-party technology providers for certain critical functions, such as processing and storing video. If our suppliers or technology providers are unable to continue to provide agreed upon supply or services, we could experience interruptions in delivery of our platforms and solutions to our service provider partners, which could have a material adverse effect on our business, financial condition, cash flows and results of operations. If we were required to find alternative sources of supply, qualification of alternative suppliers and the establishment of reliable supplies could result in delays, loss of sales and/or less profitable sales, any of which could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Growth of our business will depend on market awareness and a strong brand, and any failure to develop, maintain, protect and enhance our brand would hurt our ability to retain or attract subscribers.

We believe that building and maintaining market awareness, brand recognition and goodwill in a cost-effective manner is important to our overall success in achieving widespread acceptance of our existing and future solutions and is an important element in attracting new service provider partners and subscribers. An important part of our business strategy is to increase service provider and consumer awareness of our brand and to provide marketing leadership, services and support to our service provider partner network. This will depend largely on our ability to continue to provide high-quality solutions, and we may not be able to do so effectively. While we may choose to engage in a broader marketing campaign to further promote our brand, this effort may not be successful. Our efforts in developing our brand may be hindered by the marketing efforts of our competitors and our reliance on our service provider partners and strategic partners to promote our brand. If we are unable to cost-effectively maintain and increase awareness of our brand, our business, financial condition, cash flows and results of operations could be harmed.

We operate in the emerging and evolving connected property market, which may develop more slowly or differently than we expect. If the connected property market does not grow as we expect, or if we cannot expand our platforms and solutions to meet the demands of this market, our revenue may decline, fail to grow or fail to grow at an accelerated rate, and we may incur operating losses.

The market for solutions that bring objects and systems not typically connected to the Internet, such as home automation, security monitoring, video monitoring, energy management and wellness solutions, into an Internet-like structure is still developing, and it is uncertain how rapidly or how consistently this market will continue to develop and the degree to which our platforms and solutions will be accepted into the markets in which we operate. Some consumers may be reluctant or unwilling to use our platforms and solutions for a number of reasons, including satisfaction with traditional solutions, concerns about additional costs, concerns about data privacy and lack of awareness of the benefits of our platforms and solutions. Our ability to expand the sales of our platforms and solutions into new markets depends on several factors, including the awareness of our platforms and solutions, the timely completion, introduction and market acceptance of our platforms and solutions, the ability to attract, retain and effectively train sales and marketing personnel, the ability to develop relationships with service providers, the effectiveness of our marketing programs, the costs of our platforms and solutions and the success of our competitors. If we are unsuccessful in developing and marketing our platforms and solutions into new markets, or if consumers do not perceive or value the benefits of our platforms and solutions, the market for our platforms and solutions might not continue to develop or might develop more slowly than we expect, either of which would harm our revenue and growth prospects.

Risks of liability from our operations are significant.

The nature of the solutions we provide, including our interactive security solutions, and new technologies and companies we may acquire, potentially exposes us to greater risks of liability for data privacy and security, employee acts or omissions, or technology or system failure than may be inherent in other businesses. Substantially all of our service provider partner agreements contain provisions limiting our liability to service provider partners and our subscribers in an attempt to reduce this risk. However, in the event of litigation with respect to these matters, we cannot assure you that these limitations will be enforced, and the costs of such litigation could have a material adverse effect on us. Moreover, in the event of any regulatory investigations or actions against us related to these matters, we could be subject to additional risks and liabilities, including significant fines by U.S. federal and state authorities, foreign data privacy authorities in the EU, Canada, and other countries, in addition to the costs of such investigations, all of which could have a material adverse effect on us. In addition, there can be no assurance that we are adequately insured for these risks. Certain of our insurance policies and the laws of some states may limit or prohibit insurance coverage for punitive or certain other types of damages or liability arising from gross negligence.

Our strategy includes pursuing acquisitions, and our potential inability to successfully integrate newly-acquired technologies, assets or businesses may harm our financial results. Future acquisitions of technologies, assets or businesses which are paid for partially or entirely through the issuance of stock or stock rights could dilute the ownership of our existing stockholders.

We believe part of our growth will continue to be driven by acquisitions of other companies or their technologies, assets and businesses. For example, on April 21, 2023, we acquired certain assets of Vintra, on January 18, 2023, we acquired 100% of the issued and outstanding shares of capital stock of EBS, on September 23, 2022, we acquired 85% of the issued and outstanding shares of capital stock of Noonlight, Inc., on October 21, 2019, we acquired 85% of the issued and outstanding shares of capital stock of PC Open Incorporated, doing business as OpenEye, and on December 14, 2020, we acquired Shooter Detection Systems, LLC. Additionally, on December 16, 2021, our EnergyHub subsidiary acquired certain assets of an unrelated third party. Substantially all of the acquired assets consisted of developed technology. These acquisitions and any other acquisitions we may complete in the future will give rise to certain risks, including:

- incurring higher than anticipated capital expenditures and operating expenses;
- failing to assimilate and integrate the operations and personnel or failing to retain the key personnel of the acquired company or business;
- failing to retain customers and service providers and other third-party business partners seeking to terminate or renegotiate their relationships with us;
- failing to integrate the acquired technologies, or incurring significant expense to integrate acquired technologies into our platforms and solutions;
- disrupting our ongoing business;
- encountering complexities associated with managing a larger, more complex and growing business;
- diverting our management’s attention and other company resources;
- failing to maintain uniform standards, controls and policies;
- incurring significant accounting charges;
- impairing relationships with employees, service provider partners or subscribers;
- finding that the acquired technology, asset or business does not further our business strategy, that we overpaid for the technology, asset or business or that we may be required to write off acquired assets or investments partially or entirely;
- failing to realize the expected synergies of the transaction;
- being exposed to unforeseen liabilities and contingencies that were not identified prior to acquiring the company; and
- being unable to generate sufficient revenue and profits from acquisitions to offset the associated acquisition costs.

Fully integrating an acquired technology, asset or business into our operations may take a significant amount of time. We may not be successful in overcoming these risks or any other problems encountered with acquisitions. To the extent we do not successfully avoid or overcome the risks or problems related to any such acquisitions, or fail to manage the acquired business or execute our integration and growth strategy in an efficient and effective manner, our business, financial condition, cash flows and results of operations could be harmed. Acquisitions also could impact our financial position and capital requirements, or could cause fluctuations in our quarterly and annual results of operations. Acquisitions could include significant goodwill and intangible assets, which may result in future impairment charges that would reduce our stated earnings. We may incur significant costs in our efforts to engage in strategic transactions and these expenditures may not result in successful acquisitions.

We expect that the consideration we might pay for any future acquisitions of technologies, assets or businesses could include stock, rights to purchase stock, cash or some combination of the foregoing. If we issue stock or rights to purchase stock in connection with future acquisitions, net income per share and then-existing holders of our common stock may experience dilution.

We may pursue business opportunities that diverge from our current business model, which may cause our business to suffer.

We may pursue business opportunities that diverge from our current business model, including but not limited to expanding our platforms and solutions and investing in new and unproven technologies. We can offer no assurance that any such new business opportunities will prove to be successful. Among other negative effects, our pursuit of such business opportunities could reduce operating margins and require more working capital, subject us to additional federal state, and local laws and regulations, materially and adversely affect our business, financial condition, cash flows or results of operations.

Evolving government and industry regulation and changes in applicable laws relating to the Internet and data privacy may increase our expenditures related to compliance efforts or otherwise limit the solutions we can offer, which may harm our business and adversely affect our financial condition.

As Internet commerce continues to evolve, federal, state or foreign agencies have adopted and could in the future adopt regulations covering issues such as user privacy and content. We are particularly sensitive to these risks because the Internet is a critical component of our SaaS business model. In addition, taxation of products or services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may be imposed. Any regulation imposing greater fees for Internet use or restricting information exchange over the Internet could result in a decline in the use of the Internet and the viability of Internet-based services, which could harm our business.

Our platforms and solutions enable us to collect, manage and store a wide range of data related to our subscribers' interactive security, intelligent automation, video monitoring, energy management and wellness systems. A valuable component of our platforms and solutions is our ability to analyze this data to present the user with actionable business intelligence. We obtain our data from a variety of sources, including our service provider partners, our subscribers and third-party providers. We cannot assure that the data we require for our proprietary data sets will be available from these sources in the future or that the cost of such data will not increase. The United States federal government and various state governments have adopted or proposed limitations on the collection, distribution, storage and use of personal information. Several foreign jurisdictions in which we do business, including the European Union, and the United Kingdom, Canada and Argentina, among others, have adopted legislation (including directives or regulations) that is more rigorous governing data collection and storage than in the United States.

