
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

or

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

For the transition period from _____ to _____

Commission File Number: 001-39799

Certara, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

82-2180925

(I.R.S. Employer
Identification Number)

4 Radnor Corporate Center
Suite 350

Radnor, Pennsylvania 19087

(Address of Principal Executive Offices)

(415) 237-8272

(Registrant's telephone number)

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

Title of Each Class	Trading symbol	Name of Exchange on which registered
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

[Table of Contents](#)

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>		
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>

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

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

As of November 1, 2024, the registrant had 160,974,813 shares of common stock, par value \$0.01 per share, outstanding.

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:

- any deceleration in, or resistance to, the acceptance of model-informed biopharmaceutical discovery and development;
- our ability to compete within our market;
- changes or delays in government regulation relating to the biopharmaceutical industry;
- 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;
- 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;
- our ability to retain key personnel or recruit additional qualified personnel;
- risks related to the mischaracterization of our independent contractors;
- any delays or defects in our release of new or enhanced software or other biosimulation tools;
- issues relating to the use of artificial intelligence and machine learning in our products and services;
- 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;
- 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;
- increasing competition, regulation and other cost pressures within the pharmaceutical and biotechnology industries;
- any future acquisitions and our ability to successfully integrate such acquisitions;
- the accuracy of our addressable market estimates;

- 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 bookings;
- 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;
- any unauthorized access to or use of customer or other proprietary or confidential data or other breach of our cybersecurity measures;
- the occurrence of natural disasters, pandemics, epidemic diseases, and public health crises, which may result in delays or cancellations of customer contracts or decreased utilization by our employees;
- our ability to comply with the terms of any licenses governing our use of third-party open source software utilized in our software solutions;
- our ability to comply with applicable privacy and cybersecurity 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 loss ("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, or inability to timely remediate internal controls that are deemed ineffective; and
- the other factors described elsewhere in this Quarterly Report, in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 ("2023 Annual Report"), and 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 based upon our current expectations and projections about future events. There are important factors, including those described in in this Quarterly Report, in the section titled “Risk Factors” in our 2023 Annual Report, and in our subsequent SEC filings, which 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.

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 these 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. This list of disclosure channels may be updated from time to time.

CERTARA, INC. AND SUBSIDIARIES

FORM 10-Q

TABLE OF CONTENTS

<u>Item</u>	<u>Page</u>
PART I – FINANCIAL INFORMATION	
1. Financial Statements (Unaudited)	6
Condensed Consolidated Balance Sheets as of September 30, 2024 and December 31, 2023	6
Condensed Consolidated Statements of Operations and Comprehensive Income (Loss) for the three and nine months ended September 30, 2024 and 2023	7
Condensed Consolidated Statements of Stockholders' Equity for the three and nine months ended September 30, 2024 and 2023	8
Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2024 and 2023	10
Notes to Condensed Consolidated Financial Statements	11
2. Management's Discussion and Analysis of Financial Condition and Results of Operations	32
3. Quantitative and Qualitative Disclosures About Market Risk	54
4. Controls and Procedures	54
PART II – OTHER INFORMATION	
1. Legal Proceedings	56
1A. Risk Factors	56
2. Unregistered Sales of Equity Securities and Use of Proceeds	56
3. Defaults Upon Senior Securities	56
4. Mine Safety Disclosures	56
5. Other Information	56
6. Exhibits	57
SIGNATURES	58

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

(IN THOUSANDS, EXCEPT PER SHARE AND SHARE DATA)	SEPTEMBER 30, 2024	DECEMBER 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 233,023	\$ 234,951
Accounts receivable, net of allowance for credit losses of \$1,556 and \$1,312, respectively	95,956	84,857
Prepaid expenses and other current assets	21,630	20,393
Total current assets	350,609	340,201
Other assets:		
Property and equipment, net	2,554	2,670
Operating lease right-of-use assets	12,070	9,604
Goodwill	718,483	716,333
Intangible assets, net of accumulated amortization of \$323,609 and \$273,522, respectively	453,225	487,043
Deferred income taxes	4,236	4,236
Other long-term assets	2,052	3,053
Total assets	\$ 1,543,229	\$ 1,563,140
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 2,494	\$ 5,171
Accrued expenses	53,294	56,779
Current portion of deferred revenue	59,336	60,678
Current portion of long-term debt	3,000	3,020
Other current liabilities	4,581	4,375
Total current liabilities	122,705	130,023
Long-term liabilities:		
Deferred revenue, net of current portion	1,177	1,070
Deferred income taxes	37,554	50,826
Operating lease liabilities, net of current portion	10,420	6,955
Long-term debt, net of current portion and debt discount	293,053	288,217
Other long-term liabilities	24,915	39,209
Total liabilities	489,824	516,300
Commitments and contingencies		
Stockholders' equity		
Preferred shares, \$0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	—	—
Common shares, \$0.01 par value, 600,000,000 shares authorized, 161,791,989 and 160,284,901 shares issued, 160,900,211 and 159,848,286 shares outstanding as of September 30, 2024 and December 31, 2023, respectively	1,618	1,603
Additional paid-in capital	1,209,196	1,178,461
Accumulated deficit	(134,858)	(116,230)
Accumulated other comprehensive loss	(5,013)	(7,593)
Treasury stock at cost, 891,778 and 436,615 shares at September 30, 2024 and December 31, 2023, respectively	(17,538)	(9,401)
Total stockholders' equity	1,053,405	1,046,840
Total liabilities and stockholders' equity	\$ 1,543,229	\$ 1,563,140

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

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

(IN THOUSANDS, EXCEPT PER SHARE AND SHARE DATA)	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2024	2023	2024	2023
Revenues	\$ 94,820	\$ 85,576	\$ 284,787	\$ 266,327
Cost of revenues	37,189	35,876	116,253	106,956
Operating expenses:				
Sales and marketing	11,347	7,238	34,247	23,351
Research and development	8,271	8,980	29,333	26,155
General and administrative	22,030	27,760	73,080	61,777
Intangible asset amortization	12,950	11,155	38,286	32,272
Depreciation and amortization expense	439	367	1,322	1,139
Goodwill impairment expense	—	46,984	—	46,984
Total operating expenses	55,037	102,484	176,268	191,678
Income (loss) from operations	2,594	(52,784)	(7,734)	(32,307)
Other income (expenses):				
Interest expense	(5,187)	(5,903)	(16,516)	(17,046)
Net other income	932	5,078	4,886	6,594
Total other expenses	(4,255)	(825)	(11,630)	(10,452)
Loss before income taxes	(1,661)	(53,609)	(19,364)	(42,759)
Provision (benefit) for income taxes	(290)	(4,644)	(736)	142
Net loss	(1,371)	(48,965)	(18,628)	(42,901)
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of tax of \$(390), \$254, \$(346), and \$(33) respectively	5,700	(4,658)	4,992	(242)
Change in fair value from interest rate swap, net of tax of \$(795), \$37, \$(788), and \$211 respectively	(2,385)	117	(2,412)	758
Total other comprehensive income (loss)	3,315	(4,541)	2,580	516
Comprehensive income (loss)	\$ 1,944	\$ (53,506)	\$ (16,048)	\$ (42,385)
Net income (loss) per share attributable to common stockholders:				
Basic	\$ (0.01)	\$ (0.31)	\$ (0.12)	\$ (0.27)
Diluted	\$ (0.01)	\$ (0.31)	\$ (0.12)	\$ (0.27)
Weighted average common shares outstanding:				
Basic	160,642,052	159,165,206	160,225,375	158,769,638
Diluted	160,642,052	159,165,206	160,225,375	158,769,638

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 PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY STOCK		TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT				SHARES	AMOUNT	
Balance as of June 30, 2024	161,764,197	\$ 1,618	\$ 1,201,009	\$ (133,487)	\$ (8,328)	(882,883)	\$ (17,411)	\$ 1,043,401
Equity-based compensation expense, net of forfeiture	—	—	8,187	—	—	—	—	8,187
Common stock withheld for tax liabilities	—	—	—	—	—	(8,895)	(127)	(127)
Common shares issued for employee share-based compensation	27,792	0	—	—	—	—	—	—
Change in fair value from interest rate swap, net of tax	—	—	—	—	(2,385)	—	—	(2,385)
Net loss	—	—	—	(1,371)	—	—	—	(1,371)
Foreign currency translation adjustment, net of tax	—	—	—	—	5,700	—	—	5,700
Balance as of September 30, 2024	161,791,989	\$ 1,618	\$ 1,209,196	\$ (134,858)	\$ (5,013)	(891,778)	\$ (17,538)	\$ 1,053,405
Balance as of December 31, 2023	160,284,901	\$ 1,603	\$ 1,178,461	\$ (116,230)	\$ (7,593)	(436,615)	\$ (9,401)	\$ 1,046,840
Equity-based compensation expense, net of forfeiture	—	—	27,043	—	—	—	—	27,043
Common stock withheld for tax liabilities	—	—	—	—	—	(455,163)	(8,137)	(8,137)
Common shares issued for employee share-based compensation	1,297,519	13	(13)	—	—	—	—	—
Restricted stock forfeiture	(5,123)	—	—	—	—	—	—	—
Common shares issued for contingent consideration	214,692	2	3,705	—	—	—	—	3,707
Change in fair value from interest rate swap, net of tax	—	—	—	—	(2,412)	—	—	(2,412)
Net loss	—	—	—	(18,628)	—	—	—	(18,628)
Foreign currency translation adjustment, net of tax	—	—	—	—	4,992	—	—	4,992
Balance as of September 30, 2024	161,791,989	\$ 1,618	\$ 1,209,196	\$ (134,858)	\$ (5,013)	(891,778)	\$ (17,538)	\$ 1,053,405

