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

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**FORM 10-Q**

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(Mark One)

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

For the quarterly period ended June 30, 2021

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-39799

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**Certara, Inc.**

(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of  
incorporation or organization)

82-2180925  
(I.R.S. Employer  
Identification Number)

100 Overlook Center  
Suite 101  
Princeton, New Jersey 08540  
(Address of Principal Executive Offices)

(609) 716-7900  
(Registrant's telephone number)

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

<u>Title of Each Class</u>	<u>Trading symbol</u>	<u>Name of Exchange on which registered</u>
Common stock, par value \$0.01 per share	CERT	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. 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 August 2, 2021, the registrant had 152,864,921 shares of common stock, par value \$0.01 per share, outstanding.

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## **Certara, Inc.**

Unless otherwise indicated, references to the “Company,” “Certara,” “we,” “us” and “our” refer to Certara, Inc. and its consolidated subsidiaries.

### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q (this “Quarterly Report”) contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), which are subject to the “safe harbor” created by those sections. All statements (other than statements of historical facts) in this Quarterly Report regarding the prospects of the industry and our prospects, plans, financial position and business strategy may constitute forward-looking statements. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as “may,” “should,” “expect,” “might,” “intend,” “will,” “estimate,” “anticipate,” “plan,” “believe,” “predict,” “potential,” “continue,” “suggest,” “project” or “target” or the negatives of these terms or variations of them or similar terminology. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot provide any assurance that these expectations will prove to be correct. Such statements reflect the current views of our management with respect to our operations, results of operations and future financial performance. The following factors are among those that may cause actual results to differ materially from the forward-looking statements:

- ability to compete within our market;
- any deceleration in, or resistance to, the acceptance of model-informed biopharmaceutical discovery;
- changes or delays in government regulation relating to the biopharmaceutical industry;
- increasing competition, regulation and other cost pressures within the pharmaceutical and biotechnology industries;
- trends in research and development (“R&D”) spending, the use of third parties by biopharmaceutical companies and a shift toward more R&D occurring at smaller biotechnology companies;
- consolidation within the biopharmaceutical industry;
- reduction in the use of our products by academic institutions;
- pricing pressures due to increased customer utilization of our products;
- our ability to successfully enter new markets, increase our customer base and expand our relationships with existing customers;
- the occurrence of natural disasters and epidemic diseases, such as the recent COVID-19 pandemic;
- any delays or defects in our release of new or enhanced software or other biosimulation tools;
- failure of our existing customers to renew their software licenses or any delays or terminations of contracts or reductions in scope of work by our existing customers;
- our ability to accurately estimate costs associated with our fixed-fee contracts;
- our ability to retain key personnel or recruit additional qualified personnel;
- risks related to our contracts with government customers, including the ability of third parties to challenge our receipt of such contracts;
- our ability to sustain recent growth rates;
- any future acquisitions and our ability to successfully integrate such acquisitions;
- the accuracy of our addressable market estimates;
- the length and unpredictability of our software and service sales cycles;
- our ability to successfully operate a global business;
- our ability to comply with applicable anti-corruption, trade compliance and economic sanctions laws and regulations;
- risks related to litigation against us;
- the adequacy of our insurance coverage and our ability to obtain adequate insurance coverage in the future;
- our ability to perform our services in accordance with contractual requirements, regulatory standards and ethical considerations;

- the loss of more than one of our major customers;
- our future capital needs;
- the ability or inability of our bookings to accurately predict our future revenue and our ability to realize the anticipated revenue reflected in our backlog;
- any disruption in the operations of the third-party providers who host our software solutions or any limitations on their capacity or interference with our use;
- our ability to reliably meet our data storage and management requirements, or the experience of any failures or interruptions in the delivery of our services over the internet;
- our ability to comply with the terms of any licenses governing our use of third-party open source software utilized in our software solutions;
- any breach of our security measures or unauthorized access to customer data;
- our ability to comply with applicable privacy and data security laws;
- our ability to adequately enforce or defend our ownership and use of our intellectual property and other proprietary rights;
- any allegations that we are infringing, misappropriating or otherwise violating a third party's intellectual property rights;
- our ability to meet the obligations under our current or future indebtedness as they become due and have sufficient capital to operate our business and react to changes in the economy or industry;
- any limitations on our ability to pursue our business strategies due to restrictions under our current or future indebtedness or inability to comply with any restrictions under such indebtedness;
- any impairment of goodwill or other intangible assets;
- our ability to use our net operating losses ("NOLs") and R&D tax credit carryforwards to offset future taxable income;
- the accuracy of our estimates and judgments relating to our critical accounting policies and any changes in financial reporting standards or interpretations;
- any inability to design, implement, and maintain effective internal controls when required by law;
- the costs and management time associated with operating as a publicly traded company; and
- the other factors described elsewhere in this Quarterly Report on Form 10-Q or as described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the "Annual Report"), or as described in the other documents and reports we file with the Securities and Exchange Commission (the "SEC").

You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements in this Quarterly Report are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors, including those described in the section titled "Risk Factors" and elsewhere in this Quarterly Report and in our Annual Report on Form 10-K, that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make in this Quarterly Report. Such risk factors may be updated from time to time in our periodic filings with the SEC. Our periodic filings are accessible on the SEC's website at [www.sec.gov](http://www.sec.gov).

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or occur. The forward-looking statements made in this Quarterly Report relate only to events as of the date on which the statements are made. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this Quarterly Report to conform these statements to actual results or to changes in our expectations.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

**Channels for Disclosure of Information**

Investors and others should note that we may announce material information to the public through filings with the SEC, our Investors Relations website (<https://ir.certara.com>), press releases, public conference calls and public webcasts. We use these channels to communicate with the public about the Company, our products, our services and other matters. We encourage our investors, the media and others to review the information disclosed through such channels as such information could be deemed to be material information. The information on such channels, including on our website, is not incorporated by reference in this Quarterly Report and shall not be deemed to be incorporated by reference into any other filing under the Securities Act or the Exchange Act, except as expressly set forth by specific reference in such a filing. Please note that this list of disclosure channels may be updated from time to time.

**CERTARA, INC.  
FORM 10-Q  
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**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**CERTARA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

<b>(IN THOUSANDS, EXCEPT PER SHARE AND SHARE DATA)</b>	<b>JUNE 30, 2021</b>	<b>DECEMBER 31, 2020</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 267,757	\$ 271,382
Accounts receivable, net of allowance for doubtful accounts of \$70 and \$132, respectively	56,586	54,091
Restricted cash	1,838	1,909
Prepaid expenses and other current assets	18,627	19,202
Total current assets	344,808	346,584
Other assets:		
Property and equipment, net	3,069	3,872
Long-term deposits	1,167	1,163
Goodwill	524,265	518,592
Intangible assets, net of accumulated amortization of \$147,343 and \$127,172, respectively	387,942	396,445
Other long-term assets	1,145	—
Deferred income taxes	2,939	2,744
Total assets	\$ 1,265,335	\$ 1,269,400
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 5,549	\$ 6,394
Accrued expenses	18,886	30,729
Current portion of deferred revenue	29,120	30,662
Current portion of interest rate swap liability	2,390	2,605
Current portion of long-term debt	3,020	4,680
Current portion of capital lease obligations	284	275
Total current liabilities	59,249	75,345
Long-term liabilities:		
Capital lease obligations, net of current portion	174	318
Deferred revenue, net of current portion	1,157	545
Deferred income taxes	76,933	75,894
Long-term portion of interest rate swap liability	—	1,066
Long-term debt, net of current portion and debt discount	292,622	294,100
Other long-term liabilities	690	—
Total liabilities	430,825	447,268
Commitments and contingencies		
Stockholders' equity:		
Preferred shares, \$0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	—	—
Common shares, \$0.01 par value, 600,000,000 shares authorized, 152,864,921 and 152,979,479 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	1,529	1,529
Additional paid-in capital	897,209	884,528
Accumulated deficit	(64,143)	(62,338)
Accumulated other comprehensive income (loss)	(85)	(1,587)
Total stockholders' equity	834,510	822,132
Total liabilities and stockholders' equity	\$ 1,265,335	\$ 1,269,400

The accompanying notes are an integral part of the condensed consolidated financial statements

**CERTARA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE**  
**(LOSS) INCOME**  
**(UNAUDITED)**

(IN THOUSANDS, EXCEPT PER SHARE AND SHARE DATA)	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2021	2020	2021	2020
Revenues	\$ 70,096	\$ 61,123	\$ 136,814	\$ 118,572
Cost of revenues	27,542	20,647	53,558	42,830
Operating expenses:				
Sales and marketing	4,589	2,729	8,341	5,667
Research and development	4,626	2,969	9,332	5,844
General and administrative	18,034	11,181	34,596	22,722
Intangible asset amortization	9,479	9,323	18,935	18,682
Depreciation and amortization expense	552	669	1,154	1,222
Total operating expenses	37,280	26,871	72,358	54,137
Income from operations	5,274	13,605	10,898	21,605
Other income (expenses):				
Interest expense	(6,332)	(7,023)	(10,260)	(13,881)
Miscellaneous, net	(346)	(80)	(463)	445
Total other (expenses)	(6,678)	(7,103)	(10,723)	(13,436)
(Loss) income before income taxes	(1,404)	6,502	175	8,169
Provision for income taxes	1,453	3,725	1,980	4,346
Net (loss) income	(2,857)	2,777	(1,805)	3,823
Other comprehensive (loss) income:				
Foreign currency translation adjustment	302	442	(1,243)	(2,890)
Change in fair value from interest rate swap, net of tax \$0, \$94, \$161, and \$(585)	—	291	477	(1,841)
Reclassification of fair value of interest rate swap, net of tax of \$(765), 0, \$(765), and 0	2,268	—	2,268	—
Total other comprehensive income (loss)	2,570	733	1,502	(4,731)
Comprehensive (loss) income	\$ (287)	\$ 3,510	\$ (303)	\$ (908)
Net (loss) income per share attributable to common stockholders:				
Basic	\$ (0.02)	\$ 0.02	\$ (0.01)	\$ 0.03
Diluted	\$ (0.02)	\$ 0.02	\$ (0.01)	\$ 0.03
Weighted average common shares outstanding:				
Basic	147,485,566	132,407,786	147,323,724	132,407,786
Diluted	147,485,566	132,407,786	147,323,724	132,407,786

The accompanying notes are an integral part of the condensed consolidated financial statements

**CERTARA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

(IN THOUSANDS, EXCEPT SHARE DATA)	COMMON STOCK		ADDITIONAL	ACCUMULATED	ACCUMULATED OTHER COMPREHENSIVE	TOTAL
	SHARES	AMOUNT	PAID-IN CAPITAL	DEFICIT	LOSS	STOCKHOLDERS' EQUITY
Balance as of March 31, 2021	152,979,479	\$ 1,529	\$ 889,679	\$ (61,286)	\$ (2,655)	\$ 827,267
Equity compensation	—	—	7,530	—	—	7,530
Shares issued for employee share-based compensation awards	14,769	—	—	—	—	—
Restricted stock forfeiture	(129,327)	—	—	—	—	—
Change in fair value from interest rate swap, net of tax	—	—	—	—	—	—
Reclassification of fair value of interest rate swap, net of tax	—	—	—	—	2,268	2,268
Net loss	—	—	—	(2,857)	—	(2,857)
Foreign currency translation adjustment	—	—	—	—	302	302
Balance as of June 30, 2021	<u>152,864,921</u>	<u>\$ 1,529</u>	<u>\$ 897,209</u>	<u>\$ (64,143)</u>	<u>\$ (85)</u>	<u>\$ 834,510</u>
Balance as of December 31, 2020	152,979,479	\$ 1,529	\$ 884,528	\$ (62,338)	\$ (1,587)	\$ 822,132
Equity compensation	—	—	12,681	—	—	12,681
Shares issued for employee share-based compensation awards	14,769	—	—	—	—	—
Restricted stock forfeiture	(129,327)	—	—	—	—	—
Change in fair value from interest rate swap, net of tax	—	—	—	—	477	477
Reclassification of fair value of interest rate swap, net of tax	—	—	—	—	2,268	2,268
Net loss	—	—	—	(1,805)	—	(1,805)
Foreign currency translation adjustment	—	—	—	—	(1,243)	(1,243)
Balance as of June 30, 2021	<u>152,864,921</u>	<u>\$ 1,529</u>	<u>\$ 897,209</u>	<u>\$ (64,143)</u>	<u>\$ (85)</u>	<u>\$ 834,510</u>

The accompanying notes are an integral part of the condensed consolidated financial statements



**CERTARA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

(IN THOUSANDS, EXCEPT SHARE DATA)	COMMON STOCK		ADDITIONAL	ACCUMULATED	ACCUMULATED OTHER	TOTAL
	SHARES	AMOUNT	PAID-IN CAPITAL	DEFICIT	COMPREHENSIVE LOSS	STOCKHOLDERS' EQUITY
Balance as of March 31, 2020	132,407,786	\$ 1,324	\$ 509,700	\$ (11,895)	\$ (10,961)	\$ 488,168
Equity compensation	—	—	567	—	—	567
Repurchase of Parent Class B units	—	—	(55)	—	—	(55)
Change in fair value of interest rate swap, net of tax	—	—	—	—	291	291
Net income	—	—	—	2,777	—	2,777
Foreign currency translation adjustment	—	—	—	—	442	442
Balance as of June 30, 2020	132,407,786	\$ 1,324	\$ 510,212	\$ (9,118)	\$ (10,228)	\$ 492,190
Balance as of December 31, 2019	132,407,786	\$ 1,324	\$ 509,162	\$ (12,941)	\$ (5,497)	\$ 492,048
Equity compensation	—	—	1,105	—	—	1,105
Repurchase of Parent Class B units	—	—	(55)	—	—	(55)
Change in fair value of interest rate swap, net of tax	—	—	—	—	(1,841)	(1,841)
Net income	—	—	—	3,823	—	3,823
Foreign currency translation adjustment	—	—	—	—	(2,890)	(2,890)
Balance as of June 30, 2020	132,407,786	\$ 1,324	\$ 510,212	\$ (9,118)	\$ (10,228)	\$ 492,190

The accompanying notes are an integral part of the condensed consolidated financial statements

**CERTARA, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**

<b>(IN THOUSANDS)</b>	<b>SIX MONTHS ENDED JUNE 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (1,805)	\$ 3,823
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	1,154	1,222
Amortization of intangible assets	20,227	19,848
Amortization of debt issuance costs	747	762
Recovery of doubtful accounts	(61)	—
Loss on retirement of assets	282	—
Equity-based compensation expense	12,681	1,105
Unrealized loss on interest rate swap	2,390	—
Deferred income taxes	(1,971)	1,871
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	620	(1,299)
Prepaid expenses and other current assets	197	(2,608)
Accounts payable and accrued expenses	(13,848)	(3,645)
Deferred revenue	(1,057)	(4,438)
Net cash provided by operating activities	<u>19,556</u>	<u>16,641</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(511)	(638)
Capitalized development costs	(3,374)	(3,928)
Business acquisitions, net of cash acquired	(14,114)	(675)
Net cash used in investing activities	<u>(17,999)</u>	<u>(5,241)</u>
<b>Cash flows from financing activities:</b>		
Unit repurchase	—	(55)
Proceeds from borrowings on long-term debt	89	—
Payments on long-term debt and capital lease obligations	(2,323)	(2,639)
Proceeds from line of credit	—	19,880
Payment of debt issuance costs	(2,931)	—
Net cash provided by (used in) financing activities	<u>(5,165)</u>	<u>17,186</u>
Effect of foreign exchange rate changes on cash and cash equivalents, and restricted cash	(88)	1,005
Net (decrease) increase in cash and cash equivalents, and restricted cash	<u>(3,696)</u>	<u>29,591</u>
Cash and cash equivalents, and restricted cash, at beginning of period	273,291	29,762
Cash and cash equivalents, and restricted cash, at end of period	<u>\$ 269,595</u>	<u>\$ 59,353</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	\$ 7,114	\$ 13,160
Cash paid for taxes	\$ 4,420	\$ 5,081
<b>Supplemental schedule of non-cash investing and financing activities</b>		
Liabilities assumed in connection with business acquisition	\$ 1,912	\$ —
Property and equipment controlled through new capital leases	\$ —	\$ 831

The accompanying notes are an integral part of the condensed consolidated financial statements

**CERTARA, INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)  
(UNAUDITED)**

**1. Description of Business**

Certara, Inc. and its wholly owned subsidiaries (together, the “Company”) deliver software products and technology-enabled services to customers to efficiently carry out and realize the full benefits of biosimulation in drug discovery, preclinical and clinical research, regulatory submissions and market access. The Company is a global leader in biosimulation, and the Company’s biosimulation software and technology-enabled services help optimize, streamline, or even waive certain clinical trials to accelerate programs, reduce costs, and increase the probability of success. The Company’s software and services for regulatory science and submissions and market access are underpinned by technologies such as natural language processing and Bayesian analytics. When combined, these solutions allow the Company to offer customers end-to-end support across the entire product life cycle. On October 1, 2020, the Company amended the certificate of incorporation of EQT Avatar Topco, Inc. to change the name of the Company to Certara, Inc.

The Company has operations in the United States, Canada, Spain, Luxembourg, Portugal, United Kingdom, Germany, France, Netherlands, Denmark, Switzerland, Italy, Poland, Japan, Philippines, India, Australia, and China.

**2. Summary of Significant Accounting Policies**

There have been no changes other than what is discussed herein to the Company’s significant accounting policies as compared to the significant accounting policies described in Note 2 to the Company’s audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2020. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes as of and for the year ended December 31, 2020.

**(a) Basis of Presentation and Use of Estimates**

We prepared our condensed consolidated financial statements in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). We have eliminated intercompany accounts and transactions. We have also reclassified certain prior year amounts to conform to the current period presentation, which did not have a material impact on our consolidated financial condition or results of operations. The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include, among other estimates, the determination of fair values and useful lives of long-lived assets as well as intangible assets, goodwill, allowance for doubtful accounts receivable, recoverability of deferred tax assets, recognition of deferred revenue (including at the date of business combinations), value of interest rate swap agreements, determination of fair value of equity-based awards and assumptions used in testing for impairment of long-lived assets. Actual results could differ from those estimates, and such differences may be material to the condensed consolidated financial statements.

