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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2022
OR

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

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

PAR™

PAR TECHNOLOGY CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

Large Accelerated Filer ☑	Accelerated Filer ☐	Non-Accelerated Filer ☐
Smaller Reporting Company ☐	Emerging Growth Company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

As of November 4, 2022, 27,289,779 shares of the registrant's common stock, $0.02 par value, were outstanding.

PAR TECHNOLOGY CORPORATION

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PART I
FINANCIAL INFORMATION

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

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the quarter ended September 30, 2022 (“Quarterly Report”) contains “forward-looking statements” within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not historical in nature, but rather are predictive of PAR’s future operations, financial condition, financial results, business strategies and prospects. Forward-looking statements are generally identified by words such as “anticipate,” “believe,” “can”, “could”, “continue,” “expect,” “estimate,” “future”, “goal”, “intend,” “may,” “opportunity,” “plan,” “should,” “target”, “will,” “would,” “will likely result,” and similar expressions. Forward-looking statements are based on management's current expectations and assumptions that are subject to risks and uncertainties, many of which are beyond PAR’s control, which could cause PAR’s actual results to differ materially from those expressed in or implied by forward-looking statements, including statements relating to and PAR’s expectations regarding the effects of COVID-19 on its business, financial condition, and results of operations and the mitigating or otherwise intended impact of PAR’s responses to the same; the timing and expected benefits of acquisitions, divestitures, and capital markets transactions; statements of the plans, strategies and objectives of management for future operations, including PAR’s unified commerce experience and its go-to-market strategy; statements concerning the expected development, demand, performance, market share or competitive performance relating to PAR’s products or services; projections of net revenue, margins, expenses, effective tax rates, net earnings, net earnings per share, cash flows, deferred taxes, or other financial items, or of PAR’s annual recurring revenue, active sites, net loss, net loss per share and other key performance indicators and financial measures; statements concerning potential supply constraints, component shortages, manufacturing disruptions or logistics challenges; statements about PAR’s human capital strategy and engagement; statements regarding current or future macroeconomic trends or geopolitical events and the impact of those trends and events on PAR and its financial performance; statements regarding claims, disputes or other litigation matters; and any statements of assumptions underlying any of the foregoing. Factors, risks, trends, and uncertainties that could cause PAR’s actual results to differ materially from those expressed in or implied by forward-looking statements include the effects of COVID-19 on PAR’s business, financial condition, and results of operations and the timing and actions by PAR, as well as by governments (including COVID-19 lockdowns), businesses, customers and consumers, including store closures (temporary or permanent), decreased or delayed product and service adoptions and installations, delayed payments or payment defaults by customers, and the health and safety of PAR’s employees; PAR’s ability to add and maintain active sites, retain and manage third-party suppliers, secure alternative suppliers, and manage inventory levels, navigate component shortages, manufacturing disruptions and logistics challenges, shipping delays and increased costs; PAR’s ability to successfully attract, hire and retain necessary qualified employees to develop and expand its business; the protection of PAR’s intellectual property; PAR’s ability to increase the number of integration partners, and acquire and/or develop relevant technology offerings for current, new, and potential customers for the build-out of its unified commerce platform; the impact of unfavorable macroeconomic conditions, such as a recession or slowed economic growth, increased interest rates, inflation, and a decline in consumer confidence and discretionary spending, and geopolitical events, including the effects of the Russia-Ukraine war; risks associated with PAR’s international operations; changes in estimates and assumptions PAR makes in connection with the preparation of its financial statements and in building business and operational plans and strategies; disruptions in operations from system security risks, data protection breaches, and cyberattacks; PAR’s agility to execute its business and strategies and to manage its business continuity risks, including disruptions or delays in product assembly and fulfillment and limitations on PAR’s selling and marketing efforts; potential impacts, liabilities and costs from pending or potential investigations, claims and disputes; and other factors, risks, trends and uncertainties that could cause PAR’s actual results to differ materially from those expressed in or implied by forward-looking statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the Securities and Exchange Commission (“SEC”) on March 1, 2022, in this Quarterly Report, and in our other filings with the SEC. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required under applicable securities law.

PART I – FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (unaudited)

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

Assets	September 30, 2022	December 31, 2021
Current assets:		
Cash and cash equivalents	$ 89,504	$ 188,419
Short-term investments	40,015	—
Accounts receivable – net	54,845	49,978
Inventories	39,707	35,078
Other current assets	9,185	9,532
Total current assets	233,256	283,007
Property, plant and equipment – net	12,836	13,709
Goodwill	485,121	457,306
Intangible assets – net	116,242	118,763
Lease right-of-use assets	2,736	4,348
Other assets	14,550	11,016
Total assets	$ 864,741	$ 888,149
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 180	$ 705
Accounts payable	24,601	20,845
Accrued salaries and benefits	17,848	17,265
Accrued expenses	5,190	5,042
Customers payable	3,985	—
Lease liabilities – current portion	1,262	2,266
Customer deposits and deferred service revenue	12,693	14,394
Total current liabilities	65,759	60,517
Lease liabilities – net of current portion	1,717	2,440
Deferred service revenue – noncurrent	5,888	7,597
Long-term debt	388,680	305,845
Other long-term liabilities	19,611	7,405
Total liabilities	481,655	383,804
Shareholders' equity:		
Preferred stock, $.02 par value, 1,000,000 shares authorized	—	—
Common stock, $0.02 par value, 58,000,000 shares authorized, 28,529,832 and 28,094,333 shares issued, 27,283,410 and 26,924,397 outstanding at September 30, 2022 and December 31, 2021, respectively	569	562
Additional paid in capital	592,100	640,937
Accumulated deficit	(191,723)	(122,505)
Accumulated other comprehensive loss	(4,204)	(3,704)
Treasury stock, at cost, 1,246,422 shares and 1,181,449 shares at September 30, 2022 and December 31, 2021, respectively	(13,656)	(10,945)
Total shareholders' equity	383,086	504,345
Total Liabilities and Shareholders' Equity	$ 864,741	$ 888,149

See accompanying notes to unaudited interim condensed consolidated financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenues, net:				
Product	$ 31,343	$ 30,291	$ 84,820	$ 72,786
Service	37,010	29,530	106,550	74,743
Contract	24,414	18,039	66,775	53,748
Total revenues, net	92,767	77,860	258,145	201,277
Costs of sales:				
Product	25,458	22,786	69,666	56,158
Service	24,021	20,792	64,981	52,427
Contract	21,880	16,068	60,356	49,175
Total cost of sales	71,359	59,646	195,003	157,760
Gross margin	21,408	18,214	63,142	43,517
Operating expenses:				
Selling, general and administrative	26,543	21,662	75,309	59,145
Research and development	12,843	10,122	33,785	24,574
Amortization of identifiable intangible assets	465	539	1,399	1,303
Gain on insurance proceeds	—	—	—	(4,400)
Total operating expenses	39,851	32,323	110,493	80,622
Operating loss	(18,443)	(14,109)	(47,351)	(37,105)
Other expense, net	(179)	(539)	(804)	(931)
Interest expense, net	(2,140)	(5,406)	(7,054)	(12,503)
Loss on extinguishment of debt	—	(11,916)	—	(11,916)
Loss before provision for income taxes	(20,762)	(31,970)	(55,209)	(62,455)
(Provision for) benefit from income taxes	(578)	37	(629)	12,295
Net loss	$ (21,340)	$ (31,933)	$ (55,838)	$ (50,160)
Net loss per share (basic and diluted)	$ (0.79)	$ (1.23)	$ (2.06)	$ (2.05)
Weighted average shares outstanding (basic and diluted)	27,110	25,998	27,150	24,485

See accompanying notes to unaudited interim condensed consolidated financial statements

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net loss	$ (21,340)	$ (31,933)	$ (55,838)	$ (50,160)
Other comprehensive income (loss), net of applicable tax:				
Foreign currency translation adjustments	(851)	(109)	(500)	(56)
Comprehensive loss	$ (22,191)	$ (32,042)	$ (56,338)	$ (50,216)

See accompanying notes to unaudited interim condensed consolidated financial statements

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

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balances at December 31, 2021	28,095	$ 562	$ 640,937	$ (122,505)	$ (3,704)	1,181	$ (10,945)	$ 504,345
Impact of ASU 2020-06 implementation (see Note 1 - Basis of Presentation)			(66,656)	(13,380)				(80,036)
Balances at January 1, 2022	28,095	$ 562	$ 574,281	$ (135,885)	$ (3,704)	1,181	$ (10,945)	$ 424,309
Issuance of common stock upon the exercise of stock options	96	2	811	—	—	—	—	813
Net issuance of restricted stock awards and restricted stock units	88	1	—	—	—	—	—	1
Treasury stock acquired from employees upon vesting or forfeiture of restricted stock	—	—	—	—	—	45	(2,051)	(2,051)
Stock-based compensation	—	—	3,536	—	—	—	—	3,536
Foreign currency translation adjustments	—	—	—	—	512	—	—	512
Net loss	—	—	—	(15,650)	—	—	—	(15,650)
Balances at March 31, 2022	28,279	$ 565	$ 578,628	$ (151,535)	$ (3,192)	1,226	$ (12,996)	$ 411,470
Issuance of common stock upon the exercise of stock options	16	—	205	—	—	—	—	205
Net issuance of restricted stock awards and restricted stock units	36	—	—	—	—	—	—	—
Treasury stock acquired from employees upon vesting or forfeiture of restricted stock	—	—	—	—	—	12	(397)	(397)
Stock-based compensation	—	—	3,231	—	—	—	—	3,231
Foreign currency translation adjustments	—	—	—	—	(161)	—	—	(161)
Net loss	—	—	—	(18,848)	—	—	—	(18,848)
Balances at June 30, 2022	28,331	$ 565	$ 582,064	$ (170,383)	$ (3,353)	1,238	$ (13,393)	$ 395,500
Issuance of common stock upon the exercise of stock options	17	1	249	—	—	—	—	250
Net issuance of restricted stock awards and restricted stock units	18	—	—	—	—	—	—	—
Issuance of common stock for acquisition	163	3	6,297					6,300
Treasury stock acquired from employees upon vesting or forfeiture of restricted stock	—	—	—	—	—	9	(263)	(263)
Stock-based compensation	—	—	3,490	—	—	—	—	3,490
Foreign currency translation adjustments	—	—	—	—	(851)	—	—	(851)
Net loss	—	—	—	(21,340)	—	—	—	(21,340)
Balances at September 30, 2022	28,529	$ 569	$ 592,100	$ (191,723)	$ (4,204)	1,247	$ (13,656)	$ 383,086

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

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Treasury Stock		Total Shareholders' Equity
	Shares	Amount				Shares	Amount	
Balances at January 1, 2021	22,983	$ 459	$ 243,575	$ (46,706)	$ (3,936)	1,066	$ (4,987)	$ 188,405
Issuance of common stock upon the exercise of stock options	34	1	408	—	—	—	—	409
Net issuance of restricted stock units	87	2	263	—	—	—	—	265
Treasury stock acquired from employees upon vesting or forfeiture of restricted stock	—	—	—	—	—	76	(3,974)	(3,974)
Stock-based compensation	—	—	1,320	—	—	—	—	1,320
Foreign currency translation adjustments	—	—	—	—	(302)	—	—	(302)
Net loss	—	—	—	(8,271)	—	—	—	(8,271)
Balances at March 31, 2021	23,104	$ 462	$ 245,566	$ (54,977)	$ (4,238)	1,142	$ (8,961)	$ 177,852
Issuance of common stock upon the exercise of stock options	20	—	209	—	—	—	—	209
Net issuance of restricted stock units	28	1	—	—	—	—	—	1
Issuance of common stock for acquisition	1,493	30	108,629	—	—	—	—	108,659
Issuance of common stock, net of issuance costs of $4.3 million	2,353	47	155,640	—	—	—	—	155,687
Treasury stock acquired from employees upon vesting or forfeiture of restricted stock	—	—	—	—	—	7	(497)	(497)
Stock-based compensation	—	—	4,251	—	—	—	—	4,251
Foreign currency translation adjustments	—	—	—	—	355	—	—	355
Net loss	—	—	—	(9,956)	—	—	—	(9,956)
Balances at June 30, 2021	26,998	$ 540	$ 514,295	$ (64,933)	$ (3,883)	1,149	$ (9,458)	$ 436,561
Issuance of common stock upon the exercise of stock options	22	1	199	—	—	—	—	200
Equity component of issuance of 2027 convertible notes, net of deferred taxes of $0.6 million and issuance costs of $2.1 million	—	—	63,068	—	—	—	—	63,068
Issuance of common stock, net of issuance costs of $2.5 million	982	19	52,467	—	—	—	—	52,486
Net issuance of restricted stock units	15	—	—	—	—	—	—	—
Issuance of common stock for acquisition	—	—	1,081	—	—	—	—	1,081
Treasury stock acquired from employees upon vesting or forfeiture of restricted stock	—	—	—	—	—	12	(458)	(458)
Stock-based compensation	—	—	3,785	—	—	—	—	3,785
Foreign currency translation adjustments	—	—	—	—	(109)	—	—	(109)
Net loss	—	—	—	(31,933)	—	—	—	(31,933)
Balances at September 30, 2021	28,017	$ 560	$ 634,895	$ (96,866)	$ (3,992)	1,161	$ (9,916)	$ 524,681