On June 28, 2018, the State of California enacted the California Consumer Privacy Act of 2018, or CCPA, which took effect on January 1, 2020. The CCPA governs the collection, sale and use of California residents' personal information, and significantly impacts businesses' handling of personal information and privacy policies and procedures. The CCPA, as well as data privacy laws that have been adopted or proposed in over a dozen other states such as Virginia, Colorado, Connecticut, Texas and Utah, may limit our ability to use, process and store certain data, which may decrease adoption of our platforms and solutions, affect our relationships with service provider partners and our suppliers, increase our costs for compliance, and harm our business, financial condition, cash flows and results of operations. Specifically, the CCPA may subject us to regulatory fines by the State of

California, individual claims, class actions, and increased commercial liabilities. In addition, the California Privacy Rights Act of 2020, or CPRA, was approved by California voters and became effective as of January 1, 2023. The CPRA, among other things, amended the CCPA by creating additional privacy rights for California consumers and additional obligations on businesses, which could subject us to additional compliance costs as well as potential fines, individual claims, class actions and commercial liabilities. The CPRA also extended the CCPA's scope to include employees' and business contacts' personal information, which may increase our compliance costs, legal costs and other costs of doing business.

European data protection laws, including the General Data Protection Regulation, or GDPR, generally restrict the transfer of personal data from Europe, including the European Economic Area, or EEA, UK and Switzerland, to the United States and most other countries unless the parties to the transfer have implemented specific safeguards to protect the transferred personal data. On July 16, 2020, the Court of Justice of the European Union, or CJEU, invalidated the EU-U.S. Privacy Shield framework, a program for transferring personal data from the EEA to the United States. The ruling also raised questions about whether one of the primary alternatives to the EU-U.S. Privacy Shield, namely the European Commission's Standard Contractual Clauses, or SCCs, can lawfully be used for transfers from the EEA to the United States or most other countries. While the CJEU did not invalidate the use of SCCs as a valid mechanism for transferring personal data from the EEA to the United States, the CJEU required entities relying on SCCs to, among other things, verify on a case-by-case basis that the SCCs provide adequate protection of personal data under European Union, or EU, law by providing, where necessary, additional safeguards to those offered by the existing SCCs. For data transfers to the United States, these additional safeguards must be added to the SCCs in order for entities to use SCCs as a valid data transfer mechanism. Furthermore, the CJEU and the European Data Protection Board advised European data protection authorities that they would need to closely examine the laws and practices of countries outside of the EEA where EEA personal data is transferred, with a particular focus on the United States, so data transfers to the United States from the EEA are subject to increasing regulatory scrutiny following the CJEU decision.

We have historically relied on both the EU-U.S. Privacy Shield and SCCs for transferring personal data from the EEA, and as a result of the CJEU ruling, we have transitioned our data transfers covered under the EU-U.S. Privacy Shield to be covered under SCCs. In June 2021, the European Commission adopted a new version of the SCCs, which we began using on September 27, 2021. Moreover, the UK data protection regulator developed new SCCs for transferring personal data from the UK that were finalized in March 2022, and we use the new UK SCCs with our current and future customers in the UK. In July 2023, the EU-U.S. Privacy Shield was replaced by the Data Privacy Framework, or DPF, and we have been automatically enrolled in this program given our existing EU-U.S.Privacy EU-U.S. Privacy Shield enrollment. We are also enrolled in the UK Extension to the EU-U.S. DPF. Effective October 12, 2023, organizations participating in the UK Extension to the EU-U.S. DPF may receive personal data from the UK and Gibraltar in reliance on the UK Extension to the EU-U.S. DPF.

Our work adopting, implementing and complying with the changing legal landscape governing international data transfers slows down our contracting process and increases our legal and compliance costs (including an increase in exposure to substantial fines under EEA data protection laws, increasing requests from our customers for compliance-related product changes, as well as injunctions against processing or transferring personal data from the EEA), which could adversely affect our cash flows and financial condition. SCCs with additional safeguards and obligations put in place by EEA data protection authorities or customers may impose new restrictions on our business and could affect our operations in the EEA.

In September 2020, the Swiss Federal Data Protection and Information Commissioner, or FDPIC, determined that the Swiss-U.S. Privacy Shield Framework does not provide an adequate level of data protection for data transfers from Switzerland to the U.S. While the FDPIC does not have the authority to invalidate the Swiss-U.S. Privacy Shield, the FDPIC's announcement casts serious doubt on the viability of the Swiss-U.S. Privacy Shield as a valid mechanism for Swiss-U.S. data transfers. As a result of the FDPIC decision, we will need to transition any data transfers covered under the Swiss-U.S. Privacy Shield to be covered under SCCs or the Swiss-U.S. DPF once Switzerland adopts an adequacy decision. For data transfers from Switzerland, Alarm.com will continue to rely upon the SCCs adopted by the European Commission in August 2021 with any necessary modifications required by the regulatory authorities in Switzerland.Switzerland.

As a result of these ongoing changes, there will continue to be significant regulatory uncertainty surrounding the validity of data transfers from the EEA, UK and Switzerland to the United States. The inability to import personal data from the EEA, UK or Switzerland may require us to increase our data processing capabilities in those jurisdictions at significant expense. Various other non-EU jurisdictions may also choose to impose data localization laws limiting the transfer of personal data out of their respective jurisdictions, or our EEA, UK or Swiss service provider partners may require similar contractual restrictions regarding data localization. Such laws or contractual restrictions may increase our costs for compliance, and harm our business, financial condition, cash flows and results of operations.

The EU's General Data Protection Regulation, or GDPR, went into effect on May 25, 2018. Prior to May 25, 2018, we updated our existing privacy and data security measures to comply with GDPR. As guidance on compliance with GDPR from the EU data protection authorities evolves over time, our privacy or data security measures may be deemed or perceived to be in noncompliance with current or future laws and regulations, which may subject us to litigation, regulatory investigations or other liabilities and could limit the products and services we can offer in certain jurisdictions. Further, in the event of a breach of personal information that we hold, we may be subject to governmental fines, individual claims, remediation expenses and/or harm to our reputation. Moreover, if future laws, regulations, or court rulings, such as the CJEU's decision invalidating the EU-U.S. Privacy Shield, limit our ability to use and share this data or our ability to store, process and share data over the Internet,

demand for our platforms and solutions could decrease, our costs could increase, and our business, financial condition, cash flows and results of operations could be harmed.

In Canada, data privacy laws have been subject to recent amendments that have introduced stricter compliance requirements and increased potential sanctions. The Province of Quebec enacted extensive amendments to its private-sector data privacy laws in 2021, which will become fully in force as of September 2024. Key changes include mandatory breach reporting, elevated consent and transparency requirements, the introduction of individual privacy rights such as privacy by default, data portability and the right to be forgotten, privacy impact assessments, and substantial monetary penalties for non-compliance. These changes to Quebec's data privacy laws may have similar impacts on our business as the CCPA and other privacy law reforms in other jurisdictions.

Furthermore, Brazil's comprehensive privacy law, the General Data Protection Law, or LGPD, took effect on September 18, 2020 and federal regulatory enforcement began on August 1, 2021. However, private and state-level enforcement of the law began in September 2020. The LGPD creates a new legal framework for the use, processing and storage of Brazilians' personal data, and it adds significant privacy and security obligations for companies processing personal data in Brazil. The LGPD may limit our and our service providers' ability to use, process and store certain data, which may decrease adoption of our platforms and solutions, affect our relationships with our service provider partners and suppliers, increase our costs for compliance, and harm our business, financial condition, cash flows and results of operations. In addition, the LGPD may subject us to regulatory fines by the Brazilian Data Protection Authority and increased commercial liabilities.

Since April 2018 we have offered a solution for certain service provider partners who may be subject to the Health Insurance Portability and Accountability Act of 1996, and its implementing regulations, or HIPAA, which regulates the use and disclosure of Protected Health Information, or PHI. As a result, we are subject to HIPAA when PHI is accessed, created, maintained or transmitted through our solution by these service provider partners. We have implemented additional privacy and security policies and procedures, as well as administrative, physical and technical safeguards to enable our solution to be HIPAA-compliant. Additionally, HIPAA compliance has required us to put in place certain agreements with contracting partners and to appoint a Privacy Officer and Security Officer. If our privacy and security policies or other safeguards for PHI are deemed to be in noncompliance by the United States Department of Health and Human Services, or HHS, we may be subject to litigation, regulatory investigations or other liabilities. In the event of a breach of PHI that we hold, we may be subject to governmental fines, individual claims under state privacy laws governing personal health information, remediation expenses and/or harm to our reputation. The use of health-related data is coming under increasing regulatory scrutiny in other ways. Several U.S. states, such as Washington, Nevada, and Connecticut, have passed health privacy laws, which may increase the risk of regulatory actions or consumer class actions being brought against Alarm.com. These laws may also increase our costs of doing business as well as legal costs, and slow down our contracting process. Moreover, the FTC has brought a series of regulatory enforcement actions relating to companies' use of health-related data, which may increase our regulatory risk. Furthermore, if future changes to HIPAA or state privacy laws governing PHI expand the definition of PHI or put more restrictions on our ability to use, process and store PHI, then HIPAA compliance for our solutions as currently constituted may be costly both financially and in terms of administrative resources. Ongoing compliance efforts may take substantial time and require the assistance of external resources, such as attorneys, information technology, and/or other consultants and advisors.