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 PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	TREASURY STOCK		TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT				SHARES	AMOUNT	
Balance as of June 30, 2023	160,171,493	\$ 1,601	\$ 1,162,317	\$ (54,809)	\$ (3,173)	(394,209)	\$ (8,762)	\$ 1,097,174
Equity-based compensation expense, net of forfeiture	—	—	8,645	—	—	—	—	8,645
Common shares issued for share- based compensation awards and shares withheld for tax	119,101	1	(2)	—	—	(36,944)	(561)	(562)
Restricted stock forfeiture	(10,675)	—	—	—	—	—	—	—
Change in fair value from interest rate swap, net of tax	—	—	—	—	117	—	—	117
Net loss	—	—	—	(48,965)	—	—	—	(48,965)
Foreign currency translation adjustment, net of tax	—	—	—	—	(4,658)	—	—	(4,658)
Balance as of September 30, 2023	160,279,919	\$ 1,602	\$ 1,170,960	\$ (103,774)	\$ (7,714)	(431,153)	\$ (9,323)	\$ 1,051,751
Balance as of December 31, 2022	159,676,150	\$ 1,596	\$ 1,150,168	\$ (60,873)	\$ (8,230)	(150,207)	\$ (3,000)	1,079,661
Equity-based compensation awards	—	—	20,798	—	—	—	—	20,798
Common shares issued for share- based compensation awards and shares withheld for tax	805,607	8	(8)	—	—	(280,946)	(6,323)	(6,323)
Restricted stock forfeiture	(201,838)	(2)	2	—	—	—	—	—
Change in fair value from interest rate swap, net of tax	—	—	—	—	758	—	—	758
Net loss	—	—	—	(42,901)	—	—	—	(42,901)
Foreign currency translation adjustment	—	—	—	—	(242)	—	—	(242)
Balance as of September 30, 2023	160,279,919	\$ 1,602	\$ 1,170,960	\$ (103,774)	\$ (7,714)	(431,153)	\$ (9,323)	\$ 1,051,751

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

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

(IN THOUSANDS)	NINE MONTHS ENDED SEPTEMBER 30,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (18,628)	\$ (42,901)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	1,322	1,139
Amortization of intangible assets	48,495	40,099
Amortization of debt issuance costs	891	1,146
(Recovery of) provision for credit losses	393	52
Equity-based compensation expense	27,043	20,798
Change in fair value of contingent considerations	8,092	11,316
Goodwill impairment	—	46,984
Deferred income taxes	(12,626)	(18,532)
Changes in assets and liabilities:		
Accounts receivable	(10,973)	6,441
Prepaid expenses and other assets	(2,473)	85
Accounts payable, accrued expenses, and other liabilities	(9,774)	(1,851)
Deferred revenues	(2,122)	(6,978)
Other operating activities, net	1,457	1,631
Net cash provided by operating activities	31,097	59,429
Cash flows from investing activities:		
Capital expenditures	(1,210)	(899)
Capitalized software development costs	(13,995)	(10,000)
Investment in intangible assets	—	(54)
Business acquisitions, net of cash acquired	—	(7,550)
Net cash used in investing activities	(15,205)	(18,503)
Cash flows from financing activities:		
Proceeds from borrowings on term loan debt	6,305	—
Payment of debt issuance costs	(1,216)	—
Payments on long-term debt and finance lease obligations	(1,505)	(2,290)
Payments for business acquisition related contingent consideration	(15,156)	—
Payment of taxes on shares withheld for employee taxes	(8,135)	(5,905)
Net cash used in financing activities	(19,707)	(8,195)
Effect of foreign exchange rate on cash and cash equivalents, and restricted cash	1,887	(107)
Net increase (decrease) in cash and cash equivalents, and restricted cash	(1,928)	32,624
Cash and cash equivalents, and restricted cash, at beginning of period	234,951	239,688
Cash and cash equivalents, and restricted cash, at end of period	\$ 233,023	\$ 272,312
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 11,171	\$ 13,668
Cash paid for taxes	\$ 11,630	\$ 12,365
Supplemental schedule of noncash investing and financing activities		
Stock issuance or establish liabilities related to business acquisition contingent consideration	\$ 3,707	\$ 790

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-driven 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 model-informed drug development, 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 regulatory science and market access software and services are underpinned by technologies such as regulatory submissions software, 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.

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

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. “Summary of Significant Accounting Policies” to the Company’s audited consolidated financial statements included in the Company’s 2023 Annual Report. 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, 2023.

(a) Basis of Presentation and Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. generally accepted accounting principles (“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, assumptions used in the allocation of the transaction price to separate performance obligations, estimates towards the measure of progress of completion on fixed-price service contracts, the determination of fair values and useful lives of long-lived assets as well as intangible assets, goodwill, allowance for credit losses for accounts receivable, recoverability of deferred tax assets, recognition of deferred revenue, valuation of interest rate swaps, determination of fair value of equity-based awards, measurement of fair value of contingent consideration, 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.

(b) Unaudited Interim Financial Statements

The accompanying condensed consolidated balance sheet as of September 30, 2024, the condensed consolidated statements of operations and comprehensive income (loss) for the three and nine months ended September 30,

2024 and 2023, the condensed consolidated statements of stockholders' equity for the three and nine months ended September 30, 2024 and 2023, the condensed consolidated statements of cash flows for the nine months ended September 30, 2024 and 2023, and the related interim disclosures are unaudited.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. These unaudited condensed consolidated financial statements include all adjustments necessary 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. Certain amounts reported in prior periods have been reclassified to conform with the current presentation. 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 2023 audited consolidated financial statements and notes thereto. The information as of December 31, 2023 in the Company's condensed consolidated balance sheet included herein is derived from the Company's audited consolidated financial statements included in the Company's 2023 Annual Report.

(c) Accounting Pronouncements Not Yet Adopted

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." The ASU requires an enhanced disclosure of significant segment expenses on an annual and interim basis. This ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. Upon adoption, the guidance should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of this ASU on the disclosures in our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The ASU requires disclosure of specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold and further disaggregation of income taxes paid for individually significant jurisdictions. The ASU will be effective for public business entities for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this ASU on the disclosures in our consolidated financial statements.

(d) 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.

(e) Fair Value Measurements

The Company follows FASB Accounting Standards Codification ("ASC") 820-10, "Fair Value Measurements" ("ASC 820-10"), which defines fair value, establishes a framework for measuring fair value in U.S. GAAP, and requires certain disclosures about fair value measurements.

ASC 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the most advantageous market for the asset or liability in an orderly transaction. Fair value measurement is based on a hierarchy of observable or unobservable inputs. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 — Inputs to the valuation methodology are quoted prices available in active markets for identical securities as of the reporting date;

Level 2 — Inputs to the valuation methodology are other significant observable inputs, including quoted prices for similar securities, interest rates, credit risk etc. as of the reporting date, and the fair value can be determined through the use of models or other valuation methodologies; and

Level 3 — Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity of the securities and the reporting entity makes estimates and assumptions relating to the pricing of the securities including assumptions regarding risk.

If the inputs used to measure fair value fall at different levels of the fair value hierarchy, the hierarchy is based on the lowest level of input that is significant to the fair value measurement. For the acquisitions noted in Note 5, the fair value measurement methods used to estimate the fair value of the assets acquired and liabilities assumed at the acquisition dates utilized a number of significant unobservable inputs of Level 3 assumptions. These assumptions included, among other things, projections of future operating results, implied fair value of assets using an income approach by preparing a discounted cash flow analysis, and other subjective assumptions.

Interest rate swaps are valued in the market using discounted cash flows techniques. These techniques incorporate Level 1 and Level 2 inputs. The market inputs are utilized in the discounted cash flows' calculation considering the instrument's term, notional amount, discount rate and credit risk. Significant inputs to the derivative instrument valuation model for interest rate swaps are observable in active markets and are classified as Level 2 in the hierarchy.

Contingent liabilities related to acquisitions are measured at fair value using Level 3 unobservable inputs. The Company's estimates of fair value are based upon assumptions believed to be reasonable but that are uncertain and involve significant judgments by management. Any changes in the fair value of these contingent liabilities are included in the earnings in the condensed consolidated statements of operations and comprehensive income (loss).