See accompanying notes to unaudited interim condensed consolidated financial statements

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

	Nine Months Ended September 30	
	2022	2021
Cash flows from operating activities:		
Net loss	$ (55,838)	$ (50,160)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	19,625	15,069
Accretion of debt in interest expense	1,485	5,035
Current expected credit losses	739	992
Provision for obsolete inventory	1,773	19
Stock-based compensation	10,257	9,356
Loss on debt extinguishment	—	11,916
Deferred income tax	—	(12,522)
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(5,823)	3,189
Inventories	(6,678)	(12,377)
Other current assets	321	(7,575)
Other assets	(3,461)	(2,774)
Accounts payable	3,580	7,849
Accrued salaries and benefits	325	(2,605)
Accrued expenses	(260)	(7,418)
Customer deposits and deferred service revenue	(2,924)	(1,402)
Customers payable	3,985	—
Other long-term liabilities	(685)	(211)
Net cash used in operating activities	(33,579)	(43,619)
Cash flows from investing activities:		
Cash paid for acquisitions, net of cash acquired	(18,797)	(374,653)
Capital expenditures	(812)	(928)
Capitalization of software costs	(4,719)	(5,471)
Purchase of held to maturity investments	(40,015)	—
Net cash used in investing activities	(64,343)	(381,052)
Cash flows from financing activities:		
Principal payments of long-term debt	(525)	(4,004)
Payments for the extinguishment of notes payable	—	(183,618)
Proceeds from common stock issuance	—	215,000
Payments for common stock issuance costs	—	(6,827)
Proceeds from debt issuance, net of original issue discount	—	441,385
Payments for debt issuance costs	—	(13,998)
Treasury stock acquired from employees upon vesting or forfeiture of restricted stock	(2,711)	(4,477)
Proceeds from exercise of stock options	1,268	819
Net cash (used in) provided by financing activities	(1,968)	444,280
Effect of exchange rate changes on cash and cash equivalents	975	(2)
Net (decrease) increase in cash and cash equivalents	(98,915)	19,607
Cash and cash equivalents at beginning of period	188,419	180,686
Cash and equivalents at end of period	$ 89,504	$ 200,293

See accompanying notes to unaudited interim condensed consolidated financial statements

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

	Nine Months Ended September 30	
	2022	2021
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 20	$ 6,337
Income taxes	660	—
Master development agreement with related party	—	813
Capitalized software recorded in accounts payable	36	—
Capital expenditures in accounts payable	37	88
Common stock issued for acquisition	6,300	109,740
Acquisition contingent consideration recorded in Other long-term liabilities	14,200	—
Tax withholding in accrued salaries and benefits related to treasury stock acquired from employees	—	451
Acquisition consideration recorded in accounts payable	—	121
Master development agreement expenditures with related party in accounts payable	—	163

See accompanying notes to unaudited interim condensed consolidated financial statements

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

NOTE 1: BASIS OF PRESENTATION

The accompanying unaudited interim condensed consolidated financial statements ("financial statements") of PAR Technology Corporation and its consolidated subsidiaries (collectively, the "Company", "PAR", "we", "us" or "our") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and the instructions to Form 10-Q and Regulation S-X pertaining to interim financial statements as promulgated by the SEC. In the opinion of management, the Company's financial statements include all normal and recurring adjustments necessary in order to make the financial statements not misleading and to provide a fair presentation of the Company's financial results for the interim period included in this Quarterly Report. Interim results are not necessarily indicative of results for the full year or any future periods. The information included in this Quarterly Report should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "2021 Annual Report").

The preparation of the financial statements requires management of the Company to make a number of estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include revenue recognition, stock-based compensation, the recognition and measurement of assets acquired and liabilities assumed in business combinations at fair value, the carrying amount of property, plant and equipment including right-to-use assets and liabilities, identifiable intangible assets and goodwill, the measurement of liabilities and equity recognized for outstanding convertible notes, current expected credit losses for receivables, and net realizable value for inventories. Actual results could differ from these estimates. The Company's estimates and assumptions are subject to uncertainties, including those associated with market conditions, risks and trends and the ongoing COVID-19 pandemic.

The Company operates in two distinct reporting segments, Restaurant/Retail and Government. The Company's chief operating decision maker is the Company's Chief Executive Officer. The Restaurant/Retail segment provides enterprise restaurants, franchisees, and other restaurant outlets in the three major restaurant categories, quick service, fast casual, and table service, with operational efficiencies, offering them an integrated suite of SaaS solutions that includes Brink POS for front-of-house, Data Central for back-office, PAR Pay and PAR Payment Services for payments, and Punchh for customer loyalty and engagement. The Government segment provides technical expertise and development of advanced systems and software solutions for the U.S. Department of Defense ("DoD") and other federal agencies, as well as satellite command and control, communication, and IT mission systems at several DoD facilities worldwide. The financial statements also include corporate operations, which are comprised of enterprise-wide functional departments.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less, to be cash equivalents, including money market funds. Cash held on behalf of customers represents an asset arising from our payment processing services that is restricted for the purpose of satisfying obligations to remit funds to various merchants.

The Company maintained bank balances that, at times, exceeded the federally insured limit during the nine months ended September 30, 2022. The Company has not experienced losses relating to these deposits and management does not believe that the Company is exposed to any significant credit risk with respect to these amounts.

Cash and cash equivalents consist of the following:

(in thousands)	September 30, 2022	December 31, 2021
Cash and cash equivalents		
Cash	$ 16,062	$ 69,249
Money market funds	69,457	119,170
Cash held on behalf of customers	3,985	—
Total cash and cash equivalents	$ 89,504	$ 188,419

Short-Term Investments

Short-term investments include held-to-maturity investment securities consisting of investment-grade interest bearing instruments, primarily treasury bills and notes, which are stated at amortized cost. The Company does not intend to sell these investment securities and the contractual maturities are not greater than 12 months. The Company did not record any material gains or losses on these securities during the three months ended September 30, 2022. The estimated fair value of these securities approximated their carrying value as of September 30, 2022.

The carrying value of investment securities consist of the following:

(in thousands)	September 30, 2022	December 31, 2021
Short-term Investments		
Treasury Bills & Notes	$ 40,015	$ —
Total Short-term Investments	$ 40,015	$ —

Gain on Insurance Proceeds

During the first quarter of 2021, the Company received $4.4 million of insurance proceeds in connection with the settlement of a legacy claim. No insurance proceeds were received during the nine months ended September 30, 2022.

Customers Payable

Customers payable represent obligations arising from our payment processing services to remit funds to various merchants.

Other Long-Term Liabilities

Other liabilities represent amounts owed to employees that participate in the Company’s deferred compensation plan, the Company's repayment obligations associated with deferred payroll taxes under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and contingent consideration recognized in conjunction with the acquisition of MENU Technologies AG (refer to “Note 3 — Acquisitions”, for additional information).

Amounts owed to employees participating in the deferred compensation plan were $1.9 million and $2.4 million at September 30, 2022 and December 31, 2021, respectively.

Under the CARES Act employers were permitted to defer payment of the employer portion of social security taxes through the end of 2020: 50% of the deferred amount was due December 31, 2021 and the remaining 50% is due December 31, 2022. The Company deferred payment of the employer portion of social security taxes through the end of 2020. The Company paid $1.9 million in December 2021 and the remaining balance is to be paid by December 2022. Deferred payroll taxes were $1.9 million at September 30, 2022 and December 31, 2021 and are included within accrued salaries and benefits on the condensed consolidated balance sheets.

Related Party Transactions

Act III Management LLC (“Act III Management”), a service company to the restaurant, hospitality, and entertainment industries, may from time to time provide software development and restaurant technology consulting services to the Company pursuant to a master development agreement. Additionally, during the three months ended September 30, 2022, the Company entered into a strategic advisor agreement with Act III Management and Ronald Shaich, pursuant to which, Ronald Shaich, the sole member of Act III Management, serves as a strategic advisor to the Company's Board of Directors. Keith Pascal, a director of the Company, is an employee of Act III Management and serves as its vice president and secretary. Mr. Pascal does not have an ownership interest in Act III Management. As of September 30, 2022, and December 31, 2021, the Company had no accounts payable owed to Act III Management, in the three and nine months ended September 30, 2022, the Company paid Act III Management $0.1 million and $0.6 million, respectively, and in the three and nine months ended September 30, 2021, the Company paid Act III Management $0.5 million and $0.8 million, respectively, for services performed under the master development agreement.

Recently Adopted Accounting Pronouncements

In August 2020, the FASB issued ASU No. 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity’s Own Equity (Subtopic 815-40).* The new guidance is intended to simplify the accounting for certain convertible instruments with characteristics of both liability and equity. The guidance removes certain accounting models which separate the embedded conversion features from the host contract for convertible instruments. As a result, after the adoption of this guidance, an entity’s convertible debt instrument will be wholly accounted for as debt. The guidance also expands disclosure requirements for convertible instruments and simplifies diluted earnings-per-share calculations by requiring the use of the if-converted method. The guidance was effective for fiscal years beginning after December 15, 2021 and could be adopted on either a fully retrospective or modified retrospective basis. The Company adopted the new standard as of January 1, 2022 under the modified retrospective method and recorded a cumulative effect upon adoption of a $81.3 million increase to convertible notes, $66.6 million reduction to other paid in capital, $13.4 million reduction to accumulated deficit, and a $1.3 million reduction to deferred tax liability to reflect the reversal of the separation of the convertible debt between debt and equity. Prior year presentation of debt was not impacted. The adoption of this standard also decreased the amount of non-cash interest expense to be recognized in future periods as a result of eliminating the discount associated with the equity component. There was no impact to the Company’s condensed consolidated statements of cash flows as the result of the adoption of ASU No. 2020-06.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which is intended to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. ASU 2021-08 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The Company early adopted the new standard as of January 1, 2022, with no impact to the Company's condensed consolidated financial statements at adoption. Future impact of adoption is dependent on the Company's activity as an acquiring entity in transactions subject to Topic 805.

With the exception of the standards discussed above, there were no other recent accounting pronouncements or changes in accounting pronouncements during the nine months ended September 30, 2022 that are of significance or potential significance to the Company.

NOTE 2: REVENUE RECOGNITION

The Company's revenue is derived from software as a service (“SaaS”), hardware and software sales, software activation, hardware support, installations, maintenance and professional services. Accounting Standards Codification (“ASC”) Topic 606*: Revenue from Contracts with Customers* requires the Company to distinguish and measure performance obligations under customer contracts. Contract consideration is allocated to all performance obligations within the arrangement or contract. Performance obligations that are determined not to be distinct are combined with other performance obligations until the combined unit is determined to be distinct and that combined unit is then recognized as revenue over time or at a point in time depending on when control is transferred.

The Company evaluated the potential performance obligations within its Restaurant/Retail segment and evaluated whether each performance obligation met the ASC Topic 606 criteria to be considered a distinct performance obligation. Revenue in the Restaurant/Retail segment is recognized at a point in time for licensed software, hardware and installations. Revenue on these items are recognized when the customer obtains control of the asset. This generally occurs upon delivery and acceptance by the customer or upon installation or delivery to a third party carrier for onward delivery to the customer. Additionally, revenue in the Restaurant/Retail segment relating to SaaS, the Company's Advanced Exchange hardware service program, its on-site support and other services is recognized over time as the customer simultaneously receives and consumes the benefits of the Company’s performance obligations. The Company’s support services are stand-ready obligations that are provided over the life of the contract, generally 12 months. The Company offers installation services to its customers for hardware and software for which the Company primarily hires third-party contractors to install the equipment on the Company's behalf. The Company pays third party contractors an installation service fee based on an hourly rate agreed to by the Company and contractor. When third party installers are used, the Company determines whether the nature of its performance obligations is to provide the specified goods or services itself (principal) or to arrange for a third-party to provide the goods or services (agent). In the Company's customer arrangements, the Company is primarily responsible for providing a good or service, has inventory risk before the good or service is transferred to the customer, and discretion in establishing prices; as a result, the Company has concluded that it is the principal in the arrangement and records installation revenue on a gross basis.

The support services associated with hardware and software sales are “stand-ready obligations” satisfied over time on the basis that the customer consumes and receives a benefit from having access to the Company's support resources, when and as needed, throughout the contract term. For this reason, the support services are recognized ratably over the contract term since the Company satisfies its obligation to stand ready by performing these services each day. Contracts typically require payment within 30 to 90 days from the shipping date or installation date, depending on the Company's terms with the customer. The primary method used to estimate a stand-alone selling price, is the price that the Company charges for the particular good or service sold by the Company separately under similar circumstances to similar customers. The Company determines stand-alone selling prices as follows: hardware, software and software activation (a one-time fee at the initial offering of software or SaaS) performance obligations are recognized at a stand-alone selling price based on the price at which the Company sells the particular good or service separately in similar circumstances and to similar customers. The stand-alone selling price for all other performance obligations, including: pass-through hardware, such as terminals, printers, or card readers; hardware support (referred to as Advanced Exchange), installation, maintenance, licensed software upgrades, and professional services (project management) is recognized by using an expected cost plus margin.