Laws and regulations relating to the use of certain video data for training and analytics purposes continue to change. Specifically, the use of facial images and other biometric data in the training of video models has been subject to increased scrutiny and in some cases regulatory review. The FTC as well as certain states and individuals have brought legal actions against companies regarding the collection and use of facial and biometric information for product development and other purposes. We account for these laws and regulations in our product development cycle, which may impact the scope and timing of the products we make available.

Use of artificial intelligence in our operations and product offerings could result in reputational or competitive harm, legal or regulatory liability and adverse impacts on our results of operations.

We have incorporated, and expect to continue to incorporate in the future, artificial intelligence, or AI, solutions into our operations and product offerings, and the use of AI involves various risks and challenges that could adversely affect our business, financial condition or results of operations. We currently use AI to help improve our business management solutions for service provider partners and advance our data analytics engine. For example, we leverage large language models for the Gopher Info feature of our service provider solutions, an AI-powered chat bot assistant for technicians and service providers designed to improve service provider efficiency and operations. The development and deployment of AI systems involve inherent technical complexities and uncertainties, and our AI systems may encounter unexpected technical difficulties, limitations or errors, including inaccuracies in data processing or flawed algorithms, which could compromise the reliability and effectiveness of our products and services based on AI. In addition, our competitors or other third parties may incorporate AI into their products more quickly or more successfully than us, which could impair our ability to compete effectively.

The use of AI applications, including large language models, has resulted in, and may in the future result in, cybersecurity incidents that implicate the personal data of end users of such applications. Any such cybersecurity incidents related to our use of AI applications could adversely affect our reputation and results of operations. AI also presents emerging ethical issues, and if our use of AI becomes controversial, we may experience brand or reputational harm, competitive harm, regulatory scrutiny or legal liability.

The introduction of AI technologies into our products and services may result in new or enhanced governmental or regulatory scrutiny, litigation, confidentiality or security risks or other complications that could adversely affect our business, reputation or financial results. The regulatory landscape governing AI technologies is evolving rapidly, and changes in laws, regulations or enforcement practices may impose new compliance requirements, restrict certain AI applications or increase our regulatory obligations, which could negatively impact our business and results of operations.

We rely on the performance of our senior management and highly skilled personnel, and if we are unable to attract, retain and motivate well-qualified employees, our business and results of operations could be harmed.

We believe our success has depended, and continues to depend, on the efforts and talents of senior management and key personnel, including Stephen Trundle, our Chief Executive Officer, and our senior information technology managers. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract them. In addition, the loss of any of our senior management or key personnel could interrupt our ability to execute our business plan, as such individuals may be difficult to replace. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business and results of operations could be harmed.

We provide minimum service level commitments to certain of our service provider partners, and our failure to meet them could cause us to issue credits for future services or pay penalties, which could harm our results of operations.

Certain of our service provider partner agreements currently, and may in the future, provide minimum service level commitments regarding items such as uptime, functionality or performance. If we are unable to meet the stated service level commitments for these service provider partners or suffer extended periods of service unavailability, we are or may be contractually obligated to provide these service provider partners with credits for future services, provide services at no cost or pay other penalties, which could adversely impact our revenue. We have incurred such penalties in the past, which have reduced our revenue. We do not currently have any reserves on our balance sheet for these commitments.

We have indemnity obligations to certain of our service provider partners for certain expenses and liabilities, which could force us to incur substantial costs.

We have indemnity obligations to certain of our service provider partners for certain claims regarding our platforms and solutions, including security breach, product recall, epidemic failure, and product liability claims. As a result, in the case of any such claims against these service provider partners, we could be required to indemnify them for losses resulting from such claims or to refund amounts they have paid to us. We expect that some of our service provider partners may seek indemnification from us in the event that such claims are brought against them. In addition, we may elect to indemnify service provider partners where we have no contractual obligation to do so and we will evaluate each such request on a case-by-case basis. If a service provider partner elects to invest resources in enforcing a claim for indemnification against us, we could incur significant costs disputing it. If we do not succeed in disputing it, we could face substantial liability. See "We have indemnity obligations to certain of our service provider partners for certain expenses and liabilities resulting from intellectual property infringement claims regarding our platforms and solutions, which could force us to incur substantial costs" below for details on indemnity obligations resulting from intellectual property.

The incurrence or issuance of debt may impact our financial position and subject us to additional financial and operating restrictions.

On January 20, 2021, we issued $500.0 million aggregate principal amount of 0% convertible senior notes due January 15, 2026 in a private placement to qualified institutional buyers, or the 2026 Notes. We received proceeds from the issuance of the 2026 Notes of $484.3 million, net of $15.7 million of transaction fees and other debt issuance costs. We used some of the proceeds to repay the $110.0 million outstanding principal balance under our credit facility and also used some of the proceeds to pay accrued interest, fees and expenses related to our credit facility, which was terminated effective January 20, 2021. We currently intend to invest a portion of the proceeds in a portfolio of securities and other investments and although we plan to follow an established investment policy and seek to minimize the credit risk associated with investments by limiting exposure to any one issuer depending on credit quality, we cannot give assurances that the assets in our investment portfolio will not lose value, become impaired or suffer from illiquidity.

Our overall leverage and certain obligations contained in the related documentation could adversely affect our financial health and business and future operations by, among other things:

- making it more difficult to satisfy our obligations, including under the terms of the 2026 Notes;
- limiting our ability to refinance our debt on terms acceptable to us or at all;
- limiting our flexibility to plan for and adjust to changing business and market conditions and increasing our vulnerability to general adverse economic and industry conditions;
- limiting our ability to use our available cash flow to fund future acquisitions, working capital, business activities, and other general corporate requirements; and
- limiting our ability to obtain additional financing for working capital, to fund growth or for general corporate purposes, even when necessary to maintain adequate liquidity.

Any of the foregoing could have a material adverse effect on our business, financial condition, cash flows or results of operations.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

In the future, we may require additional capital to respond to business opportunities, challenges, acquisitions or unforeseen circumstances and may determine to engage in equity or debt financings or enter into credit facilities for other reasons. For example, on January 20, 2021, we issued the 2026 Notes. We received proceeds from the issuance of the 2026 Notes of $484.3 million, net of $15.7 million of transaction fees and other debt issuance costs. We may require additional capital to respond to the significant uncertainty arising from the Macroeconomic Conditions and we may not be able to timely secure additional debt or equity financing on favorable terms or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be limited. Any debt financing obtained by us in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. If we raise additional funds through further issuances of equity, convertible debt securities or other securities convertible into equity, our existing stockholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to grow or support our business and to respond to business challenges could be limited. See “Risks Related to our Outstanding Convertible Senior Notes” below for further details on risks related to the 2026 Notes.

Goodwill and other identifiable intangible assets represent a significant portion of our total assets, and we may never realize the full value of our intangible assets.

As of September 30, 2023 March 31, 2024, we had $236.3 million $228.8 million of goodwill and identifiable intangible assets. Goodwill and other identifiable intangible assets are recorded at fair value on the date of acquisition. We review such assets for impairment at least annually. Impairment may result from, among other things, deterioration in performance, adverse market conditions, including adverse market conditions arising from the Macroeconomic Conditions, adverse changes in applicable laws or regulations, including changes that restrict the activities of or affect the solutions we offer, challenges to the validity of certain registered intellectual property, reduced sales of certain products or services incorporating registered intellectual property, increased attrition and a variety of other factors. The amount of any quantified impairment must be expensed immediately as a charge to results of operations. Depending on future circumstances, it is possible that we may never realize the full value of our intangible assets. Any future determination of impairment of goodwill or other identifiable intangible assets could have a material adverse effect on our financial position and results of operations.

Comprehensive tax reform bills could adversely affect our business and financial condition.

Legislative changes in the U.S. and other countries could increase our tax liability and adversely affect our after-tax profitability. For example, in August 2022, the Inflation Reduction Act of 2022 was enacted in the United States which, among other provisions, includes a minimum 15.0% tax on companies that have a three-year average annual adjusted financial statement income of more than $1.0 billion and a 1.0% excise tax on the value of net corporate stock repurchases. Both provisions became effective on January 1, 2023. Current economic and political considerations make additional tax rules in the United States and other applicable jurisdictions subject to significant change, and changes in applicable tax laws and regulations, or their interpretation and application, including the possibility of retroactive effect, could affect our income tax expense and profitability.

In addition, there is a continued interest within the European Union, Canada and other jurisdictions to apply new taxes on companies participating in the digital economy. Such tax rule changes could materially and adversely affect our cash flows, deferred tax assets and financial results.

We may be subject to additional tax liabilities, which would harm our results of operations.