The Company is an Emerging Growth Company, as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”). Under the JOBS Act, Emerging Growth Companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an Emerging Growth Company or (ii) it affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these condensed consolidated financial statements may not be comparable to companies that comply with the new

or revised accounting pronouncements as of public company effective dates. The adoption dates discussed below reflect this election.

**(b) Unaudited Interim Financial Statements**

The accompanying condensed consolidated balance sheet as of June 30, 2021, the condensed consolidated statements of operations and comprehensive income (loss) for the three and six months ended June 30, 2021 and 2020, the condensed consolidated statements of stockholders' equity for the three and six months ended June 30, 2021 and 2020, the condensed consolidated statements of cash flows for the six months ended June 30, 2021 and 2020, and the related interim disclosures are unaudited.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those guidance. These unaudited condensed consolidated financial statements include all adjustments necessary, consisting of only normal recurring adjustments, to fairly state the financial position and the results of the Company's operations and cash flows for interim periods in accordance with U.S. GAAP. Interim period results are not necessarily indicative of results of operations or cash flows for a full year or any subsequent interim period. The accompanying condensed consolidated financial statements should be read in conjunction with the Company's 2020 and 2019 audited consolidated financial statements and notes thereto. The information as of December 31, 2020 in the Company's condensed consolidated balance sheet included herein is derived from the Company's audited consolidated financial statements included in the 2020 Annual Report on Form 10-K.

**(c) Recently Adopted Accounting Pronouncements**

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, "Reference Rate Reform (Topic 848)," which contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. In January 2021, FASB issued ASU 2021-01, "Reference Rate Reform (Topic 848)," which clarifies that certain optional expedients and exceptions in Accounting Standards Codification ("ASC") Topic 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. Guidance in these ASUs is optional and is effective as of March 12, 2020 through December 31, 2022. The Company adopted the ASUs upon issuance and elected to apply the hedge accounting expedients related to probability and the assessments of effectiveness for future LIBOR-indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves the presentation of derivatives consistent with past presentation. The adoption of the ASUs did not have a material impact to the Company's condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, "Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract", which included updated guidance on ASC 350-40, "Intangibles — Goodwill and Other — Internal-Use Software". The new guidance requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. ASU 2018-15 is effective for calendar-year public business entities in 2020. For all other calendar-year entities, it is effective for annual periods beginning in 2021 and interim periods in 2022. Early adoption is permitted. The Company has adopted ASU 2018-15 during the year beginning January 1, 2020. The adoption of ASU 2018-15 did not materially impact the condensed consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, "Changes to Disclosure Requirements for Fair Value Measurements (Topic 820)", which improved the effectiveness of disclosure requirements for recurring and nonrecurring fair value measurements. The standard removes, modifies, and adds certain disclosure requirements. The amendments in this update are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. The Company has adopted ASU 2018-13 during the year beginning January 1, 2020. The adoption of ASU 2018-13 did not materially impact the condensed consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, “Simplifying the Accounting for Income Taxes”, which removes certain exceptions related to the approach for calculating income taxes in an interim period and to the recognition of deferred tax liabilities for outside basis differences for certain investments. The Company adopted this guidance on January 1, 2021 on a prospective basis. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

***(d) Accounting Pronouncements Not Yet Adopted***

In February 2016, the FASB issued ASU 2016-02, “Leases”. ASU 2016-02 establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. In its April 2020 meeting, the FASB deferred the effective date for ASC 842 for private companies to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company will adopt ASU 2016-02 during the year beginning January 1, 2022 and is currently evaluating the impact of adopting this guidance on its condensed consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”. ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans, and other instruments, entities will be required to use a new forward-looking “expected loss” model that generally will result in the earlier recognition of allowances for losses. The guidance also requires increased disclosures. Per ASU 2019-10 issued in November 2019, ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years for private companies. Early adoption is permitted. The Company will adopt ASU 2016-13 during the year beginning January 1, 2023 and is currently evaluating the impact of adopting this guidance on its condensed consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles — Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment”. ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value. This standard will be effective for a private company (and thus, for those adopting exemption for Emerging Growth Companies) beginning in the first quarter of fiscal year 2022 and is required to be applied prospectively. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company will adopt ASU 2017-04 during the year beginning January 1, 2022 and is currently evaluating the impact of adopting this guidance on its condensed consolidated financial statements.

***(e) Principles of Consolidation***

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

***(f) Cash and Cash Equivalents, and Restricted Cash***

Cash equivalents include highly liquid investments with maturities of six months or less from the date purchased.

Restricted cash represents cash that is used as collateral to support an unsecured Company credit card program through a major bank and a grant funding. The restricted cash balance was \$1,838, \$1,909, and \$3,684 at June 30, 2021, December 31, 2020, and June 30, 2020, respectively.

The following table provides a reconciliation of cash and cash equivalents and restricted cash to the amounts presented in the condensed consolidated statements of cash flows:

	JUNE 30, 2021	DECEMBER 31, 2020	JUNE 30, 2020
Cash and cash equivalents	\$ 267,757	\$ 271,382	\$ 55,669
Restricted cash, current	1,838	1,909	3,684
<b>Total cash and cash equivalents, and restricted cash</b>	<b>\$ 269,595</b>	<b>\$ 273,291</b>	<b>\$ 59,353</b>

**(g) Derivative Instruments**

The Company has an interest rate swap agreement that was designated as a cash flow hedge of interest rate risk for a notional amount of \$230,000 that fixed the interest rate at 2.1284%, non-inclusive of the fixed credit spread through May 31, 2022. The Company recorded the fair value of its interest rate swap in the amount of \$2,390 and \$3,671, as a derivative liability as of June 30, 2021 and December 31, 2020, respectively, in its condensed consolidated balance sheets. During the second quarter, the Company determined that the hedge has not been highly effective from April 2018 and does not qualify for hedge accounting. As a result, The Company performed an analysis of the materiality of the out of period error correction in accordance with ASC 250, both quantitatively and qualitatively, and concluded that the error correction was immaterial to all periods. The Company reclassified a \$3,033 of accumulated comprehensive loss to interest expense in the consolidated statements of comprehensive income (loss) in the current quarter. The fair value of the interest rate swap is recognized in the condensed consolidated balance sheets and the changes in the fair value of the derivatives are recognized in the condensed consolidated statement of operations as interest expense. The income recorded in the condensed consolidated statement of operations as offset to interest expense for the activity during the current quarter in interest expense was \$643.

The following table sets forth the liability that is measured at fair value on a recurring basis by the levels in the fair value hierarchy at June 30, 2021:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Liability</b>				
Interest rate swap liability	\$ —	\$ 2,390	\$ —	\$ 2,390
<b>Total</b>	<b>\$ —</b>	<b>\$ 2,390</b>	<b>\$ —</b>	<b>\$ 2,390</b>

The following table sets forth the liability that is measured at fair value on a recurring basis by the levels in the fair value hierarchy at December 31, 2020:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Liability</b>				
Interest rate swap liability	\$ —	\$ 3,671	\$ —	\$ 3,671
<b>Total</b>	<b>\$ —</b>	<b>\$ 3,671</b>	<b>\$ —</b>	<b>\$ 3,671</b>

**(h) Revenue Recognition ASC 606**

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for promised goods or services. The Company's revenue consists of fees for perpetual and term licenses for the Company's software products, post-contract customer support (referred to as maintenance), software as a service ("SaaS") and professional services including training and other revenue. For contracts with multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation on a relative standalone selling price basis. The delivery of a particular type of software and each of the user licenses would be one performance obligation. However, any training, implementation, or support and maintenance promises as part of the software license agreement would be considered separate performance

obligations, as those promises are distinct and separately identifiable from the software licenses. The payment terms in these arrangements are sufficiently short such that there is no significant financing component to the transaction.

The Company typically recognizes license revenue at a point in time upon delivering the applicable license. The revenue related to the support and maintenance performance obligation will be recognized on an over time basis using time elapsed methodology. The revenue related to software training and software implementation performance will be recognized at the completion of the service.

### **Contract Balances**

The timing of revenue recognition, billings and cash collections results in billed accounts receivable, unbilled receivables (contract assets), and customer advances and deposits (deferred revenue) on the condensed consolidated balance sheets. Amounts are billed as work progresses in accordance with agreed-upon contractual terms, either at periodic intervals (e.g., quarterly or monthly) or upon achievement of contractual milestones.

Contract assets relate to the Company's rights to consideration for performance obligations satisfied but not billed at the reporting date on contracts (i.e., unbilled revenue, a component of accounts receivable in the condensed consolidated balance sheets). Contract assets are billed and transferred to customer accounts receivable when the rights become unconditional. The Company typically invoices customers for term licenses, subscriptions, maintenance and support fees in advance with payment due before the start of the subscription term, ranging from one to three years. The Company records the amounts collected in advance of the satisfaction of performance obligations, usually over time, as a contract liability or deferred revenue. Invoice amounts for non-cancelable services starting in future periods are included in contract assets and deferred revenue. The portion of deferred revenue that will be recognized within 12 months is recorded as current deferred revenue, and the remaining portion is recorded as non-current deferred revenue in the condensed consolidated balance sheets.

The unsatisfied performance obligations as of June 30, 2021 were approximately \$90,826.

### **Sources and Timing of Revenue**

The Company's performance obligations are satisfied either over time or at a point in time. The following table presents the Company's revenue by timing of revenue recognition to understand the risks of timing of transfer of control and cash flows:

	<u>THREE MONTHS ENDED JUNE 30,</u>		<u>SIX MONTHS ENDED JUNE 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Software licenses transferred at a point in time	\$ 9,629	\$ 9,013	\$ 22,054	\$ 20,378
Software licenses transferred over time	10,483	8,934	19,962	17,830
Service revenues earned over time	49,984	43,176	94,798	80,364
Total	<u>\$ 70,096</u>	<u>\$ 61,123</u>	<u>\$ 136,814</u>	<u>\$ 118,572</u>

### **(i) Earnings per Share**

Basic earnings per common share is computed by dividing the net income that is attributable to common stockholders by the weighted-average number of common shares or common share equivalents outstanding during the reporting period, without consideration for potentially dilutive securities. The dilutive effect of potentially dilutive securities is excluded from basic earnings per share and is included in the calculation of diluted earnings per share. Restricted stock and restricted stock units granted by the Company are treated as potential common shares outstanding in computing diluted earnings per share.

Diluted earnings per share is computed by dividing the net income attributable to stockholders by the weighted-average number of shares and potentially dilutive securities outstanding during the period.

**(j) COVID-19**

Since the first quarter of 2020, the COVID-19 pandemic has posed a significant threat to public health as well as the global and U.S. economies. The continued spread of variants of COVID-19 may adversely impact our business, financial condition or results of operations as a result of increased costs, negative impacts to our workforce, or a sustained economic downturn. Although the economy has rebounded in many areas, the outlook for containing the outbreak is still highly uncertain. Given its ongoing and dynamic nature, it is difficult to predict the full impact of the COVID-19 outbreak on the global and US economy and our business.

**3. Initial Public Offering**

On December 15, 2020, the Company completed its initial public offering (“IPO”), pursuant to which the Company issued and sold 14,630,000 shares of common stock and certain selling stockholders, including our former controlling shareholders, an affiliate of EQT AB (“EQT”), sold 18,783,250 shares of our common stock (representing the full exercise of the underwriters’ option to purchase additional shares), at a public offering price of \$23.00 per share. The Company received net proceeds of \$316,301, after deducting underwriters’ discounts and commissions. In addition, \$4,408 of legal, accounting and other offering costs, net of the tax effect of \$259, incurred in connection with the sale of the Company’s common stock in the IPO, were capitalized and offset against the proceeds received in the IPO.

The Company is party to a registration rights agreement with EQT and certain other stockholders (“Institutional Investors”). The registration rights agreement was amended and restated in connection with the IPO. It contains provisions that entitle EQT and the other Institutional Investors thereto to certain rights to have their securities registered by the Company under the Securities Act. EQT will be entitled to an unlimited number of “demand” registrations, subject to certain limitations. Every Institutional Investor that holds registration rights will also be entitled to customary “piggyback” registration rights. In addition, the amended and restated registration rights agreement provides that the Company will pay certain expenses of the Institutional Investors relating to such registrations and indemnify them against certain liabilities which may arise under the Securities Act.

The registration rights agreement will terminate (i) with the prior written consent of the Institutional Investors in connection with a change of control; (ii) for those holders (other than the Institutional Investors) that beneficially own less than 5% of the Company’s outstanding shares, if all of the registrable securities then owned by such holder could be sold in any 90-day period pursuant to Rule 144; (iii) as to any holder, if all of the registrable securities held by such holder have been sold or otherwise transferred in a registration pursuant to the Securities Act or pursuant to an exemption therefrom; or (iv) with respect to any holder that is an officer, director, employee or consultant of the Company on the date that is 90 days after the date on which such holder ceases to be an employee, director or consultant (as applicable) of the Company. The rights and obligations do not transfer without the written consent of the Company and the Institutional Investors.

On March 29, 2021, the Company completed an underwritten secondary public offering in which certain selling stockholders, including EQT, sold 10,000,000 shares of the Company’s common stock, including an additional 1,500,000 shares of common stock pursuant to the full exercise of the underwriters’ option to purchase additional shares. The Company did not offer any common stock in this transaction and did not receive any proceeds from the sale of the shares of common stock by the selling stockholders. The Company incurred costs of \$1,100, recorded in general and administrative expenses, in relation to the secondary public offering for the six months ended June 30, 2021.

**4. Concentrations of Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk have consisted principally of cash and cash equivalent investments and trade receivables. The Company invests available cash in bank deposits, investment-grade securities, and short-term interest-producing investments, including government obligations and other



money market instruments. At June 30, 2021 and December 31, 2020, the investments were bank deposits and overnight sweep accounts. The Company has adopted credit policies and standards to evaluate the risk associated with sales that require collateral, such as letters of credit or bank guarantees, whenever deemed necessary. Management believes that any risk of loss is significantly reduced due to the nature of the customers and distributors with which the Company does business.

As of June 30, 2021 and December 31, 2020, no customer accounted for more than 10% of the Company's accounts receivable or revenues during the periods presented.

## **5. Acquisitions**

On March 2, 2021, the Company completed a transaction which qualified as a business combination. The business combination was not material to our condensed consolidated financial statements. Based on the Company's preliminary purchase price allocation, approximately \$1,200, \$100 and \$1,100 of the purchase price was assigned to customer relationships, non-compete agreements and goodwill, respectively.

On June 7, 2021, the Company completed a transaction which qualified as a business combination. The business combination was not material to our condensed consolidated financial statements. Based on the Company's preliminary purchase price allocation, approximately \$7,400 and \$4,700 of the purchase price was assigned to customer relationships and goodwill, respectively.

## **6. Long-Term Debt and Revolving Line of Credit**

Effective August 14, 2017, the Company entered into a credit agreement with lenders for a \$250,000 term loan ("Credit Agreement"). The Credit Agreement is a syndicated arrangement with various lenders providing the financing. The \$250,000 term loan is due to mature on August 14, 2024. The Company also entered into a \$20,000 revolving line of credit with lenders with a sub-commitment for issuance of letters of credit of \$10,000.

The Company and lenders entered into Amendment No. 1 to the Credit Agreement on January 25, 2018 where an additional tranche of \$25,000 was added to the term loan. The amortization schedule of the new tranche was made coterminous with the rest of the term loan. There were no other changes to the terms of the Credit Agreement.

The Company and lenders entered into Amendment No. 2 to the Credit Agreement on April 3, 2018 where an additional tranche of \$40,000 was added to the term loan. The amortization schedule of the new tranche was made coterminous with the rest of the term loan. There were no other changes to the terms of the Credit Agreement.

The Company and lenders entered into a third restated and amended loan agreement on June 17, 2021 ("Third Amendment"), which provides for, among other things, (i) the extension of the termination date applicable to the revolving credit commitments under the Credit Agreement to August 2025, (ii) the extension of the maturity date applicable to the term loans under the Credit Agreement to August 2026, and (iii) an increase of approximately \$80,000 in commitments available under the revolving line of credit (resulting in an aggregate amount of commitments of \$100,000). The term loan under the Third Amendment has substantially the same terms as the existing term loans and revolving credit commitments. The Credit Agreement is collateralized by substantially all U.S. assets and stock pledges for the non-U.S. subsidiaries and contain various financial and nonfinancial covenants.

As of June 30, 2021 and December 31, 2020, available borrowings under the modified and original revolving lines of credit of \$100,000 and \$20,000 are reduced by \$120 standby letters of credit issued to a landlord in lieu of a security deposit in addition to any outstanding borrowings.

The Company was in compliance with all financial covenants as of June 30, 2021 and December 31, 2020. Borrowings under the Credit Agreement are subject to a variable interest rate at LIBOR plus a margin. The applicable margins are based on achieving certain levels of compliance with financial covenants.

The effective interest rate was 3.73% and 4.48% for the six months ended June 30, 2021 and the year ended December 31, 2020 for the Credit Agreement, respectively. As discussed previously, the Company entered into interest rate swap agreements to mitigate the interest risk.

Interest incurred on the Credit Agreement with respect to the term loan amounted to \$5,671 and \$8,073 for the six months ended June 30, 2021 and 2020, respectively. Accrued interest payable on the Credit Agreement with respect to the term loan amounted to \$30 and \$32 at June 30, 2021 and December 31, 2020, respectively, and is included in accrued expenses.

Interest paid on the Credit Agreement with respect to the revolving line of credit was \$0 and \$232 for the six months ended June 30, 2021 and 2020, respectively. There was no accrued interest payable on the revolving line of credit as of June 30, 2021 and December 31, 2020.

Effective August 14, 2017, the Company entered into an unsecured credit agreement with another lender for a \$100,000 term loan (“Loan Agreement”). The loan bears interest at 8.25% which is payable in semi-annual installments on January 15 and July 15 through August 14, 2025, at which time all outstanding principal and interest are due. Under the Loan Agreement, the Company could voluntarily repay outstanding loans without premium or penalty. On July 15, 2020, the Company made a \$20,000 prepayment on the loan, which reduced the amount outstanding to \$80,000. On December 28, 2020, the Company repaid the \$80,000 aggregate principal amount owed under the Loan Agreement, including \$3,000 of accrued interest using a portion of the proceeds from the IPO. The Company’s obligations under the Loan Agreement were discharged on that date. Interest paid on the loan amounted to \$0 and \$4,217 for the six months ended June 30, 2021 and 2020, respectively.