The Company's revenue in the Government segment is recognized over time as control is generally transferred continuously to its customers. Revenue generated by the Government segment is predominantly related to services; provided, however, revenue is also generated through the sale of materials, software, hardware, and maintenance. For the Government segment cost plus fixed fee contract portfolio, revenue is recognized over time using costs incurred to date to measure progress toward satisfying the Company's performance obligations. Incurred cost represents work performed, which corresponds with, and thereby best depicts, the transfer of control to the customer. Contract costs include labor, material, overhead and general and administrative expenses. Profit is recognized on the fixed fee portion of the contract as costs are incurred and invoiced. Long-term fixed price contracts involve the use of judgment to estimate the total contract revenue and costs. For long-term fixed price contracts, the Company estimates the profit on a contract as the difference between the total estimated revenue and expected costs to complete the contract, and recognize that profit over the life of the contract. Contract estimates are based on various assumptions to project the outcome of future events. These assumptions include: labor productivity and availability; the complexity of the work to be performed; and the performance of subcontractors. Revenue and profit in future periods of contract performance are recognized using the aforesaid assumptions, and adjusting the estimate of costs to complete a contract. Once the services provided are determined to be distinct or not distinct, the Company evaluates how to allocate the transaction price. Generally, the Government segment does not sell the same good or service to similar customers and the contract performance obligations are unique to each government solicitation. The performance obligations are typically not distinct. In cases where there are distinct performance obligations, the transaction price would be allocated to each performance obligation on a ratable basis based upon the stand-alone selling price of each performance obligation. Cost plus margin is used for the cost plus fixed fee contract portfolios as well as the fixed price and time and materials contracts portfolios to determine the stand-alone selling price.

In the Government segment, when determining revenue recognition, the Company analyzes whether its performance obligations under Government contracts are satisfied over a period of time or at a point in time. In general, the Company's performance obligations are satisfied over a period of time; however, there may be circumstances where the latter or both scenarios could apply to a contract.

The Company usually expects payment within 30 to 90 days from satisfaction of its performance obligations. None of its contracts as of September 30, 2022 or September 30, 2021 contained a significant financing component.

Performance Obligations Outstanding

The Company's performance obligations outstanding represent the transaction price of firm, non-cancellable orders, with expected delivery dates to customers after September 30, 2022 and 2021, respectively, for work that has not yet been performed. The activity of outstanding performance obligations as it relates to customer deposits and deferred service revenue is as follows:

(in thousands)	2022	2021
Beginning balance - January 1	$ 20,046	$ 11,082
Acquired deferred revenue (Note 3)	443	11,125
Recognition of deferred revenue	(28,493)	(15,846)
Deferral of revenue	24,837	14,257
Ending balance - September 30	$ 16,833	$ 20,618

The above table excludes customer deposits of $1.7 million and $1.7 million for the nine months ended September 30, 2022 and 2021, respectively. The majority of the deferred revenue balances above relate to professional services, maintenance agreements, and software licenses. These balances are recognized on a straight-line basis over the life of the contract, with the majority of the balance being recognized within the next twelve months.

In the Restaurant/Retail segment most performance obligations relate to service and support contracts, approximately 64% of which the Company expects to fulfill within 12 months. The Company expects to fulfill 100% of support and service contracts within 60 months. At September 30, 2022 and December 31, 2021, transaction prices allocated to future performance obligations were $16.8 million and $20.0 million, respectively.

During the three months ended September 30, 2022 and 2021, the Company recognized revenue included in contract liabilities at the beginning of each respective period of $3.1 million and $2.4 million. During the nine months ended September 30, 2022 and 2021, the Company recognized revenue included in contract liabilities at the beginning of each respective period of $12.7 million and $7.5 million.

In the Government segment, the value of existing contracts at September 30, 2022, net of amounts relating to work performed to that date, was approximately $344.8 million, of which $94.9 million was funded, and at December 31, 2021, the value of existing contracts, net of amounts relating to work performed to that date, was approximately $195.3 million, of which $38.6 million was funded. The value of existing contracts in the Government segment, net of amounts relating to work performed at September 30, 2022, is expected to be recognized as revenue over time as follows (in thousands):

Next 12 months	$ 160,767
Months 13-24	122,362
Months 25-36	51,875
Thereafter	9,746
Total	$ 344,750

Disaggregated Revenue

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

Disaggregated revenue is as follows:

	Three Months Ended September 30, 2022			
(in thousands)	Restaurant/Retail point in time	Restaurant/Retail over time	Government point in time	Government over time
Hardware	$ 30,796	$ —	$ —	$ —
Software	2	22,436	—	—
Service	4,821	10,298	—	—
Mission systems	—	—	—	8,982
Intelligence, surveillance, and reconnaissance solutions	—	—	—	14,710
Commercial software	—	—	541	181
Total	$ 35,619	$ 32,734	$ 541	$ 23,873

	Three Months Ended September 30, 2021			
(in thousands)	Restaurant/Retail point in time	Restaurant/Retail over time	Government point in time	Government over time
Hardware	$ 29,669	$ —	$ —	$ —
Software	290	16,878	—	—
Service	5,150	7,834	—	—
Mission systems	—	—	—	9,619
Intelligence, surveillance, and reconnaissance solutions	—	—	—	8,237
Commercial software	—	—	55	128
Total	$ 35,109	$ 24,712	$ 55	$ 17,984

(in thousands)	Nine Months Ended September 30, 2022 Restaurant/Retail point in time	Restaurant/Retail over time	Government point in time	Government over time
Hardware	$ 83,219	$ —	$ —	$ —
Software	25	62,389	—	—
Service	14,693	31,044	—	—
Mission systems	—	—	—	26,781
Intelligence, surveillance, and reconnaissance solutions	—	—	—	38,746
Commercial software	—	—	753	495
Total	$ 97,937	$ 93,433	$ 753	$ 66,022

(in thousands)	Nine Months Ended September 30, 2021 Restaurant/Retail point in time	Restaurant/Retail over time	Government point in time	Government over time
Hardware	$ 70,858	$ —	$ —	$ —
Software	827	39,318	—	—
Service	14,024	22,502	—	—
Mission systems	—	—	—	28,450
Intelligence, surveillance, and reconnaissance solutions	—	—	—	24,706
Commercial software	—	—	220	372
Total	$ 85,709	$ 61,820	$ 220	$ 53,528

Practical Expedients and Exemptions

The Company generally expenses sales commissions when incurred because the amortization period would be less than one year or the total amount of commissions is immaterial. Commissions are recorded in selling, general and administrative expenses. The Company elected to exclude from measurement of the transaction price, all taxes assessed by governmental authorities that are both imposed on and concurrent with a specific revenue-producing transaction and collected by the Company from a customer (for example, sales, use, value added, and some excise taxes).

NOTE 3: ACQUISITIONS

MENU Acquisition

During the three months ended September 30, 2022, ParTech, Inc. ("ParTech") acquired 100% of the stock of MENU Technologies AG ("MENU"), a restaurant technology company offering fully integrated omnichannel ordering solutions to restaurants worldwide (the "MENU Acquisition"), for purchase consideration of approximately $18.4 million paid in cash and $6.3 million paid in shares of Company common stock. 162,917 shares of common stock were issued as purchase consideration, determined using a fair value share price of $38.67. In addition, the sellers have the opportunity to earn additional cash and Company common stock consideration over an earn-out period ending July 31, 2024, primarily based on MENU's future SaaS annual recurring revenues.As of September 30, 2022, the Company determined the fair value of the MENU earn-out to be $14.2 million.

The transaction was accounted for as a business combination in accordance with ASC Topic 805, *Business Combinations*. Accordingly, assets acquired and liabilities assumed have been accounted for at their preliminarily determined respective fair values as of July 25, 2022, the date of acquisition. The preliminary fair value determinations were based on management's best estimates and assumptions, and with the assistance of independent valuation and tax consultants. Identified preliminary fair values are subject to measurement period adjustments within the permitted measurement period (up to one year from the acquisition date) as independent consultants finalize their procedures and net working capital adjustments are agreed upon and settled.

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

(in thousands)		Purchase price allocation
Cash	$	843
Accounts receivable		209
Property and equipment		204
Developed technology		10,700
Prepaid and other acquired assets		221
Goodwill		28,495
Total assets		40,672
Accounts payable and accrued expenses		1,300
Deferred revenue		443
Earn-out liability		14,200
Consideration paid	$	24,729

The Company determined the acquisition date fair value of contingent consideration associated with the MENU earn-out using a discounted cash flow method, with significant inputs that are not observable in the market and thus represents a Level 3 fair value measurement as defined in ASC 820, *Fair Value Measurement;* refer to "Note 13: Fair Value of Financial Instruments".

The estimated fair value of acquired developed technology was determined based on an income approach which estimated the fair value based upon the present value of cash flows the asset is expected to generate. The acquired developed technology asset is being amortized on a straight-line basis over its estimated useful life of seven years,

Consideration paid in cash on the date of acquisition included $3.0 million deposited into an escrow account administered by a third party, to be held for up to 18-months following the date of acquisition, to fund potential post-closing adjustments and obligations.

The Company incurred expenses related to its acquisition of MENU of approximately $1.1 million.

The Company has not presented combined pro forma financial information of the Company and MENU because the results of operations of the acquired business are considered immaterial.

Q1 2022 Acquisition

During the three months ended March 31, 2022, ParTech acquired substantially all the assets and liabilities of a privately held restaurant technology company (the "Q1 2022 Acquisition"). The transaction was accounted for as a business combination in accordance with ASC Topic 805, *Business Combinations,* resulting in an increase to goodwill of $1.2 million. The Company determined that the preliminary fair values of all other assets acquired and liabilities assumed relating to the transaction did not materially affect the Company's financial condition; this determination included the preliminary valuations of identified intangible assets. The preliminary fair value determinations were based on management's best estimates and assumptions, and through the use of independent valuation and tax consultants. Identified preliminary fair values are subject to measurement period adjustments within the permitted measurement period (up to one year from the acquisition date) as independent consultants finalize their procedures. The Company considers the results of operations of the acquired business to be immaterial and therefore has not presented combined pro forma financial information.

Punchh Acquisition

On April 8, 2021, the Company, ParTech, and Sliver Merger Sub, Inc., a wholly owned subsidiary of ParTech ("Merger Sub"), entered into an Agreement and Plan of Merger (the "Merger Agreement") with Punchh Inc. ("Punchh"), and Fortis Advisors LLC, solely in its capacity as the initial Stockholder Representative. Pursuant to the Merger Agreement, on April 8, 2021, Merger Sub merged with and into Punchh (the "Merger"), with Punchh surviving the Merger and becoming a wholly owned subsidiary of the Company ("Punchh Acquisition").

Allocation of Acquisition Consideration — Punchh Acquisition

The Punchh Acquisition was accounted for as a business combination in accordance with ASC Topic 805, *Business Combinations*. Accordingly, assets acquired and liabilities assumed in the Punchh Acquisition were accounted for at their final determined respective fair values as of April 8, 2021. The final fair value determinations were based on management's best estimates and assumptions, and through the use of independent valuation and tax consultants.

During the first quarter of 2022, the fair values of assets and liabilities as of April 8, 2021 were finalized to reflect final acquisition valuation analysis procedures.

The following table presents management's final purchase price allocation for the Punchh Acquisition:

(in thousands)	Purchase price allocation
Cash	$ 22,714
Accounts receivable	10,214
Property and equipment	592
Lease right-of-use assets	2,473
Developed technology	84,600
Customer relationships	7,500
Indemnification assets	2,109
Trade name	5,800
Prepaid and other acquired assets	2,764
Goodwill	415,055
Total assets	553,821
Accounts payable and accrued expenses	15,617
Deferred revenue	10,298
Loan payables	3,508
Lease liabilities	2,787
Indemnification liabilities	2,109
Deferred taxes	11,794
Consideration paid	$ 507,708

Unaudited Pro Forma Financial Information

For the nine months ended September 30, 2021, the Punchh Acquisition resulted in additional revenues of $17.8 million.

The following table summarizes the Company's unaudited pro forma operating results:

(in thousands)	Nine Months Ended September 30, 2021
Total revenue	$ 209,997
Net loss	$ (53,440)

The unaudited pro forma results presented above are for illustrative purposes only and do not reflect the realization of actual cost savings or any related integration costs. The unaudited pro forma results do not purport to be indicative of the results that would have been obtained, or to be a projection of results that may be obtained in the future. $3.5 million of acquisition costs have been reflected in the 2021 unaudited pro forma results.

NOTE 4: ACCOUNTS RECEIVABLE, NET

The Company’s net accounts receivables consist of:

(in thousands)	September 30, 2022	December 31, 2021
Government segment:	$ 14,747	$ 11,667
Restaurant/Retail segment:	40,098	38,311
Accounts receivable - net	$ 54,845	$ 49,978

At September 30, 2022 and December 31, 2021, the Company had current expected credit loss of $1.8 million and $1.3 million, respectively, against accounts receivable for the Restaurant/Retail segment.

Changes in the current expected credit loss for the nine months ended September 30 were:

(in thousands)	2022	2021
Beginning Balance - January 1	$ 1,306	$ 1,416
Provisions	739	992
Write-offs	(263)	(692)
Recoveries	—	(15)
Ending Balance - September 30	$ 1,782	$ 1,701

Accounts receivables recorded as of September 30, 2022 and December 31, 2021 represent unconditional rights to payments from customers.

