



**FBT
Gibbons**

SEATONHILL™
Strength in Numbers

Financial Fluency

Why Financial Fluency Matters for In-House Counsel

January 28, 2026



Purpose and Goals



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- Why financial fluency matters for legal counsel/leadership.
- Understanding the three core financial statements.
- Understanding core financial ratios.
- Legal relevance and red flags.
- Applying financial insight to legal decisions.



Why Financial Literacy Matters



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- Changing expectations of the in-house position.
- Every legal issue has a financial impact. Counsel does not need to be a finance expert but should have a reasonable degree of financial fluency to protect liquidity, credibility, and strategic options.
- Legal advice often competes with commercial objectives (where are the bounds of risk tolerance, which are set by financial constraints).



Key Financial Statements



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- Each financial statement tells a portion of the story. Understanding how they fit together gives a complete picture of the company's financial health:
- Income Statement – Performance.
- Balance Sheet – Position.
- Cash Flow Statement – Liquidity.



Key Financial Statements – Income Statement



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- Operating profit and margins.
- A company can be profitable and still fail due to timing, debt, and working capital.
- Revenue and profit can be recorded without cash being collected



Key Financial Statements – Income Statement



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	Year Ended December 31,		
	2024	2023	2022
Revenue:			
SaaS and license revenue	\$ 631,198	\$ 569,200	\$ 520,377
Hardware and other revenue	308,629	312,482	322,182
Total revenue	<u>939,827</u>	<u>881,682</u>	<u>842,559</u>
Cost of revenue⁽¹⁾:			
Cost of SaaS and license revenue	89,512	85,898	73,897
Cost of hardware and other revenue	236,637	239,261	268,684
Total cost of revenue	<u>326,149</u>	<u>325,159</u>	<u>342,581</u>
Operating expenses:			
Sales and marketing	111,242	100,226	92,748
General and administrative	108,879	112,930	106,688
Research and development	255,878	245,114	218,635
Amortization and depreciation	29,131	31,424	30,870
Total operating expenses	<u>505,130</u>	<u>489,694</u>	<u>448,941</u>
Operating income	108,548	66,829	51,037
Interest expense	(11,426)	(3,429)	(3,144)
Interest income	47,359	29,801	8,759
Other (expense) / income, net	(2,674)	4,624	(59)
Income before income taxes	141,807	97,825	56,593
Provision for income taxes	19,294	17,485	962
Net income	122,513	80,340	55,631
Net loss attributable to redeemable noncontrolling interests	1,603	703	707
Net income attributable to common stockholders	<u>\$ 124,116</u>	<u>\$ 81,043</u>	<u>\$ 56,338</u>
Per share information attributable to common stockholders:			
Net income attributable to common stockholders per share:			
Basic	\$ 2.50	\$ 1.63	\$ 1.13
Diluted	\$ 2.29	\$ 1.53	\$ 1.07
Weighted average common shares outstanding:			
Basic	49,641,763	49,818,448	49,926,236
Diluted	57,993,019	54,625,434	54,932,757

Key Financial Statements – Balance Sheet



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- Assets, liabilities, and equity.
- Debt levels and maturity.
- Practice Note: Pay attention to the footnotes!



Key Financial Statements – Balance Sheet



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	December 31,	
	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,220,701	\$ 696,983
Accounts receivable, net of allowance for credit losses of \$3,870 and \$3,864, and net of allowance for product returns of \$2,448 and \$2,279, as of December 31, 2024 and 2023, respectively	126,082	130,626
Inventory	87,435	96,140
Other current assets, net	47,374	33,031
Total current assets	1,481,592	956,780
Property and equipment, net	63,205	54,164
Intangible assets, net	63,159	78,564
Goodwill	154,211	154,498
Deferred tax assets	181,284	131,815
Operating lease right-of-use assets	53,425	24,242
Other assets, net of allowance for credit losses of \$1 and \$5 as of December 31, 2024 and 2023, respectively	41,332	39,500
Total assets	\$ 2,038,208	\$ 1,439,563
Liabilities, redeemable noncontrolling interests and stockholders' equity		
Current liabilities:		
Accounts payable, accrued expenses and other current liabilities	\$ 139,427	\$ 124,475
Accrued compensation	28,739	28,626
Deferred revenue	12,940	10,193
Operating lease liabilities	7,700	12,043
Total current liabilities	188,806	175,337
Deferred revenue	13,619	12,692
Convertible senior notes, net	983,477	493,515
Operating lease liabilities	65,534	20,468
Other liabilities	15,479	12,697
Total liabilities	1,266,915	714,709
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests	44,747	36,308
Stockholders' equity		
Preferred stock, \$0.001 par value, 10,000,000 shares authorized; no shares issued and outstanding as of December 31, 2024 and 2023	—	—
Common stock, \$0.01 par value, 300,000,000 shares authorized; 52,756,077 and 51,888,838 shares issued; and 49,618,346 and 49,868,175 shares outstanding as of December 31, 2024 and 2023, respectively	528	519
Additional paid-in capital	521,192	531,734
Treasury stock, at cost; 3,137,731 and 2,020,663 shares as of December 31, 2024 and 2023, respectively	(186,291)	(111,291)
Accumulated other comprehensive income	815	1,398
Retained earnings	390,302	266,186
Total stockholders' equity	726,546	688,546
Total liabilities, redeemable noncontrolling interests and stockholders' equity	\$ 2,038,208	\$ 1,439,563

See accompanying notes to the consolidated financial statements.