We are subject to income, sales, use, value added and other taxes in the United States and other countries in which we conduct business, which laws and rates vary greatly by jurisdiction. Certain jurisdictions in which we do not collect sales, use, value added or other taxes on our sales may assert that such taxes are applicable, which could result in tax assessments, penalties and interest, and we may be required to collect and remit such taxes in the future. Additionally, longstanding international tax norms that determine each country’s jurisdiction to tax cross-border international trade are subject to potential evolution. An outgrowth of the original Base Erosion and Profit Shifting project is a project undertaken by the more than 130 member countries of the expanded Organization for Economic Cooperation and Development, or OECD, Inclusive Framework focused on "Addressing the Challenges of the Digitalization of the Economy." Furthermore, the OECD, announced a consensus around further changes in traditional international tax principles to address, among other things, perceived challenges presented by global digital commerce, or Pillar One, and the perceived need for a minimum global effective tax rate of 15%, or Pillar Two. On December 12, 2022 December 20, 2021, the European Union member states agreed to implement the OECD’s OECD released Pillar Two Model Rules defining the global corporate minimum tax rate of 15% on companies with revenues of at least 750.0 million Euros, which would go into effect in 2024, subject to certain phase-in transition rules. The breadth While it is uncertain whether the U.S. will enact legislation to adopt the minimum tax directive, certain countries in which we operate have adopted such legislation, and other countries are in the process of this project introducing legislation to implement the minimum tax directive. Under a transitional safe harbor released on July 17, 2023, the undertaxed profits rule top-up tax will be zero for each year of the transition period if that jurisdiction has a corporate tax rate of at least 20%. This undertaxed profits safe harbor transition rule will apply to us through our year ending December 31, 2025.

While we do not currently expect the Pillar Two minimum tax directive to have a material impact on our effective tax rate or operations, our analysis is likely ongoing as the OECD (and many countries) continue to release additional guidance and implement legislation. To the extent additional changes take place in the countries in which we operate, it is possible that these legislative changes and efforts may increase uncertainty and have an adverse impact all multinational businesses by potentially redefining jurisdictional taxation rights. on our effective tax rates or operations. We will continue to monitor and evaluate new legislation and guidance, which could change our current assessment.

Significant judgment is required in determining our worldwide provision for income taxes. These determinations are highly complex and require detailed analysis of the available information and applicable statutes and regulatory materials. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be different from our historical tax practices, provisions and accruals. If we receive an adverse ruling as a result of an audit, or we unilaterally determine that we have misinterpreted provisions of the tax regulations to which we are subject, our tax provision, results of operations or cash flows could be harmed. In addition, liabilities associated with taxes are often subject to an extended or indefinite statute of limitations period. Therefore, we may be subject to additional tax liability (including penalties and interest) for a particular year for extended periods of time.

If the U.S. insurance industry were to change its practice of providing incentives to homeowners for the use of alarm monitoring services, we could experience a reduction in new subscriber growth or an increase in our subscriber attrition rate.

It has been common practice in the U.S. insurance industry to provide a reduction in rates for policies written on residences that have monitored alarm systems. There can be no assurance that insurance companies will continue to offer these rate reductions. If these incentives were reduced or eliminated, new homeowners who otherwise may not feel the need for alarm monitoring services would be removed from our potential subscriber pool, which could hinder the growth of our business, and existing subscribers may choose to disconnect or not renew their service contracts, which could increase our attrition rates. In either case, our results of operations and growth prospects could be adversely affected.

Failure to comply with laws and regulations could harm our business.

We conduct our business in the United States and in various other countries. We are subject to regulation by various federal, state, local and foreign governmental agencies, including, but not limited to, agencies and regulatory bodies or authorities responsible for monitoring and enforcing product safety and consumer protection laws, data privacy and security laws and regulations, employment and labor laws, workplace safety laws and regulations, environmental laws and regulations, antitrust laws, federal securities laws and tax laws and regulations.

We are subject to the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Foreign Corrupt Practices Act of 1977, as amended, the U.S. Travel Act, and possibly other anti-bribery laws, including those that comply with the Organization for Economic Cooperation and Development, or OECD, Convention on Combating Bribery of Foreign Public Officials in

International Business Transactions and other international conventions. Anti-corruption laws are interpreted broadly and prohibit our company from authorizing, offering, or providing directly or indirectly improper payments or benefits to recipients in the public or private-sector. Certain laws also prohibit us from soliciting or accepting bribes or kickbacks. Our company has direct government interactions and in several cases uses third-party representatives, including dealers, for regulatory compliance, sales and other purposes in a variety of countries. These factors increase our anti-corruption risk profile. We can be held liable for the corrupt activities of our employees, representatives, contractors, partners and agents, even if we did not explicitly authorize such activity. Although we have implemented policies and procedures designed to ensure compliance with anti-corruption laws, there can be no assurance that all of our employees, representatives, contractors, partners, and agents will comply with these laws and policies.

Our global operations require us to import from and export to several countries, which geographically stretches our compliance obligations. We are also subject to anti-money laundering laws such as the USA PATRIOT Act and may be subject to similar laws in other jurisdictions. Our platforms and solutions are subject to export control and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, and various economic and trade sanctions regulations administered by the U.S. Treasury Department’s Office of Foreign Assets Controls. Exports of our platforms and solutions must be made in compliance with these laws and regulations. We may also be subject to import/export laws and regulations in other jurisdictions in which we conduct business. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges; fines, which may be imposed on us and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers. In addition, if our service provider partners fail to obtain appropriate import, export or re-export licenses or authorizations, we may also be adversely affected through reputational harm and penalties. Obtaining the necessary authorizations, including any required license, for a particular sale may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. In addition, changes in our platforms or solutions or changes in applicable export or import laws and regulations may create delays in the introduction and sale of our platforms and solutions in international markets, prevent our service provider partners with international operations from deploying our platforms and solutions or, in some cases, prevent the export or import of our platforms and solutions to certain countries, governments or persons altogether. Any change in export or import laws and regulations, shift in the enforcement or scope of existing laws and regulations, or change in the countries, governments, persons or technologies targeted by such laws and regulations, could also result in decreased use of our platforms and solutions, or in our decreased ability to export or sell our platforms and solutions to existing or potential service provider partners with international operations. Any decreased use of our platforms and solutions or limitation on our ability to export or sell our platforms and solutions would likely adversely affect our business, financial condition, cash flows and results of operations.

In addition, our software contains encryption technologies, certain types of which are subject to U.S. and foreign export control regulations and, in some foreign countries, restrictions on importation and/or use. Any failure on our part to comply with encryption or other applicable export control requirements could result in financial penalties or other sanctions under the U.S. export regulations, including restrictions on future export activities, which could harm our business and operating results. Regulatory restrictions could impair our access to technologies needed to improve our platforms and solutions and may also limit or reduce the demand for our platforms and solutions outside of the United States.

Furthermore, U.S. export control laws and economic sanctions programs prohibit the shipment of certain products and services to countries, governments and persons that are subject to U.S. economic embargoes and trade sanctions. Even though we take precautions to prevent our platforms and solutions from being shipped or provided to U.S. sanctions targets, our platforms and solutions could be shipped to those targets or provided by third-parties despite such precautions. Any such shipment could have negative consequences, including government investigations, penalties and reputational harm. Furthermore, any new embargo or sanctions program, or any change in the countries, governments, persons or activities targeted by such programs, could result in decreased use of our platforms and solutions, or in our decreased ability to export or sell our platforms and solutions to existing or potential service provider partners, which would likely adversely affect our business, financial condition, cash flows and results of operations.

Changes in laws that apply to us could result in increased regulatory requirements and compliance costs which could harm our business, financial condition, cash flows and results of operations. For example, the SEC has proposed expansive rules requiring public companies to disclose information about the material impact of climate on their businesses, as well as information about companies’ governance, risk management and strategy related to climate risk. In certain jurisdictions, regulatory requirements may be more stringent than in the United States. Noncompliance with applicable regulations or requirements could subject us to whistleblower complaints, investigations, sanctions, settlements, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties or injunctions, suspension or debarment from contracting with certain governments or other customers, the loss of export privileges, multi-jurisdictional liability, reputational harm, and other collateral consequences. If any governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, financial condition, cash flows and results of operations could be materially harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and an increase in defense costs and other professional fees. Enforcement actions and sanctions could further harm our business, financial condition, cash flows and results of operations.

We face many risks associated with our international business operations and our plans to expand internationally, which could harm our business, financial condition, cash flows and results of operations.

We anticipate our efforts to operate and continue to expand our business internationally will entail additional costs and risks as we establish our international offerings and develop relationships with service provider partners to market, sell, install, and support our platforms, solutions and brand in other countries. Revenue in countries outside of North America accounted for 5% and 4% of our total revenue for each of the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023, respectively. We have limited experience in selling our platforms and solutions in international markets outside of North America or in conforming to the local cultures, standards, or policies necessary to successfully compete in those markets, and we may be required to invest significant resources in order to do so. We may not succeed in these efforts or achieve our consumer acquisition, service provider expansion or other goals. In some international markets, consumer preferences and buying behaviors may be different, and we may use business or pricing models that are different from our traditional model to provide our platforms and solutions to consumers in those markets or we may be unsuccessful in implementing the appropriate business model. Our revenue from new foreign markets may not exceed the costs of establishing, marketing, and maintaining our international offerings. In addition, current global instability could have many adverse consequences on our international expansion. These could include sovereign default, liquidity and capital pressures on financial institutions in other parts of the world including the eurozone, reducing the availability of credit and increasing the risk of financial sector failures and the risk of one or more eurozone member states leaving the euro, resulting in the possibility of capital and exchange controls and uncertainty about the impact of contracts and currency exchange rates.