NOTE 5: INVENTORIES

Inventories are used in the assembly and service of Restaurant/Retail products. The components of inventory, adjusted for reserves, consisted of the following:

(in thousands)	September 30, 2022	December 31, 2021
Finished goods	$ 24,729	$ 17,528
Work in process	160	688
Component parts	13,857	14,880
Service parts	961	1,982
Inventories	$ 39,707	$ 35,078

At September 30, 2022 and December 31, 2021, the Company had excess and obsolescence reserves of $12.6 million and $10.8 million, respectively, against inventories.

NOTE 6: IDENTIFIABLE INTANGIBLE ASSETS AND GOODWILL

The Company's identifiable intangible assets represent intangible assets acquired in acquisitions and software development costs. The Company capitalizes certain costs related to the development of its unified commerce platform and other software applications for internal use in accordance with ASC Topic 350-40, *Intangibles - Goodwill and Other - Internal - Use Software*. The Company begins to capitalize its costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software will be used as intended. The Company stops capitalizing these project costs when software is substantially complete and ready for its intended use, including the completion of all significant testing. These project costs are amortized on a straight-line basis over the estimated useful life of the related asset, generally estimated to be three to seven years. The Company also capitalizes costs related to specific upgrades and enhancements, when it is probable the expenditure will result in additional functionality, and expense costs are incurred for maintenance and minor upgrades and enhancements. Costs incurred prior to meeting these criteria together with costs incurred for training and maintenance are expensed as incurred and recorded within research and development expenses in the Company's condensed consolidated statements of operations.

The Company exercises judgment in determining the point at which various projects may be capitalized, in assessing the ongoing value of the capitalized costs, and in determining the estimated useful lives over which the costs are amortized. To the extent the Company can change the manner in which new features and functionalities are developed and tested related to its software products, by assessing the ongoing value of capitalized assets or determining the estimated useful lives over which the costs are amortized, the amount of internal-use software development costs the Company capitalizes and amortizes could change in future periods.

Included in identifiable intangible assets are approximately $3.9 million and $3.4 million of costs related to software products that did not satisfy the general release threshold as of September 30, 2022 and December 31, 2021, respectively. These software products are expected to be ready for their intended use within the next 12 months. Software costs related to products placed into service during the three months ended September 30, 2022 and 2021 were $1.4 million and $1.6 million, respectively. Software costs related to products placed into service during the nine months ended September 30, 2022 and 2021 were $4.3 million and $9.1 million, respectively.

Annual amortization charged to cost of sales related to the Company's software products is computed using the straight-line method over the remaining estimated economic life of the product, which is generally three years.

Amortization of acquired developed technology for the three months ended September 30, 2022 and 2021 was $4.2 million and $3.7 million, respectively. Amortization of acquired developed technology for the nine months ended September 30, 2022 and 2021 was $11.5 million and $8.3 million, respectively.

Amortization of internally developed software costs for the three months ended September 30, 2022 and 2021 was $1.7 million and $1.3 million, respectively. Amortization of internally developed software costs for the nine months ended September 30, 2022 and 2021 was $5.1 million and $3.8 million, respectively.

The components of identifiable intangible assets are:

(in thousands)	September 30, 2022	December 31, 2021	Estimated Useful Life	Weighted-Average Amortization Period
Acquired developed technology	$ 119,800	$ 109,100	3 - 7 years	5.17 years
Internally developed software costs	30,033	25,735	3 years	2.42 years
Customer relationships	12,360	12,360	7 years	4.61 years
Trade names	1,410	1,410	2 - 5 years	2.5 years
Non-competition agreements	30	30	1 year	1 year
	163,633	148,635		
Less: accumulated amortization and currency translation	(57,494)	(39,479)		
	106,139	109,156		
Internally developed software costs not meeting general release threshold	3,903	3,407		
Trademarks, trade names (non-amortizable)	6,200	6,200	Indefinite	
	$ 116,242	$ 118,763		

Balances include foreign currency translation adjustments.

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

(in thousands)	
2022, remaining	$ 6,204
2023	22,933
2024	20,610
2025	18,229
2026	17,576
Thereafter	20,587
Total	$ 106,139

The Company operates in two reporting segments, Restaurant/Retail and Government, which are the identified reporting units for purposes of evaluating goodwill impairment. The Company tests goodwill for impairment on an annual basis, or more often if events or circumstances indicate that there may be impairment of goodwill. Goodwill is assigned to a specific reporting unit at the date the goodwill is initially recorded; once assigned, goodwill no longer retains its association with a particular acquisition and all of the activities within the reporting unit, whether acquired organically or from a third-party, are available to support the value of the goodwill.

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

(in thousands)	
Beginning balance - December 31, 2021	$ 457,306
Q1 2022 Acquisition	1,212
MENU Acquisition	28,495
ASC 805 measurement period adjustment	(1,085)
Foreign currency translation	(807)
Ending balance - September 30, 2022	$ 485,121

Refer to “Note 3 — Acquisitions”, for additional information on goodwill from the 2022 Acquisitions.

NOTE 7: DEBT

The following table summarizes information about the net carrying amounts of long-term debt as of September 30, 2022:

(in thousands)	2024 Notes	2026 Notes	2027 Notes	Total
Principal amount of notes outstanding	$ 13,750	$ 120,000	$ 265,000	$ 398,750
Unamortized debt issuance cost	(303)	(2,678)	(7,089)	(10,070)
Total long-term portion of notes payable	$ 13,447	$ 117,322	$ 257,911	$ 388,680

The following table summarizes information about the net carrying amounts of long-term debt as of December 31, 2021:

(in thousands)	2024 Notes	2026 Notes	2027 Notes	Total
Principal amount of notes outstanding	$ 13,750	$ 120,000	$ 265,000	$ 398,750
Unamortized debt issuance cost	(334)	(2,440)	(5,984)	(8,758)
Unamortized discount	(1,570)	(19,413)	(63,164)	(84,147)
Total long-term portion of notes payable	$ 11,846	$ 98,147	$ 195,852	$ 305,845

Refer to "Recently Adopted Accounting Pronouncements" within "Note 1 - Basis of Presentation" for additional information relating to impact to discount resulting from the Company's adoption of ASU 2020-06.

Convertible Senior Notes

On September 17, 2021, the Company sold $265.0 million in aggregate principal amount of 1.500% Convertible Senior Notes due 2027 (the “2027 Notes”). The 2027 Notes were issued pursuant to an indenture, dated September 17, 2021, between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “2027 Indenture”). The 2027 Notes bear interest at a rate of 1.500% per year, which is payable semiannually in arrears on April 15 and October 15 of each year, beginning April 15, 2022. Interest accrues on the 2027 Notes from the last date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from September 17, 2021. Unless earlier converted, redeemed or repurchased, the 2027 Notes mature on October 15, 2027. The Company used net proceeds from the sale, in conjunction with net proceeds from the September 2021 sale of common stock (Refer to “Note 8 — Common Stock” for additional information), to repay in full the principal amount of $180.0 million outstanding as of September 17, 2021 (the “Owl Rock Term Loan”) under the credit agreement entered into on April 8, 2021 by the Company and certain of its U.S. subsidiaries, as guarantors, with the lenders party thereto and Owl Rock First Lien Master Fund, L.P. as administrative agent and collateral agent (the “Owl Rock Credit Agreement”). The Company intends to use the remaining net proceeds from the sale for general corporate purposes, including continued investment in the growth of the Company’s businesses and for other working capital needs. The Company may also use a portion of the net proceeds to acquire or invest in other assets complementary to the Company’s businesses or for repurchases of the Company’s other indebtedness.

On February 10, 2020, the Company sold $120.0 million in aggregate principal amount of 2.875% Convertible Senior Notes due 2026 (the “2026 Notes”). The 2026 Notes were issued pursuant to an indenture, dated February 10, 2020 (the “2026 Indenture”), between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee. The 2026 Notes pay interest at a rate equal to 2.875% per year, payable semiannually in arrears on April 15 and October 15 of each year, beginning October 15, 2020. Interest accrues on the 2026 Notes from the last date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from February 10, 2020. Unless earlier converted, redeemed or repurchased, the 2026 Notes mature on April 15, 2026.

On April 15, 2019, the Company sold $80.0 million in aggregate principal amount of 4.500% Convertible Senior Notes due 2024 (the “2024 Notes” and, together with the 2026 Notes and the 2027 Notes, the “Notes”). The 2024 Notes were issued pursuant to an indenture, dated April 15, 2019, between the Company and The Bank of New York Mellon Trust Company, N.A., as Trustee (the “2024 Indenture” and, together with the 2026 Indenture and the 2027 Indenture, the “Indentures”). The 2024 Notes pay interest at a rate equal to 4.500% per year, payable semiannually in arrears on April 15 and October 15 of each year, beginning October 15, 2019. Interest accrues on the 2024 Notes from the last date to which interest has been paid or duly provided for or, if no interest has been paid or duly provided for, from April 15, 2019. Unless earlier converted, redeemed or repurchased, the 2024 Notes mature on April 15, 2024.

The Company used approximately $66.3 million (excluding cash payments relating to accrued interest and fractional shares) from its sale of the 2026 Notes and issued 722,423 shares of common stock at $32.43 per share out of treasury stock with an average cost basis of $3.37 per share to repurchase approximately $66.3 million in aggregate principal amount of the 2024 Notes through individually negotiated transactions. Of the total price paid for the 2024 Notes, $59.0 million was allocated to the 2024 Notes settlement, $30.8 million was allocated to equity, and $1.0 million was used to pay off accrued interest on the 2024 Notes. The consideration transferred was allocated to the liability and equity components of the 2024 Notes using the equivalent rate that reflected the borrowing rate for a similar non-convertible debt instrument immediately prior to settlement.

Prior to the Company's adoption of ASU 2020-06 on January 1, 2022, the carrying amount of the liability component of the Notes was calculated by estimating the fair value of similar notes that do not have associated convertible features. The carrying amount of the equity component, representing the conversion option, was determined by deducting the fair value of the liability component from the fair value amount of the Notes. The valuation model used in determining the fair value of the liability component for the Notes includes inputs, such as the implied debt yield within the nonconvertible borrowing rate. The implied estimated effective rate of the liability component of the 2024 Notes, 2026 Notes, and 2027 Notes was 10.2%, 7.3%, and 6.5% respectively.

The Notes are senior, unsecured obligations of the Company. The 2024 Notes, the 2026 Notes, and the 2027 Notes are convertible, in whole or in part, at the option of the holder, upon the occurrence of specified events or certain fundamental changes set forth in the Indentures prior to the close of business on the business day immediately preceding October 15, 2023, October 15, 2025, and April 15, 2027, respectively; and, thereafter, at any time until the close of business on the second business day immediately preceding maturity. The 2024 Notes are convertible into Company common stock at an initial conversion rate of 35.0217 shares per $1,000 principal amount, the 2026 Notes are convertible into Company common stock at an initial conversion rate of 23.2722 shares per $1,000 principal amount, and the 2027 Notes are convertible into Company common stock at an initial conversion rate of 12.9870 shares per $1,000 principal amount. Upon conversion, the Company may elect to settle by paying or delivering either solely cash, shares of Company common stock or a combination of cash and shares of Company common stock.

Prior to the Company's adoption of ASU 2020-06 on January 1, 2022, in accordance with ASC Topic 470-20 *Debt with Conversion and Other Options — Beneficial Conversion Features*, the initial measurement of the 2024 Notes at fair value on issuance resulted in a liability of $62.4 million and an implied value of the convertible feature recognized as additional paid in capital of $17.6 million; the initial measurement of the 2026 Notes at fair value on issuance resulted in a liability of $93.8 million and an implied value of the convertible feature recognized as additional paid in capital of $26.2 million; and, the initial measurement of the 2027 Notes at fair value on issuance resulted in a liability of $199.2 million and an implied value of the convertible feature recognized as additional paid in capital of $65.8 million. Issuance costs for the Notes amounted to $4.9 million, $4.2 million, and $8.3 million for the 2024 Notes, 2026 Notes, and 2027 Notes, respectively. These costs were allocated to debt and equity components on a ratable basis. For the 2024 Notes, this amounted to $3.8 million and $1.1 million to the debt and equity components, respectively. For the 2026 Notes, this amounted to $3.3 million and $0.9 million to the debt and equity components, respectively. For the 2027 Notes, this amounted to $6.2 million and $2.1 million to the debt and equity components, respectively. Refer to 'Recently Adopted Accounting Pronouncements' in Note 1 for a summary of the Company's January 1, 2022 adoption of ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40).*

The Indentures contain covenants that, among other things, restrict the Company's ability to merge, consolidate or sell, or otherwise dispose of, substantially all of its assets and customary Events of Default (as defined in the Indentures).

Prior to the Company's adoption of ASU 2020-06 on January 1, 2022, the Company recorded an income tax liability of $15.6 million in 2021 associated with the portion of the 2027 Notes that was classified within shareholders' equity. GAAP requires the offset of the deferred tax liability to be classified within shareholders' equity, consistent with the equity portion of the 2027 Notes. The creation of the deferred tax liability produced evidence of recoverability of the Company's net deferred tax assets, which resulted in the release of a valuation allowance, totaling $14.9 million, that was also classified within shareholders' equity pursuant to ASU 2019-12.

Credit Facility

In connection with, and to partially fund the approximately $397.5 million in cash paid to former Punchh equity holders (the "Cash Consideration") for the Punchh Acquisition, on April 8, 2021, the Company entered into the Owl Rock Credit Agreement. Issuance costs, which included a 2% Original Issue Discount, amounted to $9.3 million with net proceeds amounting to $170.7 million.