Long-term debt consists of the following:

	JUNE 30, 2021	DECEMBER 31, 2020
Term loans	\$ 302,000	\$ 304,099
Less: debt issuance costs	(6,358)	(5,319)
Total	295,642	298,780
Current portion of long-term debt	(3,020)	(4,680)
Long-term debt, net of current portion and debt issuance costs	<u>\$ 292,622</u>	<u>\$ 294,100</u>

The principal amount of long-term debt outstanding as of June 30, 2021 matures in the following years:

	2021	2022	2023	2024	2025	2026	TOTAL
Maturities	\$ 1,510	\$ 3,020	\$ 3,020	\$ 3,020	3,020	\$ 288,410	\$ 302,000

The Credit Agreement requires the Company to make an annual mandatory prepayment as it relates to the Company’s Excess Cash Flow calculation. For the year ended December 31, 2020, the Company was required to make a mandatory prepayment on the term loan of approximately \$1,527 on or before April 30, 2021. The prepayment was included in the current portion of long-term debt on the condensed consolidated balance sheets. For the amended credit agreement, the Company is required to make a quarterly principal payment of \$755 on the term loan each quarter starting from the end of September 2021.

The fair values of the Company’s variable interest term loan and revolving line of credit are not significantly different than their carrying value because the interest rates on these instruments are subject to change with market interest rates.

## 7. Commitments and Contingencies

### Leases

The Company leases certain office facilities and equipment under non-cancelable operating and capital leases with remaining terms from one to eight years. The gross amounts of assets under capital leases were \$1,504 and \$1,501 at June 30, 2021 and December 31, 2020, respectively. The total accumulated amortization associated with equipment under capital leases was \$1,094 and \$946 at June 30, 2021 and December 31, 2020, respectively. The related amortization expense is included in depreciation expense. Rent expense under the operating leases was \$3,221 and \$3,281 for the six months ended June 30, 2021 and 2020, respectively.

Non-cancelable future minimum lease commitments as of June 30, 2021 are as follows:

	OPERATING LEASES	CAPITAL LEASES
Remainder of 2021	\$ 3,042	\$ 152
2022	5,123	304
2023	3,394	25
2024	2,668	—
2025	2,107	—
Thereafter	2,395	—
Non-cancelable future minimum lease payments	18,729	481
Less amount representing interest	—	(23)
Net non-cancelable future minimum lease payments	<u>\$ 18,729</u>	<u>\$ 458</u>
Current portion of net non-cancelable future minimum lease payments		284
Net long-term non-cancelable future minimum lease payments		<u>\$ 174</u>

## 8. Equity-Based Compensation

### Class B Incentive Units

The Company's management, through the Company's affiliation with its shareholder and former parent, EQT, participated in a 2017 Class B Profits Interest Unit Incentive Plan (the "Class B Plan"), whereby EQT was authorized to issue a total of 6,366,891 Profit Interest Units ("Class B Units"), representing the right to share a portion of the value appreciation in EQT.

The majority of the employee grant agreements for the Class B Units were comprised of 50% time-based vesting units ("Time-based Units") and 50% performance-based vesting units ("Performance-based Units"). The Time-based Units generally vest over a five-year period; the Performance-based Units would vest if EQT achieved specified levels of return on investment at the time of (i) a change in control, (ii) a reduction in holdings of the Company by EQT to 10% or less following an IPO or (iii) certain distributions to EQT. There were also certain grant agreements for the Class B Units that were entirely comprised of Time-based Units. Upon vesting, the holder of Class B Units received a right to a fractional portion of the profits and distributions of the parent in excess of a "participation threshold" determined in accordance with the EQT limited partnership agreement.

In addition to the performance conditions above, the Chief Executive Officer's performance-based Class B Units also vested if the aggregate value attributable to the IPO equaled or exceeded an amount equivalent to the return on investment performance targets.

As of June 30, 2020, 5,508,785 Class B Units were issued and outstanding to Company employees. The Company granted 156,332 units and recorded actual forfeitures of 76,745 units during the six months ended June 30, 2020.

The fair value of the Time-based Units that vested solely upon continued employment was measured at the grant date and was recognized as cost over the employee's requisite service period, which was generally five years. The expense related to the vesting of the Time-based Units was recorded on the Company's books because the Company directly benefited from the services provided by Class B Unit holders. The Company recorded compensation expense related to the Class B Units of \$567 and \$1,105 for the three and six months ended June 30, 2020.

### **Restricted Stock**

Effective as of December 10, 2020, all vested Class B Units were exchanged by EQT for shares of common stock of the Company held by EQT, and unvested Class B Units were exchanged for shares of restricted common stock of the Company. Based on the IPO price of \$23.00 per share, the Company issued 5,941,693 shares of restricted common stock to holders of unvested Class B Units in exchange for such unvested Class B Units.

Share-based compensation for the restricted stock exchanged for the Time-based Class B Units is recognized on a straight-line basis over the requisite service period of the award, which is generally five years. Share-based compensation for the restricted stock exchanged for the Performance-based Class B Units is recognized using the accelerated attribution approach. A summary of the restricted stock is shown below:

	<u>SHARES</u>	<u>WEIGHTED- AVERAGE GRANT DATE FAIR VALUE</u>
Non-vested restricted stock as of December 31, 2020	5,941,693	\$ 23.00
Granted	—	—
Vested	(548,008)	23.00
Forfeited	(129,327)	23.00
Non-vested restricted stock as of June 30, 2021	<u>5,264,358</u>	<u>\$ 23.00</u>

The Company did not authorize or issue any restricted stock during the six-month period ended June 30, 2021.

Equity-based compensation expense related to the restricted stock exchanged for Performance-based Class B Units was \$2,983 and \$7,025 for the three and six months ended June 30, 2021, respectively. At June 30, 2021, the total unrecognized equity-based compensation expense related to outstanding restricted stock recognized using the accelerated attribution approach was \$18,116, which is expected to be recognized over a weighted-average period of 27 months.

Equity-based compensation expense related to the restricted stock exchanged for Time-based Class B Units were \$754 and \$1,531 for the three and six months ended June 30, 2021, respectively. At June 30, 2021, the total unrecognized equity-based compensation expense related to outstanding restricted stock recognized using the straight-line attribution approach was \$7,936, which is expected to be recognized over a weighted-average period of 38 months.

### **Restricted Stock Units**

Restricted stock units ("RSUs") represent the right to receive shares of the Company's common stock at a specified date in the future. The fair value of the RSUs is based on the fair value of the underlying shares on the date of grant.

A summary of the Company's RSU activity is as follows:

	UNITS	WEIGHTED- AVERAGE GRANT DATE FAIR VALUE
Non-vested RSUs as of December 31, 2020	30,052	\$ 23.00
Granted	939,863	27.39
Vested	(24,728)	23.00
Forfeited	(30,050)	26.53
Non-vested RSUs as of June 30, 2021	<u>915,137</u>	<u>\$ 27.39</u>

The number of RSUs vested includes 10,003 shares of common stock that we withheld on behalf of employees to satisfy the minimum statutory tax withholding requirements.

Equity-based compensation expense related to the RSUs was \$2,202 and \$2,534 for three and six months ended June 30, 2021, respectively. At June 30, 2021, the total unrecognized equity-based compensation expense related to outstanding RSUs was \$23,027, which is expected to be recognized over a weighted-average period of 32 months.

### Performance Stock Units

Performance stock units ("PSUs") are issued under the 2020 Incentive Plan and represent the right to receive shares of the Company's common stock at a specified date in the future based on the satisfaction of various service conditions and the achievement of certain performance thresholds including year over year revenue growth and unlevered free cash flow growth.

Share-based compensation for the PSUs is only recognized to the extent a threshold is probable of being achieved and is recognized using the accelerated attribution approach. The Company will continue to assess the probability of each condition being achieved at each reporting period to determine whether and when to recognize compensation cost. The following table presents a summary of activity on the PSUs for the period ended June 30, 2021.

A summary of the Company's PSU activity is as follows:

	UNITS	WEIGHTED- AVERAGE GRANT DATE FAIR VALUE
Non-vested PSUs as of December 31, 2020	—	\$ —
Granted	374,645	27.02
Vested	—	—
Forfeited	(11,905)	27.45
Non-vested PSUs as of June 30, 2021	<u>362,740</u>	<u>\$ 27.01</u>

Equity-based compensation expense related to the PSUs was \$1,591 for both the three and six months ended June 30, 2021. At June 30, 2021, the total unrecognized equity-based compensation expense related to outstanding PSUs was \$8,206, which is expected to be recognized over a weighted-average period of 21 months.

The following table summarizes the components of total equity-based compensation expense included in the condensed consolidated statements of operations and comprehensive (loss) income for each period presented:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2021	2020	2021	2020
Cost of revenues	\$ 1,456	\$ 59	\$ 2,296	\$ 98
Sales and marketing	636	33	1,034	65
Research and development	615	33	1,014	63
General and administrative expenses	4,823	442	8,337	879
Total	<u>\$ 7,530</u>	<u>\$ 567</u>	<u>\$ 12,681</u>	<u>\$ 1,105</u>

## 9. Segment Data

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), in deciding how to allocate resources and in assessing performance.

The Company has determined that its chief executive officer is its CODM. The Company manages its operations as a single segment for the purposes of assessing and making operating decisions. The Company's CODM allocates resources and assesses performance based upon financial information at the consolidated level. Since the Company operates in one operating segment, all required financial segment information can be found in the condensed consolidated financial statements.

The following table summarizes revenue by geographic area for the three and six months ended June 30, 2021 and 2020:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2021	2020	2021	2020
Revenue <sup>(1)</sup> :				
Americas	\$ 49,109	\$ 47,183	\$ 95,683	\$ 90,277
EMEA	13,689	9,062	27,915	19,922
Asia Pac	7,298	4,878	13,216	8,373
Total	<u>\$ 70,096</u>	<u>\$ 61,123</u>	<u>\$ 136,814</u>	<u>\$ 118,572</u>

(1) Revenue is attributable to the countries based on the location of the customer.

## 10. Income Taxes

The Company generally records its interim tax provision based upon a projection of the Company's estimated annual effective tax rate ("EAETR"). This EAETR is applied to the year-to-date consolidated pre-tax income to determine the interim provisions for income taxes before discrete items. The effective tax rate ("ETR") each period is impacted by a number of factors, including the relative mix of domestic and international earnings, adjustments to the valuation allowances, and discrete items. The currently forecasted ETR may vary from the actual year-end due to the changes in these factors.

The Company's global ETR for the three and six months ended June 30, 2021 and 2020 were (103)%, 1,131%, 57%, and 53%, respectively, including discrete tax items. The current year increase in the ETR was principally due to the combined effect of the discrete tax effect of certain prior period swap losses that are required to be excluded from the EAETR

calculation and the near break-even operating results, which resulted in a significant variation in the customary relationship between income tax expense and pre-tax book income.

## 11. Earnings (loss) per Share

Earnings per share is computed by dividing net income (loss) by the weighted-average common shares outstanding. Basic earnings per common share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share considers potentially dilutive securities outstanding during the period.

Basic and diluted earnings per share is computed by dividing net income by the weighted-average common shares outstanding:

	<u>THREE MONTHS ENDED JUNE 30,</u>		<u>SIX MONTHS ENDED JUNE 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Numerator:</b>				
Net income (loss) available to common shareholders	\$ (2,857)	\$ 2,777	\$ (1,805)	\$ 3,823
<b>Denominator:</b>				
Basic weighted average common shares outstanding	147,485,566	132,407,786	147,323,724	132,407,786
Effects of dilutive securities	—	—	—	—
Diluted weighted average common shares outstanding	147,485,566	132,407,786	147,323,724	132,407,786
<b>Earnings (loss) per share:</b>				
Basic	\$ (0.02)	\$ 0.02	\$ (0.01)	\$ 0.03
Diluted	\$ (0.02)	\$ 0.02	\$ (0.01)	\$ 0.03

## 12. Subsequent Events

On August 2, 2021, Certara, Inc. entered into a merger agreement (the “Merger Agreement”) with Pinnacle 21, LLC (“Pinnacle”), a company that develops advanced software for standards-based data management for regulatory submissions. Pursuant to the Merger Agreement, a subsidiary of Certara will merge with Pinnacle, and the equity holders of Pinnacle will receive consideration of \$250,000 cash and \$60,000 worth of restricted common stock of Certara, Inc. We expect to close the transaction following receipt of all necessary regulatory approvals, which we anticipate will occur early in the fourth quarter.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion summarizes the significant factors affecting the operating results, financial condition, liquidity, and cash flows of our Company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity, and capital resources, and all other non-historical statements in this discussion are forward-looking statements and are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors, including those discussed below and elsewhere in this Quarterly Report, particularly in the sections entitled “Special Note Regarding Forward-Looking Statements” and “Risk Factors” of this Quarterly Report.*

### **Executive Overview**

We accelerate medicines to patients using biosimulation software and technology to transform traditional drug discovery and development. Biosimulation is a powerful technology used to conduct virtual trials using virtual patients to predict how drugs behave in different individuals. Biopharmaceutical companies use our proprietary biosimulation software throughout drug discovery and development to inform critical decisions that not only save significant time and money but also advance drug safety and efficacy, improving millions of lives each year.

As a global leader in biosimulation based on 2020 revenue, we provide an integrated, end-to-end platform used by more than 1,650 biopharmaceutical companies and academic institutions across 61 countries, including all of the top 35 biopharmaceutical companies by R&D spend in 2019. Since 2014, customers who use our biosimulation software and technology-enabled services have received over 90% of all new drug approvals by the U.S. Food and Drug Administration (“FDA”). Moreover, 17 global regulatory authorities license our biosimulation software to independently analyze, verify, and review regulatory submissions, including the FDA, Europe’s European Medicines Agency (“EMA”), Health Canada, Japan’s Pharmaceuticals and Medical Devices Agency, and China’s National Medical Products Administration. Demand for our offerings continues to expand rapidly.

We build our biosimulation technology on first principles of biology, chemistry, and pharmacology with proprietary mathematical algorithms that model how medicines and diseases behave in the body. For over two decades, we have honed and validated our biosimulation technology with an abundance of data from scientific literature, lab research, and preclinical and clinical studies. In turn, our customers use biosimulation to conduct virtual trials to answer critical questions, such as: What will be the human response to a drug based on preclinical data? How will other drugs interfere with this new drug? What is a safe and efficacious dose for children, the elderly, or patients with pre-existing conditions? Virtual trials may be used to optimize dosing on populations that are otherwise difficult to study for ethical or logistical reasons, such as infants, pregnant women, the elderly, and cancer patients.

Biosimulation results need to be incorporated into regulatory documents for compelling submissions. Accordingly, we provide regulatory science solutions and integrate them with biosimulation so that our customers can navigate the complex and evolving regulatory landscape and maximize their chances of approval. Our differentiated regulatory services are powered by submissions management software and natural language processing for scalability and speed, allowing us to deliver more than 200 regulatory submissions over the past four years. Our team of more than 200 regulatory professionals has extensive experience applying industry guidelines and global regulatory requirements.

The final hurdle to delivering medicines to patients is market access, defined as strategies, processes, and activities to ensure that therapies are available to patients at the right price. We believe that biosimulation and market access will continue to be increasingly intertwined as health systems and countries move toward outcomes-based pricing. We have recently expanded into technology-enabled market access solutions, which help our customers understand the real-world impact of therapies and dosing regimens earlier in the process and effectively communicate this to payors and health authorities. Our solutions are underpinned by technologies such as Bayesian statistical software and SaaS-based value communication tools.



With continued innovation in and adoption of our biosimulation software and technology-enabled services, we believe more biopharmaceutical companies worldwide will leverage more of our end-to-end platform to reduce cost, accelerate speed to market, and ensure safety and efficacy of medicines for all patients.

#### Initial Public Offering

On December 15, 2020, the Company completed its IPO, pursuant to which the Company issued and sold 14,630,000 shares of common stock and certain selling stockholders, including EQT, sold 18,783,250 shares of our common stock (representing the full exercise of the underwriters' option to purchase additional shares), at a public offering price of \$23.00 per share. The Company received net proceeds of \$316.3 million after deducting underwriters' discounts and commissions. In addition, \$4.4 million of legal, accounting and other offering costs, net of the tax effect of \$0.3 million incurred in connection with the sale of the Company's common stock in the IPO, were capitalized and offset against the proceeds received in the IPO.

#### Secondary Public Offering

On March 29, 2021, the Company completed an underwritten secondary public offering in which certain selling stockholders, including EQT, sold 10,000,000 shares of its common stock, including an additional 1,500,000 shares of common stock pursuant to the full exercise of the underwriters' option to purchase additional shares. The Company did not offer any common stock in this transaction and did not receive any proceeds from the sale of the shares of common stock by the selling stockholders. The Company incurred cost of \$1.1 million in relation to the secondary public offering.

### Key Factors Affecting Our Performance

We believe that the growth of and future success of our business depends on many factors. While each of these factors presents significant opportunities for our business, they also pose important challenges that we must successfully address to sustain our growth and improve results of operations.

#### Customer Retention and Expansion

Our future operating results depend, in part, on our ability to successfully enter new markets, increase our customer base, and retain and expand our relationships with existing customers. We monitor two key performance indicators to evaluate retention and expansion: new bookings and renewal rates.

- **Bookings:** Our new bookings represent a signed contract or purchase order where there is sufficient or reasonable certainty about the customer's ability and intent to fund and commence the software and/or services. Bookings vary from period to period depending on numerous factors, including the overall health of the biopharmaceutical industry, regulatory developments, industry consolidation, and sales performance. Bookings have varied and will continue to vary significantly from quarter to quarter and from year to year.
- **Renewal Rates:** Our renewal rates measure the percentage of software customers who renew their licenses or subscriptions at the end of the license or subscription periods. The renewal rate is based on revenues and excludes the effect of price increases or expansions.