In addition, conducting expanded international operations subjects us to additional risks that we do not generally face in our North American markets. These risks include:

- localization of our solutions, including the addition of foreign languages and adaptation to new local practices, as well as certification, registration and other regulatory requirements;
- lack of experience in other geographic markets;
- strong local competitors;
- the cost and burden of complying with, lack of familiarity with, and unexpected changes in, foreign legal and regulatory requirements, including the development of policies and procedures for different countries when requirements under privacy regulations in such countries may conflict or be inconsistent with one another;
- difficulties in managing and staffing international operations;
- increased costs due to new or potential tariffs, penalties, trade restrictions and other trade barriers, which may increase our cost of hardware revenue and reduce our hardware revenue margins in the future;
- fluctuations in currency exchange rates or restrictions on foreign currency;
- potentially adverse tax consequences, including the complexities of transfer pricing, value added or other tax systems, double taxation and restrictions and/or taxes on the repatriation of earnings;
- dependence on third parties, including commercial partners with whom we do not have extensive experience;
- increased financial accounting and reporting burdens and complexities;
- political, social, and economic instability, such as the ongoing military conflict between Russia and Ukraine and the war conflict between Israel and Hamas, regional adversaries, terrorist attacks, and security concerns in general; and
- reduced or varied protection for intellectual property rights in some countries.

Operating in international markets also requires significant management attention and financial resources. The investment and additional resources required to establish operations and manage growth in other countries may not produce desired levels of revenue or profitability.

Our software contains encryption technologies, certain types of which are subject to U.S. and foreign export control regulations and, in some foreign countries, restrictions on importation and/or use. Any failure on our part to comply with encryption or other applicable export control requirements could result in financial penalties or other sanctions under the U.S. export regulations, including restrictions on future export activities, which could harm our business and operating results. Regulatory restrictions could impair our access to technologies needed to improve our platforms and solutions and may also limit or reduce the demand for our platforms and solutions outside of the United States.

Enhanced United States tax, tariff, import/export restrictions, or other trade barriers may have an adverse impact on global economic conditions, financial markets and our business.

There is currently significant uncertainty about the future relationship between the United States and various other countries, including China, the European Union, Canada, and Mexico, with respect to trade policies, treaties, tariffs and customs duties, and taxes. Since 2019, the U.S. government has implemented significant changes to U.S. trade policy with respect to China. Tariffs have subjected certain Alarm.com products manufactured overseas to additional import duties of up to 25%. The amount of the import tariff and the number of products subject to tariffs have changed numerous times based on action by the U.S. government. We are addressing the risks related to these imposed and announced tariffs, which have affected, or have the potential to affect, at least some of our imports from China.

Between one-fifth to one-half of the hardware products that we sell to our customers are imported from China and could be subject to increased tariffs. Other Alarm.com hardware products that are not manufactured in China may contain subcomponents made in China that could also be subject to increased tariffs. While the additional import duties have resulted in an increase to our cost of hardware revenue, these import duties had a modest impact on hardware revenue margins. If tariffs, trade restrictions, or trade barriers are expanded or interpreted by a court or governmental agency to apply to more of our products, then our exposure to future taxes and duties on such imported products and components could be significant and could have a material effect on our financial results. If our products are deemed to be subject to additional duties and taxes as determined by a court or governmental agency, we may suffer additional hardware revenue margin erosion or be required to raise our prices on certain imported products. There can be no assurance that we will not experience a disruption in our business or harm to our financial condition related to these or other changes in trade practices, and any changes to our operations or our sourcing strategy in order to mitigate any such tariff costs could be complicated, time-consuming, and costly. Furthermore, our business may be adversely affected by retaliatory trade measures taken by China and other countries, which could materially harm our business, financial condition and results of operations. Trade barriers, or the perception that any of them could be imposed, may have a negative effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between these nations and the United States. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

On June 17, 2021, the U.S. Federal Communications Commission, or the FCC, adopted a proposed rule that would effectively ban in the United States all communications equipment provided by entities identified on a “Covered List” that it maintains pursuant to the Secure and Trusted Communications Networks Act of 2019. The Covered List currently consists of video surveillance and telecommunications equipment produced by five Chinese electronics companies, including one of our suppliers. Although the proposed rule does not include language regarding retroactive application of the proposed ban, the FCC has asked for comment on whether and under what circumstances it should revoke existing authorizations of communications equipment from companies on the Covered List. On November 11, 2021, President Biden signed into law the Secure Equipment Act of 2021 which requires the FCC to adopt rules clarifying that it will no longer review or approve any authorization application for equipment that poses an unacceptable risk to national security. On November 25, 2022, the FCC implemented this directive and adopted rules that prohibit future authorizations of equipment identified on the Covered List. Although the rules apply to future authorizations of equipment, the FCC also adopted a Further Notice of Proposed Rulemaking seeking comment on future action related to existing authorizations. If the FCC adopts rules that apply retroactively to products already sold, this would likely adversely affect our business, financial condition, cash flows and results of operations.

Our financial results may be adversely affected by changes in accounting principles applicable to us.

Our accounting policies are critical to the manner in which we present our results of operations and financial condition. Many of these policies are highly complex and involve many assumptions, estimates and judgments. A change in accounting standards or practices, in particular with respect to revenue recognition, could harm our operating results and may even affect our reporting of transactions completed before the change is effective. GAAP rules are subject to interpretation by the Financial Accounting Standards Board, or FASB, the SEC and other various bodies formed to promulgate and interpret appropriate accounting principles. See Note 2 to our condensed consolidated financial statements for new accounting pronouncements. Implementation of new accounting standards could have a significant effect on our financial results, and any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors’ confidence in us.

Our accounting is becoming more complex, and relies upon estimates or judgments relating to our critical accounting policies. If our accounting is erroneous or based on assumptions that change or prove to be incorrect, our operating results could fall below the expectations of securities analysts and investors, resulting in a decline in our stock price.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes, and also to comply with many complex requirements and standards. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates and any such differences may be material. We devote substantial resources to compliance with accounting requirements and we base our estimates on our best judgment, historical experience, information derived from third parties, and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue and expenses that are not readily apparent from other sources. However, various factors are causing our accounting to become complex. Ongoing evolution of our business, and the Macroeconomic Conditions and resulting uncertainty have, and any future acquisitions may, compound these complexities. Our operating results may be adversely affected if we make accounting errors or our judgments prove to be wrong, assumptions change or actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors or guidance we may have provided, resulting in a decline in our stock price and potential legal claims. Significant judgments, assumptions and estimates used in preparing our condensed consolidated financial statements include those related to revenue recognition, stock-based compensation, business combinations, and income taxes.

Risks Related to Our Intellectual Property

If we fail to protect our intellectual property and proprietary rights adequately, our business could be harmed.

We believe our proprietary technology is essential to establishing and maintaining our leadership position. We seek to protect our intellectual property through trade secrets, copyrights, confidentiality, non-compete and nondisclosure agreements, patents, trademarks, domain names and other measures, some of which afford only limited protection. We also rely on patent, trademark, trade secret and copyright laws to protect our intellectual property. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our technology or to obtain and use information that we regard as proprietary. Our means of protecting our proprietary rights may not be adequate or our competitors may independently develop similar or superior technology, or design around our intellectual property. In addition, the laws of some foreign countries do not protect our proprietary rights to as great an extent as the laws of the United States. Intellectual property protections may also be unavailable, limited or difficult to enforce in some countries, which could make it easier for competitors to capture market share. Our failure or inability to adequately protect our intellectual property and proprietary rights could harm our business, financial condition, cash flows and results of operations.

To prevent substantial unauthorized use of our intellectual property rights, it may be necessary to prosecute actions for infringement and/or misappropriation of our proprietary rights against third parties. See the section of this Quarterly Report titled "Legal Proceedings" for additional information on related intellectual property litigation matters. Any such action could result in significant costs and diversion of our resources and management's attention, and we cannot assure you that we will be successful in such action. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to enforce their intellectual property rights than we do. Accordingly, despite our efforts, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

Assertions by third parties that we are infringing their intellectual property subject us to costly and time-consuming litigation or expensive licenses that could harm our business and results of operations.

The industries in which we compete are characterized by the existence of a large number of patents, copyrights, trademarks and trade secrets, and by frequent litigation based on allegations of infringement or other violations of intellectual property rights. We have been involved with patent litigation suits in the past and we may be involved with and subject to similar litigation in the future to defend our intellectual property position. For example, on June 2, 2015, Vivint filed a lawsuit against us in U.S. District Court, District of Utah, alleging our technology directly and indirectly infringes six patents that Vivint purchased. Vivint is seeking permanent injunctions, enhanced damages and attorneys' fees. Should Vivint prevail on its claims that one or more elements of our solution infringe one or more of its patents, we could be required to pay damages of Vivint’s lost profits and/or a reasonable royalty for sales of our solution, enjoined from making, using, and selling our solution if a license or other right to continue selling such elements is not made available to us or we are unable to design around such patents, and required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us. While we believe we have valid defenses to Vivint’s claims, any of these outcomes could result in a material adverse effect on our business.