The Company used net proceeds from the sale of the 2027 Notes and its concurrent sale of common stock (refer to “Note 8 — Common Stock” for additional information about the sale) to repay in full the Owl Rock Term Loan, including $1.8 million accrued interest and $3.6 million prepayment premium, on September 17, 2021. Following its repayment, the Owl Rock Credit Agreement was terminated.

The following tables summarize interest expense recognized on the Notes and on the Credit Facility:

(in thousands)	Three Months Ended September 30,	
	2022	2021
Contractual interest expense	$ 2,011	$ 3,284
Amortization of debt issuance costs	504	2,118
Total interest expense	$ 2,515	$ 5,402

(in thousands)	Nine Months Ended September 30,	
	2022	2021
Contractual interest expense	$ 6,025	$ 7,497
Amortization of debt issuance costs	1,485	5,035
Total interest expense	$ 7,510	$ 12,532

In connection with the acquisition of AccSys, LLC in December 2019, the Company entered into a $2.0 million subordinated promissory note. The note bears interest at 5.75% per annum, with monthly payments of principal and interest in the amount of $60.6 thousand payable beginning January 15, 2020 through maturity on December 15, 2022. As of September 30, 2022, the outstanding balance of the subordinated promissory note was $0.2 million, which was recorded in the current portion of long-term debt.

The following table summarizes the future principal payments as of September 30, 2022:

(in thousands)	
2022, remaining	$ 180
2023	—
2024	13,750
2025	—
2026	120,000
Thereafter	265,000
Total	$ 398,930

NOTE 8: COMMON STOCK

On September 17, 2021, the Company completed a public offering of its common stock in which the Company issued and sold 982,143 shares of common stock at a public offering price of $56.00 per share. The Company received net proceeds of $52.5 million, after deducting underwriting discounts, commissions and other offering expenses.

In connection with, and to partially fund the Cash Consideration of the Punchh Acquisition, on April 8, 2021, the Company entered into securities purchase agreements (the "Purchase Agreements") with each of PAR Act III, LLC ("Act III") and T. Rowe Price Associates, Inc., acting as investment adviser (such funds and accounts being collectively referred to herein as "TRP") to raise approximately $160.0 million through a private placement of the Company's common stock. Pursuant to the Purchase Agreements, the Company issued and sold (i) 73,530 shares of its common stock to Act III for a gross purchase price of approximately $5.0 million ($68.00 per share), and (ii) 2,279,412 shares of common stock to TRP for a gross purchase price of approximately $155.0 million ($68.00 per share) for an aggregate of 2,352,942 shares. The Company incurred $4.3 million of issuance costs in connection with the sale of its common stock.

The Company issued 1,493,130 shares of its common stock as part of the consideration paid to former Punchh equity holders in connection with the Punchh Acquisition. Refer to “Note 3 — Acquisitions” for additional information about the Punchh Acquisition.

The Company issued 162,917 shares of its common stock as part of the purchase consideration paid to former MENU equity holders in connection with the MENU Acquisition. Refer to "Note 3 - Acquisitions" for additional information about the MENU Acquisition.

NOTE 9: STOCK-BASED COMPENSATION

The Company applies the fair value recognition provisions of ASC Topic 718*: Stock Compensation*. Stock-based compensation expense, net of forfeitures of $0.1 million and $0.3 million for the three months ended September 30, 2022 and 2021, respectively, and $0.9 million and $0.4 million for the nine months ended September 30, 2022 and 2021, respectively, was recorded in the following line items in the condensed consolidated statements of operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of sales - contracts	$ 32	$ 72	$ 116	$ 256
Selling, general and administrative	3,458	3,713	10,141	9,100
Total stock-based compensation expense	$ 3,490	$ 3,785	$ 10,257	$ 9,356

At September 30, 2022, the aggregate unrecognized compensation expense related to unvested equity awards was $21.5 million, which is expected to be recognized as compensation expense in fiscal years 2022 through 2025.

A summary of stock option activity for the nine months ended September 30, 2022 is below:

(in thousands, except for weighted average exercise price)	Options outstanding	Weighted average exercise price
Outstanding at January 1, 2022	1,306	$ 11.95
Exercised	(129)	8.39
Canceled/forfeited	(132)	10.65
Outstanding at September 30, 2022	1,045	$ 12.87

A summary of unvested restricted stock awards activity for the nine months ended September 30, 2022 is below:

(in thousands, except for weighted average award value)	Restricted Stock Awards	Weighted average award value
Outstanding at January 1, 2022	27	$ 25.42
Vested	(27)	25.42
Outstanding at September 30, 2022	—	

A summary of unvested restricted stock units activity for the nine months ended September 30, 2022 is below:

(in thousands, except for weighted average award value)	Restricted Stock Unit Awards	Weighted average award value
Outstanding at January 1, 2022	418	$ 34.08
Granted	371	38.12
Vested	(124)	30.15
Canceled/forfeited	(89)	48.00
Outstanding at September 30, 2022	576	$ 35.25

NOTE 10: NET LOSS PER SHARE

Net loss per share is calculated in accordance with ASC Topic 260: *Earnings per Share*, which specifies the computation, presentation and disclosure requirements for earnings per share ("EPS"). It requires the presentation of basic and diluted EPS. Basic EPS excludes all dilution and is based upon the weighted average number of shares of common stock outstanding during the period. Diluted EPS reflects the potential dilution that would occur if convertible securities or other contracts to issue common stock were exercised. At September 30, 2022, there were 1,045,000 anti-dilutive stock options outstanding compared to 1,364,000 as of September 30, 2021. At September 30, 2022 there were 576,000 anti-dilutive restricted stock units compared to 468,000 as of September 30, 2021.

The potential effects of the 2024 Notes, 2026 Notes, and 2027 Notes conversion features were excluded from the diluted net loss per share as of September 30, 2022 and 2021. Potential shares from 2024 Notes, 2026 Notes, and 2027 Notes conversion features at respective maximum conversion rates of 46.4037 per share, 30.8356 per share, and 17.8571 per share are approximately 638,051, 3,700,272, and 4,732,132 respectively. Refer to "Note 7 — Debt" for additional information about the Notes.

In connection with the Punchh Acquisition as discussed in "Note 3 — Acquisitions" and "Note 8 — Common Stock," the Company issued Act III a five-year warrant to purchase 500,000 shares of common stock with an exercise price of $76.50 per share; in connection with the Company's 2021 public offering of its common stock, an additional 3,975 shares of common stock are available for purchase under the warrant and the warrant exercise price is $75.90 per share. The warrant was excluded from the diluted net loss per share as of September 30, 2022 due to its anti-dilutive impact.

NOTE 11: COMMITMENTS AND CONTINGENCIES

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

On July 20, 2022, the Federal District Court of the Northern District of Illinois granted final approval of a $790 thousand class-wide settlement of the complaint filed by Kandice Neals on behalf of herself and others similarly situated against ParTech, alleging that ParTech violated the Illinois Biometric Information Privacy Act in the alleged collection, use, and storage of her and others' biometric data derived from fingerprint scans taken for authentication purposes on point-of-sale systems. The Company had accrued for this liability in December 2021 and fully funded the settlement as of June 30, 2022.

NOTE 12: SEGMENT AND RELATED INFORMATION

The Company is organized in two segments, Restaurant/Retail and Government. Management views the Restaurant/Retail and Government segments separately in operating its business, as the products and services are different for each segment.

The Restaurant/Retail segment is a provider of software, hardware and services to the restaurant and retail industries. The Restaurant/Retail segment provides multi-unit and individual restaurants, franchisees, and enterprise customers in the three major restaurant categories (fast casual, quick serve, and table service) with operational efficiencies, offering them an integrated suite of SaaS solutions that includes Brink POS for front-of-house, Data Central for back-office, PAR Pay and PAR Payment Services for payments, Punchh for customer loyalty and engagement and MENU for integrated omnichannel ordering solutions. This segment also offers customer support, including field service, installation, depot repair, and 24-hour telephone support. The Government segment provides technical expertise and development of advanced systems and software solutions for the DoD, the intelligence community and other federal agencies. This segment also provides support services for satellite command and control, communication, and IT systems at several DoD facilities worldwide.

Information noted as “Other” primarily relates to the Company’s corporate operations.

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

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Revenues:				
Restaurant/Retail	$ 68,354	$ 59,821	$ 191,371	$ 147,529
Government	24,413	18,039	66,774	53,748
Total	$ 92,767	$ 77,860	$ 258,145	$ 201,277
Operating (loss) income:				
Restaurant/Retail	$ (8,379)	$ (15,642)	$ (19,303)	$ (40,894)
Government	2,529	1,960	6,390	4,555
Other	(12,593)	(427)	(34,438)	(766)
Total	(18,443)	(14,109)	(47,351)	(37,105)
Other expense, net	(179)	(539)	(804)	(931)
Interest expense, net	(2,140)	(5,406)	(7,054)	(12,503)
Loss on extinguishment of debt	—	(11,916)	—	(11,916)
Loss before provision for income taxes	$ (20,762)	$ (31,970)	$ (55,209)	$ (62,455)
Depreciation, amortization and accretion:				
Restaurant/Retail	$ 6,255	$ 5,833	$ 18,113	$ 13,789
Government	112	30	340	263
Other	904	2,453	2,657	6,051
Total	$ 7,271	$ 8,316	$ 21,110	$ 20,103
Capital expenditures including software costs:				
Restaurant/Retail	$ 1,439	$ 1,645	$ 4,686	$ 5,342
Government	33	139	89	592
Other	161	177	756	465
Total	$ 1,633	$ 1,961	$ 5,531	$ 6,399

Revenues by country:				
United States	$ 88,555	$ 71,595	$ 243,406	$ 186,325
International	4,212	6,265	14,739	14,952
Total	$ 92,767	$ 77,860	$ 258,145	$ 201,277

The following table represents assets by reporting segment.

(in thousands)	September 30, 2022	December 31, 2021
Restaurant/Retail	$ 718,643	$ 674,032
Government	17,630	14,831
Other	128,468	199,286
Total	$ 864,741	$ 888,149

The following table represents identifiable long-lived tangible assets by country based on the location of the assets.

(in thousands)	September 30, 2022	December 31, 2021
United States	$ 818,733	$ 871,184
Other Countries	46,008	16,965
Total	$ 864,741	$ 888,149

The following table represents goodwill by reporting segment.

(in thousands)	September 30, 2022	December 31, 2021
Restaurant/Retail	$ 484,385	$ 456,570
Government	736	736
Total	$ 485,121	$ 457,306

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Restaurant/Retail reporting segment:				
Yum! Brands, Inc.	10 %	11 %	10 %	12 %
McDonald's Corporation	15 %	12 %	12 %	11 %
Government reporting segment:				
U.S. Department of Defense	26 %	23 %	26 %	27 %
All Others	49 %	54 %	52 %	50 %
	100 %	100 %	100 %	100 %

No other customer within All Others represented 10% or more of the Company's total revenue for the three and nine months ended September 30, 2022 or 2021.

NOTE 13: FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

The Company’s financial instruments primarily consist of cash and cash equivalents, short-term investments, trade receivables, trade payables, debt instruments and deferred compensation assets and liabilities. The carrying amounts of cash and cash equivalents, short-term investments, trade receivables and trade payables as of September 30, 2022 and December 31, 2021 were considered representative of their fair values because of their short-term nature. The estimated fair value of the 2024 Notes, 2026 Notes, and 2027 Notes at September 30, 2022 was $18.3 million, $118.2 million, and $195.7 million respectively. The valuation techniques used to determine the fair value of the 2024 Notes, 2026 Notes, and the 2027 Notes are classified within Level 2 of the fair value hierarchy.

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

The amounts owed to employees participating in the deferred compensation plan at September 30, 2022 was $1.9 million compared to $2.4 million at December 31, 2021 and are included in other long-term liabilities on the condensed consolidated balance sheets.

The Company uses Monte Carlo simulation modeling to determine the fair value of the earn-out liability associated with the acquisition of MENU. Significant inputs used in the simulation are not observable in the market and thus the liability represents a Level 3 fair value measurement as defined in ASC 820. Ultimately, the liability will be equivalent to the amount paid, and the difference between the fair value estimate and amount paid will be recorded in earnings. The amount paid that is less than or equal to the liability on the acquisition date will be reflected as cash used in financing activities in the Company's consolidated statements of cash flows. Any amount paid in excess of the liability on the acquisition date will be reflected as cash used in operating activities. The Company determined the fair value of the MENU earn-out contingent liability to be $14.2 million at September 30, 2022.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto included under Part I, Item 1 "Financial Statements (unaudited)" of this Quarterly Report and our audited consolidated financial statements and the notes thereto included under Part II, Item 8 "Financial Statements and Supplementary Data" of the 2021 Annual Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from the results contemplated by these forward-looking statements due to a number of factors we describe in our filings with the SEC, including in this Quarterly Report.

OVERVIEW

We, through our wholly owned subsidiaries - ParTech and PAR Government Systems Corporation - operate in two distinct reporting segments, Restaurant/Retail and Government.