The Company utilizes Monte Carlo or a series of Black-Scholes-Merton options models to estimate the fair value of the contingent consideration liabilities of business acquisitions. Significant inputs used in the fair value measurement of contingent consideration include: expected eligible revenue for the acquired businesses over the relevant measurement periods, the risk-profile of the expected eligible revenue for the acquired businesses, the uncertainty regarding the expected eligible revenue for the acquired businesses, the risk-free rate of return, the expected timing at which settlement of the contingent liabilities may occur, and the credit-adjusted discount rate associated with the risk of the Company's future liability payments.

The following table sets forth the assets and liabilities that were measured at fair value on a recurring and non-recurring basis by their levels in the fair value hierarchy at September 30, 2024:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
(In thousands)				
Assets				
Money market funds	\$ 78,253	\$ —	\$ —	\$ 78,253
Interest rate swap assets	—	2,424	—	2,424
Total assets	<u>\$ 78,253</u>	<u>\$ 2,424</u>	<u>\$ —</u>	<u>\$ 80,677</u>
Liabilities				
Contingent liabilities	\$ —	\$ —	\$ 43,696	\$ 43,696
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 43,696</u>	<u>\$ 43,696</u>

The following table sets forth the assets and liabilities that were measured at fair value on a recurring and non-recurring basis by their levels in the fair value hierarchy at December 31, 2023:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
(In thousands)				
Assets				
Money market funds	\$ 147,478	\$ —	\$ —	\$ 147,478
Interest rate swap assets	—	5,624	—	5,624
Total assets	<u>\$ 147,478</u>	<u>\$ 5,624</u>	<u>\$ —</u>	<u>\$ 153,102</u>
Liabilities				
Contingent liabilities	\$ —	\$ —	\$ 54,457	\$ 54,457
Total liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 54,457</u>	<u>\$ 54,457</u>

For the period ended September 30, 2024, there were no transfers between the levels within the fair value hierarchy. The Company's Level 3 liabilities are acquisition related contingent consideration liabilities.

The following table summarizes the Level 3 activity of the changes in the contingent consideration liability.

	SEPTEMBER 30, 2024
	(In thousands)
Beginning balance at December 31, 2023	\$ 54,457
Additions	—
Payments	(18,863)
Fair value remeasurement	8,102
Ending balance at September 30, 2024	<u>\$ 43,696</u>

For more information regarding fair value measurements and the fair value hierarchy, see Note 2. "Summary of Significant Accounting Policies" in the notes to the consolidated financial statements in the Company's 2023 Annual Report.

(f) Cash and Cash Equivalents

Cash equivalents include highly liquid investments with maturities of three months or less from the date purchased. The cash and cash equivalents was \$233,023 and \$234,951 at September 30, 2024 and December 31, 2023, respectively.

(g) Accounts Receivable

Accounts receivable include current outstanding invoices billed to customers. Invoices are typically issued with net 30 days to net 90 days terms upon delivery of the product or upon achievement of billable events for service-based contracts. Unbilled receivables relate to the Company's rights to consideration for performance obligations satisfied but not billed at the reporting date on contracts. Unbilled receivables are billed and transferred to customer accounts receivable when the rights become unconditional. The carrying amount of accounts receivable is reduced by a valuation allowance.

The Company estimates the expected credit losses for accounts receivable using historical loss data adjusted for current economic conditions, including reasonable and supportable forecasts to estimate the relative size of credit losses to be expected. The Company generally writes off a receivable or records a specific allowance for credit losses if it determines that the receivable is not collectible. Allowances for credit losses of \$1,556 and \$1,312 were provided in the accompanying condensed consolidated financial statements as of September 30, 2024 and December 31, 2023, respectively.

Accounts receivable consists of the following:

	SEPTEMBER 30, 2024	DECEMBER 31, 2023
	(In thousands)	
Trade receivables	\$ 80,978	\$ 75,410
Unbilled receivables	16,230	10,405
Other receivables	304	354
Allowances for credit losses	(1,556)	(1,312)
Accounts receivable, net	<u>\$ 95,956</u>	<u>\$ 84,857</u>

The following table presents the information regarding the allowance for credit losses:

	SEPTEMBER 30, 2024	DECEMBER 31, 2023
	(In thousands)	
Beginning balance	\$ 1,312	\$ 1,250
Provision for credit losses	393	684
Charge-offs, net of recoveries	(149)	(622)
Ending balance	<u>\$ 1,556</u>	<u>\$ 1,312</u>

(h) Derivative Instruments

In the normal course of business, the Company is subject to risk from adverse fluctuations in interest rates. The Company has chosen to manage this risk through the use of derivative financial instruments that consist of interest rate swap contracts. Counterparties to these contracts are major financial institutions. The Company is exposed to credit loss in the event of nonperformance by these counterparties. The Company does not use

derivative instruments for trading or speculative purposes. The objective of managing exposure to market risk is to limit its impact on cash flows. To qualify for hedge accounting, the interest rate swaps must effectively reduce the risk exposure that they are designed to hedge. In addition, at the inception of a qualifying cash flow hedging relationship, the underlying transaction or transactions must be, and be expected to remain, probable of occurring in accordance with the related assertions.

FASB ASC 815, "Derivatives and Hedging," requires the Company to recognize all derivatives on the balance sheet at fair value. The Company may enter into derivative contracts such as interest rate swap contracts that effectively convert portions of the Company's floating rate debt to a fixed rate, which serves to mitigate interest rate risk. The Company's objectives in using interest rate swaps are to add stability to interest expense and to manage its exposure to interest rate movements. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The Company entered into an interest rate swap agreement in May 2022 that pays a fixed interest rate and receives a variable interest rate to modify the interest rate characteristics of term loan debt from variable to fixed in order to reduce the impact of changes in future cash flows due to market interest rate changes. The swap agreement has a notional amount of \$230,000, a fixed rate of 2.8% and a termination date of August 31, 2025. During the quarter ended September 30, 2023, the Company and the counter party amended the floating rate of the swap agreement from term LIBOR to term SOFR due to LIBOR cessation. At September 30, 2024 and December 31, 2023, the interest swap had a fair value of \$2,424 and \$5,624, respectively. The gross fair value recognized in accumulated other comprehensive income (loss) was \$2,424 and \$5,624, respectively, at September 30, 2024 and December 31, 2023.

The Company uses derivatives to manage certain interest exposures and designated all the derivatives as cash flow hedges. The Company records derivatives at fair value on its condensed consolidated balance sheets. Changes in the fair value of derivatives designated as cash flow hedges are recorded as a component of accumulated other comprehensive income (loss). Those amounts are reclassified into interest expenses in the same period during which the hedged transactions impact earnings. The amount of derivative gains reclassified from accumulated other comprehensive income on derivative instruments recognized in the Company's condensed consolidated statements of operations and comprehensive income (loss) was \$1,529, \$1,489, \$4,580, and \$3,751 for the three and nine months ended September 30, 2024 and 2023, respectively.

The notional amounts, fair values, and classification of derivative instruments in the condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023 were as follows:

Interest rate swap derivative designated as cash flow hedging instrument:	SEPTEMBER 30, 2024	DECEMBER 31, 2023
	(In thousands)	
Notional		
amounts	\$ 230,000	\$ 230,000
Prepaid expenses and other current assets	\$ 2,424	\$ 4,473
Other long-term assets	\$ —	\$ 1,151

The net amount of deferred gains related to derivative instruments designated as cash flow hedges that is expected to be reclassified from accumulated other comprehensive gains into earnings over the next twelve months is \$2,424.

(i) Revenue Recognition

In accordance with ASC Topic 606, “Revenue from Contracts with Customers”, the Company determines revenue recognition through the following steps:

- i. Identification of the contract, or contracts, with a customer
- ii. Identification of the performance obligations in the contract
- iii. Determination of the transaction price
- iv. Allocation of the transaction price to the performance obligations in the contract
- v. Recognition of revenue when, or as, the Company satisfies a performance obligation

The Company’s revenue consists of fees for perpetual and term licenses for its software products, post-contract customer support (referred to as maintenance), software as a service (“SaaS”), and professional services including training and other revenue. 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 following describes the nature of the Company’s primary types of revenues and the revenue recognition policies as they pertain to the types of transactions the Company enters into with its customers.

Software Licenses Revenues

Software license revenue consists primarily of sales of software licenses downloaded and installed by our customers on their own hardware. The license period is generally one year or less and includes an insignificant amount of customer support to assist the customer with the software. Software license performance obligations are generally recognized upfront at the point in time when the software license has been delivered.

Software as a Service (SaaS) Revenues

SaaS revenues consist of subscription fees for access to, and related support for, the Company’s cloud-based solutions. The Company typically invoices subscription fees in advance in annual installments. The invoice is initially deferred and revenue is recognized ratably over the life of the contract. The Company’s software contracts do not typically include variable consideration or options for future purchases that would not be similar to the original goods.