In addition, on January 10, 2022, EcoFactor filed a lawsuit against us in U.S. District Court, District of Oregon, alleging Alarm.com’s products and services directly and indirectly infringe five U.S. patents owned by EcoFactor. EcoFactor is seeking permanent injunctions, enhanced damages and attorneys' fees. See the section of this Quarterly Report titled "Legal Proceedings" for additional information on each of these matters. this matter. Should EcoFactor prevail in either of its district court lawsuits we could be required to pay damages in the amount of EcoFactor’s lost profits and/or a reasonable royalty for sales of our solution, we could be enjoined from making, using and selling our solution if a license or other right to continue selling such elements is not made available to us or we are unable to design around such patents, and we could be required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us. While we believe we have valid defenses to EcoFactor's claims, any of these outcomes could result in a material adverse effect on our business.

On July 22, 2021, Causam filed a lawsuit against us in U.S. District Court, Western District of Texas, alleging that Alarm.com's smart thermostats infringe four U.S. patents owned by Causam. Causam is seeking preliminary and permanent injunctions, enhanced damages and attorneys' fees. On July 28, 2021, Causam filed a complaint with the ITC alleging infringement of the same four patents. Causam is seeking a permanent limited exclusion order and permanent cease and desist order. See the section of this Quarterly Report titled "Legal Proceedings" for additional information on each of these matters. Should Causam prevail in its district court lawsuit we could be required to pay damages and/or a reasonable royalty for sales of our solution, we could be enjoined from making, using and selling our solution if a license or other right to continue selling such elements is not made available to us, and we could be required to pay ongoing royalties and comply with unfavorable terms if such a license is made available to us. While we believe we have valid defenses to Causam's claims, the outcome of these legal claims cannot be predicted with certainty, and any of these outcomes could result in an adverse effect on our business.

Even if we were to prevail in any of these matters, ongoing litigation could continue to be costly and time-consuming, divert the attention of our management and key personnel from our business operations and dissuade potential customers from purchasing our solution, which would also materially harm our business. During the course of each of these litigation matters, we anticipate announcements of the results of hearings and motions, and other interim developments related to the litigation matters at hand. If securities analysts or investors regard these announcements as negative, the market price of our common stock may decline.

We might not prevail in any intellectual property infringement litigation given the complex technical issues and inherent uncertainties in such litigation and our service provider partner contracts may require us to indemnify them against certain liabilities they may incur as a result of our infringement or alleged infringement of any third-party intellectual property. Defending such claims, regardless of their merit, could be time-consuming and distracting to management, result in costly litigation or settlement, cause development delays or require us to enter into royalty or licensing agreements. In addition, we currently have a limited portfolio of issued patents compared to our larger competitors, and therefore may not be able to effectively utilize our intellectual property portfolio to assert defenses or counterclaims in response to patent infringement claims or litigation brought against us by third parties. Further, litigation may involve patent holding companies or other adverse patent owners who have no relevant products or revenues and against which our potential patents provide no deterrence, and many other potential litigants have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. Given our platforms and solutions integrate with many aspects of a property, the risk our platforms and solutions may be subject to these allegations is exacerbated. As we seek to extend our platforms and solutions, we could be constrained by the intellectual property rights of others. If our platforms and solutions exceed the scope of in-bound licenses or violate any third-party proprietary rights, we could be required to withdraw those solutions from the market, re-develop those solutions or seek to obtain licenses from third parties, which might not be available on reasonable terms or at all. Any efforts to re-develop our platforms and solutions, obtain licenses from third parties on favorable terms or license a substitute technology might not be successful and, in any case, might substantially increase our costs and harm our business, financial condition, cash flows and results of operations. If we were compelled to withdraw any of our platforms and solutions from the market, our business, financial condition, cash flows and results of operations could be harmed.

We have indemnity obligations to certain of our service provider partners for certain expenses and liabilities resulting from intellectual property infringement claims regarding our platforms and solutions, which could force us to incur substantial costs.

We have indemnity obligations to certain of our service provider partners for intellectual property infringement claims regarding our platforms and solutions. As a result, in the case of infringement claims against these service provider partners, we could be required to indemnify them for losses resulting from such claims or to refund amounts they have paid to us. We expect that some of our service provider partners may seek indemnification from us in connection with infringement claims brought against them. In addition, we may elect to indemnify service provider partners where we have no contractual obligation to indemnify them and we will evaluate each such request on a case-by-case basis. If a service provider partner elects to invest resources in enforcing a claim for indemnification against us, we could incur significant costs disputing it. If we do not succeed in disputing it, we could face substantial liability. See the section of this Quarterly Report titled "Legal Proceedings" for additional information regarding this matter and the other legal proceedings we are involved in.

The use of open source software in our platforms and solutions may expose us to additional risks and harm our intellectual property.

Some of our platforms and solutions use or incorporate software that is subject to one or more open source licenses and we may incorporate open source software in the future. Open source software is typically freely accessible, usable and modifiable. Certain open source software licenses require a user who intends to distribute the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. In addition, certain open source software licenses require the user of such software to make any derivative works of the open source code available to others on potentially unfavorable terms to us or at no cost.

The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and accordingly there is a risk that those licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our platforms and solutions. In that event, we could be required to seek licenses from third parties in order to continue offering our platforms and solutions, to re-develop our platforms and solutions, to discontinue sales of our platforms and solutions or to release our proprietary software code under the terms of an open source license, any of which could harm our business. Further, given the nature of open source software, it may be more likely that third parties might assert copyright and other intellectual property infringement claims against us based on our use of these open source software programs. Litigation could be costly for us to defend, have a negative effect on our business, financial condition, cash flows and results of operations or require us to devote additional research and development resources to change our solutions.

Although we are not aware of any use of open source software in our platforms and solutions that would require us to disclose all or a portion of the source code underlying our core solutions, it is possible that such use may have inadvertently occurred in deploying our platforms and solutions. Additionally, if a third party third-party software provider has incorporated certain types of open source software into software we license from such third party for our platforms and solutions without our knowledge, we could, under certain circumstances, be required to disclose the source code to our platforms and solutions. This could harm our intellectual property position as well as our business, financial condition, cash flows and results of operations.

Risks Related to Ownership of Our Common Stock

The market price of our common stock has been and will likely continue to be volatile.

The market price of our common stock may be highly volatile and may fluctuate substantially as a result of a variety of factors, some of which are related in complex ways. The market price of our common stock may decline regardless of our operating performance, resulting in the potential for substantial losses for our stockholders, and may fluctuate significantly in response to numerous factors, many of which are beyond our control, including the factors listed below and other factors described in this "Risk Factors" section:

- actual or anticipated fluctuations in our financial condition and operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;

- failure of securities analysts to initiate or maintain coverage of our company, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- ratings changes by any securities analysts who follow our company;
- variance in our financial performance from expectations of securities analysts;
- announcements by us or our competitors of significant business developments, technical innovations, acquisitions or new solutions;
- changes in the prices of our platforms and solutions;
- changes in our projected operating and financial results;
- changes in laws or regulations applicable to our platforms and solutions or marketing techniques, or our industry in general;
- our involvement in any litigation, including any lawsuits threatened or filed against us;
- repurchases of our common stock under the stock repurchase program authorized by our board of directors or our sale of our common stock or other securities in the future;
- changes in senior management or key personnel;
- trading volume of our common stock;
- changes in the anticipated future size and growth rate of our market; and
- general economic, regulatory and market conditions in the United States and abroad as well as the uncertainty resulting from the current Macroeconomic Conditions.

The stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

Sales of a substantial number of shares of our common stock in the public market could cause our market price to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales, particularly sales by our directors, executive officers, and significant stockholders, may have on the prevailing market price of our common stock. Additionally, the shares of common stock subject to outstanding options under our equity incentive plans and the shares reserved for future issuance under our equity incentive plans, as well as shares issuable upon vesting of restricted stock awards, will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations. Moreover, some holders of shares of our common stock have rights, subject to certain conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders. We have also registered shares of common stock that we may issue under our employee equity incentive plans. Accordingly, these shares may be able to be sold freely in the public market upon issuance as permitted by any applicable vesting requirements. See "Conversion of the 2026 Notes may dilute the ownership interest of our stockholders or may otherwise depress the price of our common stock" below for further details on the risks related to the dilutive impact of the 2026 Notes.

We are obligated to develop and maintain a system of effective internal control over financial reporting. These internal controls may be determined to be not effective, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

We have been and are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting on an annual basis. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert our internal controls are effective and would be required to disclose any material weaknesses identified in Management's Report on Internal Control over Financial Reporting. While we have established certain procedures and control over our financial reporting processes, we cannot assure you that these efforts will prevent restatements of our financial statements in the future.