Our Restaurant/Retail segment is a leading provider of software, hardware, and services to the restaurant and retail industries, with more than 500 customers currently using our software products and more than 60,000 active restaurant locations. We provide enterprise restaurants, franchisees, and other restaurant outlets in the three major restaurant categories - quick service, fast casual, and table service - with operational efficiencies by offering them a suite of unified commerce solutions across three product groupings: Guest Engagement, which includes

Punchh for customer loyalty and engagement and MENU for omnichannel digital ordering and delivery, Operator Solutions, which includes Brink POS for front-of-house and PAR Pay and PAR Payment Services for payments, and Back Office, which includes Data Central. Our solutions are extensible and built on open application programming interfaces ("API") that retain flexibility and the market optionality of an open platform. More than 400 partners leverage our open platform to extend the reach and capabilities of their own solutions for the leading brands in our industry.

Our Government segment provides technical expertise and development of advanced systems and software solutions for the DoD, the intelligence community, and other federal agencies. Additionally, we provide support services for satellite command and control, communication, and IT mission systems at several DoD facilities worldwide. The Government segment has three principal offerings: Intelligence, Surveillance, and Reconnaissance solutions ("ISR Solutions"), mission systems operations and maintenance ("Mission Systems"), and licensed software products for use in analytic and operational environments that leverage geospatial intelligence data ("Commercial Software").

In the U.S., the Inflation Reduction Act ("Act") was signed into law on August 16, 2022. We do not currently expect the Act to have a material impact on our Consolidated Financial Statements.

RESULTS OF OPERATIONS

Consolidated Results:

	Three Months Ended September 30,		Percentage of total revenue		Increase (decrease)
in thousands	2022	2021	2022	2021	2022 vs 2021
Revenues, net:					
Product	$ 31,343	$ 30,291	33.8 %	38.9 %	3.5 %
Service	37,010	29,530	39.9 %	37.9 %	25.3 %
Contract	24,414	18,039	26.3 %	23.2 %	35.3 %
Total revenues, net	$ 92,767	$ 77,860	100.0 %	100.0 %	19.1 %
Gross margin					
Product	$ 5,885	$ 7,505	6.3 %	9.6 %	(21.6)%
Service	12,989	8,738	14.0 %	11.2 %	48.6 %
Contract	2,534	1,971	2.7 %	2.5 %	28.6 %
Total gross margin	$ 21,408	$ 18,214	23.1 %	23.4 %	17.5 %
Operating expenses					
Selling, general and administrative	$ 26,543	$ 21,662	28.6 %	27.8 %	22.5 %
Research and development	12,843	10,122	13.8 %	13.0 %	26.9 %
Amortization of identifiable intangible assets	465	539	0.5 %	0.7 %	(13.7)%
Total operating expenses	$ 39,851	$ 32,323	43.0 %	41.5 %	23.3 %
Loss from operations	$ (18,443)	$ (14,109)	(19.9)%	(18.1)%	30.7 %
Other expense, net	(179)	(539)	(0.2)%	(0.7)%	(66.8)%
Interest expense, net	(2,140)	(5,406)	(2.3)%	(6.9)%	(60.4)%
Loss on extinguishment of debt	—	(11,916)	— %	(15.3)%	(100.0)%
Loss before benefit from income taxes	(20,762)	(31,970)	(22.4)%	(41.1)%	(35.1)%
(Provision for) benefit from income taxes	(578)	37	(0.6)%	— %	(1662.2)%
Net loss	$ (21,340)	$ (31,933)	(23.0)%	(41.0)%	(33.2)%

Consolidated Results (continued):

in thousands	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
Revenues, net:					
Product	$ 84,820	$ 72,786	32.9 %	36.2 %	16.5 %
Service	106,550	74,743	41.3 %	37.1 %	42.6 %
Contract	66,775	53,748	25.9 %	26.7 %	24.2 %
Total revenues, net	$ 258,145	$ 201,277	100.0 %	100.0 %	28.3 %
Gross margin					
Product	$ 15,154	$ 16,628	5.9 %	8.3 %	(8.9)%
Service	41,569	22,316	16.1 %	11.1 %	86.3 %
Contract	6,419	4,573	2.5 %	2.3 %	40.4 %
Total gross margin	$ 63,142	$ 43,517	24.5 %	21.6 %	45.1 %
Operating expenses					
Selling, general and administrative	$ 75,309	$ 59,145	29.2 %	29.4 %	27.3 %
Research and development	33,785	24,574	13.1 %	12.2 %	37.5 %
Amortization of identifiable intangible assets	1,399	1,303	0.5 %	0.6 %	7.4 %
Gain on insurance proceeds	—	(4,400)	— %	(2.2)%	(100.0)%
Total operating expenses	$ 110,493	$ 80,622	42.8 %	40.1 %	37.1 %
Loss from operations	$ (47,351)	$ (37,105)	(18.3)%	(18.4)%	27.6 %
Other expense, net	(804)	(931)	(0.3)%	(0.5)%	(13.6)%
Interest expense, net	(7,054)	(12,503)	(2.7)%	(6.2)%	(43.6)%
Loss on extinguishment of debt	—	(11,916)	— %	(5.9)%	(100.0)%
Loss before benefit from income taxes	(55,209)	(62,455)	(21.4)%	(31.0)%	(11.6)%
(Provision for) benefit from income taxes	(629)	12,295	(0.2)%	6.1 %	(105.1)%
Net loss	$ (55,838)	$ (50,160)	(21.6)%	(24.9)%	11.3 %

Revenues, Net

in thousands	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
Product	$ 31,343	$ 30,291	33.8 %	38.9 %	3.5 %
Service	37,010	29,530	39.9 %	37.9 %	25.3 %
Contract	24,414	18,039	26.3 %	23.2 %	35.3 %
Total revenues, net	$ 92,767	$ 77,860	100.0 %	100.0 %	19.1 %

Product revenue includes our hardware and software license revenue. Service revenue includes SaaS, hardware and software maintenance, payments processing, and professional services revenue. Contract revenue is revenue derived from contracts associated with our Government reporting segment.

For the three months ended September 30, 2022 compared to the three months ended September 30, 2021

Total revenues were $92.8 million for the three months ended September 30, 2022, an increase of 19.1% compared to the three months ended September 30, 2021.

Product revenues were $31.3 million for the three months ended September 30, 2022, an increase of 3.5% compared to the three months ended September 30, 2021. The Company continued to experience historically strong product sales during the three months ended September 30, 2022 primarily driven by hardware sold to our Brink POS customers in addition to sales to our our legacy hardware accounts.

Service revenues were $37.0 million for the three months ended September 30, 2022, an increase of 25.3% compared to the three months ended September 30, 2021. This growth was primarily driven by increases of $3.4 million from Punchh SaaS revenues, $2.5 million in Brink POS SaaS revenues, $1.0 million from hardware related services and $0.6 million from other software and services.

Contract revenues were $24.4 million for the three months ended September 30, 2022, an increase of 35.3% compared to the three months ended September 30, 2021. The increase in Contract revenues was driven by a $5.1 million increase in our ISR Solutions product line, a $0.8 million increase in our Mission Systems product line, and a $0.5 million increase in our Commercial Software product line. The increase in ISR Solutions was driven by task orders resulting from the Air Force Research Laboratory Counter-small Unmanned Aircraft System contract awarded in 2021.

in thousands	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
Product	$ 84,820	$ 72,786	32.9 %	36.2 %	16.5 %
Service	106,550	74,743	41.3 %	37.1 %	42.6 %
Contract	66,775	53,748	25.9 %	26.7 %	24.2 %
Total revenues, net	$ 258,145	$ 201,277	100.0 %	100.0 %	28.3 %

For the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

Total revenues were $258.1 million for the nine months ended September 30, 2022, an increase of 28.3% compared to the nine months ended September 30, 2021.

Product revenues were $84.8 million for the nine months ended September 30, 2022, an increase of 16.5% compared to the nine months ended September 30, 2021. The strong growth was primarily driven by hardware refresh investments by our legacy hardware accounts, in part from hardware refreshes previously delayed due to COVID-19, in addition to continued growth in hardware sales to our Brink POS customers during the nine months ended September 30, 2022.

Service revenues were $106.6 million for the nine months ended September 30, 2022, an increase of 42.6% compared to the nine months ended September 30, 2021. This growth was primarily driven by increases of $18.9 million from Punchh SaaS revenues which includes the increase attributable to the 2021 period only including post acquisition revenues in comparison to the full nine months in 2022, $7.0 million from Brink POS SaaS revenues, $3.7 million from hardware related services and $2.3 million from other software and services.

Contract revenues were $66.8 million for the nine months ended September 30, 2022, an increase of 24.2% compared to the nine months ended September 30, 2021. The increase in Contract revenues was driven by a $10.3 million increase in our ISR Solutions product line, a $2.1 million increase in our Mission Systems product line, and a $0.7 million increase in our Commercial Software product line.

Gross Margin

in thousands	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Gross Margin Percentage 2022	Gross Margin Percentage 2021	Increase (decrease) 2022 vs 2021
Product	$ 5,885	$ 7,505	18.8 %	24.8 %	(21.6)%
Service	12,989	8,738	35.1 %	29.6 %	48.6 %
Contract	2,534	1,971	10.4 %	10.9 %	28.6 %
Total gross margin	21,408	18,214	23.1 %	23.4 %	17.5 %

For the three months ended September 30, 2022 compared to the three months ended September 30, 2021

Total gross margin as a percentage of revenue during the three months ended September 30, 2022 was 23.1% compared to 23.4% during the three months ended September 30, 2021.

Product margin was 18.8% during the three months ended September 30, 2022, compared to 24.8% during the three months ended September 30, 2021, primarily driven by product mix, as the three months ended September 30, 2021 included a larger percentage of higher margin hardware products, and higher excess and obsolescent inventory charges in the three months ended September 30, 2022 compared to the three months ended September 30, 2021.

Service margin was 35.1% during the three months ended September 30, 2022, compared to 29.6% during the three months ended September 30, 2021, primarily driven by a higher mix of SaaS software and cost improvement initiatives relating to managing our hosting costs and customer support service. Service margin during the three months ended September 30, 2022 included $4.2 million of amortization of acquired intangible assets compared to $3.7 million of amortization of acquired intangible assets during the three months ended September 30, 2021. Excluding the amortization of acquired intangible assets, service margin was 46.4% during the three months ended September 30, 2022, compared to 42.3% during the three months ended September 30, 2021.

Contract margin was 10.4% during the three months ended September 30, 2022, compared to 10.9% during the three months ended September 30, 2021.

	Nine Months Ended September 30,		Gross Margin Percentage		Increase (decrease)
in thousands	2022	2021	2022	2021	2022 vs 2021
Product	$ 15,154	$ 16,628	17.9 %	22.8 %	(8.9)%
Service	41,569	22,316	39.0 %	29.9 %	86.3 %
Contract	6,419	4,573	9.6 %	8.5 %	40.4 %
Total gross margin	63,142	43,517	24.5 %	21.6 %	45.1 %

For the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

Total gross margin as a percentage of revenue during the nine months ended September 30, 2022 was 24.5% compared to 21.6% during the nine months ended September 30, 2021.

Product margin was 17.9% during the nine months ended September 30, 2022, compared to 22.8% during the nine months ended September 30, 2021, primarily driven by product mix and higher excess and obsolescent inventory charges in 2022 compared to 2021.

Service margin was 39.0% during the nine months ended September 30, 2022, compared to 29.9% during the nine months ended September 30, 2021, primarily driven by a higher mix of SaaS software and cost improvement initiatives relating to managing our hosting costs and customer support service. Service margin during the nine months ended September 30, 2022 included $11.4 million of amortization of acquired intangible assets compared to $8.3 million of amortization of acquired intangible assets during the nine months ended September 30, 2021. Excluding the amortization of acquired intangible assets, service margin was 49.7% during the nine months ended September 30, 2022, compared to 41.0% during the nine months ended September 30, 2021.

Contract margin was 9.6% during the nine months ended September 30, 2022, compared to 8.5% during the nine months ended September 30, 2021, primarily due to improved margins in Mission Systems product line due to larger proportion of favorable margin contracts and improved margins in Commercial Software product line due to increased royalty revenue.

Selling, General Administrative Expenses

	Three Months Ended September 30,		Percentage of total revenue		Increase (decrease)
in thousands	2022	2021	2022	2021	2022 vs 2021
Selling, general and administrative	$ 26,543	$ 21,662	28.6 %	27.8 %	22.5 %

For the three months ended September 30, 2022 compared to the three months ended September 30, 2021

Selling, general, and administrative expenses were $26.5 million for the three months ended September 30, 2022, compared to $21.7 million for the three months ended September 30, 2021, an increase of 22.5%. The increase was primarily driven by $2.6 million in sales and marketing expenses, $1.0 million in internal technology infrastructure costs, $0.8 million in MENU related expenses, and $0.5 million increase in corporate management expenses.

in thousands	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
Selling, general and administrative	$ 75,309	$ 59,145	29.2 %	29.4 %	27.3 %

For the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

Selling, general, and administrative expenses were $75.3 million for the nine months ended September 30, 2022, compared to $59.1 million for the nine months ended September 30, 2021, an increase of 27.3%. The increase was primarily driven by $6.5 million in total Punchh operational expenses. Other drivers include increases of $3.7 million in sales and marketing expenses which includes MENU related expenses, $3.7 million in corporate and business management expenses, and $2.3 million of internal technology infrastructure expenses.