The table below summarizes our quarterly bookings and renewal rate trends:

	2021		2020	
	Q1	Q2	Q1	Q2
Bookings (in millions)	\$ 81.9	75.1	\$ 61.0	70.1
Renewal Rate	92 %	90 %	92 %	96 %

### Investments in Growth

We have invested and intend to continue to invest in expanding the breadth and depth of our solutions, including through acquisitions and international expansion. We expect to continue to invest (i) in scientific talent to expand our ability to deliver solutions across the drug development spectrum; (ii) in sales and marketing to promote our solutions to new and existing customers and in existing and expanded geographies; (iii) in research and development to support existing solutions and innovate new technology; and (iv) in other operational and administrative functions to support our expected growth. We expect that our headcount will increase over time and also expect our total operating expenses will continue to increase over time, albeit, at a rate lower than revenue growth.

### Our Operating Environment

The acceptance of model-informed biopharmaceutical discovery and development by regulatory authorities affects the demand for our products and services. Support for the use of biosimulation in discovery and development from regulatory bodies, such as the FDA and EMA, has been critical to its rapid adoption by the biopharmaceutical industry. There has been a steady increase in the recognition by regulatory and academic institutions of the role that modeling and simulation can play in the biopharmaceutical development and approval process, as demonstrated by new regulations and guidance documents describing and encouraging the use of modeling and simulation in the biopharmaceutical discovery, development, testing, and approval process, which has directly led to an increase in the demand for our services. Changes in government or regulatory policy, or a reversal in the trend toward increasing the acceptance of and reliance upon *in silico* data in the drug approval process, could decrease the demand for our products and services or lead regulatory authorities to cease use of, or to recommend against the use of, our products and services.

Governmental agencies throughout the world, but particularly in the United States where the majority of our customers are based, strictly regulate the biopharmaceutical development process. Our business involves helping biopharmaceutical companies strategically and tactically navigate the regulatory approval process. New or amended regulations are expected to result in higher regulatory standards and often additional revenues for companies that service these industries. However, some changes in regulations, such as a relaxation in regulatory requirements or the introduction of streamlined or expedited approval procedures, or an increase in regulatory requirements that we have difficulty satisfying or that make our regulatory strategy services less competitive, could eliminate or substantially reduce the demand for our regulatory services.

### Competition

The market for our biosimulation products and related services for the biopharmaceutical industry is competitive and highly fragmented. In biosimulation software, we compete with other scientific software providers, technology companies, in-house development by biopharmaceutical companies, and certain open source solutions. In the technology-enabled services market, we compete with specialized companies, in-house teams at biopharmaceutical companies, and academic and government institutions. In some standard biosimulation services, and in regulatory and market access, we also compete with contract research organizations. Some of our competitors and potential competitors have longer operating histories in certain segments of our industry than we do and could have greater financial, technical, marketing, R&D, and

other resources. Some of our competitors offer products and services directed at more specific markets than those we target, enabling these competitors to focus a greater proportion of their efforts and resources on those specific markets. Some competing products are developed and made available at lower cost by government organizations and academic institutions, and these entities may be able to devote substantial resources to product development. Some clinical research organizations or technology companies may decide to enter into or expand their offerings in the biosimulation area, whether through acquisition or internal development. We also face competition from open source software initiatives, in which developers provide software and intellectual property free of charge, such as R and PK-Sim software. In addition, some of our customers spend significant internal resources in order to develop their own solutions.

### **Impact of COVID-19**

The continued spread of COVID-19 may adversely impact our business, financial condition or results of operations as a result of increased costs, negative impacts to our healthy workforce or a sustained economic downturn. The extent to which the COVID-19 pandemic may impact our business in the future is highly uncertain and cannot be predicted. In addition, a recession or a prolonged period of depressed economic activity related to COVID-19 and measures taken to mitigate its spread could have a material adverse effect on our business, financial condition and results of operations. As of June 30, 2021, there have been no material adverse impacts on the Company's financial condition, results of operations or cash flows.

### **Non-GAAP Measures**

Management uses various financial metrics, including total revenues, income from operations, net income, and certain metrics that are not required by, or presented in accordance with, GAAP, such as Adjusted EBITDA, to measure and assess the performance of our business, to evaluate the effectiveness of our business strategies, to make budgeting decisions, to make certain compensation decisions, and to compare our performance against that of other peer companies using similar measures. We believe that presentation of the GAAP and the non-GAAP metrics in this filing will aid investors in understanding our business.

Management measures operating performance based on Adjusted EBITDA defined for a particular period as net income (loss) excluding interest expense, provision (benefit) for income taxes, depreciation and amortization expense, intangible asset amortization, equity-based compensation expense, acquisition and integration expense, and other items not indicative of our ongoing operating performance.

We believe Adjusted EBITDA is helpful to investors, analysts, and other interested parties because it can assist in providing a more consistent and comparable overview of our operations across our historical periods. In addition, this measure is frequently used by analysts, investors, and other interested parties to evaluate and assess performance.

Adjusted EBITDA is a non-GAAP measure and is presented for supplemental purposes only and should not be considered as an alternative or substitute to financial information presented in accordance with GAAP. Adjusted EBITDA has certain limitations in that it does not include the impact of certain expenses that are reflected in our consolidated statement of operations that are necessary to run our business. Other companies, including other companies in our industry, may not use this measure and may calculate it differently than as presented on this report, limiting the usefulness as a comparative measure.

The following table reconciles Net income (loss) to Adjusted EBITDA:

	<b>THREE MONTHS ENDED JUNE 30,</b>		<b>SIX MONTHS ENDED JUNE 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
Net (loss) income <sup>(a)</sup>	\$ (2,857)	\$ 2,777	\$ (1,805)	\$ 3,823
Interest expense <sup>(a)</sup>	6,332	7,023	10,260	13,881
Interest income <sup>(a)</sup>	(100)	(13)	(171)	(24)
Provision for income taxes <sup>(a)</sup>	1,453	3,725	1,980	4,346
Depreciation and amortization expense <sup>(a)</sup>	552	669	1,154	1,222
Intangible asset amortization <sup>(a)</sup>	10,125	9,918	20,227	19,848
Currency gain (loss) <sup>(a)</sup>	164	55	356	(227)
Equity-based compensation expense <sup>(b)</sup>	7,530	567	12,681	1,105
Acquisition-related expenses <sup>(c)</sup>	556	494	2,152	949
Transaction-related expenses <sup>(d)</sup>	937	—	1,622	—
Severance expense <sup>(e)</sup>	—	16	—	211
Reorganization expense <sup>(f)</sup>	—	102	—	107
Loss on disposal of fixed assets <sup>(g)</sup>	282	—	282	—
Executive recruiting expense <sup>(h)</sup>	327	—	327	—
First-year Sarbanes-Oxley implementation costs <sup>(i)</sup>	233	—	340	—
Adjusted EBITDA	<u>\$ 25,534</u>	<u>\$ 25,333</u>	<u>\$ 49,405</u>	<u>\$ 45,241</u>

The following table reconciles Net income (loss) to Adjusted Net Income:

	<b>THREE MONTHS ENDED JUNE 30,</b>		<b>SIX MONTHS ENDED JUNE 30,</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
Net (loss) income <sup>(a)</sup>	\$ (2,857)	\$ 2,777	\$ (1,805)	\$ 3,823
Currency gain (loss) <sup>(a)</sup>	164	55	356	(227)
Equity-based compensation expense <sup>(b)</sup>	7,530	567	12,681	1,105
Acquisition-related expenses <sup>(c)</sup>	556	494	2,152	949
Transaction-related expenses <sup>(d)</sup>	937	—	1,622	—
Severance expense <sup>(e)</sup>	—	16	—	211
Reorganization expense <sup>(f)</sup>	—	102	—	107
Loss on disposal of fixed assets <sup>(g)</sup>	282	—	282	—
Executive recruiting expense <sup>(h)</sup>	327	—	327	—
First-year Sarbanes-Oxley implementation costs <sup>(i)</sup>	233	—	340	—
Income tax expense impact of adjustments <sup>(j)</sup>	(1,594)	(162)	(2,346)	(265)
Adjusted Net Income	<u>\$ 5,578</u>	<u>\$ 3,849</u>	<u>\$ 13,609</u>	<u>\$ 5,703</u>

The following table reconciles Diluted Earnings Per Share to Adjusted Diluted Earnings Per Share:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2021	2020	2021	2020
	(in thousands)			
Diluted earnings per share <sup>(a)</sup>	\$ (0.02)	\$ 0.02	\$ (0.01)	\$ 0.03
Currency gain (loss) <sup>(a)</sup>	—	—	—	—
Equity-based compensation expense <sup>(b)</sup>	0.05	—	0.08	0.01
Acquisition-related expenses <sup>(c)</sup>	—	—	0.01	—
Transaction-related expenses <sup>(d)</sup>	0.01	—	0.02	—
Severance expense <sup>(e)</sup>	—	—	—	—
Reorganization expense <sup>(f)</sup>	—	—	—	—
Loss on disposal of fixed assets <sup>(g)</sup>	—	—	—	—
Executive recruiting expense <sup>(h)</sup>	—	—	—	—
First-year Sarbanes-Oxley implementation costs <sup>(i)</sup>	—	—	—	—
Income tax expense impact of adjustments <sup>(j)</sup>	(0.01)	—	(0.01)	—
Adjusted Diluted Earnings Per Share	\$ 0.03	\$ 0.02	\$ 0.09	\$ 0.04
Diluted weighted average common shares outstanding	147,485,566	132,407,786	147,323,724	132,407,786
Effect of potentially dilutive shares outstanding <sup>(k)</sup>	4,979,042	—	4,952,002	—
Diluted weighted average common shares outstanding	<u>152,464,608</u>	<u>132,407,786</u>	<u>152,275,726</u>	<u>132,407,786</u>

(a) Represents amounts as determined under GAAP.

(b) Represents expense related to equity-based compensation. Equity-based compensation has been, and will continue to be for the foreseeable future, a recurring expense in our business and an important part of our compensation strategy.

(c) Represents costs associated with mergers and acquisitions and any retention bonuses pursuant to the acquisitions.

(d) Represents costs associated with directly expensed costs from the secondary offerings and debt modification.

(e) Represents charges for severance provided to former executives and non-executives.

(f) Represents expense related to reorganization, including legal entity reorganization.

(g) Represents the gain/loss related to disposal of fixed assets.

(h) Represents recruiting and relocation expenses related to hiring senior executives.

(i) Represents the first year Sarbanes-Oxley costs for accounting and consulting fees related to the Company's preparation to comply with Section 404 of the Sarbanes-Oxley Act in 2021.

(j) Represents the income tax effect of the non-GAAP adjustments calculated using the applicable statutory rate by jurisdiction.

(k) Represents potentially dilutive shares that were excluded from the Company's GAAP diluted weighted average common shares outstanding because the Company had a reported net loss and therefore including these shares would have been anti-dilutive.

## Components of Results of Operations

### Revenues

Our business generates revenue from the sales of software products and delivery of consulting services.

- **Software.** Our software business generates revenues from software licenses, software subscriptions and software maintenance as follows:
  - *Software licenses:* We recognize revenue for software license fees up front, upon delivery of the software license.
  - *Software subscription:* Subscription revenue consists of subscription fees to provide our customers access to and related support for our cloud-based solutions. We recognize subscription fees ratably over the term of the subscription, usually one to three years. Any subscription revenue paid up front that is not recognized in the current period is included in deferred revenue in our consolidated balance sheet until earned.
  - *Software maintenance:* Software maintenance revenue includes fees for providing updates and technical support for software offerings. Software maintenance revenue is recognized ratably over the contract term, usually one year.
- **Services.** Our services business generates revenues primarily from technology-enabled services and professional services, which include software implementation services. Our service arrangements are time and materials, fixed fee, or prepaid. Revenues are recognized over the time services are performed for time and materials, and over time by estimating progress to completion for fixed fee and prepaid services.

### Cost of Revenues

Cost of revenues consists primarily of employee related expenses, equity-based compensation, the costs of third-party subcontractors, travel costs, distributor fees, amortization of capitalized software and allocated overhead. We may add or expand computing infrastructure service providers, make additional investments in the availability and security of our solutions, or add resources to support our growth.

### Operating Expenses

- **Sales and Marketing.** Sales and marketing expense consists primarily of employee-related expenses, sales commissions, brand development, advertising, travel-related expenses and industry conferences and events. We plan to continue to invest in sales and marketing to increase penetration of our existing client base and expand to new clients.
- **Research and Development.** R&D expense accounts for a significant portion of our operating expenses. We recognize expenses as incurred. Research and development expenses consist primarily of employee-related expenses, third-party consulting, allocated software costs and tax credits. We plan to continue to invest in our R&D efforts to enhance and scale our software product offerings by development of new features and increased functionality.
- **General and Administrative.** General and administrative expense consists of personnel-related expenses associated with our executive, legal, finance, human resources, information technology, and other administrative functions, including salaries, benefits, bonuses, and equity-based compensation. General and administrative expense also includes professional fees for external legal, accounting and other consulting services, allocated overhead costs, and other general operating expenses.

We expect to increase the size of our general and administrative staff to support the anticipated growth of our business. As a public company, we expect to incur significant expenses on an ongoing basis that we did not incur as a private company. Those costs include additional director and officer liability insurance expense, as well as third-party and internal resources related to accounting, auditing, SOX compliance, legal, and investor and public relations expenses. As a result, we expect

the amount of our general and administrative expense to increase for the foreseeable future. Excluding public company expenses, we expect general and administrative expense to grow at a rate lower than revenues.

- **Intangible Asset Amortization.** Intangible asset amortization consists primarily of amortization expense related to intangible assets recorded in connection with acquisitions and amortization of capitalize software development costs.
- **Depreciation and Amortization Expense.** Depreciation and amortization expense consists of depreciation of property and equipment and amortization of leasehold improvements.

#### Other Expenses

- **Interest Expense.** Interest expense consists primarily of interest expense associated with the Credit Facilities, including amortization of debt issuance costs and discounts. We expect interest expense to decline as a result of lower outstanding indebtedness going forward.
- **Miscellaneous.** Miscellaneous expense consists of miscellaneous non-operating expenses primarily comprised of foreign exchange transaction gains and losses.
- **Provision for (Benefit from) Income Taxes.** Provision for (benefit from) income taxes consists of U.S. federal and state income taxes and income taxes in certain foreign jurisdictions in which we conduct business. We expect income tax expense to increase over time as the Company continues to grow net income.

#### Acquisition

On March 2, 2021, we completed a transaction which qualified as a business combination. The business combination was not material to our condensed consolidated financial statements. Based on the Company's preliminary purchase price allocation, approximately \$1.2 million, \$0.1 million and \$1.1 million of the purchase price was assigned to customer relationships, non-compete agreements and goodwill, respectively.

On June 7, 2021, the Company completed a transaction which qualified as a business combination. The business combination was not material to our condensed consolidated financial statements. Based on the Company's preliminary purchase price allocation, approximately \$7.4 million and \$4.7 million of the purchase price was assigned to customer relationships and goodwill, respectively.

### Results of Operations

We have included the results of operations of acquired companies in our consolidated results of operations from the date of their respective acquisitions, which impacts the comparability of our results of operations when comparing results for the three and six months ended June 30, 2021 to the three and six months ended June 30, 2020.

#### Three Months Ended June 30, 2021 Versus Three Months Ended June 30, 2020

The following table summarizes our unaudited statements of operations data for the three months ended June 30, 2021 and 2020:

#### Revenues

	THREE MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020	\$	%
		( in thousands)		
Software	\$ 20,112	\$ 17,947	\$ 2,165	12 %
Services	49,984	43,176	6,808	16 %
Total revenues	\$ 70,096	\$ 61,123	\$ 8,973	15 %

Revenues increased \$9.0 million, or 15%, to \$70.1 million for the three months ended June 30, 2021 as compared to the same period in 2020. The increase in revenues was due to growth in both our services and software product offerings, primarily related to client expansions in both our technology-enabled service product lines and software.

Software revenue increased by \$2.2 million, or 12%, to \$20.1 million for the three months ended June 30, 2021 as compared to the same period in 2020, driven primarily by growth in renewal of software subscriptions of 10%, or \$1.5 million. The remaining increase was primarily due to growth in the subscription products from new clients.

Services revenue increased by \$6.8 million, or 16%, to \$50.0 million for the three months ended June 30, 2021 as compared to the same period in 2020, driven by growth in our technology-enabled services, primarily in biosimulation offerings.

**Cost of Revenues**

	<b>THREE MONTHS ENDED JUNE 30,</b>		<b>CHANGE</b>	
	<b>2021</b>	<b>2020</b>	<b>\$</b>	<b>%</b>
	(in thousands)			
Cost of revenues	\$ 27,542	\$ 20,647	\$ 6,895	33 %

Cost of revenues increased by \$6.9 million, or 33%, to \$27.5 million for the three months ended June 30, 2021 as compared to the same period in 2020. The increase was primarily due to a \$3.9 million increase in employee-related costs resulting from head count growth and a \$1.4 million increase in stock-based compensation costs. The remaining increase is primarily due to consulting costs.

**Sales and Marketing Expenses**

	<b>THREE MONTHS ENDED JUNE 30,</b>		<b>CHANGE</b>	
	<b>2021</b>	<b>2020</b>	<b>\$</b>	<b>%</b>
	(in thousands)			
Sales and marketing	\$ 4,589	\$ 2,729	\$ 1,860	68 %
% of total revenues	7 %	4 %		

Sales and marketing expenses increased by \$1.9 million, or 68%, to \$4.6 million for the three months ended June 30, 2021 as compared to the same period in 2020. Sales and marketing expenses increased primarily due to a \$1.1 million increase in employee-related costs resulting from head count growth and a \$0.6 million increase in stock-based compensation costs.

**Research and Development Expenses**

	<b>THREE MONTHS ENDED JUNE 30,</b>		<b>CHANGE</b>	
	<b>2021</b>	<b>2020</b>	<b>\$</b>	<b>%</b>
	(in thousands)			
Research and development	\$ 4,626	\$ 2,969	\$ 1,657	56 %
% of total revenues	7 %	5 %		

Research and development expenses increased by \$1.7 million, or 56%, to \$4.6 million for the three months ended June 30, 2021 as compared to the same period in 2020. The increase in R&D expenses was primarily due to a \$1.3 million net increases in employee-related costs resulting from head count growth and a \$0.5 million increase in stock-based compensation costs. The increase was partially offset by higher R&D credits and decrease in consulting costs.