Our independent registered public accounting firm is also required, pursuant to Section 404 of the Sarbanes-Oxley Act, to report on the effectiveness of our internal control over financial reporting. For future reporting periods, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. We may not be able to remediate any future material weaknesses, or to complete our evaluation, testing and any required remediation in a timely fashion.

If we are unable to conclude our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion our internal control over financial reporting is effective, investors could lose confidence in the accuracy and completeness of our financial reports, which could cause the price of our common stock to decline, and we could be subject to sanctions or investigations by regulatory authorities, including the SEC and Nasdaq. Failure to remediate any material weakness in our internal control over financial reporting, or to maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

If securities or industry analysts publish negative reports about our business, or cease coverage of our company, our share price and trading volume could decline.

The trading market for our common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors and may be subject to any restrictions on paying dividends in any future indebtedness. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and bylaws may have the effect of delaying or preventing a change in control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue preferred stock, without further stockholder action and with voting liquidation, dividend and other rights superior to our common stock;
- require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent, and limit the ability of our stockholders to call special meetings;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for director nominees; and
- provide that vacancies on our board of directors may be filled only by the vote of a majority of directors then in office, even though less than a quorum.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder. Any of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your common stock in an acquisition.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America as the exclusive forums for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Pursuant to our amended and restated certificate of incorporation, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws or (4) any action asserting a claim governed by the internal affairs doctrine. Notwithstanding the foregoing, this choice of forum provision will not apply to suits brought to enforce a duty or liability created by the Securities Exchange Act of 1934, as amended, or any other claim for which the federal courts have exclusive jurisdiction. Accordingly, both state and federal courts have jurisdiction to entertain such claims. Our amended and restated certificate of incorporation provides that any person or entity purchasing or otherwise acquiring any interest in shares of our common stock is deemed to have notice of and consented to the foregoing provision. Furthermore, our amended and restated bylaws provide that unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any claims arising under the Securities Act. The forum selection clause in our amended and restated certificate of incorporation may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Risks Related to our Outstanding Convertible Senior Notes

We may not have the ability to raise the funds necessary to settle cash conversions of the 2026 Notes or to repurchase the 2026 Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the 2026 Notes.

On January 20, 2021, we issued the 2026 Notes. The terms of the 2026 Notes are governed by an Indenture, or the Indenture, by and between Alarm.com Holdings, Inc. and U.S. Bank National Association, as trustee. The 2026 Notes are senior unsecured obligations that do not bear regular interest and the principal amount of the 2026 Notes will not accrete. The 2026 Notes may bear special interest under specified circumstances related to our failure to comply with our reporting obligations under the Indenture. Special interest, if any, will be payable semiannually in arrears on January 15 and July 15 of each year, beginning on July 15, 2021. We received proceeds from the issuance of the 2026 Notes of $484.3 million, net of $15.7 million of transaction fees and other debt issuance costs. Holders of the 2026 Notes will have the right, subject to certain conditions and limited exceptions, to require us to repurchase all or a portion of their notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the 2026 Notes to be repurchased, plus accrued and unpaid special interest, if any, as defined in the Indenture. In addition, upon conversion of the 2026 Notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional share), we will be required to make cash payments in respect of the 2026 Notes being converted as defined in the Indenture. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of 2026 Notes surrendered therefor or pay cash with respect to 2026 Notes being converted. In addition, our ability to repurchase the 2026 Notes or to pay cash upon conversions of the 2026 Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase the 2026 Notes at a time when the repurchase is required by the Indenture or to pay any cash payable on future conversions of the 2026 Notes as required by the Indenture would constitute a default under the Indenture. A default under the Indenture governing the 2026 Notes or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the 2026 Notes or make cash payments upon conversions thereof.

The conditional conversion feature of the 2026 Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the 2026 Notes is triggered, holders of 2026 Notes will be entitled to convert the 2026 Notes at any time during specified periods at their option. If one or more holders elect to convert their 2026 Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

Conversion of the 2026 Notes may dilute the ownership interest of our stockholders or may otherwise depress the price of our common stock.

The conversion of some or all of the 2026 Notes may dilute the ownership interests of our stockholders. Upon conversion of the 2026 Notes, we have the option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock. If we elect to settle our conversion obligation in shares of our common stock or a combination of cash and shares of our common stock, any sales in the public market of our common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the 2026 Notes may encourage short selling by market participants because the conversion of the 2026 Notes could be used to satisfy short positions, or anticipated conversion of the 2026 Notes into shares of our common stock could depress the price of our common stock.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities during the three months ended September 30, 2023 March 31, 2024.

(c) Issuer Purchases of Equity Securities

The following table contains information relating to the repurchases of our common stock made by us and the approximate dollar value of shares that may yet be purchased under our stock repurchase program during the three months ended September 30, 2023:

Period	Total Number of Shares Purchased	Average Price Paid per Share(1)	Total Number of Shares Purchased as a Part of a Publicly Announced Program(2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program(1)
July 1 to July 31, 2023	—	$ —	—	$ 93,273,123
August 1 to August 31, 2023	68,401	57.86	68,401	89,315,338
September 1 to September 30, 2023	36,884	58.83	36,884	87,145,286
Total	105,285	$ 58.20	105,285	

(1) As of January 1, 2023, we are subject to a 1.0% excise tax on the value of net corporate stock repurchases under the Inflation Reduction Act of 2022. When applicable, the excise tax will be includedas part of the cost basis of shares acquired and is presented within stockholders' equity in the condensed consolidated balance sheets and will be excluded from amounts presented above.

(2) On February 15, 2023, our board of directors authorized the cancellation of the balance under the stock repurchase program ending December 3, 2023 and also authorized a stock repurchase program, effective February 23, 2023, under which we are authorized to purchase up to an aggregate of $100.0 million of our outstanding common stock during the two-year period ending February 23, 2025.

No shares were repurchased under our stock repurchase program during the three months ended March 31, 2024.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Insider Trading Arrangements

During the three months ended September 30, 2023 March 31, 2024, the following none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified or terminated a Rule 10b5-1 trading arrangement (as defined in Item 408(a) of Regulation S-K) intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act:

Name and Title	Action	Total Number of Shares to be Purchased or Sold Pursuant to the Trading Arrangement	Adoption Date	Expiration Date
Steve Trundle, Chief Executive Officer	Adoption	Sale of up to 150,000 shares of common stock	August 29, 2023	December 31, 2025

During the three months ended September 30, 2023, none of our directors or officers adopted, modified or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

ITEM 6. EXHIBITS

The following is a list of exhibits filed as part of this Quarterly Report on Form 10-Q. Where so indicated by footnote, exhibits that were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated.

Exhibit Number	Description
3.1(1)	Amended and Restated Certificate of Incorporation of Alarm.com Holdings, Inc.
3.2(2)	Amended and Restated Bylaws of Alarm.com Holdings, Inc.
10.2*	Fourth Amendment to the Reformed Master Services Agreement by and between Alarm.com Incorporated and ADT LLC, effective as of September 27, 2023
31.1*	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File - the cover page interactive data is embedded within the Inline XBRL document or included within the Exhibit 101 attachments

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(1) Previously filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K (File No. 001-37461), filed with the Securities and Exchange Commission on June 10, 2021, and incorporated herein by reference.

(2) Previously filed as Exhibit 3.1 to the registrant's Current Report on Form 8-K (File No. 001-37461), filed with the Securities and Exchange Commission on March 16, 2023, and incorporated herein by reference.

* Filed herewith.

** This certification is being furnished solely to accompany this Quarterly Report on Form 10-Q pursuant to 18 U.S.C. Section 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing of the registrant under the Securities Act of 1933, as amended, or Securities Exchange Act of 1934, as amended, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

SIGNATURE

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.

Alarm.com Holdings, Inc.

Date: November May 9, 2023 2024

By: /s/ Steve Valenzuela

Steve Valenzuela

Chief Financial Officer

(On behalf of the registrant and in his capacity as Principal Financial Officer and Principal Accounting Officer)

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EXHIBIT 10.1

THIRTEENTH AMENDMENT TO DEED OF OFFICE LEASE AGREEMENT

THIS THIRTEENTH AMENDMENT TO DEED OF OFFICE LEASE AGREEMENT (this "Amendment") is made this 26th day of July 2023, by and between TMG TMC 3, L.L.C., a Delaware limited liability co any ("Landlord"), and ALARM.COM INCORPORATED, a Delaware corporation ("Tenant").