Software Service Revenues

Maintenance services agreements on perpetual software consist of fees for providing software updates and for providing technical support for software products for a specified term. Revenue allocated to maintenance services is recognized ratably over the contract term beginning on the delivery date of each offering. Maintenance contracts generally have a term of one year. While the transfer of control of the software training and implementation performance obligations are over time, the services are typically started and completed within a few days. Due to the quick nature of the performance obligation from start to finish and the insignificant amounts, the Company recognizes any software training or implementation revenue at the completion of the service. Any unrecognized portion of amounts paid in advance for licenses and services is recorded as deferred revenue.

Consulting Service Revenues

The Company's primary professional services offering includes consulting services, which may be either strategic consulting services, reporting and analysis services, regulatory writing services, or any combination of the three. The Company's professional services contracts are either time-and-materials or fixed fee. Service revenues are generally recognized over time as the services are performed. Generally, these services are delivered to customers electronically. Revenue from time-and-material contracts is recognized on an output basis as labor hours are delivered and/or direct expenses are incurred. Revenues for fixed-price services are generally recognized over time by applying input methods to estimate progress to completion. Accordingly, the number of resources being paid for and the varying lengths of time they are being paid for determine the measure of progress.

Arrangements with Multiple Performance Obligations

For contracts with multiple performance obligations, such as a software license plus software training, implementation, and/or maintenance/support, or in contracts where there are multiple software licenses, the Company determines if the products or services are distinct and allocates the consideration to each distinct 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. Additionally, any training, implementation, or support and maintenance promises sold 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 less than one year such that there is no significant financing component.

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, contract liabilities) 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. Invoiced 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 deferred revenue in the condensed consolidated balance sheets.

Contract balances at September 30, 2024 and December 31, 2023 were as follows:

	SEPTEMBER 30, 2024	DECEMBER 31, 2023
	(In thousands)	
Contract assets	\$ 16,230	\$ 10,405
Contract liabilities	\$ 60,513	\$ 61,748

During the nine months ended September 30, 2024, the Company recognized revenue of \$55,782 related to contract liabilities at December 31, 2023.

The unsatisfied performance obligations as of September 30, 2024 were \$123,447. We expect to recognize approximately \$107,010 or 86.7% of this revenue over the next 12 months and the remainder thereafter.

Deferred Contract Acquisition Costs

Under ASC Topic 606, sales commissions paid to the sales force and the related employer payroll taxes, collectively deferred contract acquisition costs, are considered incremental and recoverable costs of obtaining a contract with a customer.

The Company recognizes an asset for the incremental costs of obtaining a contract with a customer if it expects the benefit of those costs to be longer than one year. The Company has determined that certain sales incentive programs meet the requirements to be capitalized. The costs capitalized are primarily sales commissions for our sales force personnel. Capitalized costs to obtain a contract are amortized on a straight-line basis over the expected period of benefit. Amortization of capitalized costs is included in sales and marketing expenses in our condensed consolidated statements of operations and comprehensive income (loss).

Capitalized contract acquisition costs were \$639 and \$655 as of September 30, 2024 and December 31, 2023, respectively, and were included in prepaid expenses and other current assets in the condensed consolidated balance sheets.

Grant Revenue

The Company receives grant funding for certain specific projects from time to time. These grants specify that the funds provided are to be used exclusively to satisfy the deliverables outlined in the grant agreements. In these agreements, both involved parties receive and sacrifice approximately commensurate value, so these are accounted for as exchange transactions, and revenue is recognized according to ASC Topic 606. Grant funding is generally provided near contract inception, so a contract liability is initially recorded and revenue is recognized as the performance obligations are satisfied over time.

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:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2024	2023	2024	2023
	(In thousands)			
Software licenses transferred at a point in time	\$ 10,202	\$ 9,916	\$ 39,031	\$ 38,967
Software licenses transferred over time	25,710	21,414	74,395	59,092
Service revenues earned over time	58,908	54,246	171,361	168,268
Total	\$ 94,820	\$ 85,576	\$ 284,787	\$ 266,327

(j) Earnings per Share

Basic earnings per common share is computed by dividing the net earnings by the weighted-average number of shares outstanding during the reporting period, without consideration for potentially dilutive securities. Diluted shares are calculated under the treasury stock method. Diluted earnings per share is calculated by dividing the

net earnings attributable to stockholders by the weighted-average number of shares and dilutive securities outstanding during the period.

3. 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 September 30, 2024 and December 31, 2023, the investments were bank deposits, overnight sweep accounts, and money market funds. 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 September 30, 2024 and December 31, 2023, no single customer accounted for more than 10% of the Company's accounts receivable. No single customer accounted for more than 10% of the Company's revenues during the nine months ended September 30, 2024 and 2023.

4. Business Combinations

Acquisitions have been accounted for by using the acquisition method of accounting pursuant to FASB ASC 805, "Business Combinations." Amounts allocated to the purchased assets and liabilities assumed are based upon the total purchase price and the estimated fair values of such assets and liabilities on the effective date of the purchase as determined by an independent third party. The results of operations for the acquisitions have been included in the Company's results of operations prospectively from the date of acquisition.

Since 2013, and as of September 30, 2024, the Company has completed 20 acquisitions, of which 13 have included software or technology. Details of acquisitions that have closed since the beginning of fiscal year 2023 are provided below.

Drug Interaction Solutions, University of Washington ("DIDB")

On June 20, 2023, the Company entered into an asset purchase agreement with the University of Washington and completed the acquisition of DIDB, including the Drug Interaction Database and related products, from The University of Washington for a total consideration of \$8,340. The business combination was not significant to the Company's condensed consolidated financial statements.

The total estimated consideration included a portion of contingent consideration that is payable over the next two years in cash, not to exceed \$2,000. Future payments of contingent consideration are based on eligible revenue for the period from July 1, 2023 through June 30, 2025. The fair value of the contingent consideration was estimated to be \$790 as of the acquisition date. At September 30, 2024, the contingent consideration was remeasured to \$136, resulting in a fair value adjustment of \$4 and recorded in general and administrative expenses ("G&A") on the accompanying condensed consolidated statement of operations and comprehensive income (loss).

Based on the Company's purchase price allocation, approximately \$330, \$5,600, \$360, and \$2,289 of the purchase price were assigned to trademarks, database content/technology, customer relationships and goodwill, respectively. The Company expects goodwill to be fully deductible for U.S. federal income tax purposes due to the fact that the acquisition was treated as an asset acquisition under the relevant sections of the Internal Revenue Code ("IRC").

Formedix Limited ("Formedix")

On October 10, 2023, the Company completed the acquisition of Formedix, a provider of clinical metadata repository and clinical trial automation software, for a total estimated consideration of \$41,389. The business combination was not material to the Company's condensed consolidated financial statements.

The total estimated consideration included a portion of contingent consideration that is payable over the next two years in cash, not to exceed \$9,000. The fair value of the contingent consideration related to the revenue threshold was estimated to be \$4,380 as of the acquisition date. Future payments of contingent consideration are based on achieving certain eligible revenue targets for each of the twelve-month periods ended December 31, 2023 and 2024, respectively. Additionally, the Company agreed to further contingent consideration based on the resolution of certain tax contingencies. In total, the fair value of the contingent consideration was estimated to be \$5,161 as of the acquisition date. During the nine months ended September 30, 2024, the Company made a payment of \$1,777 on contingent consideration. At September 30, 2024, the contingent consideration related to eligible revenue was remeasured to zero, resulting in a negative fair value remeasurement and adjustment of \$1,919 and recorded in G&A on the accompanying condensed consolidated statement of operations and comprehensive income (loss).

Based on the Company's purchase price allocation, approximately \$11,700, \$3,100, and \$25,062 of the purchase price were assigned to developed technology, customer relationships, and goodwill, respectively. The Company does not expect goodwill to be deductible due to the fact that the Company treated the acquisition as a stock acquisition under the relevant sections of the IRC.

Applied BioMath, LLC ("ABM")

On December 12, 2023, the Company completed the acquisition of ABM, an industry-leader in providing model-informed drug discovery and development support to help accelerate and de-risk therapeutic research and development, for a total estimated consideration of \$36,594. The business combination was not material to the Company's consolidated financial statements.

Based on the Company's purchase price allocation, approximately \$4,600, \$800, \$13,700, and \$15,872 of the purchase price were assigned to developed technology, non-compete agreements, customer relationships, and goodwill, respectively. The Company expects goodwill to be fully deductible for U.S. federal income tax purposes due to the fact the Company treated the acquisition as an asset acquisition under the relevant sections of the IRC.

The total estimated consideration included a portion of contingent consideration that is payable over the next two years in cash, not to exceed \$17,550. Future payments of contingent consideration are based on achieving certain eligible revenue targets for each of the twelve-month periods ended December 31, 2023 and 2024, respectively. The fair value of the contingent consideration was estimated to be \$5,357 as of the acquisition date. During the nine months ended September 30, 2024, the Company made a payment of \$4,730 on contingent consideration. At September 30, 2024, the contingent consideration related to eligible revenue was remeasured to zero, resulting in a negative fair value remeasurement and adjustment of \$650 and recorded in G&A on the accompanying condensed consolidated statement of operations and comprehensive income (loss).