Key Financial Statements – Cash Flow Statement



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- Cash funds operations, not accounting profit.
- Operating vs. investing vs. financing.
- Liquidity risk.
- Solvency vs. profitability.



Key Financial Statements – Cash Flow Statement



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	Year Ended December 31,		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$ 122,513	\$ 80,340	\$ 55,631
Adjustments to reconcile net income to net cash flows from operating activities:			
Provision for credit losses on accounts receivable	950	1,508	1,156
Reserve for product returns	3,187	4,399	4,746
Provision for / (recovery of) credit losses on notes receivable	3,996	3	(78)
Inventory write-down	—	1,420	—
Amortization on patents and tooling	847	1,213	1,359
Amortization and depreciation	29,131	31,424	30,870
Amortization of debt issuance costs	4,796	3,145	3,126
Amortization of operating leases	13,084	11,484	10,499
Deferred income taxes	(34,496)	(47,730)	(55,039)
Change in fair value of contingent liability	108	68	—
Stock-based compensation	41,242	47,283	52,654
Gain from investment in unconsolidated entity	(127)	—	(140)
Changes in operating assets and liabilities (net of business acquisitions):			
Accounts receivable	271	(10,536)	(24,346)
Inventory	8,558	20,961	(40,308)
Other current and non-current assets	(2,697)	(1,338)	(8,952)
Accounts payable, accrued expenses and other current liabilities	20,133	4,613	32,938
Deferred revenue	3,674	4,553	3,428
Operating lease liabilities	(12,467)	(13,947)	(12,723)
Other liabilities	3,710	(2,898)	2,080
Cash flows from operating activities	<u>206,413</u>	<u>135,965</u>	<u>56,901</u>
Cash flows used in investing activities:			
Business acquisition, net of cash acquired	—	(9,696)	(31,730)
Additions to property and equipment	(10,133)	(7,517)	(28,640)
Issuances of notes receivable	(500)	(450)	(3,000)
Capitalized software development costs	(1,643)	(743)	—
Receipt of payments on notes receivable	51	55	61
Purchase of investment in unconsolidated entities	(11,025)	(1,700)	(5,150)
Proceeds from sale of investment	—	—	140
Purchases of intangible assets and other assets	(1,431)	(5,915)	—
Cash flows used in investing activities	<u>(24,681)</u>	<u>(25,966)</u>	<u>(68,319)</u>
Cash flows from / (used in) financing activities:			
Proceeds from issuance of convertible senior notes	500,000	—	—
Payments of debt issuance costs	(14,834)	—	—
Purchases of capped calls related to convertible senior notes	(63,050)	—	—
Payments of deferred consideration for acquisitions	(7,269)	(1,672)	(1,500)
Purchases of treasury stock, including transaction costs	(75,000)	(27,298)	(78,844)
Purchases of redeemable noncontrolling interest	—	(832)	—
Payments of acquired debt	—	(3,040)	—
Payments of tax withholdings related to vesting of restricted stock units	(3,401)	(2,621)	—
Issuances of common stock from equity-based plans	9,984	3,598	4,020
Cash flows from / (used in) financing activities	<u>346,430</u>	<u>(31,865)</u>	<u>(76,324)</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(109)	66	—
Net increase / (decrease) in cash, cash equivalents and restricted cash	<u>528,053</u>	<u>78,200</u>	<u>(87,742)</u>
Cash, cash equivalents and restricted cash at beginning of the period	<u>701,079</u>	<u>622,879</u>	<u>710,621</u>
Cash, cash equivalents and restricted cash at end of the period	<u>\$ 1,229,132</u>	<u>\$ 701,079</u>	<u>\$ 622,879</u>

Financial Statement Review Levels



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- Internal – No independent assurance.
- Reviewed – Limited assurance, not an audit.
- Audited – Independent opinion that statements are fairly presented under GAAP in all material respects.



Key Financial Terms/Ratios



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- GAAP
- Financial ratios simplify statements into actionable insights.
- Categories of financial ratios:
 - Liquidity
 - Leverage
 - Profitability
 - Efficiency



Other Financial Considerations



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- Mergers & Acquisitions
 - Earn-outs
 - Quality of Earnings
- Executive/Employee Compensation
- Insurance



Questions?



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