**General and Administrative Expenses**

	<b>THREE MONTHS ENDED JUNE 30,</b>		<b>CHANGE</b>	
	<b>2021</b>	<b>2020</b>	<b>\$</b>	<b>%</b>
	<b>(in thousands)</b>			
General and administrative	\$ 18,034	\$ 11,181	\$ 6,853	61 %
% of total revenues	26 %	18 %		

General and administrative expenses increased by \$6.9 million, or 61%, to \$18.0 million for the three months ended June 30, 2021 as compared to the same period in 2020. The increase in general and administrative expenses was primarily due to a \$4.4 million increase in stock-based compensation costs, \$0.7 million increase in insurance expenses, and \$0.5 million increase in business acquisition cost. The remaining increases are primarily due to increases in secondary offering costs and public company costs. The increases were partially offset by decreases in consulting related costs.

**Intangible Asset Amortization**

	<b>THREE MONTHS ENDED JUNE 30,</b>		<b>CHANGE</b>	
	<b>2021</b>	<b>2020</b>	<b>\$</b>	<b>%</b>
	<b>(in thousands)</b>			
Intangible asset amortization	\$ 9,479	\$ 9,323	\$ 156	2 %
% of total revenues	14 %	15 %		

Intangible asset amortization expense increased by \$0.2 million, or 2%, to \$9.5 million for the three months ended June 30, 2021 as compared to the same period in 2020. The increase in intangible asset amortization expense is due to increased capitalized software development costs.

**Depreciation and Amortization Expense**

	<b>THREE MONTHS ENDED JUNE 30,</b>		<b>CHANGE</b>	
	<b>2021</b>	<b>2020</b>	<b>\$</b>	<b>%</b>
	<b>(in thousands)</b>			
Depreciation and amortization	\$ 552	\$ 669	\$ (117)	(17)%
% of total revenues	1 %	1 %		

Depreciation and amortization expense decreased \$0.1 million for the three months ended June 30, 2021 as compared to the same period in 2020. The decrease was primarily due to decrease in depreciation from computer equipment and lease improvement for the three months ended June 30, 2021 as compared to the same period in 2020.

**Interest Expense**

	<b>THREE MONTHS ENDED JUNE 30,</b>		<b>CHANGE</b>	
	<b>2021</b>	<b>2020</b>	<b>\$</b>	<b>%</b>
	<b>(in thousands)</b>			
Interest expense	\$ 6,332	\$ 7,023	\$ (691)	(10)%
% of total revenues	9 %	11 %		

Interest expense decreased \$0.7 million, or 10%, to \$6.3 million for the three months ended June 30, 2021 as compared to the same period in 2020. The decrease in interest expense was primarily due to lower average outstanding principal balances on our credit facilities in the second quarter of 2021 compared to the same period in 2020. The decrease in interest

expense was partially offset by interest expense reclassified in from other comprehensive income due to hedge ineffectiveness.

**Miscellaneous, net**

	THREE MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020 (in thousands)	\$	%
Miscellaneous, net	\$ 346	\$ 80	\$ 266	333 %
% of total revenues	0 %	0 %		

Miscellaneous expense was \$0.3 million for the three months ended June 30, 2021 as compared to miscellaneous expenses of \$0.1 million for the same period in 2020. The change was primarily due to \$0.3 million loss on disposal of fixed assets.

**Provision for Income Taxes**

	THREE MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020 (in thousands)	\$	%
Provision for income taxes	\$ 1,453	\$ 3,725	\$ (2,272)	(61)%
Effective income tax rate	(103)%	57 %		

Our income tax expense was \$1.5 million, resulting in an effective income tax rate of (103) % for the three months ended June 30, 2021 as compared to income tax expense of \$3.7 million, or an effective income tax rate of 57%, for the same period in 2020. Our income tax expense for the three months ended June 30, 2021 was primarily due to the discrete tax effect of certain prior period swap losses that are required to be excluded from the EAETR calculation, thereby resulting in the tax benefit from such losses being measured at the statutory tax rate, which is much lower than the EAETR applied to all other components of pre-tax book income. Our income tax expense for the three months ended June 30, 2020 was primarily due to the tax effects of U.S. pre-tax income, the impact of non-deductible items, the effects of tax elections made for U.K. earnings, the relative mix of domestic and international earnings and discrete tax items.

**Net Income (loss)**

	THREE MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020 (in thousands)	\$	%
Net income (loss)	\$ (2,857)	\$ 2,777	\$ (5,634)	(203)%

Net loss was \$2.9 million for the three months ended June 30, 2021 as compared to net income of \$2.8 million for the same period in 2020. The loss was primarily due to \$7.0 million increase in stock based compensation expense for the three months ended June 30, 2021 compared to the same period last year.

**Six Months Ended June 30, 2021 Versus Six Months Ended June 30, 2020**

The following table summarizes our unaudited statements of operations data for the six months ended June 30, 2021 and 2020:

**Revenues**

	SIX MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020 (in thousands)	\$	%
Software	\$ 42,016	\$ 38,208	\$ 3,808	10 %
Services	94,798	80,364	14,434	18 %
Total revenues	\$ 136,814	\$ 118,572	\$ 18,242	15 %

Revenues increased \$18.2 million, or 15%, to \$136.8 million for the six months ended June 30, 2021 as compared to the same period in 2020. The increase in revenues was due to growth in both our services and software product offerings, primarily related to client expansions in both our technology-enabled service product lines and software.

Software revenue increased by \$3.8 million, or 10%, to \$42.0 million for the six months ended June 30, 2021 as compared to the same period in 2020, driven primarily by growth in our renewal subscriptions revenue of 10%, or \$3.0 million. The remaining increase is primarily due to growth in the subscriptions products from new clients.

Services revenue increased by \$14.4 million, or 18%, to \$94.8 million for the six months ended June 30, 2021 as compared to the same period in 2020, driven by growth in our technology-enabled services, primarily in biosimulation offerings.

**Cost of Revenues**

	SIX MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020	\$	%
	(in thousands)			
Cost of revenues	\$ 53,558	\$ 42,830	\$ 10,728	25 %

Cost of revenues increased by \$10.7 million, or 25%, to \$53.6 million for the six months ended June 30, 2021 as compared to the same period in 2020. The increase was primarily due to a \$6.4 million increase in employee-related costs resulting from head count growth and a \$2.2 million increase in stock-based compensation costs. The remaining increase is primarily due to increase in consulting costs.

**Sales and Marketing Expenses**

	SIX MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020	\$	%
	(in thousands)			
Sales and marketing	\$ 8,341	\$ 5,667	\$ 2,674	47 %
% of total revenues	6 %	5 %		

Sales and marketing expenses increased by \$2.7 million, or 47%, to \$8.3 million for the six months ended June 30, 2021 as compared to the same period in 2020. Sales and marketing expenses increased primarily due to a \$1.8 million increase in employee-related costs resulting from head count growth and a \$1.0 million increase in stock-based compensation costs, partially offset by decreases in travel related costs, marketing costs.

**Research and Development Expenses**

	SIX MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020	\$	%
	(in thousands)			
Research and development	\$ 9,332	\$ 5,844	\$ 3,488	60 %
% of total revenues	7 %	5 %		

Research and development expenses increased by \$3.5 million, or 60%, to \$9.3 million for the six months ended June 30, 2021 as compared to the same period in 2020. The increase in R&D expenses was primarily due to a \$2.1 million net increases in employee-related costs resulting from head count growth and a \$0.9 million increase in stock-based compensation costs. The remaining increases are primarily due to lower software capitalization. The increase was partially offset by higher R&D credits.

**General and Administrative Expenses**

	SIX MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020	\$	%
	(in thousands)			
General and administrative	\$ 34,596	\$ 22,722	\$ 11,874	52 %
% of total revenues	25 %	19 %		

General and administrative expenses increased by \$11.9 million, or 52%, to \$34.6 million for the six months ended June 30, 2021 as compared to the same period in 2020. The increase in general and administrative expenses was primarily due to a \$7.4 million increase in stock-based compensation costs. The remaining increases are due to increases in secondary offering costs, acquisition related costs, employee related costs, D&O insurance and public company costs. The increases were partially offset by decreases in restructuring, reorganization, consulting travel related costs, office supplies and facilities costs.

**Intangible Asset Amortization Expense**

	SIX MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020	\$	%
	(in thousands)			
Intangible asset amortization	\$ 18,935	\$ 18,682	\$ 253	1 %
% of total revenues	14 %	16 %		

Intangible asset amortization expense increased by \$0.3 million, or 1%, to \$18.9 million for the six months ended June 30, 2021 as compared to the same period in 2020. The increase in intangible asset amortization expense is due to increased capitalized software development costs.

**Depreciation and Amortization Expense**

	SIX MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020	\$	%
	(in thousands)			
Depreciation and amortization	\$ 1,154	\$ 1,222	\$ (68)	(6)%
% of total revenues	1 %	1 %		

Depreciation and amortization expense of \$1.2 million was relatively flat for the six months ended June 30, 2021 as compared to the same period in 2020.

**Interest Expense**

	SIX MONTHS ENDED JUNE 30,		CHANGE	
	2021	2020	\$	%
	(in thousands)			
Interest expense	\$ 10,260	\$ 13,881	\$ (3,621)	(26)%
% of total revenues	7 %	12 %		

Interest expense decreased by \$3.6 million, or 26%, to \$10.3 million for the six months ended June 30, 2021 as compared to the same period in 2020. The decrease in interest expense was primarily due to lower average outstanding principal balances on our credit facilities in the first six months of 2021 compared to the same period in 2020. The decrease in interest expense was partially offset by interest expense reclassified in from other comprehensive income due to hedge ineffectiveness.

**Miscellaneous, net**

	<u>SIX MONTHS ENDED JUNE 30,</u>		<u>CHANGE</u>	
	<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>
		(in thousands)		
Miscellaneous, net	\$ 463	\$ (445)	\$ 908	(204)%
% of total revenues	0 %	(0)%		

Miscellaneous expense, net increased by \$0.9 million for the six months ended June 30, 2021 as compared for the same period in 2020. The increase was primarily due to loss from foreign currency exchange rate fluctuations and loss from disposal of fixed assets.

**Provision for Income Taxes**

	<u>SIX MONTHS ENDED JUNE 30,</u>		<u>CHANGE</u>	
	<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>
		(in thousands)		
Provision for income taxes	\$ 1,980	\$ 4,346	\$ (2,366)	(54)%
Effective income tax rate	1,131 %	53 %		

Our income tax expense was \$2.0 million, resulting in an effective income tax rate of 1,131% for the six months ended June 30, 2021 as compared to income tax expense of \$4.3 million, or an effective income tax rate of 53%, for the same period in 2020. Our income tax expense for the six months ended June 30, 2021 was primarily due to the discrete tax effect of certain prior period swap losses that are required to be excluded from the EAETR calculation, thereby resulting in the tax benefit from such losses being measured at the statutory tax rate, which is much lower than the EAETR applied to all other components of pre-tax book income. Our income tax expense for the six months ended June 30, 2020 was primarily due to the tax effects of U.S. pre-tax income, the impact of non-deductible items, the effects of tax elections made for U.K. earnings, the relative mix of domestic and international earnings and discrete tax items.

**Net Income (loss)**

	<u>SIX MONTHS ENDED JUNE 30,</u>		<u>CHANGE</u>	
	<u>2021</u>	<u>2020</u>	<u>\$</u>	<u>%</u>
		(in thousands)		
Net income (loss)	\$ (1,805)	\$ 3,823	\$ (5,628)	(147)%

Net loss was \$1.8 million for the six months ended June 30, 2021 as compared to net income of \$3.8 million for the same period in 2020. The loss was primarily due to \$11.6 million increase in stock based compensation expense for the first six months of 2021 compared to the same period last year. The expense increase was partially offset by increased gross profits.

**Liquidity and Capital Resources**

We assess our liquidity in terms of our ability to generate adequate amounts of cash to meet current and future needs. Our expected primary uses on a short-term and long-term basis are for repayment of debt, interest payments, working capital, capital expenditures, geographic or service offering expansion, acquisitions, investments, and other general corporate purposes. We have historically funded our operations primarily through cash generated from operations. We have historically used long-term debt and cash on hand to fund acquisitions. We hold our cash balances in the United States and numerous locations in the rest of the world.

As of June 30, 2021, we had cash and cash equivalents \$267.8 million, of which \$30.6 million represents cash and cash equivalents held outside of the United States.

## Cash Flows

The following table presents a summary of our cash flows for the periods shown:

	SIX MONTHS ENDED JUNE 30,	
	2021	2020
	(in thousands)	
Net cash provided by operating activities	\$ 19,556	\$ 16,641
Net cash used in investing activities	(17,999)	(5,241)
Net cash provided by (used in) financing activities	(5,165)	17,186
Effect due to foreign exchange rate changes on cash, cash equivalents, and restricted cash	(88)	1,005
Net (decrease) increase in cash, cash equivalents, and restricted cash	\$ (3,696)	\$ 29,591
Cash paid for interest	\$ 7,114	\$ 13,160
Cash paid for income taxes	\$ 4,420	\$ 5,081

### Operating Activities

During the six months ended June 30, 2021, operating activities provided approximately \$19.6 million of cash and cash equivalents, primarily resulting from net loss of \$1.8 million adjusted by \$35.4 million of non-cash operating expenses inclusive of depreciation and amortization, amortization of debt issuance costs, provision for doubtful accounts, loss on retirement of assets, equity-based compensation costs, unrealized loss on hedge and deferred income taxes. Changes in our operating assets and liabilities used cash and cash equivalents of approximately \$14.1 million primarily due to payments of interest, taxes, accrued bonuses and other operational payments related to business acquisition.

During the six months ended June 30, 2020, operating activities provided approximately \$16.6 million of cash and cash equivalents, primarily resulting from net income of \$3.8 million, adjusted by \$24.8 million of non-cash operating expenses inclusive of depreciation and amortization, amortization of debt issuance costs, equity-based compensation costs and deferred income taxes. Changes in our operating assets and liabilities used cash and cash equivalents of approximately \$12.0 million.

### Investing Activities

During the six months ended June 30, 2021, investing activities used approximately \$18.0 million of cash, primarily for investing in business acquisitions, capitalized software development, and capital expenditures to support our growth.

During the six months ended June 30, 2020, investing activities used approximately \$5.2 million of cash, primarily for investing in capitalized software development, business acquisition, and capital expenditures to support our growth.

### Financing Activities

During the six months ended June 30, 2021, financing activities used approximately \$5.2 million of cash, primarily attributable to payments on long-term debt and capital lease obligations as well as payments related to the cost of debt modification.

During the six months ended June 30, 2020, financing activities provided approximately \$17.2 million of cash, primarily due to proceeds from borrowings on our line of credit, partially offset by payments on long-term debt and capital lease obligations.

## **Funding Requirements**

We believe that our existing cash and cash equivalents will be sufficient to fund our operations and capital expenditure requirements for the foreseeable future. Our future capital requirements will depend on many factors, including funding for potential acquisitions, investments, and other growth and strategic opportunities that might require use of existing cash, borrowings under our revolving credit facility, or additional long-term financing. We may also use existing cash and cash flows from operations to pay down long-term debt from time to time.

While we believe we have sufficient liquidity to fund our operations for the foreseeable future, our sources of liquidity could be affected by factors described under “Risk Factors” elsewhere in this Quarterly Report.

## **Indebtedness**

We are a party to a Credit Agreement that originally provided for a \$250.0 million senior secured term loan and commitments under a revolving credit facility in an aggregate principal amount of \$20.0 million, with a sub-commitment for issuance of letters of credit of \$10.0 million. The loans were originally scheduled to mature on August 14, 2024, with respect to the term loan thereunder, and August 14, 2022, with respect to the revolving credit facility thereunder.

In January 2018, we and the lenders amended the Credit Agreement to add incremental term loans in the amount of \$25.0 million to be used for our general corporate purposes. Additionally, in April 2018, we and the lender amended the Credit Agreement to (i) add incremental term loans in the amount of \$40.0 million to be used for our general corporate purposes and (ii) provide a reduction of 50 basis points in the margin under the term loan. The terms of such incremental term loans were the same as the terms of our existing term loans, including in respect of maturity, and are considered an increase in the aggregate principal amount of the existing term loans outstanding under the Credit Agreement and are part of the existing term loan.

We entered into a third restated and amended loan agreement on June 17, 2021 (“Third Amendment”), which provides for, among other things, (i) the extension of the termination date applicable to the revolving credit commitments under the Credit Agreement to August 2025, (ii) the extension of the maturity date applicable to the term loans under the Credit Agreement to August 2026, and (iii) an increase of approximately \$80.0 million in commitments available under the revolving line of credit (resulting in an aggregate amount of commitments of \$100.0 million). The term loan under the Third Amendment has substantially the same terms as the existing term loans and revolving credit commitments. The Credit Agreement is collateralized by substantially all U.S. assets and stock pledges for the non-U.S. subsidiaries and contain various financial and nonfinancial covenants.

Borrowings under the Credit Agreement currently bear interest at a rate per annum equal to either (i) the Eurocurrency rate, with a floor of 0.00%, as adjusted for the reserve percentage required under regulations issued by the Federal Reserve Board for determining maximum reserve requirements with respect to Eurocurrency funding, plus an applicable margin rate of 3.50% for the term loan and between 4.00% and 3.50% for revolving credit loans, depending on the applicable first lien leverage ratio, (ii) an alternative base rate (“ABR”), with a floor of 1.00%, plus an applicable margin rate of 2.50% for the term loan or between 3.00% and 2.50% for revolving credit loans, depending on the applicable first lien leverage ratio (with the ABR determined as the greatest of (a) the prime rate, (b) the federal funds effective rate, plus 0.50%), and (iii) the Eurocurrency rate plus 1.00%.