The contingent considerations for all acquisitions were classified as liability and included in accrued expense and other long-term liabilities on the Company's condensed consolidated balance sheet. The contingent consideration relates to eligible revenues that are remeasured on a recurring basis at fair value for each reporting

period. Any changes in the fair value of these contingent liabilities are included in the earnings in the condensed consolidated statements of operations and comprehensive income (loss).

The results of operations of the acquired businesses and the fair value of the acquired assets and liabilities assumed are included in the Company's condensed consolidated financial statements with effect from the date of the acquisitions.

5. Prepaid Expenses and Other Current Assets and Other Long-Term Assets

Prepaid expense and other current assets at September 30, 2024 and December 31, 2023 consist of the following:

	SEPTEMBER 30, 2024	DECEMBER 31, 2023
	(In thousands)	
Prepaid expenses	\$ 7,345	\$ 6,363
Income tax receivable	3,233	3,395
Research and development tax credit receivable	7,112	5,004
Current portion of interest rate swap asset	2,424	4,473
Other current assets	1,516	1,158
Prepaid expenses and other current assets	<u>\$ 21,630</u>	<u>\$ 20,393</u>

Other long-term assets at September 30, 2024 and December 31, 2023 consisted of the following:

	SEPTEMBER 30, 2024	DECEMBER 31, 2023
	(In thousands)	
Long-term deposits	\$ 1,456	\$ 1,451
Interest rate swap asset - long-term	—	1,151
Deferred financing cost	596	451
Total other long-term assets	<u>\$ 2,052</u>	<u>\$ 3,053</u>

6. Long-Term Debt and Revolving Line of Credit

The Company has been a party to a Credit Agreement since August 2017 that provides for a senior secured term loan and commitments under a revolving credit facility (as amended, the "Credit Agreement"). On June 26, 2024, the Company entered into the Fifth Amendment to its Credit Agreement (the "Amendment"), primarily amended (1) the principal amount of the term loan to \$300,000 and its maturity date to June 26, 2031; and (2) extending the termination date of the \$100,000 revolving credit commitment to June 26, 2029. The term loan under this 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 contains various financial and nonfinancial covenants.

As multiple lenders syndicated funds under the credit agreements, the Company assessed whether existing debt was modified, extinguished, or if new debt was issued under GAAP guidelines. This evaluation was conducted separately for each lender's portion of the loans and commitments in the syndication, treating each lender's participation as if separate debt instruments existed. The Company either deferred and amortize debt issuance costs or recognized expenses or losses, according to the applicable accounting guidance for each category.

[Table of Contents](#)

Borrowings under the Credit Agreement bear interest at a rate per annum equal to, at the election of the Borrowers, either (i) the Term SOFR rate, with a floor of 0.00% plus an applicable margin rate of 3.00% for the Term Loans and between 3.50% and 2.75% for loans under the Revolving Facility, depending on the applicable first lien leverage ratio, or (ii) an Alternate Base Rate (“ABR”), with a floor of 1.00%, plus an applicable margin rate of 2.00% for the Term Loans or between 2.50% and 1.75% for loans under the Revolving Facility, depending on the applicable first lien leverage ratio. The ABR is determined as the greatest of (a) the prime rate, (b) the federal funds effective rate, plus 0.50%, and (iii) the Term SOFR rate plus 1.00%. Additionally, the Company is obligated to pay a commitment fee of the unused amount and other customary fees.

As of September 30, 2024 and December 31, 2023, available borrowings under the revolving lines of credit were \$100,000.

The effective interest rate was 8.96% and 8.67% for the nine months ended September 30, 2024 and 2023 for the term loan debt. As discussed previously, the Company entered into interest rate swap agreements and continues to use the swap to mitigate the interest risk for the Company's debt obligations under the Credit Agreement.

Interest incurred on the Credit Agreement with respect to the term loan amounted to \$6,366, \$6,844, \$19,900, and \$19,283 for the three and nine months ended September 30, 2024 and 2023, respectively. Accrued interest payable on the Credit Agreement with respect to the term loan amounted to \$65 and \$2,400 at September 30, 2024 and December 31, 2023, respectively, and is included in accrued expenses. Interest incurred on the Credit Agreement with respect to the revolving line of credit was \$81, \$65, \$207, and \$193 for the three and nine months ended September 30, 2024 and 2023, respectively. There was \$1 and \$2 accrued interest payable on the revolving line of credit September 30, 2024 and December 31, 2023.

Long-term debt consists of the following:

	SEPTEMBER 30, 2024	DECEMBER 31, 2023
	(In thousands)	
Term loans	\$ 299,250	\$ 294,450
Revolving line of credit	—	—
Less: debt issuance costs	(3,197)	(3,213)
Total	296,053	291,237
Current portion of long-term debt	(3,000)	(3,020)
Long-term debt, net of current portion and debt issuance costs	\$ 293,053	\$ 288,217

The principal amount of long-term debt outstanding as of September 30, 2024 matures in the following years:

	Remainder of 2024	2025	2026	2027	2028	Thereafter	TOTAL
	(In thousands)						
Maturities	\$ 750	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 286,500	\$ 299,250

The Credit Agreements require 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, 2023, the Company was not required to make a mandatory prepayment on the term loan. Under the Credit Agreement (as amended by the Amendment), the Company is required to make a quarterly principal payment of \$750 on the term loans starting September 30, 2024.

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. Leases

The Company leases certain office facilities and equipment under non-cancelable operating leases with remaining terms ranging from less than one to nine years.

Operating lease ROU assets are included in other assets. With respect to operating lease liabilities, current operating lease liabilities are included in current liabilities and non-current operating lease liabilities are included in long-term liabilities in the condensed consolidated balance sheets. At September 30, 2024, the weighted average remaining lease terms were 5.76 years for operating leases, and the weighted average discount rate was 5.54% for operating leases. For additional information on the Company's leases, see Note 14. "Leases" to the consolidated financial statements included in the Company's 2023 Annual Report.

The following table summarizes the lease-related assets and liabilities recorded in the condensed consolidated balance sheets at September 30, 2024 and December 31, 2023:

<u>Lease Position</u>	<u>Balance Sheet Classification</u>	<u>SEPTEMBER 30, 2024</u>	<u>DECEMBER 31, 2023</u>
		(In thousands)	
<u>Assets</u>			
Operating lease assets	Operating lease right-of-use assets	\$ 12,070	\$ 9,604
Total lease assets		<u>\$ 12,070</u>	<u>\$ 9,604</u>
<u>Liabilities</u>			
Current			
Operating	Other current liabilities	\$ 4,581	\$ 4,375
Noncurrent			
Operating	Operating lease liabilities, net of current portion	10,420	6,955
Total lease liabilities		<u>\$ 15,001</u>	<u>\$ 11,330</u>

The following table summarizes by year the maturities of our minimum lease payments as of September 30, 2024:

	OPERATING LEASES	
	(In thousands)	
Remainder of 2024	\$	1,489
2025		4,011
2026		2,837
2027		1,891
2028		1,034
Thereafter		6,087
Total future lease payments		17,349
Less: imputed interest		(2,348)
Total	\$	15,001

8. Accrued Expenses and Other Liabilities

Accrued expenses consist of the following:

	SEPTEMBER 30, 2024		DECEMBER 31, 2023	
	(In thousands)			
Accrued compensation	\$	26,470	\$	28,624
Legal and professional accruals		2,627		3,913
Interest payable		130		2,351
Income taxes payable		1,700		1,010
Short-term contingent consideration liabilities		20,870		18,410
Other		1,497		2,471
Total accrued expenses	\$	53,294	\$	56,779

Other long-term liabilities consist of the following:

	SEPTEMBER 30, 2024		DECEMBER 31, 2023	
	(In thousands)			
Uncertain tax position liability	\$	1,308	\$	2,381
Contingent consideration		23,607		36,828
Total other long-term liabilities	\$	24,915	\$	39,209

9. Equity-Based Compensation

The Company's equity-based compensation programs are intended to attract, retain and provide incentives for employees, officers, and directors. The Company has the following stock-based compensation plans and programs.

Restricted Stock

The majority of the Company's restricted stock awarded to its employees was originally issued on December 10, 2020 in exchange for the Class B Profits Interest Unit (the "Class B Units") of EQT Avatar Parent LP, which was the former parent of the Company.

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.

In 2021, the Company granted 87,127 replacement shares of restricted stock in connection with the acquisition of Pinnacle 21, LLC under which equity-based awards are outstanding. The fair value of the restricted stock awarded was initially based on the fair value of our common stock on the date of grant, then adjusted for time restrictions due to unregistered shares and lack of marketability. The non-vested restricted stock at September 30, 2024 issued in 2021 has a three-year vesting period.