Research and Development Expenses

in thousands	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
Research and development	$ 12,843	$ 10,122	13.8 %	13.0 %	26.9 %

For the three months ended September 30, 2022 compared to the three months ended September 30, 2021

Research and development expenses were $12.8 million for the three months ended September 30, 2022, compared to $10.1 million for the three months ended September 30, 2021, an increase of 26.9%. The increase was primarily driven by $1.9 million for additional investments in our software product development organization including $0.8 million in MENU related research and development.

in thousands	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
Research and development	$ 33,785	$ 24,574	13.1 %	12.2 %	37.5 %

For the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

Research and development expenses were $33.8 million for the nine months ended September 30, 2022, compared to $24.6 million for the nine months ended September 30, 2021, an increase of 37.5%. The increase was primarily driven by $5.1 million for Punchh-related research and development which includes the increase attributable to the 2021 period only including post acquisition revenues in comparison to the full nine months in 2022, $0.8 million for MENU related research and development, and $3.4 million related to additional investments in our existing product development organization.

Other Operating Expenses: Amortization of Intangible Assets / Insurance Proceeds

in thousands	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
Amortization of identifiable intangible assets	$ 465	$ 539	0.5 %	0.7 %	(13.7)%

For the three months ended September 30, 2022 compared to the three months ended September 30, 2021

For the three months ended September 30, 2022 and 2021, we recorded $0.5 million and $0.5 million, respectively, of amortization expense associated with other non-technology intangible assets.

in thousands	Nine Months Ended September 30, 2022	2021	Percentage of total revenue 2022	2021	Increase (decrease) 2022 vs 2021
Amortization of identifiable intangible assets	$ 1,399	$ 1,303	0.5 %	0.6 %	7.4 %
Gain on insurance proceeds	—	(4,400)	— %	(2.2)%	(100.0)%

For the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

For the nine months ended September 30, 2022 and 2021, we recorded $1.4 million and $1.3 million, respectively, of amortization expense associated with other non-technology intangible assets.

Also included in operating expense for the nine months ended September 30, 2021 was a $4.4 million gain on insurance proceeds received in connection with the settlement of a legacy claim. There was no comparable reduction to expense for the nine months ended September 30, 2022.

Other Expense, Net

in thousands	Three Months Ended September 30, 2022	2021	Percentage of total revenue 2022	2021	Increase (decrease) 2022 vs 2021
Other expense, net	$ (179)	$ (539)	(0.2)%	(0.7)%	(66.8)%

For the three months ended September 30, 2022 compared to the three months ended September 30, 2021

In other expense, net, we recorded $0.2 million for the three months ended September 30, 2022, compared to other expense, net, of $0.5 million recorded for the three months ended September 30, 2021.

in thousands	Nine Months Ended September 30, 2022	2021	Percentage of total revenue 2022	2021	Increase (decrease) 2022 vs 2021
Other expense, net	$ (804)	$ (931)	(0.3)%	(0.5)%	(13.6)%

For the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

In other expense, net, we recorded $0.8 million for the nine months ended September 30, 2022, compared to other expense, net, of $0.9 million recorded for the nine months ended September 30, 2021.

Interest Expense, Net

in thousands	Three Months Ended September 30, 2022	2021	Percentage of total revenue 2022	2021	Increase (decrease) 2022 vs 2021
Interest expense, net	$ (2,140)	$ (5,406)	(2.3)%	(6.9)%	(60.4)%

For the three months ended September 30, 2022 compared to the three months ended September 30, 2021

For the three months ended September 30, 2022 interest expense, net, was $2.1 million, compared to $5.4 million for the three months ended September 30, 2021. The decrease is driven by the extinguishment of the Owl Rock Term Loan with the issuance of the 2027 Notes in September 2021 and a reduction of accretion resulting from our January 1, 2022 adoption of ASU 2020-06. Prior to our adoption, accounting for the convertible feature of our Notes was presented within equity, resulting in non-cash accretion over the life of the respective Notes of an implied debt discount; this accretion was presented within interest expense. As a result of adoption, the accounting for our Notes is no longer bifurcated between debt and equity (refer to "Note 1 - Basis of Presentation" for additional information).

in thousands	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
Interest expense, net	$ (7,054)	$ (12,503)	(2.7)%	(6.2)%	(43.6)%

For the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

For the nine months ended September 30, 2022 interest expense, net, was $7.1 million, compared to $12.5 million for the nine months ended September 30, 2021. The decrease is driven by the extinguishment of the Owl Rock Term Loan with the issuance of the 2027 Notes in September 2021 and a reduction of accretion resulting from our January 1, 2022 adoption of ASU 2020-06. Prior to our adoption, accounting for the convertible feature of our Notes was presented within equity, resulting in non-cash accretion over the life of the respective Notes of an implied debt discount; this accretion was presented within interest expense. As a result of adoption, the accounting for our Notes is no longer bifurcated between debt and equity (refer to "Note 1 - Basis of Presentation" for additional information).

Taxes

in thousands	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
(Provision for) benefit from income taxes	$ (578)	$ 37	(0.6)%	— %	(1662.2)%

For the three months ended September 30, 2022 compared to the three months ended September 30, 2021

There was a net tax provision of $0.6 million for the three months ended September 30, 2022. There was a net tax benefit of $0.04 million for the three months ended September 30, 2021.

in thousands	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
(Provision for) benefit from income taxes	$ (629)	$ 12,295	(0.2)%	6.1 %	(105.1)%

For the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021

There was a net tax provision of $0.6 million for the nine months ended September 30, 2022, primarily related to foreign taxes. There was a net tax benefit of $12.3 million for the nine months ended September 30, 2021 due to a partial release of the Company's deferred taxed asset valuation allowance resulting from the deferred tax liabilities recognized in conjunction with the Punchh Acquisition.

Key Performance Indicators and Non-GAAP Financial Measures:

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

Our key performance indicators Annual Recurring Revenue ("ARR") and Active Sites are organized into three product groupings: Guest Engagement (Punchh and MENU), Operator Solutions (Brink POS, PAR Pay, and PAR Payment Services), and Back Office (Data Central).

Annual Recurring Revenue

In thousands	As of September 30, 2022	2021	Increase (decrease) 2022 vs 2021
Guest Engagement*	57,506	43,950	30.8 %
Operator Solutions	38,879	29,479	31.9 %
Back Office	10,238	9,114	12.3 %
Total	$ 106,623	$ 82,543	29.2 %

*Guest Engagement ARR only includes MENU ARR in the September 30, 2022 period

ARR is the annualized revenue from SaaS and related revenue of our software products. We calculate ARR by annualizing the monthly recurring revenue for all Active Sites as of the last day of each month for the respective reporting period. ARR also includes recurring payment processing services revenue, net of expenses. We charge a per-transaction fee each time a customer payment is processed electronically.

Active Sites

In thousands	As of September 30, 2022	2021	Increase (decrease) 2022 vs 2021
Guest Engagement*	67.1	52.9	26.8 %
Operator Solutions	18.6	14.9	24.5 %
Back Office	6.7	6.2	7.9 %

*Guest Engagement Active Sites only includes MENU Active Sites in the September 30, 2022 period

Active Sites represent locations active on our SaaS software as of the last day of the respective reporting period.

Segment Revenue by Product Line as Percentage of Total Revenue

	Three Months Ended September 30,		Percentage of total revenue		Increase (decrease)
In thousands	2022	2021	2022	2021	2022 vs 2021
Hardware	$ 30,796	$ 29,669	33.2 %	38.1 %	3.8 %
Software	22,438	17,168	24.2 %	22.0 %	30.7 %
Services	15,119	12,984	16.3 %	16.7 %	16.4 %
Total Restaurant/Retail	68,353	59,821	73.7 %	76.8 %	14.3 %
Mission systems	8,982	8,237	9.7 %	10.6 %	9.0 %
ISR	14,710	9,619	15.9 %	12.4 %	52.9 %
Product services	722	183	0.8 %	0.2 %	294.5 %
Total Government	24,414	18,039	26.3 %	23.2 %	35.3 %
Total revenue	$ 92,767	$ 77,860	100.0 %	100.0 %	19.1 %

In thousands	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
Hardware	$ 83,219	$ 70,858	32.2 %	35.2 %	17.4 %
Software	62,414	40,145	24.2 %	19.9 %	55.5 %
Services	45,737	36,526	17.7 %	18.1 %	25.2 %
Total Restaurant/Retail	191,370	147,529	74.1 %	73.3 %	29.7 %
Mission systems	26,781	24,706	10.4 %	12.3 %	8.4 %
ISR	38,746	28,450	15.0 %	14.1 %	36.2 %
Product services	1,248	592	0.5 %	0.3 %	110.8 %
Total Government	66,775	53,748	25.9 %	26.7 %	24.2 %
Total revenue	$258,145	$201,277	100.0 %	100.0 %	28.3 %

Recurring and Non-Recurring Revenue as Percentage of Total Revenue

In thousands	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
Recurring revenue	$ 33,804	$ 24,974	36.4 %	32.1 %	35.4 %
Non-recurring revenue	34,549	34,847	37.2 %	44.8 %	(0.9)%
Total Restaurant/Retail	$ 68,353	$ 59,821	73.7 %	76.8 %	14.3 %
Total Government	$ 24,414	$ 18,039	26.3 %	23.2 %	35.3 %
Total revenue	$ 92,767	$ 77,860	100.0 %	100.0 %	19.1 %

In thousands	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Percentage of total revenue 2022	Percentage of total revenue 2021	Increase (decrease) 2022 vs 2021
Recurring revenue	$ 93,974	$ 62,939	36.4 %	31.3 %	49.3 %
Non-recurring revenue	97,396	84,590	37.7 %	42.0 %	15.1 %
Total Restaurant/Retail	$ 191,370	$ 147,529	74.1 %	73.3 %	29.7 %
Total Government	$ 66,775	$ 53,748	25.9 %	26.7 %	24.2 %
Total revenue	$ 258,145	$ 201,277	100.0 %	100.0 %	28.3 %

Recurring revenue represents all revenue from contracts where there is a predictable revenue pattern occurring in regular intervals with a relatively high degree of probability. This includes SaaS, hardware and software maintenance, and payment processing revenue.

About Non-GAAP Financial Measures

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

The Company is presenting adjusted EBITDA and adjusted net loss because we believe that these financial measures provide a more meaningful comparison than EBITDA and net loss of the Company's core business operating results and those of other similar companies. Management believes that adjusted EBITDA and adjusted net loss, when viewed with the Company's results of operations in accordance with GAAP and the reconciliations to GAAP in the tables below, provide useful information about operating performance and period-over-period growth, and provide additional information that is useful for evaluating the operating performance of the Company's core business without regard to potential distortions. Management believes that adjusted EBITDA permits investors to gain an understanding of the factors and trends affecting its ongoing cash earnings, from which capital investments are made and debt is serviced.

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

However, EBITDA, adjusted EBITDA, adjusted net loss, and adjusted diluted net loss per share are not measures of financial performance or liquidity under GAAP and should not be considered as alternatives to net income (loss) or cash flow from operating activities as indicators of operating performance or liquidity. Also, these measures may not be comparable to similarly titled captions of other companies. The tables below provide reconciliations between net loss and EBITDA, adjusted EBITDA, and adjusted net loss, as well as between diluted loss per share and adjusted diluted loss per share.

	Three Months Ended September 30,	
(in thousands)	2022	2021
Reconciliation of EBITDA and Adjusted EBITDA:		
Net loss	$ (21,340)	$ (31,933)
Provision for (benefit from) income taxes	578	(37)
Interest expense	2,140	5,406
Depreciation and amortization	6,441	6,199
EBITDA	$ (12,181)	$ (20,365)
Stock-based compensation expense (1)	3,490	3,785
Regulatory matter (2)	415	—
Acquisition and integration costs (3)	134	138
Loss on extinguishment of debt (4)	—	11,916
Other expense – net (5)	179	539
Adjusted EBITDA	$ (7,963)	$ (3,987)

1 Adjustments reflect stock-based compensation expense included within selling, general, and administrative expenses and cost of contracts of $3.5 million and $3.8 million for the three months ended September 30, 2022 and 2021, respectively.

2 Adjustment reflects a non-recurring expense accrued related to our efforts to resolve a regulatory matter of $0.4 million for the three months ended September 30, 2022.

3 Adjustment reflects the expenses incurred in the MENU Acquisition of $0.1 million for the three months ended September 30, 2022, and the Punchh Acquisition of $0.1 million for the three months ended September 30, 2021.

4 Adjustment reflects the $11.9 million loss on extinguishment of debt related to the repayment of the Owl Rock Term Loan during the three months ended September 30, 2021.

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

(in thousands)	Three Months Ended September 30,			
Reconciliation of adjusted net loss/diluted loss per share:	2022		2021	
Net loss/diluted loss per share	$ (21,340)	$ (0.79)	$ (31,933)	$ (1.23)
Provision for income taxes (1)	—	—	(162)	(0.01)
Non-cash interest expense (2)	504	0.02	2,118	0.08
Acquired intangible assets amortization (3)	4,712	0.17	4,279	0.16
Stock-based compensation expense (4)	3,490	0.13	3,785	0.15
Regulatory matter (5)	415	0.02	—	—
Acquisition and integration costs (6)	134	—	138	0.01
Loss on extinguishment of debt (7)			11,916	0.46
Other expense – net (8)	179	0.01	539	0.02
Adjusted net loss/adjusted diluted loss per share	$ (11,906)	$ (0.44)	$ (9,320)	$ (0.36)
Adjusted weighted average common shares outstanding	27,110		25,998	

1 Adjustment reflects a partial release of the Company's deferred taxed asset valuation allowance of $0.2 million related to the Punchh Acquisition for the three months ended September 30, 2021.