Additionally, we are obligated to pay under the revolving credit facility (i) a commitment fee of between 0.50% and 0.25% per annum of the unused amount of the revolving credit facility, depending on the applicable first lien leverage ratio, (ii) customary letter of credit issuance and participation fees, and (iii) other customary fees and expenses of the letter of credit issuers.

All obligations under the Credit Agreement are unconditionally guaranteed by our wholly owned direct and indirect subsidiaries, subject to certain exceptions. All obligations under the Credit Agreement, and the guarantees of those

obligations, are secured on a first lien basis, subject to certain exceptions, by substantially all of our assets and the assets of the other guarantors.

As of June 30, 2021, we had \$302.0 million of outstanding borrowings on the term loan, and \$99.9 million of availability under the revolving credit facility, and outstanding letters of credit of \$0.1 million under the Credit Agreement.

As of June 30, 2021, we were in compliance with the covenants of each of the Credit Agreement.

### **Contractual Obligations and Commercial Commitments**

There have been no material changes to our contractual obligations during the six months ended June 30, 2021 from those disclosed in our Annual Report on Form 10-K, except for payment made in the ordinary course of business.

### **Income Taxes**

We recorded income tax expense of \$1.5 million and \$2.0 million for the three and six months ended June 30, 2021, respectively, and income tax expense of \$3.7 million and \$4.3 million for the three and six months ended June 30, 2020, respectively.

As of June 30, 2021, we had federal and state NOLs of approximately \$3.3 million and \$3.0 million, respectively, which are available to reduce future taxable income and expire between 2024 and 2036 and 2029 and 2038, respectively. We had federal and state R&D tax credit carryforwards of approximately \$2.3 million and \$0.6 million, respectively, to offset future income taxes, which expire between 2024 and 2040. We also had foreign tax credits of approximately \$12.5 million, which will start to expire in 2025. These carryforwards that may be utilized in a future period may be subject to limitations based upon changes in the ownership of our stock in a future period. Additionally, we carried forward foreign NOLs of approximately \$16.1 million which expire starting in 2022, foreign research and development credits of \$2.5 million which expire between 2029 and 2030, and Canadian investment tax credits of approximately \$2.7 million which expire between 2030 and 2039. Our carryforwards are subject to review and possible adjustment by the appropriate taxing authorities.

As required by Accounting Standards Codification (“ASC”) Topic 740, “Income Taxes”, our management has evaluated the positive and negative evidence bearing upon the realizability of our deferred tax assets, which are composed principally of NOL carryforwards, R&D credit carryforwards, investment tax credit carryforward, and foreign tax credit carryforwards. Management has determined that it is more likely than not that we will not realize the benefits of foreign tax credit carryforwards. At the foreign subsidiaries, management has determined that it is more likely than not that we will not realize the benefits of certain NOL carryforwards. As a result, a valuation allowance of \$16.7 million was recorded at December 31, 2020. As of June 30, 2021, the valuation allowance remained unchanged from December 31, 2020.

### **Off-Balance Sheet Arrangements**

During the periods presented, we did not have, and currently we do not have, any material off-balance sheet arrangements, as defined under the rules and regulations of the SEC.

### **Critical Accounting Policies and Estimates**

Our accounting policies are more fully described in Note 2, “Summary of Significant Accounting Policies,” in our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We monitor estimates and assumptions on a continuous basis and update these estimates and assumptions as facts and circumstances change and new information is obtained. Actual results could differ materially



from those estimates and assumptions. We discussed the accounting policies that we believe are most critical to the portrayal of our results of operations and financial condition and require management's most difficult, subjective and complex judgments in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on 2020 Form 10-K for the year ended December 31, 2020. There were no significant changes to our critical accounting policies and estimates during the six months ended June 30, 2021.

### **Recently Adopted and Issued Accounting Standards**

We have reviewed all recently issued standards and have determined that, other than as disclosed in Note 2 to our condensed consolidated financial statements appearing elsewhere in this Quarterly Report, such standards will not have a material impact on our condensed consolidated financial statements or do not otherwise apply to our operations.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

For information regarding our exposure to certain market risks, see "Quantitative and Qualitative Disclosures about Market Risk," in Part II, Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2020. There were no material changes to the Company's market risk exposure during the six months ended June 30, 2021.

### **Item 4. Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) and 15d-15(e) under the Exchange Act as of the end of the period covered by this report. Our disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objective and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective at a reasonable assurance level as of June 30, 2021.

#### ***Changes in Internal Control over Financial Reporting***

There was not any change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) under the Exchange Act) during the six months ended June 30, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**PART II — OTHER INFORMATION**

**Item 1. Legal Proceedings**

There have been no material changes to our legal proceedings as previously disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

**Item 1A. Risk Factors**

There have been no significant changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

See Exhibit Index.

## EXHIBIT INDEX

Exhibit Number	Exhibit Title	Incorporated by Reference			Filing Date
		Form	File No.	Exhibit	
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Certara, Inc.</a>	S-8	333-251368	4.1	12/15/2020
3.2	<a href="#">Amended and Restated Bylaws of Certara, Inc.</a>	S-8	333-251368	4.2	12/15/2020
10.1	<a href="#">Form of Performance Stock Unit Grant Notice and Agreement for Certara, Inc. 2020 Incentive Plan<sup>†*</sup></a>				
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				
31.2	<a href="#">Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>				
32.1	<a href="#">Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002<sup>+</sup></a>				
32.2	<a href="#">Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002<sup>+</sup></a>				
101.INS	XBRL Instance Document –the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document				
101.SCH	XBRL Taxonomy Extension Schema Document				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)				

<sup>†</sup> Filed herewith.

<sup>\*</sup> Management contract or compensatory plan or arrangement.

<sup>+</sup> This certification is deemed not filed for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, duly authorized.

**CERTARA, INC.**

Date: August 6, 2021

By: /s/ William F. Feehery  
Name: William F. Feehery  
Title: Chief Executive Officer  
(Principal Executive Officer)

Date: August 6, 2021

By: /s/ M. Andrew Schemick  
Name: M. Andrew Schemick  
Title: Chief Financial Officer  
(Principal Financial Officer)

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**PERFORMANCE STOCK UNIT GRANT NOTICE  
UNDER THE  
CERTARA, INC.  
2020 INCENTIVE PLAN**

Certara, Inc., a Delaware corporation (the “Company”), pursuant to its 2020 Incentive Plan, as it may be amended and restated from time to time (the “Plan”), hereby grants to the Participant set forth below the number of Performance Stock Units (“Performance Stock Units” or “PSUs”) set forth below. The Performance Stock Units are subject to all of the terms and conditions as set forth herein, in the Performance Stock Unit Agreement including any addendum to such agreement for the Participant’s country (the “Addendum”), as attached (together, the “Performance Stock Unit Agreement”), and in the Plan, all of which are incorporated herein in their entirety. Capitalized terms not otherwise defined herein shall have the meaning set forth in the Plan.

**Participant:** [.]

**Date of Grant:** [.]

**Number of Performance Stock Units:** [.]

**Performance Period:** The three-year period comprised of the Company’s fiscal years 2021, 2022 and 2023.

**Performance Conditions:** Settlement of the Performance Stock Units shall be subject to satisfaction of the Performance Conditions in accordance with Appendix A, attached to this Grant Notice.

**Dividend Equivalents:** The Performance Stock Units shall be credited with dividend equivalent payments, as provided in Section 13(c)(iii) of the Plan.

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**THE PARTICIPANT DOES NOT HAVE TO ACCEPT THE PERFORMANCE STOCK UNITS. IF THE PARTICIPANT WISHES TO DECLINE THE PERFORMANCE STOCK UNITS, THE PARTICIPANT SHOULD PROMPTLY NOTIFY THE GENERAL COUNSEL OF THE COMPANY OF THE PARTICIPANT'S DECISION IN WRITING. IF THE PARTICIPANT DOES NOT PROVIDE SUCH NOTIFICATION WITHIN 60 DAYS OF GRANT, THE PARTICIPANT WILL BE DEEMED TO HAVE ACCEPTED THE PERFORMANCE STOCK UNITS ON THE TERMS AND CONDITIONS SET FORTH IN THIS PERFORMANCE STOCK UNIT GRANT NOTICE, THE PERFORMANCE STOCK UNIT AGREEMENT AND THE PLAN.**

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**APPENDIX A  
TO THE GRANT NOTICE**

The number of PSUs that will be subject to settlement (the “Earned PSUs”) will be calculated based on achievement of the applicable Performance Conditions, as set forth below.

1. Performance Conditions

PSUs shall be bifurcated into two equal tranches: “Tranche I PSUs”, which will be subject to a Performance Condition based on Revenue Growth, and “Tranche II PSUs”, which will be subject to a Performance Condition based on Unlevered Free Cash Flow Growth, in each case, as set forth in the table below:

	<b>Tranche I</b>	<b>Tranche II</b>
<i>Performance Condition</i>	<i>Revenue Growth</i>	<i>Unlevered Free Cash Flow Growth</i>
Threshold Level of Achievement	10%	10%
Target Level of Achievement	15%	15%
Maximum Level of Achievement	20%	20%

2. Calculation of Annual Weighting Percentages

Following the last day of each applicable fiscal year during the Performance Period (or, if earlier, upon a Change in Control), the Committee shall determine the level of achievement with respect to each Performance Condition in respect of such fiscal year and calculate the “Weighting Percentage” (as set forth the table below) for such fiscal year with respect to each of the Tranche I PSUs and the Tranche II PSUs based on such level of achievement in accordance with the following table:

<b>LEVEL OF ACHIEVEMENT</b>	<b>WEIGHTING PERCENTAGE</b>
Below Threshold	0%
Threshold	50%
Target	100%
Maximum	200%
Above Maximum	200%

Unless otherwise determined by the Committee, if actual performance with respect to any tranche is between (i) “Threshold” and “Target” or (ii) “Target” and “Maximum” levels of achievement, the Weighting Percentage shall be determined using linear interpolation (and rounded to the nearest whole percentage point) between such numbers. In the event of a Change in Control during the Performance Period, the Committee shall determine the Weighting Percentage for the fiscal year during which such Change in Control occurs and any subsequent fiscal year during the Performance Period. All determinations with respect to whether and to the extent to which a Performance Condition has been achieved and of the calculation of the Weighting Percentage

(including without limitation in the event of a Change in Control) shall, in each case, be made by the Committee in its sole discretion, whose decision shall be final and binding on the Participant.

### 3. Calculation of Earned PSUs

Following the end of the Performance Period (and prior to the date the PSUs are settled in accordance with Section 3 of the Performance Stock Unit Agreement (the "Settlement Date"), the Committee shall determine (i) the "Final Weighting Percentage" with respect to each tranche of PSUs by taking the average of the Weighting Percentages calculated for each fiscal year of the Performance Period and (ii) the number of PSUs that become Earned PSUs, which shall equal the sum of:

- (x) the number of Tranche I PSUs *multiplied by* (y) the Final Weighting Percentage applicable to the Tranche I PSUs *multiplied by* (z) a quotient, the numerator of which is the Participant's number of full years of employment during the Performance Period and the denominator of which is 3 (such result rounded up to the nearest whole unit); *plus*
- (x) the number of Tranche II PSUs *multiplied by* (y) the Final Weighting Percentage applicable to the Tranche II PSUs *multiplied by* (z) a quotient, the numerator of which is the Participant's number of full years of employment during the Performance Period and the denominator of which is 3 (such result rounded up to the nearest whole unit).

Any PSUs which do not become Earned PSUs in accordance with the above formula shall be forfeited as of the date of determination.

Notwithstanding anything contained herein to the contrary, in the event of the Participant's Termination for Cause prior to the Settlement Date, all of the Participant's PSUs shall be forfeited as of the date of such Termination, and none of the PSUs shall become Earned PSUs.

### 4. Definitions

(a) "Revenue" shall mean the revenue which is publicly disclosed in (or otherwise calculated in a manner consistent with) the Company's earnings release for the applicable fiscal year financial results

(i) excluding for the purpose of calculating Revenue growth from the prior year ("Base Year"), all revenue resulting from any and all merger & acquisition activity occurring within the current year ("M&A Revenue") so long as such M&A Revenue is at least 4% of total Revenue for such year. For purposes of calculating Revenue growth for the year following the year in which applicable M&A Revenue is recognized, such M&A Revenue will be included in the Base Year. ;

(ii) adjusted for any unplanned foreign exchange impact beyond a 5% marginal impact;  
and

(iii) adjusted for any loss of revenue greater than 4% of total Revenue of the prior year resulting from any material divestitures.

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(b) “Revenue Growth” shall mean the one-year growth rate with respect to Revenue, which shall be expressed as a percentage (rounded to the nearest tenth of a percent).

(c) “Unlevered Free Cash Flow” shall mean with respect to the applicable fiscal year, the Company’s Adjusted EBITDA (as defined in the Company’s audited annual consolidated financial statement *minus* capital expenditures and *minus* changes in non-cash working capital, as adjusted for (i) any unplanned loss(es) or gain(s) of a non-recurring nature, such as material restructuring or reorganizations and litigation/settlement expenses, (ii) unplanned foreign exchange impact beyond a marginal impact of 5%, and (iii) integration costs relating to any merger & acquisition activity; as determined by the Committee in its sole discretion.

(d) “Unlevered Free Cash Flow Growth” shall mean the growth rate with respect to Unlevered Free Cash Flow, which shall be expressed as a percentage (rounded to the nearest tenth of a percent).

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**PERFORMANCE STOCK UNIT AGREEMENT  
UNDER THE  
CERTARA, INC.  
2020 INCENTIVE PLAN**

Pursuant to the Performance Stock Unit Grant Notice (the “Grant Notice”) delivered to the Participant (as defined in the Grant Notice), and subject to the terms of this Performance Stock Unit Agreement including any addendum to the Performance Stock Unit Agreement for the Participant’s country (the “Addendum”) as attached (together, the “Performance Stock Unit Agreement”) and the Certara, Inc. 2020 Incentive Plan, as it may be amended and restated from time to time (the “Plan”), Certara, Inc., a Delaware corporation (the “Company”) and the Participant agree as follows. Capitalized terms not otherwise defined herein shall have the same meaning as set forth in the Plan.

1. **Grant of Performance Stock Units.** Subject to the terms and conditions set forth herein and in the Plan, the Company hereby grants to the Participant the number of Performance Stock Units provided in the Grant Notice (with the number of Performance Stock Units that become Earned PSUs representing an unfunded, unsecured right to receive one share of Common Stock upon the settlement of such PSUs). The Company may make one or more additional grants of Performance Stock Units to the Participant under this Performance Stock Unit Agreement by providing the Participant with a new grant notice, which may also include any terms and conditions differing from this Performance Stock Unit Agreement to the extent provided therein. The Company reserves all rights with respect to the granting of additional Performance Stock Units hereunder and makes no implied promise to grant additional Performance Stock Units. For purposes of the Plan, Performance Stock Units shall be deemed a Restricted Stock Unit subject to the Performance Conditions set forth in the Grant Notice.

2. **Earned PSUs.** Subject to the conditions contained herein and in the Plan, the Performance Stock Units shall become Earned PSUs as provided in the Grant Notice.

3. **Settlement of Performance Stock Units.** The Company will deliver to the Participant, without charge on March 1<sup>st</sup> of the year immediately following the last day of the Performance Period one share of Common Stock for each Earned PSU (as adjusted under the Plan, as applicable) and such Earned PSU shall be cancelled upon such delivery. The Company shall either (a) deliver, or cause to be delivered, to the Participant a certificate or certificates therefor, registered in the Participant’s name or (b) cause such shares of Common Stock to be credited to the Participant’s account at the third party plan administrator. Notwithstanding anything in this Performance Stock Unit Agreement to the contrary, the Company shall have no obligation to issue or transfer any shares of Common Stock as contemplated by this Performance Stock Unit Agreement unless and until such issuance or transfer complies with all relevant provisions of law and the requirements of any stock exchange on which the Company’s shares of Common Stock are listed for trading. Notwithstanding the terms of the Plan, “Change in Control” hereunder shall be limited to such transactions that meet the definition used for purposes of Treas. Reg. Sections 1.409A-3(a)(5) and 1.409A-3(i)(5).

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4. **Treatment of Performance Stock Units Upon Termination.** Treatment of Performance Stock Units upon a Participant's Termination shall be as set forth in the Grant Notice. For purposes of the Performance Stock Units, the Participant's employment relationship will be considered terminated as of the date of the Participant's Termination (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and such date will not be extended by any notice period (*e.g.*, the Participant's period of employment would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any); the Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing services for purposes of the Performance Stock Unit grant (including whether the Participant may still be considered to be providing service while on a leave of absence).

5. **Company; Participant.**

(a) The term "Company" as used in this Performance Stock Unit Agreement with reference to service shall include the Company and its Subsidiaries and Affiliates.

(b) Whenever the word "Participant" is used in any provision of this Performance Stock Unit Agreement under circumstances where the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the Performance Stock Units may be transferred in accordance with Section 13(b) of the Plan, the word "Participant" shall be deemed to include such person or person.

6. **Non-Transferability.** The Performance Stock Units are not transferable by the Participant except to Permitted Transferees in accordance with Section 13(b) of the Plan. Except as otherwise provided herein, no assignment or transfer of the Performance Stock Units, or of the rights represented thereby, whether voluntary or involuntary, by operation of law or otherwise, shall vest in the assignee or transferee any interest or right herein whatsoever, but immediately upon such assignment or transfer the Performance Stock Units shall terminate and become of no further effect.

7. **Rights as Shareholder.** Subject to any dividend equivalent payments to be provided to the Participant in accordance with the Grant Notice and Section 13(c)(iii) of the Plan, the Participant or a Permitted Transferee of the Performance Stock Units shall have no rights as a shareholder with respect to any share of Common Stock underlying a Performance Stock Unit unless and until the Participant shall have become the holder of record or the beneficial owner of such share of Common Stock, and no adjustment shall be made for dividends or distributions or other rights in respect of such share of Common Stock for which the record date is prior to the date upon which the Participant shall become the holder of record or the beneficial owner thereof.