	SHARES	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE
Non-vested restricted stock as of December 31, 2023	538,661	\$ 23.18
Granted*	16,842	17.35
Vested*	(292,242)	22.67
Forfeited	(5,123)	23.00
Cancelled*	(16,842)	23.00
Non-vested restricted stock as of September 30, 2024	241,296	\$ 23.41

* The Company did not legally authorize or issue any restricted stock during the nine month period ended September 30, 2024. During the nine months ended 2024, the Company modified an award for a recipient, resulting in 16,842 shares assumed to be granted, vested, and cancelled.

Equity-based compensation expenses related to the restricted stock exchanged for performance-based Class B Units were \$173, \$333, \$579, and \$497 for the three and nine months ended September 30, 2024 and 2023, respectively. At September 30, 2024, the total unrecognized equity-based compensation expense related to outstanding restricted stock recognized using the accelerated attribution approach was \$249, which is expected to be recognized over a weighted-average period of 10.2 months.

Equity-based compensation expenses related to the restricted stock exchanged for time-based Class B Units were \$196 and \$252, \$794, and \$1,062 for the three and nine months ended September 30, 2024 and 2023, respectively. At September 30, 2024, the total unrecognized equity-based compensation expense related to outstanding restricted stock recognized using the straight-line attribution approach was \$455, which is expected to be recognized over a weighted-average period of 11 months.

Equity-based employee compensation expense related to the time-based restricted stock for the Pinnacle 21, LLC acquisition was \$106, \$292, \$318, and \$877 for the three and nine months ended September 30, 2024 and 2023, respectively. At September 30, 2024, there is no unrecognized equity-based compensation expenses related to outstanding restricted stock recognized using the straight-line attribution approach.

2020 Incentive Plan

In order to align the Company's equity compensation program with public company practices, the Company's Board of Directors adopted and stockholders approved the 2020 Incentive Plan. The 2020 Incentive Plan allows for grants of non-qualified stock options, incentive stock options, restricted stock, restricted stock units ("RSUs"), and performance stock units ("PSUs") to employees, directors, officers, and consultants or advisors of the Company. The 2020 Incentive Plan allows for 20,000,000 shares (the "plan share reserve") of common stock to be issued. No more than the number of shares of common stock equal to the plan share reserve may be issued in aggregate pursuant to the exercise of incentive stock options. The maximum number of shares of common stock granted during a single fiscal year to any non-employee director, taken together with any cash fees paid to such non-employee director during the fiscal year, may not exceed \$1,000,000 in total value, except for certain awards made to a non-executive chair of our Board of Directors.

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, 2023	2,588,403	\$ 23.77
Granted*	2,252,411	17.84
Vested**	(1,111,181)	23.71
Forfeited	(279,526)	20.85
Cancelled*	(42,098)	24.21
Non-vested RSUs as of September 30, 2024	3,408,009	\$ 20.10

* The majority of shares granted during the first nine months of 2024 were issued under the 2020 Incentive Plan. During the first nine months of 2024, the Company modified awards for recipients, resulting in 42,098 shares assumed to be granted, vested, and cancelled for accounting purposes.

** The number of the RSUs vested included 408,378 shares that were withheld on behalf of employees to satisfy the statutory tax withholding requirements.

Equity-based compensation expenses related to the RSUs were \$8,069, \$7,260, \$24,388, and \$19,397 for three and nine months ended September 30, 2024 and 2023, respectively. At September 30, 2024, the total unrecognized equity-based compensation expense related to outstanding RSUs was \$49,584, which is expected to be recognized over a weighted-average period of 24.6 months.

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, unlevered free cash flow growth, annual revenue, and annual EBITDA. The PSUs granted in 2023 and 2024 also contains market conditions.

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 costs.

A summary of the Company's PSU activity for the period ended September 30, 2024 is as follows:

	UNITS	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE
Non-vested PSUs as of December 31, 2023	849,467	\$ 24.84
Granted*	338,445	18.98
Vested**	(30,728)	24.83
Forfeited	(20,042)	21.46
Cancelled*	(394,050)	27.09
Non-vested PSUs as of September 30, 2024	743,092	\$ 21.07

* During the first half of 2024, the Company modified an award for a recipient, resulting in 6,651 shares assumed to be granted and cancelled for accounting purpose.

** The number of the PSUs vested included 46,785 shares that were withheld on behalf of employees to satisfy the statutory tax withholding requirements.

Equity-based compensation expenses related to the PSUs were \$(358), \$506, \$964, and \$(1,035) for the three and nine months ended at September 30, 2024 and 2023, respectively. At September 30, 2024, the total unrecognized equity-based compensation expense related to outstanding PSUs was \$1,335, which is expected to be recognized over a weighted-average period of 15.7 months.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2024	2023	2024	2023
	(In thousands)			
Cost of revenues	\$ 3,235	\$ 3,198	\$ 10,095	\$ 8,328
Sales and marketing	865	343	2,546	1,272
Research and development	1,302	1,919	4,306	4,789
General and administrative	2,785	3,185	10,096	6,409
Total	\$ 8,187	\$ 8,645	\$ 27,043	\$ 20,798

10. Commitments and Contingencies

Contingent consideration

In connection with the business acquisitions, the Company is required to pay additional consideration if the acquired businesses achieve certain eligible revenue thresholds for certain periods. The maximum contingent considerations related to revenue thread to be earned are \$88,550. Additionally, the Company agreed to further contingent consideration based on the resolution of certain tax contingencies related to the Formedix acquisition. During the nine months ended September 30, 2024, the Company made a combined payment of \$18,863 on the contingent consideration, consisting of \$15,156 in cash and \$3,707 in Company's stock. The total contingent liabilities were \$44,477 and \$55,238 at September 30, 2024 and December 31, 2023, respectively. The contingent liabilities are included in accrued expenses and other long-term liabilities in the Company's condensed consolidated balance sheet.

Legal proceedings

The Company does not have any pending or threatened litigation which, individually or in the aggregate, would have a material adverse effect on its condensed consolidated financial statements as of September 30, 2024.

Assurance-type warranty

The Company includes an assurance commitment warranting that the application software products will perform in accordance with written user documentation and the agreements negotiated with customers. Since the Company does not customize its application software, warranty costs have historically been insignificant and expensed as incurred.

For information related to commitments for future minimum lease payments, please see Note 7. "Leases".

11. 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 nine months ended September 30, 2024 and 2023:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2024	2023	2024	2023
Revenue(1):				
Americas	\$ 69,906	\$ 64,634	\$ 208,690	\$ 199,824
EMEA	18,117	14,721	56,205	46,746
Asia Pacific	6,797	6,221	19,892	19,757
Total	\$ 94,820	\$ 85,576	\$ 284,787	\$ 266,327

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

12. 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 provision 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, permanent differences, 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 nine months ended September 30, 2024 and 2023 were 17%, 9%, 4%, and (0.3)%, respectively, including discrete tax items. The current year decrease in the ETR was principally due to the combined effect of the overall decrease in pre-tax book income, the impact of non-deductible items, and the tax effect of certain discrete items.

13. Earnings per Share

Basic earnings per share is computed by dividing net income (loss) attributable to common stockholders by the weighted-average common shares outstanding for the period. Diluted earnings per share is computed by dividing the net income (loss) attributable to stockholders by the weighted-average number of shares and dilutive potential common shares during the period.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2024	2023	2024	2023
Net income (loss) available to common shareholders	\$ (1,371)	\$ (48,965)	\$ (18,628)	\$ (42,901)
Basic weighted-average common shares outstanding	160,642,052	159,165,206	160,225,375	158,769,638
Basic earnings per common share	<u>\$ (0.01)</u>	<u>\$ (0.31)</u>	<u>\$ (0.12)</u>	<u>\$ (0.27)</u>
Diluted earnings per share				
Net income (loss) available to common shares	\$ (1,371)	\$ (48,965)	\$ (18,628)	\$ (42,901)
Basic weighted-average common shares outstanding	160,642,052	159,165,206	160,225,375	158,769,638
Dilutive potential common shares	—	—	—	—
Diluted weighted-average common shares outstanding	160,642,052	159,165,206	160,225,375	158,769,638
Diluted earnings per common share	<u>\$ (0.01)</u>	<u>\$ (0.31)</u>	<u>\$ (0.12)</u>	<u>\$ (0.27)</u>

-
- For the period ended September 30, 2024 and 2023, the Company excluded potentially dilutive securities from the calculation of diluted earnings per share that could potentially dilute earnings per share in the future because of the anti-dilutive effect of the reported net loss.

14. Subsequent Event

On October 1, 2024, the Company completed the acquisition of Chemaxon, a leading provider of scientific informatics software products. The total cash consideration paid for this acquisition is \$90,000. The Company will finalize the initial accounting for the acquisition of Chemaxon, including the allocation of the purchase consideration, in the fourth quarter of 2024.

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 2023 Annual Report. 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 section “Special Note Regarding Forward-Looking Statements” of this Quarterly Report.

We intend the discussion of our financial condition and results of operations that follows to provide information that will assist the reader in understanding our condensed consolidated financial statements, the changes in certain key items in those financial statements from period to period, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies, and estimates affect our condensed consolidated financial statements.