2 Adjustment reflects non-cash accretion of interest expense and amortization of issuance costs related to the Notes of $0.5 million and $2.1 million for the three months ended September 30, 2022 and 2021, respectively.

3 Adjustment amortization expense of acquired developed technology included within cost of sales of $4.3 million and $3.8 million for the three months ended September 30, 2022 and 2021, respectively; and amortization expense of acquired intangible assets of $0.4 million and $0.5 million for the three months ended September 30, 2022 and 2021, respectively.

4 Adjustments reflect stock-based compensation expense included within selling, general, and administrative expenses and cost of contracts of $3.5 million and $3.8 million for the three months ended September 30, 2022 and 2021, respectively.

5 Adjustment reflects a non-recurring expense accrued related to our efforts to resolve a regulatory matter of $0.4 million for the three months ended September 30, 2022.

6 Adjustment reflects the expenses incurred in the MENU Acquisition of $0.1 million for the three months ended September 30, 2022, and the Punchh Acquisition of $0.1 million for the three months ended September 30, 2021.

7 Adjustment reflects the $11.9 million loss on extinguishment of debt related to the repayment of the Owl Rock Term Loan during the three months ended September 30, 2021.

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

(in thousands)	Nine Months Ended September 30, 2022	2021
Reconciliation of EBITDA and Adjusted EBITDA:		
Net loss	$ (55,838)	$ (50,160)
Provision for (benefit from) income taxes	629	(12,295)
Interest expense	7,054	12,503
Depreciation and amortization	19,593	15,069
EBITDA	$ (28,562)	$ (34,883)
Stock-based compensation expense (1)	10,257	9,356
Regulatory matter (2)	415	50
Litigation expense (3)	—	600
Acquisition and integration costs (4)	1,085	3,526
Gain on insurance proceeds (5)	—	(4,400)
Loss on extinguishment of debt (6)	—	11,916
Other expense – net (7)	804	931
Adjusted EBITDA	$ (16,001)	$ (12,904)

1 Adjustment reflects stock-based compensation expense included within selling, general and administrative expenses and cost of contracts of $10.3 million and $9.4 million for the nine months ended September 30, 2022 and 2021, respectively.

2 Adjustment reflects non-recurring expenses related to our efforts to resolve regulatory matters of $0.4 million and $0.05 million for the nine months ended September 30, 2022 and 2021, respectively.

3 Adjustment reflects the expenses accrued for a legal matter of $0.6 million for the nine months ended September 30, 2021.

4 Adjustment reflects the expenses incurred in the MENU Acquisition of $1.1 million for the nine months ended September 30, 2022, and the Punchh Acquisition of $3.5 million for the nine months ended September 30, 2021.

5 Adjustment reflects a gain from insurance proceeds stemming from a legacy claim of $4.4 million for the nine months ended September 30, 2021

6 Adjustment reflects loss on extinguishment of debt of $11.9 million related to the repayment of the Owl Rock Term Loan for the nine months ended September 31, 2021

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

(in thousands)	Nine Months Ended September 30,			
Reconciliation of adjusted net loss/diluted loss per share:	2022		2021	
Net loss/diluted loss per share	$ (55,838)	$ (2.06)	$ (50,160)	$ (2.05)
Provision for income taxes (1)	—	—	(12,522)	(0.51)
Non-cash interest expense (2)	1,484	0.05	5,035	0.21
Acquired intangible assets amortization (3)	12,941	0.48	9,630	0.39
Stock-based compensation expense (4)	10,257	0.38	9,356	0.38
Regulatory matter (5)	415	0.02	50	—
Litigation expense (6)	—	—	600	0.02
Acquisition and integration costs (7)	1,085	0.04	3,526	0.14
Gain on insurance proceeds (8)	—	—	(4,400)	(0.18)
Loss on extinguishment of debt (9)	—	—	11,916	0.49
Other expense – net (10)	804	0.03	931	0.05
Adjusted net loss/adjusted diluted loss per share	$ (28,852)	$ (1.06)	$ (26,038)	$ (1.06)
Adjusted weighted average common shares outstanding	27,150		24,485	

1 Adjustment reflects a partial release of the Company's deferred taxed asset valuation allowance of $12.5 million related to the Punchh Acquisition for the nine months ended September 30, 2021.

2 Adjustment reflects non-cash accretion of interest expense and amortization of issuance costs related to the Notes of $1.5 million and $5.0 million for the nine months ended September 30, 2022 and 2021, respectively.

3 Adjustment amortization expense of acquired developed technology included within cost of sales of $11.5 million and $8.3 million for the nine months ended September 30, 2022 and 2021, respectively; and amortization expense of acquired intangible assets of $1.4 million and $1.3 million for the nine months ended September 30, 2022 and 2021, respectively.

4 Adjustment reflects stock-based compensation expense included within selling, general and administrative expenses and cost of contracts of $10.3 million and $9.4 million for the nine months ended September 30, 2022 and 2021, respectively.

5 Adjustment reflects non-recurring expenses related to our efforts to resolve regulatory matters of $0.4 million and $0.05 million for the nine months ended September 30, 2022 and 2021, respectively.

6 Adjustment reflects the expenses accrued for a legal matter of $0.6 million for the nine months ended September 30, 2021.

7 Adjustment reflects the expenses incurred in the MENU Acquisition of $1.1 million for the nine months ended September 30, 2022, and the Punchh Acquisition of $3.5 million for the nine months ended September 30, 2021.

8 Adjustment reflects the a gain from insurance proceeds stemming from a legacy claim of $4.4 million for the nine months ended September 30, 2021.

9 Adjustment reflects loss on extinguishment of debt of $11.9 million related to the repayment of the Owl Rock Term Loan for the nine months ended September 31, 2021

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

LIQUIDITY AND CAPITAL RESOURCES

Our primary sources of liquidity are cash and cash equivalents and short term investments. As of September 30, 2022, we had cash and cash equivalents of $85.5 million, excluding cash held on behalf of customers of $4.0 million, and marketable securities of $40.0 million. Cash and cash equivalents consist of highly liquid investments with maturities of 90 days or less, including money market funds. Short term investments are held-to-maturity investment securities consisting of investment-grade interest bearing instruments, primarily treasury bills and notes, which are stated at amortized cost.

Cash used in operating activities was $33.6 million for the nine months ended September 30, 2022, compared to $43.6 million for the nine months ended September 30, 2021. Cash used for the nine months ended September 30, 2022 was primarily driven by an increase in net loss, net of non-cash charges and additional net working capital requirements primarily driven by increases in inventory and accounts receivable.

Cash used in investing activities was $64.3 million for the nine months ended September 30, 2022 compared to $381.1 million for the nine months ended September 30, 2021. Investing activities during the nine months ended September 30, 2022 included $18.8 million of cash consideration net of cash acquired for the MENU Acquisition and the Q1 2022 Acquisition, $40.0 million for purchases of short term held-to-maturity securities primarily consisting of U.S. treasury bills and notes, and capital expenditures of $4.7 million for developed technology costs associated with our Restaurant/Retail segment software platforms.

Cash used in financing activities was $2.0 million for the nine months ended September 30, 2022, compared to $444.3 million of cash provided for the nine months ended September 30, 2021. Cash used in financing activities during the nine months ended September 30, 2022 was driven by stock based compensation related transactions and financing activities. We do not have any off-balance sheet arrangements or obligations.

We expect our available cash and cash equivalents will be sufficient to meet our operating needs for at least the next 12 months. Our actual cash needs will depend on many factors, including our rate of revenue growth, growth of our SaaS revenues, the timing and extent of spending to support our product development efforts, the timing of introductions of new products and enhancements to existing products, market acceptance of our products, and the factors described above in this Part I, Item 2. “Management's Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this Quarterly Report and in the 2021 Annual Report and our other filings with the SEC.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our financial statements are based on the application of accounting principles generally accepted in the United States of America. GAAP requires the use of estimates, assumptions, judgments and subjective interpretations of accounting principles that have an impact on the assets, liabilities, revenue, and expense amounts reported. We believe our use of estimates and underlying accounting assumptions adhere to GAAP and are consistently applied. Significant items subject to such estimates and assumptions include revenue recognition, stock-based compensation, the recognition and measurement of assets acquired and liabilities assumed in business combinations at fair value, the carrying amount of property, plant and equipment including right-to-use assets and liabilities, identifiable intangible assets and goodwill, the measurement of liabilities and equity recognized for outstanding convertible notes, valuation allowances for receivables, and inventories. Actual results could differ from these estimates. Our estimates are subject to uncertainties, including those associated with market conditions, risks and trends and the ongoing COVID-19 pandemic. Our critical accounting policies have not changed materially from the discussion of those policies included under "Critical Accounting Policies and Estimates" in the 2021 Annual Report.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange Risk

Our primary exposures relate to certain non-dollar denominated sales and operating expenses in Canada, Europe and Asia. These primary currencies are the Great British Pound, the Euro, the Swiss Franc, the Serbian Dinar, the Australian dollar, the Singapore dollar, the Canadian dollar, the Indian Rupee and the Chinese Renminbi. Accordingly, changes in exchange rates may negatively affect our revenue and net income (loss) as expressed in U.S. dollars. We also have foreign currency risk related to foreign currency transactions and monetary assets and liabilities, including intercompany balances denominated in currencies that are not the functional currency. We have experienced and will continue to experience fluctuations in our net income (loss) as a result of gains (losses) on these foreign currency transactions and the remeasurement of monetary assets and liabilities. As of September 30, 2022, the impact of foreign currency exchange rate changes on our revenues and net income (loss) were not material. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy.

Interest Rate Risk

As of September 30, 2022, we had $13.8 million, $120.0 million, and $265.0 million in aggregate principal amount outstanding of the 2024 Notes, the 2026 Notes, and the 2027 Notes, respectively.

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

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2022. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective as of such date due to the continuing material weaknesses in our internal control over financial reporting previously identified in Part II, Item 9A. "Controls and Procedures" of our 2021 Annual Report.

Remediation Efforts to Address the Material Weaknesses

Our remediation efforts, which we previously identified in Part II, Item 9A. "Controls and Procedures" of our 2021 Annual Report, to address the identified material weaknesses are ongoing as we continue to implement and document necessary policies, procedures, and internal controls. While we believe the steps taken to date and those planned for future implementation will improve the effectiveness of our internal control over financial reporting, we have not completed all remediation efforts and cannot conclude that the material weaknesses have been remediated. The material weaknesses cannot be considered remediated until applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control Over Financial Reporting

The Company's internal controls over financial reporting included those inherited from the Punchh Acquisition, which have been evaluated by management and supplemented where deemed appropriate. There were no additional changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

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

Item 1A. RISK FACTORS

The risks described in the “Risk Factors” section of our 2021 Annual Report and in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2022 ("Q2 2022 Form 10-Q") could materially and adversely affect our business, financial condition, and results of operations, and the trading price of our common stock could decline. The Risk Factors section in our 2021 Annual Report, as updated by our Q2 2022 Form 10-Q, remains current in all material respects. Refer also to the other information set forth in this Quarterly Report, including in the Forward-Looking Statements, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Financial Statements sections.

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

On July 25, 2022, the Company issued 162,917 shares of its common stock, representing an issuance date fair value of $6.3 million, as part of the purchase consideration paid to former MENU equity holders in connection with the MENU Acquisition. The shares of common stock were issued without registration under the Securities Act in reliance on exemptions from registration afforded by the provisions of Section 4(a)(2) and Regulation S thereof. See description of the MENU Acquisition in "Note 3: Acquisitions" of the notes to the financial statements, Part 1, Item 1. Financial Statements, for additional information.

Under our equity incentive plan, employees may elect to have us withhold shares to satisfy minimum statutory federal, state and local tax withholding obligations arising from the vesting of their restricted stock and restricted stock units. When we withhold these shares, we are required to remit to the appropriate taxing authorities the market price of the shares withheld, which could be deemed a purchase of shares by us on the date of withholding. For the three months ended September 30, 2022, 8,707 shares were withheld.

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

Period	Total Number of Shares Withheld	Average Price Paid Per Share
July 1, 2022 - July 31, 2022	551	$ 30.16
August 1, 2022 - August 31, 2022	457	$ 30.16
September 1, 2022 - September 30, 2022	7,699	$ 30.16
Total	8,707	$ 30.16

Item 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by reference into this Quarterly Report on Form 10-Q		Date Filed or Furnished
		Form	Exhibit No.	
3.1	Restated Certificate of Incorporation of PAR Technology Corporation, as currently in effect			Filed herewith
3.2	Amended and Restated Bylaws of PAR Technology Corporation, as currently in effect	Form 8-K (File No. 001-09720)	3.1	9/26/2022
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended			Filed herewith
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended			Filed herewith
32.1	Certification of Principal Executive Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350			Furnished herewith
32.2	Certification of Principal Financial Officer pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, and 18 U.S.C. Section 1350			Furnished herewith
101.INS	Inline XBRL Instance Document			Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document			Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			Filed herewith
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)			Filed herewith

SIGNATURES

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

PAR TECHNOLOGY CORPORATION
(Registrant)

Date: November 9, 2022

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