8. **Tax Withholding.**

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(a) The Participant acknowledges that, regardless of any action taken by the Company or, if different, the Participant's employer (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items") is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer. The Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Performance Stock Units, including, but not limited to, the grant or vesting of the Performance Stock Units, the subsequent sale of shares of Common Stock acquired pursuant to such settlement; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of Performance Stock Units to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. The Participant shall not make any claim against the Company, the Employer, or their respective board, officers or employees related to Tax-Related Items arising from the Performance Stock Units. Further, if the Participant is subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

(b) Prior to the relevant taxable or tax withholding event, as applicable, the Participant agrees to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, the Participant authorizes the Company and/or the Employer, or their respective agents, to satisfy any applicable withholding obligations with regard to Tax-Related Items by withholding from the number of shares of Common Stock otherwise deliverable pursuant to the settlement of the Performance Stock Units a number of shares of Common Stock with a Fair Market Value, on the date that the Performance Stock Units are settled, equal to such withholding liability; *provided* that the number of such shares may not have a Fair Market Value greater than the minimum required statutory withholding liability unless determined by the Committee not to result in adverse accounting consequences. Alternatively, if the Company determines in its sole discretion that withholding shares of Common Stock is not feasible under applicable tax or securities laws or has materially adverse accounting consequences, the Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion and with no obligation to do so, to satisfy any applicable withholding obligations with regard to Tax-Related Items by one or a combination of the following:

(i) withholding from the Participant's wages or other cash compensation paid to the Participant by the Company or the Employer;

(ii) withholding from proceeds of the sale of shares of Common Stock acquired at settlement either through a voluntary sale or through a mandatory sale arranged by the Company (on the Participant's behalf pursuant to this authorization) without further consent; and/or

(iii) any other methods approved by the Committee and permitted by applicable laws.

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(c) The Company may withhold or account for Tax-Related Items by considering statutory or other withholding rates, including minimum or maximum rates applicable in my jurisdiction(s). In the event of over-withholding, the Participant may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent in Common Stock), or if not refunded, the Participant may seek a refund from the local tax authorities. In the event of under-withholding, the Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority or to the Company and/or the Employer. If the obligation for Tax-Related Items is satisfied by withholding in shares of Common Stock, the Participant is deemed, for tax purposes, to have been issued the full number of shares of Common Stock subject to the Earned PSUs, notwithstanding that a number of the shares of Common Stock is held back solely for the purpose of paying the Tax-Related Items. The Company may refuse to issue or deliver the shares of Common Stock or the proceeds of the sale of shares of Common Stock, if the Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

9. **Notice.** Every notice or other communication relating to this Performance Stock Unit Agreement between the Company and the Participant shall be in writing, which may include by electronic mail, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by such party in a notice mailed or delivered to the other party as herein provided; *provided that*, unless and until some other address be so designated, all notices or communications by the Participant to the Company shall be mailed or delivered to the Company at its principal executive office, to the attention of the Company's General Counsel or its designee, and all notices or communications by the Company to the Participant may be given to the Participant personally or may be mailed to the Participant at the Participant's last known address, as reflected in the Company's records. Notwithstanding the above, all notices and communications between the Participant and any third-party plan administrator shall be mailed, delivered, transmitted or sent in accordance with the procedures established by such third-party plan administrator and communicated to the Participant from time to time.

10. **No Right to Continued Service.** This Performance Stock Unit Agreement does not confer upon the Participant any right to continue as an employee or other service provider to the Company or, if different, the Employer. The grant of Performance Stock Units is an exceptional, voluntary and one-time benefit and does not create any contractual or other right to receive any other grant of other Award (including Performance Stock Units) under the Plan in the future, or benefits in lieu of Performance Stock Units, even if Performance Stock Units have been granted in the past. The grant of the Performance Stock Units does not form or amend part of the Participant's entitlement to remuneration or benefits in terms of his or her employment or other service relationship with the Company or, if different, the Employer, if any, at any time.

11. **Nature of Grant.** In accepting the Performance Stock Units, the Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

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- (b) all decisions with respect to future Performance Stock Units or other grants, if any, will be at the sole discretion of the Company;
- (c) the Participant is voluntarily participating in the Plan;
- (d) the Performance Stock Units and any shares of Common Stock acquired upon settlement, and the income and value of same, are not intended to replace any pension rights or compensation;
- (e) the Performance Stock Units and any shares of Common Stock acquired upon settlement, and the income and value of same, are not part of normal or expected compensation for purposes of, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, leave-related payments, holiday pay, pension or retirement or welfare benefits or similar mandatory payments;
- (f) the future value of the shares of Common Stock underlying the Performance Stock Units is unknown, indeterminable, and cannot be predicted with certainty;
- (g) if the Performance Stock Units become Earned PSUs and the Participant acquires shares of Common Stock, the value of such Common Stock may increase or decrease;
- (h) unless otherwise agreed with the Company in writing, the Performance Stock Units and the shares of Common Stock subject to the Performance Stock Units, and the income and value of same, are not granted as consideration for, or in connection with, the service the Participant may provide as a director of any Subsidiary;
- (i) no claim or entitlement to compensation or damages shall arise from forfeiture of the Performance Stock Units resulting from a Termination (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or rendering services or the terms of the Participant's employment or service agreement, if any);
- (j) unless otherwise provided in the Plan or by the Company in its sole discretion, the Performance Stock Units and the benefits evidenced by this Performance Stock Unit Agreement do not create any entitlement to have the Performance Stock Units or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the shares of Common Stock;
- (k) neither the Company nor the Employer shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the Performance Stock Units or of any amounts due to the Participant pursuant to the settlement of the Performance Stock Units or the subsequent sale of any shares of Common Stock acquired upon settlement; and
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(l) the Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan or the Participant's acquisition or sale of the shares of Common Stock. The Participant should consult with his or her personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

12. **Data Privacy.**

*The Company is located at 100 Overlook Center, Suite 101 Princeton, New Jersey 08540, USA and grants employees of the Company, the opportunity to participate in the Plan, at the Company's sole discretion. If the Participant would like to participate in the Plan, the Participant understands that he or she should review the following information about the Company's data processing practices and declare his or her consent.*

(a) **Data Collection and Usage.** *The Company collects, processes and uses the Participant's personal data, including, but without limitation, name, home address and telephone number, date of birth, social insurance number or other identification number (e.g., resident registration number), passport number, salary, citizenship, job title, any shares of Common Stock or directorships held in the Company, and details of all awards, canceled, vested, or outstanding in the Participant's favor, which the Company receives from the Participant or the Participant's Employer. If the Company offers the Participant the opportunity to participate in the Plan, then the Company will collect the Participant's personal data for purposes of allocating stock and implementing, administering and managing the Plan. The Company's legal basis for the processing of the Participant's personal data would be the Participant's consent.*

(b) **Stock Plan Administration Service Providers and International Data Transfers.** *The Company intends to transfer participant data to Fidelity Stock Plan Services, LLC, or its affiliate, an independent service provider based in the United States, which assists the Company with the implementation, administration and management of the Plan. In the future, the Company may select different service provider(s) and share the Participant's personal data with another company that serves in similar capacities. The Company's service providers may open an account for the Participant. The Participant will be asked to agree on separate terms and data processing practices with the applicable service providers, which, as it relates to Plan administration service provider, is a condition to the Participant's ability to participate in the Plan. The Company and its service providers are based in the United States. If the Participant is outside of the United States, the Participant should note that his or her country may have enacted data privacy laws that are different from the United States.*

(c) **Data Retention.** *The Company will use the Participant's personal data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and security laws. When the Company no longer needs the Participant's personal data, the Company will remove it from its systems.*

(d) **Voluntariness and Consequences of Consent Denial or Withdrawal.** *The Participant's participation in the Plan and the Participant's grant of consent is purely*

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*voluntary. The Participant may deny or withdraw his or her consent at any time. If the Participant does not consent, or if the Participant withdraws his or her consent, the Participant cannot participate in the Plan. This would not affect the Participant's salary as an employee; the Participant would merely forfeit the opportunities associated with the Plan.*

(e) ***Data Subject Rights.*** *The Participant has a number of rights under data privacy laws in his or her country. Depending on where the Participant is based, his or her rights may include the right to (i) request access or copies of personal data the Company processes, (ii) rectification of incorrect data, (iii) deletion of data, (iv) restrictions on processing, (v) portability of data, (vi) to lodge complaints with competent authorities in the Participant's country, and/or (vii) a list with the names and addresses of any potential recipients of the Participant's personal data. To receive clarification regarding the Participant's rights or to exercise his or her rights, the Participant should please contact the Company at Attn: Data Privacy Office/IT, 100 Overlook Center, Suite 101 Princeton, New Jersey 08540, USA*

13. **Binding Effect.** This Performance Stock Unit Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

14. **Waiver and Amendments.** Except as otherwise set forth in Section 12 of the Plan, any waiver, alteration, amendment or modification of any of the terms of this Performance Stock Unit Agreement shall be valid only if made in writing and signed by the parties hereto; *provided, however*, that any such waiver, alteration, amendment or modification is consented to on the Company's behalf by the Committee. No waiver by either of the parties hereto of their rights hereunder shall be deemed to constitute a waiver with respect to any subsequent occurrences or transactions hereunder unless such waiver specifically states that it is to be construed as a continuing waiver.

15. **Governing Law.** This Performance Stock Unit Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. Notwithstanding anything contained in this Performance Stock Unit Agreement, the Grant Notice or the Plan to the contrary, if any suit or claim is instituted by the Participant or the Company relating to this Performance Stock Unit Agreement, the Grant Notice or the Plan, the Participant hereby submits to the exclusive jurisdiction of and venue in the courts of Delaware.

16. **Plan.** The terms and provisions of the Plan are incorporated herein by reference. In the event of a conflict or inconsistency between the terms and provisions of the Plan and the provisions of this Performance Stock Unit Agreement (including the Grant Notice and Addendum), the Plan shall govern and control.

17. **Section 409A.** The Performance Stock Units are intended to comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder, and the Grant Notice and Performance Stock Unit Agreement shall be interpreted consistent with such intent. Without limiting the foregoing, the Committee will have the right to amend the terms and conditions of the Grant Notice and/or the Performance Stock Unit Agreement in any respect as may be necessary or appropriate to comply with Section 409A of the Code or any regulations

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promulgated thereunder, including without limitation by delaying the payments contemplated hereunder. Notwithstanding any other provision of the Grant Notice or Performance Stock Unit Agreement to the contrary, if the Participant is a “specified employee” within the meaning of Section 409A of the Code, and is subject to U.S. federal income tax, no payments in respect of any Performance Stock Unit that would otherwise be payable upon the Participant’s “separation from service” (as defined in Section 409A of the Code) will be made to the Participant prior to the date that is six months after the date of the Participant’s “separation from service” or, if earlier, the Participant’s date of death. Following any applicable six-month delay, all such delayed payments will be paid in a single lump sum on the earliest date permitted under Section 409A of the Code that is also a business day. The Participant is solely responsible and liable for the satisfaction of all taxes and penalties under Section 409A of the Code that may be imposed on or in respect of the Participant in connection with the Performance Stock Units, and the Company will not be liable to any Participant for any payment made under the Plan or this Performance Stock Unit Agreement that is determined to result in an additional tax, penalty or interest under Section 409A of the Code, nor for reporting in good faith any payment made in respect of the Performance Stock Units as an amount includible in gross income under Section 409A of the Code.

18. **Imposition of Other Requirements.** The Company reserves the right to impose other requirements on the Participant’s participation in the Plan, on the Performance Stock Units and on any shares of Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

19. **Electronic Delivery and Acceptance.** The Company may, in its sole discretion, decide to deliver any documents related to current or future participation in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

20. **Compliance with Law.** Notwithstanding any other provisions of the Plan or this Performance Stock Unit Agreement, unless there is an exemption from any registration, qualification or other legal requirement applicable to the shares of Common Stock, the Company shall not be required to deliver any shares of Common Stock issuable in respect of Earned PSUs prior to the completion of any registration or qualification of the shares of Common Stock under any U.S. or non-U.S. local, state or federal securities or exchange control law or regulation or under rulings or regulations of the U.S. Securities and Exchange Commission (“SEC”) or of any other governmental regulatory body, or prior to obtaining any approval or other clearance from any U.S. or non-U.S. local, state or federal governmental agency, which registration, qualification or approval the Company shall, in its absolute discretion, deem necessary or advisable. The Participant understands that the Company is under no obligation to register or qualify the shares of Common Stock with the SEC or any U.S. or non-U.S. state or other securities commission or to seek approval or clearance from any governmental authority for the issuance or sale of the shares of Common Stock and the inability of the Company to obtain approval from any regulatory body having authority deemed by the Company to be necessary for the lawful issuance and sale of any shares of Common Stock pursuant to the Performance Stock

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Units shall relieve the Company of any liability with respect to the non-issuance or sale of the Shares as to which such approval shall not have been obtained.

21. **Language.** The Participant acknowledges that he or she is sufficiently proficient in English to understand the terms and conditions of this Performance Stock Unit Agreement. Furthermore, if the Participant has received this Performance Stock Unit Agreement, or any other document related to the Performance Stock Units and/or the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

22. **Addendum.** Notwithstanding any provisions in this Performance Stock Unit Agreement, the Performance Stock Units shall be subject to any special terms and conditions set forth in any Addendum to this Performance Stock Unit Agreement for the Participant's country. Moreover, if the Participant relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to the Participant, to the extent the Committee determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Addendum constitutes part of this Performance Stock Unit Agreement.

23. **Insider Trading/Market Abuse Restrictions.** Depending on the Participant's country, the Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, which may affect the Participant's ability to, directly or indirectly, acquire, sell or attempt to sell shares of Common Stock or otherwise dispose of shares of Common Stock or rights to shares of Common Stock (*e.g.*, the Performance Stock Units) under the Plan during such times as the Participant is considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdictions or the Participant's country). The Participant could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees; (ii) "tipping" third parties or causing them to otherwise buy or sell securities; and (iii) cancelling or amending orders the Participant placed before he or she possessed inside information. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Participant is responsible for ensuring the Participant's compliance with any applicable restrictions and is advised to speak with his or her personal legal advisor on this matter.

24. **Exchange Control, Tax And / Or Foreign Asset/Account Reporting.** The Participant acknowledges that, depending on his or her country, the Participant may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the acquisition, holding and/or transfer of shares of Common Stock or cash derived from his or her participation in the Plan, in, to and/or from a brokerage/bank account or legal entity located outside the Participant's country. The applicable laws of the Participant's country may require that the Participant report such accounts, assets, the balances therein, the value thereof and/or the transactions related thereto to the applicable authorities in such country. The Participant acknowledges that he or she is responsible for ensuring compliance with any applicable foreign asset/account, exchange control and tax reporting requirements and is advised to consult his or her personal legal advisor on this matter.

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25. **Severability.** It is the desire and intent of the parties hereto that the provisions of this Performance Stock Unit Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Performance Stock Unit Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Performance Stock Unit Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Performance Stock Unit Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

26. **Entire Agreement.** This Performance Stock Unit Agreement (including the Addendum), the Grant Notice and the Plan constitute the entire agreement of the parties hereto in respect of the subject matter contained herein and supersede all prior agreements and understandings of the parties, oral and written, with respect to such subject matter.

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**ADDENDUM TO THE  
PERFORMANCE STOCK UNIT GRANT NOTICE  
UNDER THE  
CERTARA, INC.  
2020 INCENTIVE PLAN**

Capitalized terms used but not defined in this Addendum have the meanings set forth in the Plan and/or Agreement.

***Terms and Conditions***

This Addendum includes additional terms and conditions that govern the Performance Stock Units granted to the Participant under the Plan if the Participant resides and/or works in one of the countries listed below.

If the Participant is a citizen or resident of a country other than the one in which he or she is currently residing and/or working or transfers to another country after the grant of the Performance Stock Units, or is considered a resident of another country for local law purposes, the Company shall, in its sole discretion, determine to what extent the terms and conditions contained herein shall apply to the Participant under these circumstances.

***Notifications***

This Addendum also includes information regarding exchange controls and certain other issues of which the Participant should be aware with respect to his or her participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of December 2020. Such laws are often complex and change frequently. As a result, the Company strongly recommends that the Participant not rely on the information in this Addendum as the only source of information relating to the consequences of the Participant's participation in the Plan because the information may be out of date at the time that the Performance Stock Units become Earned PSUs or at the time the Participant sells shares of Common Stock acquired under the Plan.

The information contained herein is general in nature and may not apply to the Participant's particular situation and the Company is not in a position to assure the Participant of any particular result. Accordingly, the Participant is advised to seek appropriate professional advice as to how the relevant laws in the Participant's country may apply to his or her situation.

If the Participant is a citizen or resident of a country other than the one in which he or she is currently residing and/or working or transfers to another country after the grant of the Performance Stock Units, or is considered a resident of another country for local law purposes, the information contained herein may not be applicable to the Participant in the same manner.

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## CANADA

### *Terms and Conditions*

**Performance Stock Units Payable Only in Shares.** Notwithstanding Section 3 of the Agreement, the grant of the Performance Stock Units does not provide any right for the Participant to receive a cash payment, and settlement of the Performance Stock Units is payable only in shares of Common Stock.

### **The following provisions will apply to Participants who are residents of Quebec:**

**Language Consent.** The parties acknowledge that it is their express wish that the Performance Stock Unit Agreement, as well as all documents, notices and legal proceeds entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

**Consentement relatif à la langue utilisée:** *Les parties reconnaissent avoir exigé la rédaction en anglais de cette convention, ainsi que de tous documents, avis et procédures judiciaires, exécutés, donnés ou intentés en vertu de, ou liés directement ou indirectement à, la présente convention.*

**Data Privacy Notice.** This provision supplements Section 12 of the Performance Stock Unit Agreement:

The Participant hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or not, involved in the administration and operation of the Plan. The Participant further authorizes the Employer and the Company to disclose and discuss the Plan with their respective advisors. The Participant further authorizes the Employer, and the Company to record such information and to keep such information in the Participant's employee file.

### *Notifications*

**Securities Law Notification.** The Participant acknowledges that he or she is permitted to sell Shares acquired under the Plan, provided the sale of the Shares acquired under the Plan takes place outside of Canada.