Executive Overview

We are a leading provider of biosimulation technology and solutions for using Model-Informed Drug Development ("MIDD") in the global biopharmaceutical industry. Biosimulation and MIDD can increase the probability of success in bringing a new drug to market and decrease the costs of drug development. In addition, MIDD strategies are increasingly utilized to help predict commercial success, a critical part of the drug development process as new products must be both approved by regulators and adopted by the market. Our goal is to enable the life science industry to use data, modeling, and analytics to make better decisions during drug development and commercialization to increase productivity rates and vastly reduce development costs.

Drug development is necessarily a highly regulated process involving the collection of vast amounts of laboratory, clinical and evidence data, and there are many failures at every step along the way that add to the total cost. The pharmaceutical industry spends more than \$260 billion annually on research and development (“R&D”). Generally, companies spend an average of \$6.2 billion per US Food and Drug Administration ("FDA") approved drug according to "Analysis of pharma R&D productivity - a new perspective needed" on Drug Discovery Today. Our software and scientists incorporate modern advances in scientific understanding, drug development experience, data analysis, and artificial intelligence (“AI”) resulting in significant opportunities to decrease the cost and increase the odds of new drug approval and commercial success.

Our proprietary biosimulation platforms are built on biology, chemistry, and pharmacology principles with proprietary mathematical algorithms that model how medicines and diseases behave in the body. For over two decades, our scientists have developed and validated our biosimulation technology using data from scientific literature, laboratory research, preclinical and clinical studies. To do this, we have developed solutions for the collection, standardization, validation, storage, and analysis of the preclinical, and clinical data needed for MIDD. These data solutions are used internally and by global life sciences companies.

The scientific principles underlying our work with customers in biosimulation and MIDD must be transparent and fully explainable during the regulatory process, so we have become experts at incorporating data and results

into regulatory documents. Our software and regulatory services streamline the creation of regulatory filings and speed regulatory data flow to maximize the chances of successful commercialization.

AI and machine learning technologies are being incorporated across our software and services portfolios, providing opportunities to expand the number of data sources utilized, better predict outcomes, and streamline reporting. For example, we are using machine learning to automate and speed the process of biosimulation, and we have created an AI application to aid in creating regulatory documents from scientific analyses and clinical data. We believe that AI predictive models will continue to enhance the accuracy and usefulness of biosimulation models and be utilized broadly across drug development.

We deliver software and technology-enabled services. Our strategy is to create and apply validated software applications that can be used broadly in the life science industry. We offer services, leveraging our technology, delivered by scientists with extensive drug development experience to aid our clients in applying biosimulation and MIDD to their specific projects.

Since 2014, customers who leverage our solutions have received more than 90% of all new drug approvals by the FDA. We have worked with nearly 2,400 life sciences companies and academic institutions and have collaborated on more than 8,000 customer projects in the last decade across a wide variety of therapeutic areas, ranging from cancer and hematology to diabetes and hundreds of rare diseases. Our software products are licensed by more than 57,000 users and are also used by 23 global drug regulatory agencies, including the U.S. FDA, Japan's Pharmaceuticals and Medical Devices Agency, and the China Food and Drug Administration.

With continued innovation in and adoption of our biosimulation software, technology, and services, we believe more life science 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.

Key Factors Affecting Our Performance

We believe that the growth and future success of our business depend 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 the results of our 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 net retention rates.

- **Bookings:** Our new bookings represent the estimated contract value of 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.
- **Net Retention Rates:** Our net retention rates measure the percentage of recurring revenue that is retained from existing software customers over a specific period of time, inclusive of price increases and expansion, excluding revenue from acquisitions occurred within the past 12 months.

The table below summarizes our quarterly bookings and net software retention rate trends:

	2024			2023		
	Q1	Q2	Q3	Q1	Q2	Q3
	(in millions except percentage)					
Bookings	\$ 105.8	\$ 98.9	\$ 96.1	\$ 112.7	\$ 85.9	\$ 84.8
Net Retention Rates	114.1 %	108.0 %	107.6 %	110.5 %	111.3 %	107.4 %

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 in (i) scientific talent to expand our ability to deliver solutions across the drug development spectrum; (ii) sales and marketing to promote our solutions to new and existing customers and in existing and expanded geographies; (iii) research and development to support existing solutions and innovate new technology; (iv) other operational and administrative functions to support our expected growth; and (v) complementary businesses. We expect that our headcount and our total operating expenses will continue to increase over time.

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 European Medicines Agency, 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 products and 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 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 our view, the principal competitive factors in our market are the functionality and quality of models, the breadth of molecular types, therapeutic areas, and modalities supported, regulator acceptance of our solutions, ease of use and functionality of applications, depth of experience in drug

development, brand awareness and reputation, total cost, and the ability to securely integrate with other enterprise applications and the overall drug development process in the customer.

Macroeconomic conditions

Uncertain macroeconomic conditions, including higher inflation, rising interest rates and instability in the financial system, geopolitical conflicts, and pandemics or other infectious disease outbreaks, may pose challenges to our business. We believe that any impacts these conditions may have on our business would be transitory and we are well-equipped to manage them going forward.

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, adjusted net income, and adjusted diluted earnings per share, 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 the 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, goodwill impairments, change in fair value of contingent consideration, acquisition and integration expense, and other items not indicative of our ongoing operating performance. Management also measures operating performance based on adjusted net income defined for a particular period as net income (loss) excluding, equity-based compensation expense, amortization of acquisition-related intangible assets, goodwill impairments, change in fair value of contingent consideration, acquisition and integration expense, and other items not indicative of our ongoing operating performance. Further, management measures operating performance based on adjusted diluted earnings per share defined for a particular period as adjusted net income divided by the weighted-average diluted common shares outstanding.

We believe adjusted EBITDA, adjusted net income, and adjusted diluted earnings per share are helpful to investors, analysts, and other interested parties because they can assist in providing a more consistent and comparable overview of our operations across our historical periods. In addition, these measures are frequently used by analysts, investors, and other interested parties to evaluate and assess performance.

Adjusted EBITDA, adjusted net income, and adjusted diluted earnings per share are non-GAAP measures and are 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, adjusted net income, and adjusted diluted earnings per share have certain limitations in that they do not include the impact of certain expenses that are reflected in our condensed consolidated statements of operations and comprehensive income (loss) that are necessary to run our business. Other companies, including those in our industry, may not use these measures and may calculate them differently than those presented, limiting the usefulness as a comparative measure.

The following table reconciles net loss to adjusted EBITDA:

	<u>THREE MONTHS ENDED SEPTEMBER 30,</u>		<u>NINE MONTHS ENDED SEPTEMBER 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	(in thousands)			
Net loss(a)	\$ (1,371)	\$ (48,965)	\$ (18,628)	\$ (42,901)
Interest expense(a)	5,187	5,903	16,516	17,046
Interest income(a)	(2,609)	(2,864)	(7,669)	(6,428)
(Benefit from) Provision for income taxes(a)	(290)	(4,644)	(736)	142
Depreciation and amortization expense(a)	439	367	1,322	1,139
Intangible asset amortization(a)	16,353	13,813	48,495	40,099
Currency (gain) loss(a)	1,546	(2,179)	2,526	(165)
Equity-based compensation expense(b)	8,187	8,645	27,043	20,798
Change in fair value of contingent consideration(d)	2,431	8,757	8,092	11,316
Goodwill impairment expense(e)	—	46,984	—	46,984
Acquisition-related expenses(f)	1,364	1,392	4,151	3,276
Integration expense(g)	—	33	—	190
Transaction - related expenses (h)	(128)	—	2,625	—
Severance expense(i)	—	—	183	—
Reorganization expense(j)	1,730	1,602	3,944	1,602
Loss on disposal of fixed assets(k)	—	—	13	29
Executive recruiting expense(l)	222	—	645	396
Adjusted EBITDA	<u>\$ 33,061</u>	<u>\$ 28,844</u>	<u>\$ 88,522</u>	<u>\$ 93,523</u>

The following table reconciles net loss to adjusted net income:

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2024	2023	2024	2023
	(in thousands)			
Net loss (a)	\$ (1,371)	\$ (48,965)	\$ (18,628)	\$ (42,901)
Currency (gain) loss(a)	1,546	(2,179)	2,526	(165)
Equity-based compensation expense(b)	8,187	8,645	27,043	20,798
Amortization of acquisition-related intangible assets(c)	13,351	11,377	40,041	33,892
Change in fair value of contingent consideration(d)	2,431	8,757	8,092	11,316
Goodwill impairment expense(e)	—	46,984	—	46,984
Acquisition-related expenses(f)	1,364	1,392	4,151	3,276
Integration expense(g)	—	33	—	190
Transaction - related expenses (h)	(128)	—	2,625	—
Severance expense(i)	—	—	183	—
Reorganization expense(j)	1,730	1,602	3,944	1,602
Loss on disposal of fixed assets(k)	—	—	13	29
Executive recruiting expense(l)	222	—	645	396
Income tax expense impact of adjustments(m)	(7,079)	(10,572)	(22,442)	(20,669)
Adjusted net income	\$ 20,253	\$ 17,074	\$ 48,193	\$ 54,748