RECITALS:

A. Landlord's predecessor-in-interest, Marshall Property LLC, and Tenant entered into that certain Deed of Office Lease Agreement dated August 8, 2014 (the "Original Lease"), as amended by that certain First Amendment to Deed of Office Lease Agreement dated as of May 29, 2015 (the "First Amendment"), that certain Second Amendment to Deed of Office Lease Agreement dated as of October 19, 2015 (the "Second Amendment"), that certain Third Amendment to Deed of Office Lease Agreement dated as of May 6, 2016 (the "Third Amendment"), that certain Fourth Amendment to Deed of Office Lease Agreement dated as of September 15, 2016 (the "Fourth Amendment"), that certain Fifth Amendment to Deed of Office Lease Agreement dated as of January 31, 2017 (the "Fifth Amendment"), that certain Sixth Amendment to Deed of Office Lease Agreement dated as of October 10, 2018 (the "Sixth Amendment"), that certain Seventh Amendment to Deed of Office Lease Agreement dated as of May 16, 2019 (the "Seventh Amendment"), that certain Eighth Amendment to Deed of Office Lease Agreement dated as of July 17, 2019 (the "Eighth Amendment"), that certain Ninth Amendment to Deed of Lease Agreement dated as of March 12, 2020, that certain Tenth Amendment to Deed of Office Lease Agreement dated as of December 17, 2020 (the "Tenth Amendment"), that certain Eleventh Amendment to Deed of Lease Agreement dated as of December 21, 2021 (the "Eleventh Amendment"), that certain Twelfth Amendment to Deed of Office Lease Agreement dated as of January 12, 2022 (the "Twelfth Amendment") (collectively, as amended, the "Lease"), whereby Tenant leases (i) approximately 189,076 rentable square feet of office space on the first (1st), second (2nd), third (3rd), fifth (5th), sixth (6th), seventh (7th), eighth (8th), ninth (9th), tenth (10th), and eleventh (11th) floors, (collectively, the "Existing Premises"), in a building located at 8281 Greensboro Drive, Tysons, Virginia 22102 (the "Building"), and (ii) approximately 805 square feet of storage space located on the lower level of the Building (the "Additional Storage Space").

B. The term of the Lease with respect to approximately 6,346 square feet of rentable area located on the third (3rd) floor of the Building, and known as Suite 310 (the "Extension Premises"), is scheduled to end on July 31, 2023.

C. Landlord and Tenant desire to extend the term of the Lease with respect to the Extension Premises and to otherwise modify the Lease as set forth below.

NOW, THEREFORE, in consideration of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by Landlord and Tenant, Landlord and Tenant covenant and agree as follows:

1. Term. The term of the Lease with respect to the Extension Premises shall be extended for a period of two (2) years and eleven (11) months (the "Extension Term"), which Extension Term shall commence on August 1, 2023 (the "Extension Premises Commencement Date"), and expire on June 30, 2026.

2. Extension Premises Base Rent. In addition to the "Base Rent" (as defined in the Lease) payable with respect to the Existing Premises (excluding the Extension Premises) and Additional Storage Space, commencing on Extension Premises Commencement Date, Base Rent payable with respect to the Extension Premises (the "EP Base Rent") shall be as follows:

Period	**EP Base Rent**	**Monthly Installments of EP Base Rent**	**EP Base Rent Per Rentable Square Foot**
8/1/23-7/31/24	$263,358.96	$21,946.58	$41.50
8/1/24-7/31/25	$270,593.40	$22,549.45	$42.64
8/1/26-6/30/26	$278,018.28 (annualized amount)	$23,168.19	$43.81

3. Brokers. Landlord and Tenant each represents and warrants to the other that, except for CBRE, Inc., on behalf of Landlord, and Avison Young ("AY"), on behalf of Tenant, neither party has dealt with any broker in connection with this Amendment. Landlord and Tenant each shall indemnify and hold harmless the other from and against any claims for brokerage or other commission arising by reason of a breach by the

indemnifying party of the aforesaid representation and warranty. Pursuant to a separate written agreement between Landlord and AY, Landlord shall pay AY a commission in connection with this Amendment.

4. Definitions. Except where the context plainly requires otherwise, all capitalized terms that are not defined in this Amendment shall have the meanings ascribed to such terms in the Lease.

5. Estoppel. To induce Landlord to enter into this Amendment, Tenant hereby represents and warrants to Landlord that as of the date of this Amendment:

(a) Tenant is in possession of the entire Existing Premises;

(b) Tenant has not assigned the Lease or sublet any portion of the Existing Premises;
(c) The Lease is unmodified (except as otherwise expressly set forth to the contrary in this Amendment and is in full force and effect;

(d) To Tenant's knowledge, Tenant has no claims against Landlord arising under or in connection with the Lease, and Tenant has no set off or defenses against the enforcement of any right or remedy of Landlord under the Lease; and

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(e) To Tenant's knowledge, Landlord is not in default of any of its obligations under the Lease and to Tenant's knowledge, no event has occurred and no condition exists which, with the giving of notice or the lapse of time, or both, will constitute a default by Landlord under the Lease.

6. Governing Documents. Except as expressly modified by this Amendment, the Lease shall remain unchanged and continue in full force in accordance with its terms. In the event of any conflict between the terms and conditions of the Lease and the terms and conditions of this Amendment, the terms and conditions of this Amendment shall govern and control.

7. Counterparts. This This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which, taken together, shall constitute one and the same instrument. Any signature page to any counterpart may also be attached to another counterpart identical thereto without impairing the legal effect of the signatures thereon. Signatures to this Amendment may be delivered electronically via portable document format ("PDF"), "DocuSign" or other standard electronic transmission, and signatures so delivered shall constitute effective execution and delivery of such signature pages and shall be deemed to be the original signatures, and fully effective, for all purposes.

8. Incorporation of Recitals. The recitals set forth above are incorporated in and made a part of this Amendment.

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year first above written.

WITNESS/ATTEST:	**LANDLORD:**		
	TMG TMC 3 L.L.C., a Delaware limited liability company		
/s/ Katie Yanushonis	By:	/s/ Gary Block	
	Name:	Gary Block	
	Title:	Partner / CIO	
/s/ Katie Yanushonis	By:	/s/ Mark King	
	Name:	Mark King	
	Title:	President & COO	
WITNESS/ATTEST:	**TENANT:**		
	ALARM.COM INCORPORATED, a Delaware corporation		
/s/ Jessica LaBossiere	By:	/s/ Daniel Ramos	
	Name:	Daniel Ramos	
	Title:	Senior Vice President	

EXHIBIT 10.2

4th AMENDMENT TO THE REFORMED MASTER SERVICES AGREEMENT

THIS 4th AMENDMENT TO THE REFORMED MASTER SERVICES AGREEMENT ("Amendment") is made and entered into this 27th day of September, 2023 by and between ADT LLC ("ADT") and Alarm.com Incorporated ("Supplier").

WHEREAS, ADT and Supplier, have entered into that certain Reformed Master Services Agreement (dated August 19, 2016), as amended ("Agreement"), whereby Supplier has agreed to provide certain goods and/or services to ADT pursuant to the terms and conditions set forth in the Agreement; and

WHEREAS, ADT and Supplier wish to amend terms to the Agreement as set forth below.

NOW, THEREFORE, in consideration of the promises contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. ADT has informed Supplier it is in the process of divesting its ADT Commercial business unit (the "Divested Unit"). As part of such divestiture ADT has agreed to provide transitional services to the Divested Unit following the divestiture of the Divested Unit, including the continued receipt of the services and products provided by Supplier. Supplier hereby authorizes ADT to allow the Divested Unit to receive Supplier products and services as provided by ADT pursuant to the terms and conditions of the Agreement for so long as the Agreement remains in effect.

2. In the event the Divested Unit desires to have ADT transfer accounts to the Divested Unit or if the Divested Unit desires to create accounts directly with Supplier, then Divested Unit and Supplier will work together in good faith to negotiate a new agreement.

3. All other terms and conditions of the Agreement, except those expressly modified herein, shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment, which may be signed in one or more counterparts, which taken together shall constitute one and the same Amendment, as of the day and year first above written. The Parties may scan, fax, email, image, or otherwise convert this Amendment into an electronic format of any type or form, now known or developed in the future. Any unaltered or unadulterated copy of this Amendment produced from such an electronic format will be legally binding upon the parties and equivalent to the original for all purposes.

ADT LLC		Alarm.com Incorporated	
By:	/s/ Sharad Bohra	By:	/s/ Danial Ramos
Name:	Sharad Bohra	Name:	Danial Ramos
Title:	SVP & Chief Supply Chain Officer	Title:	Senior Vice President

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EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen Trundle, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alarm.com Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November May 9, 2023 2024	/s/ Stephen Trundle
		Stephen Trundle
		Chief Executive Officer
		(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Steve Valenzuela, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Alarm.com Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November May 9, 2023 2024

/s/ Steve Valenzuela

Steve Valenzuela

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT 32.1

CERTIFICATIONS PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Stephen Trundle, Chief Executive Officer of Alarm.com Holdings, Inc. (the "Company"), and Steve Valenzuela, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

(1) The Company's Quarterly Report on Form 10-Q for the fiscal period ended September 30, 2023 March 31, 2024, to which this Certification is attached as Exhibit 32.1 (the "Quarterly Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act, and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

In Witness Whereof, the undersigned have set their hands hereto as of the 9th day of November, 2023. May, 2024.

/s/ Stephen Trundle

Stephen Trundle

Chief Executive Officer

(Principal Executive Officer)

/s/ Steve Valenzuela

Steve Valenzuela

Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Alarm.com Holdings, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

DISCLAIMER

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