**Foreign Asset/Account Reporting Notification.** The Participant is required to report any foreign specified property (including shares of Common Stock acquired under the Plan) with a value exceeding C\$100,000 on Form T1135 (Foreign Income Verification Statement) on an annual basis. The statement is due at the same time as the Participant's annual tax return. The Performance Stock Units must be reported (generally at a nil cost) if the \$100,000 cost threshold is exceeded because of other foreign specified property the Participant holds at any time during the year. If Shares are acquired, their cost generally is the adjusted cost base ("ACB") of the Shares. The ACB ordinarily would equal the fair market value of the shares of Common Stock at the time of acquisition, but if the Participant owns other shares of Common Stock, this ACB may have to be averaged with the ACB of the other shares of Common Stock. The form must be

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filed by April 30 of the following year. The Participant is strongly advised to check with his or her personal advisor regarding the Participant's reporting obligations.

## **FRANCE**

### ***Terms and Conditions***

**Performance Stock Units Not Tax-Qualified.** The Participant understands that the Performance Stock Units are not intended to be French tax-qualified.

**Language Consent.** By accepting the Award, the Participant confirms that he or she has read and understood the documents relating to the Performance Stock Units (the Grant Notice, the Plan, and the Performance Stock Unit Agreement) which were provided in the English language. The Participant accepts the terms of these documents accordingly.

**Consentement relatif à la langue utilisée:** *En acceptant l'Attribution, le Bénéficiaire confirme qu'il ou qu'elle a lu et compris les documents afférents aux Attributions Gratuites d'Actions (la Notification d'Attribution, le Plan et les Termes de l'Attribution, ainsi que la présente Annexe) qui sont produits en langue anglaise. Le Bénéficiaire accepte les termes de ces documents en connaissance de cause.*

## **NOTIFICATIONS**

**Foreign Asset/Account Reporting Notification.** If the Participant retains shares of Common Stock acquired under the Plan outside of France or maintains a foreign bank account, the Participant is required to report such to the French tax authorities when filing his or her annual tax return. Further, French residents with foreign account balances exceeding €1,000,000 may have additional monthly reporting obligations.

## **GERMANY**

### ***Notifications***

**Exchange Control Notification.** Cross-border payments in excess of €12,500 (including transactions made in connection with the sale of securities) must be reported monthly to the German Federal Bank (*Bundesbank*). If the Participant makes or receives a payment in excess of this amount in connection with the Participant's participation in the Plan, the Participant must report the payment to Bundesbank electronically using the "General Statistics Reporting Portal" ("*Allgemeines Meldeportal Statistik*") available via Bundesbank's website ([www.bundesbank.de](http://www.bundesbank.de)).

**Foreign Asset/Account Reporting Notification.** If the acquisition of shares of Common Stock under the Plan leads to a "qualified participation" at any point during the calendar year, the Participant understands that he or she will need to report the acquisition when the Participant files his or her tax return for the relevant year. A qualified participation is attained if (i) the value of the shares of Common Stock acquired exceeds a certain threshold or (ii) in the unlikely

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event the Participant holds shares of Common Stock exceeding a certain threshold of the Company's total Common Stock. However, provided the shares of Common Stock are listed on a recognized stock exchange (*e.g.*, the Nasdaq Stock Market) and the Participant owns less than 1% of the Company, this requirement will not apply. The Participant should consult with his or her personal tax advisor to ensure the Participant complies with applicable reporting obligations.

## **INDIA**

### ***Notifications***

**Exchange Control Notification.** It is the Participant's responsibility to comply with any applicable exchange control regulations in India. The Participant must repatriate the proceeds from the sale of shares of Common Stock or the receipt of any dividends (if applicable) to India within a certain time period after receipt. The Participant must retain the foreign inward remittance certificate received from the bank where the foreign currency is deposited in the event that the Reserve Bank of India or the Employer requests proof of repatriation. It is the Participant's responsibility to comply with these requirements.

**Foreign Asset/Account Reporting Notification.** The Participant is required to declare any foreign bank accounts for which Participant has signing authority and any foreign financial assets (including shares of Common Stock acquired under the Plan) in his or her annual tax return. It is the Participant's responsibility to comply with this reporting obligation and the Participant should consult his or her personal advisor in this regard.

## **ITALY**

### ***Terms and Conditions***

**Plan Document Acknowledgment.** In accepting the grant of Performance Stock Units, the Participant acknowledges that they have received a copy of the Plan and the Performance Stock Unit Agreement and have reviewed the Plan and the Performance Stock Unit Agreement in their entirety and fully understand and accept all provisions of the Plan and the Performance Stock Unit Agreement. The Participant further acknowledge that they have read and specifically and expressly approve the following section of the Performance Stock Unit Agreement: Earned PSUs, Settlement of Performance Stock Units, Treatment of Performance Stock Units Upon Termination, Tax Withholding, Governing Law, Imposition of Other Requirements, Compliance with Law, and Data Privacy.

### ***Notifications***

**Foreign Asset / Account Reporting.** Italian residents who, at any time during the fiscal year, hold foreign financial assets (*e.g.*, cash, shares of Common Stock, etc.) which may generate income taxable in Italy are required to report such investments or assets on their annual tax returns (UNICO Form, RW Schedule) or on a special form if no tax return is due. The same

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reporting duties apply to Italian residents who are beneficial owners of the foreign financial assets pursuant to Italian money laundering provisions, even if they do not directly hold the foreign asset abroad.

**Tax on Foreign Financial Assets.** The value of any shares of Common Stock (and certain other foreign assets) the Participant holds outside of Italy will be subject to a foreign financial assets tax. Financial assets include shares of Common Stock acquired under the Plan. The taxable amount will be the fair market value of the financial assets assessed at the end of each calendar year.

## **JAPAN**

### ***Terms and Conditions***

**Compliance with Law.** By accepting the Performance Stock Units, the Participant agrees to comply with all applicable Japanese laws and report and pay any and all applicable Tax-Related Items associated with the receipt of Performance Stock Units and any payment made to the Participant upon settlement of Performance Stock Units. The Participant acknowledges that the Japanese tax authorities are aware that employees of Japanese affiliates of U.S. companies may earn substantial income as a result of participation in an equity incentive plan, and may audit the tax returns of such employees to confirm that they have correctly reported the resulting income.

### ***Notifications***

**Exchange Control Notification.** Japanese residents acquiring shares of Common Stock valued at more than ¥100,000,000 in a single transaction must file a Securities Acquisition Report with the Ministry of Finance through the Bank of Japan within 20 days of the acquisition of shares of Common Stock.

**Foreign Asset/Account Reporting Notification.** If the Participant holds assets outside of Japan with a total net fair market value exceeding ¥50,000,000 as of December 31 (each year), the Participant is required to comply with annual tax reporting obligations with respect to such assets by March 15 of the following year. The Participant is advised to consult with a personal tax advisor to ensure compliance with applicable reporting requirements.

## **NETHERLANDS**

There are no country-specific provisions.

## **PHILIPPINES**

### ***Terms and Conditions***

**Settlement of Performance Stock Units.** Issuance of shares of Common Stock is conditioned upon the Company determining that an exemption exists or the Company securing and maintaining all necessary approvals from the Philippines Securities and Exchange Commission

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to permit the operation of the Plan in the Philippines, as determined by the Company in its sole discretion. If or to the extent the Company is unable to determine that a satisfactory exemption applies or the Company is unable to secure and maintain all necessary approvals, no shares of Common Stock subject to the Performance Stock Units for which an exemption cannot be obtained or a registration cannot be completed or maintained shall be issued. In this case, the Company retains the discretion to settle any Performance Stock Units in cash in an amount equal to the fair market value of the shares of Common Stock less any Tax-Related Items.

### ***Notifications***

**Securities Law Notice.** The offer under the Plan is being made pursuant to an exemption from registration under the Philippines Securities Regulation Code that has been approved by the Philippines Securities and Exchange Commission.

The risks of participating in the Plan include (without limitation), the risk of fluctuation in the price of the shares of Common Stock on the Nasdaq Global Select Market and the risk of currency fluctuations between the U.S. Dollar and the Participant's local currency. The value of any shares of Common Stock the Participant may acquire under the Plan may decrease below the value of the shares of Common Stock at settlement (on which the Participant is required to pay taxes) and fluctuations in foreign exchange rates between the Participant's local currency and the U.S. Dollar may affect the value any amounts due to the Participant pursuant to the subsequent sale of any shares of Common Stock acquired upon settlement. The Company is not making any representations, projections or assurances about the value of the shares of Common Stock now or in the future.

For further information on risk factors impacting the Company's business that may affect the value of the shares of Common Stock, you may refer to the risk factors discussion in the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q, which are filed with the U.S. Securities and Exchange Commission and are available online at [www.sec.gov](http://www.sec.gov), as well as on the Company's website at [www.certara.com](http://www.certara.com). In addition, the Participant may receive, free of charge, a copy of the Company's Annual Report, Quarterly Reports or any other reports, proxy statements or communications distributed to the Company's stockholders by contacting the Company's legal department (Richard Traynor at [richard.traynor@certara.com](mailto:richard.traynor@certara.com)). The telephone number at the executive offices is 609-716-7900.

The Participant acknowledges that they are permitted to sell shares of Common Stock acquired under the Plan through the designated Plan broker appointed by the Company (or such other broker to whom the Participant may transfer the shares of Common Stock), provided that such sale takes place outside of the Philippines through the facilities of the Nasdaq Global Select Market on which the shares of Common Stock are listed.

### **POLAND**

#### ***Notifications***

**Foreign Asset/Accounting Reporting Notification.** Polish residents holding foreign securities (including shares of Common Stock acquired under the Plan) and maintaining accounts abroad

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must report information to the National Bank of Poland on transactions and balances of the securities and cash deposited in such accounts if the value of such transactions or balances exceeds PLN 7,000,000. If required, the reports must be filed on a quarterly basis on special forms available on the website of the National Bank of Poland.

**Exchange Control Notification.** If the Participant transfers funds into Poland in excess of a certain threshold in connection with the sale of shares of Common Stock under the Plan, the funds must be transferred via a bank account held at a bank in Poland. The Participant is required to retain the documents connected with a foreign exchange transaction for a period of five (5) years, as measured from the end of the tax year in which such transaction occurred.

## **PORTUGAL**

### ***Terms and Conditions***

**Consent to Receive Information in English.** The Participant hereby expressly declare that they have full knowledge of the English language and have read, understood and fully accepted and agreed with the terms and conditions established in the Plan and Performance Stock Unit Agreement.

**Conhecimento da Língua.** *Contratado, pelo presente instrumento, declara expressamente que tem pleno conhecimento da língua inglesa e que leu, compreendeu e livremente aceitou e concordou com os termos e condições estabelecidas no Plano e no Acordo.*

### ***Notifications***

**Exchange Control Information.** If the Participant receives shares of Common Stock upon vesting and settlement of the Performance Stock Units, the acquisition of the shares of Common Stock should be reported to the Banco de Portugal for statistical purposes. If the shares of Common Stock are deposited with a commercial bank or financial intermediary in Portugal, such bank or financial intermediary will submit the report on the Participant's behalf. If the shares of Common Stock are not deposited with a commercial bank or financial intermediary in Portugal, the Participant is responsible for submitting the report to the Banco de Portugal.

## **SPAIN**

### ***Terms and Conditions***

**Nature of Grant.** This provision supplements Section 11 of the Performance Stock Unit Agreement:

In accepting the Performance Stock Units, the Participant consents to participate in the Plan and acknowledges having received and read a copy of the Plan.

The Participant understands that the Company has unilaterally, gratuitously and discretionally decided to grant Performance Stock Units under the Plan to individuals who may be employees

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of the Company throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind the Company. Consequently, the Participant understands that the Performance Stock Units are granted on the assumption and condition that such Performance Stock Units and any shares of Common Stock acquired under the Plan shall not become a part of any employment contract and shall not be considered a mandatory benefit, salary for any purposes (including severance compensation) or any other right whatsoever. In addition, the Participant understands that the Performance Stock Units would not be granted but for the assumptions and conditions referred to above; thus, the Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of the Performance Stock Units shall be null and void.

### **Notifications**

**Exchange Control Notification.** The acquisition, ownership and sale of shares of Common Stock under the Plan must be declared for statistical purposes to the Spanish *Dirección General de Comercio e Inversiones* (the “DGCI”), the Bureau for Commerce and Investments, which is a department of the Ministry of Economy and Competitiveness. Generally, the declaration must be made each January for shares of Common Stock owned as of December 31<sup>st</sup> of the prior year, by means of a D-6 form; however, if the value of the shares of Common Stock acquired or sold exceeds €1,502,530 (or if the Participant holds 10% or more of the share capital of the Company or such other amount that would entitle the Participant to join the Company’s board of directors), the declaration must be filed also within one month of the acquisition or sale, as applicable.

The Participant is required to declare electronically to the Bank of Spain any securities accounts (including brokerage accounts held abroad), foreign instruments (including any shares of Common Stock acquired under the Plan) and any transactions with non-Spanish residents (including any payments of shares of Common Stock made to the Participant by the Company), depending on the amount of the transactions during the relevant year or the balances in such accounts as of December 31<sup>st</sup> of the relevant year. Generally, the report is required on an annual basis (by January 20 of each year). The Participant should consult with his or her personal advisor to ensure that the Participant is properly complying with his or her reporting obligations.

**Foreign Asset/Account Reporting Notification.** If the Participant holds rights or assets (*e.g.*, shares of Common Stock or cash held in a bank or brokerage account) outside of Spain with a value in excess of €50,000 per type of right or asset (*e.g.*, shares of Common Stock, cash, etc.) as of December 31 each year, the Participant is required to report certain information regarding such rights and assets on tax form 720. After such rights and/or assets are initially reported, the reporting obligation will only apply for subsequent years if the value of any previously-reported rights or assets increases by more than €20,000. If reporting is required, the reporting must be completed by the following March 31. The Participant should consult his or her personal tax advisor for details regarding this requirement.

**Securities Law Notification.** The Performance Stock Units described in this document do not qualify as securities under Spanish regulations. No “offer of securities to the public,” within the meaning of Spanish law, has taken place or will take place in the Spanish territory. The Plan, the Performance Stock Unit Agreement, and any other documents evidencing the award of

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Performance Stock Units have not been, nor will they be, registered with the *Comisión Nacional del Mercado de Valores* (Spanish Securities Exchange Commission), and none of those documents constitutes a public offering prospectus.

## **SWEDEN**

### ***Terms and Conditions***

**Tax Withholding.** This provision supplements Section 8 of the Performance Stock Unit Agreement:

Without limiting the Company's and the Employer's authority to satisfy their obligations for Tax-Related Items as set forth in Section 8 of the Performance Stock Unit Agreement, by accepting the Performance Stock Units, the Participant authorizes the Company and/or the Employer to withhold shares of Common Stock or to sell shares of Common Stock otherwise deliverable to the Participant upon settlement of the Performance Stock Units to satisfy any Tax-Related Items, regardless of whether the Company and/or the Employer have an obligation to withhold such Tax-Related Items.

## **SWITZERLAND**

### ***Notifications***

**Securities Law Notification.** Because the offer of the Performance Stock Units is considered a private offering in Switzerland; it is not subject to registration in Switzerland. Neither this document nor any other materials relating to the Performance Stock Units (i) constitute a prospectus according to articles 35 et seq. of the Swiss Federal Act on Financial Services ("FinSA"), (ii) may be publicly distributed nor otherwise made publicly available in Switzerland to any person other than the Participant or (iii) has been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 FinSA or any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority.

## **UNITED KINGDOM**

**Settlement.** The following provision supplements Section 3 of the Performance Stock Unit Agreement:

Notwithstanding any discretion contained in the Plan or the Performance Stock Unit Agreement, the Performance Stock Units will not be settled in cash or a combination of cash and shares of Common Stock. The Performance Stock Units will be settled only in shares of Common Stock.

**Tax Withholding.** The following provision supplements Section 8 of the Performance Stock Unit Agreement:

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Without limitation to Section 8 of the Performance Stock Unit Agreement, the Participant agrees to be liable for any Tax-Related Items related to the Participant's participation in the Plan and legally applicable to the Participant and hereby covenants to pay any such Tax-Related Items, as and when requested by the Employer or by Her Majesty's Revenue & Customs ("HMRC") (or any other tax authority or any other relevant authority). The Participant also agrees to indemnify and keep indemnified the Employer against any Tax-Related Items that the Employer is required to pay or withhold or have paid or will pay to HMRC (or any other tax authority or any other relevant authority) on the Participant's behalf.

Notwithstanding the foregoing, if the Participant is a director or executive officer, the Participant understands that he or she may not be able to indemnify the Company for the amount of any Tax-Related Items not collected from or paid by the Participant, in case the indemnification could be considered to be a loan. In this case, the Tax-Related Items not collected or paid may constitute a benefit to the Participant on which additional income tax and National Insurance contributions ("NICs") may be payable. The Participant understands that he or she will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for paying to the Company and/or the Employer (as appropriate) the amount of any NICs due on this additional benefit, which may also be recovered from the Participant by any of the means referred to in Section 8 of the Performance Stock Unit Agreement.

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RULE 13a-14(a) CERTIFICATION  
CERTARA, INC.

## CERTIFICATION OF CHIEF EXECUTIVE OFFICER (Principal Executive Officer)

I, William F. Feehery, certify that:

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

Date: August 6, 2021

/s/ William F. Feehery  
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William F. Feehery  
Chief Executive Officer  
(Principal Executive Officer)

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RULE 13a-14(a) CERTIFICATION  
CERTARA, INC.

## CERTIFICATION OF CHIEF FINANCIAL OFFICER (Principal Financial Officer)

I, M. Andrew Schemick, certify that:

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

Date: August 6, 2021

/s/ M. Andrew Schemick  
M. Andrew Schemick  
Chief Financial Officer  
(Principal Financial Officer)

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**STATEMENT PURSUANT TO  
18 U.S.C. SECTION 1350  
AS REQUIRED BY  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Certara, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, the undersigned, hereby certify that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 6, 2021

*/s/ William Feehery*

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William Feehery

Chief Executive Officer

(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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**STATEMENT PURSUANT TO  
18 U.S.C. SECTION 1350  
AS REQUIRED BY  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Certara, Inc. (the "Company") on Form 10-Q for the quarterly period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, the undersigned, hereby certify that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 6, 2021

*/s/ M. Andrew Schemick*

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M. Andrew Schemick

Chief Financial Officer

(Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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