The following table reconciles diluted earnings per share to adjusted diluted earnings per share:

	<u>THREE MONTHS ENDED SEPTEMBER 30,</u>		<u>NINE MONTHS ENDED SEPTEMBER 30,</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Diluted earnings per share(a)	\$ (0.01)	\$ (0.31)	\$ (0.12)	\$ (0.27)
Currency (gain) loss(a)	0.01	(0.01)	0.02	—
Equity-based compensation expense(b)	0.05	0.06	0.17	0.13
Amortization of acquisition-related intangible assets(c)	0.08	0.07	0.25	0.21
Change in fair value of contingent consideration(d)	0.02	0.05	0.05	0.07
Goodwill impairment expense(e)	—	0.30	—	0.30
Acquisition-related expenses(f)	0.01	0.01	0.03	0.02
Integration expense(g)	—	—	—	—
Transaction - related expenses (h)	—	—	0.02	—
Severance expense(i)	—	—	—	—
Reorganization expense(j)	0.01	0.01	0.02	0.01
Loss on disposal of fixed assets(k)	—	—	—	—
Executive recruiting expense(l)	—	—	—	—
Income tax expense impact of adjustments(m)	(0.04)	(0.07)	(0.14)	(0.13)
Adjusted diluted earnings per share	<u>\$ 0.13</u>	<u>\$ 0.11</u>	<u>\$ 0.30</u>	<u>\$ 0.34</u>
Basic weighted average common shares outstanding	160,642,052	159,165,206	160,225,375	158,769,638
Effect of potentially dilutive shares outstanding (n)	323,745	742,488	723,301	1,078,382
Adjusted diluted weighted average common shares outstanding	160,965,797	159,907,694	160,948,676	159,848,020

(a) Represents amounts as determined under GAAP.

(b) Represents expenses 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 amortization costs associated with acquired intangible assets in connection with business acquisitions.

(d) Represents expense associated with remeasuring fair value of contingent consideration of business acquisition.

(e) Represents expense associated with goodwill impairment charge.

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

- (g) Represents integration costs related to post-acquisition integration activities.
- (h) Represents costs associated with our public offerings that are not capitalized, as well as debt issuance costs that are not deferred or treated as a contra-liability directly deducted from the carrying value of the associated debt liability.
- (i) Represents charges for severance provided to former executives.
- (j) Represents expenses related to reorganization, including legal entity reorganization and lease abandonment costs associated with the evaluation of our office space footprint.
- (k) Represents the gain or loss related to the disposal of fixed assets.
- (l) Represents recruiting and relocation expenses related to hiring senior executives.
- (m) Represents the income tax effect of the non-GAAP adjustments calculated using the applicable statutory rate by jurisdiction.
- (n) Represents potentially dilutive shares that were included from our GAAP diluted weighted average common shares outstanding.

Components of Results of Operations

Revenues

Our business generates revenue from the sales of software products and the 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 upfront that is not recognized in the current period is included in deferred revenue in our condensed 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-driven services and professional services, which include software implementation services. Our service arrangements are time and materials, a fixed fee, or prepaid. Revenues are recognized over the time as 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 expenses consist primarily of employee-related expenses, equity-based compensation, 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 consist primarily of employee-related expenses, equity-based compensation, third-party consulting, 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 expenses ("G&A") consist 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. G&A expenses also include professional fees for external legal, accounting and other consulting services, allocated overhead costs, and other general operating expenses.
- **Intangible Asset Amortization.** Intangible asset amortization consists primarily of amortization expense related to intangible assets recorded in connection with acquisitions and amortization of capitalized software development costs.
- **Depreciation and Amortization Expense.** Depreciation and amortization expenses consist of depreciation of property and equipment and amortization of leasehold improvements.

Other Expenses

- **Interest Expense.** Interest expense consists primarily of interest expense associated with our Credit Agreement, including amortization of debt issuance costs and discounts.
- **Net Other Income (Expense).** Net other income (expense) consists of miscellaneous non-operating expenses primarily comprised of interest income and 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 more profitable.

Business Combinations

Since 2013 and as of September 30, 2024, we have completed 20 acquisitions, of which 13 have included software or technology. Details of acquisitions that have closed since the beginning of fiscal year 2023 are provided below. We continually seek and assess a range of highly focused opportunities in our immediately addressable market and in related adjacent markets, whether through acquisitions, licenses, or partnerships.

Drug Interaction Solutions, University of Washington ("DIDB")

On June 20, 2023, we entered into an asset purchase agreement with the University of Washington and completed the acquisition of DIDB, including the Drug Interaction Database and related products, from The University of Washington for a total estimated consideration of \$8.3 million. The business combination was not significant to the Company's condensed consolidated financial statements.

Based on our purchase price allocation, approximately \$0.3 million, \$5.6 million, \$0.4 million, and \$2.3 million of the purchase price was assigned to trademarks, database content/technology, customer relationships and goodwill, respectively. The total estimated consideration included a portion of contingent consideration that is payable over the next two years in cash, not to exceed \$2.0 million. The fair value of the contingent consideration was estimated to be \$0.8 million as of the acquisition date. At September 30, 2024, the contingent consideration was remeasured to \$0.1 million, resulting in a fair value adjustment of \$4 thousand and recorded in G&A on the accompanying condensed consolidated statement of operations and comprehensive income (loss).

Formedix Limited ("Formedix")

On October 10, 2023, we completed the acquisition of Formedix for a total estimated consideration of \$41.4 million. The business combination was not material to our condensed consolidated financial statements.

Based on our purchase price allocation, approximately \$11.7 million, \$3.1 million, and \$25.1 million of the purchase price were assigned to developed technology, customer relationships and goodwill, respectively.

The total estimated consideration included a portion of contingent consideration that is payable over two years in cash, not to exceed \$9.0 million. The fair value of the contingent consideration related to the revenue threshold was estimated to be \$4.4 million as of the acquisition date. Future payments of contingent consideration are based on achieving certain eligible revenue targets for each of the twelve-month periods ended December 31, 2023 and 2024, respectively. Additionally, another portion of the contingent consideration is based on the resolution of certain tax contingencies. In total, the fair value of the contingent consideration was estimated to be \$5.2 million as of the acquisition date. During the nine months ended September 30, 2024, the Company made payments of \$1.8 million on contingent consideration. At September 30, 2024 the contingent consideration related to revenues was remeasured to zero, resulting in a negative fair value remeasurement of \$1.9 million and recorded in G&A on the accompanying condensed consolidated statement of operations and comprehensive income (loss).

Applied BioMath, LLC ("ABM")

On December 12, 2023, we completed the acquisition of ABM, an industry-leader in providing model-informed drug discovery and development support to help accelerate and de-risk therapeutic research and development, for a total estimated consideration of \$36.6 million. The business combination was not material to our condensed consolidated financial statements.

Based on our preliminary purchase price allocation, approximately \$4.6 million, \$0.8 million, \$13.7 million and \$15.9 million of the purchase price was assigned to developed technology, non-compete agreements, customer relationships and goodwill, respectively.

The total estimated consideration includes a portion of contingent consideration that is payable over two years in cash, not to exceed \$17.6 million. Future payments of contingent consideration are based on achieving certain eligible revenue targets for each of the twelve-month periods ended December 31, 2023 and 2024, respectively. The fair value of the contingent consideration was estimated to be \$5.4 million as of the acquisition date. During the nine months ended September 30, 2024, the Company made payments of \$4.7 million on contingent

consideration. At September 30, 2024, the contingent consideration was remeasured to zero, resulting in a negative fair value adjustment of \$0.7 million and recorded in G&A on the accompanying condensed consolidated statement of operations and comprehensive income (loss).

The contingent considerations for all acquisitions were classified as a liabilities and included in accrued expenses and other long-term liabilities on our condensed consolidated balance sheet. The contingent considerations related with revenue threshold are remeasured on a recurring basis at fair value for each reporting period. Any changes in the fair value of these contingent liabilities are included in the earnings in the condensed consolidated statements of operations and comprehensive income (loss).

The results of operations of the acquired businesses and the fair value of the acquired assets and liabilities assumed are included in the Company's condensed consolidated financial statements with effect from the date of the acquisitions.

For more information about our acquisitions, see Note 4. "Business Combinations" in the notes to the condensed consolidated financial statements.

Results of Operations

We have included the results of operations of acquired companies in our condensed 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 nine months ended September 30, 2024 to the three and nine months ended September 30, 2023, respectively.

Three Months Ended September 30, 2024 Versus Three Months Ended September 30, 2023

The following table summarizes our unaudited statements of operations data for the three months ended at September 30, 2024 and 2023:

Revenues

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Software	\$ 35,912	\$ 31,331	\$ 4,581	15 %
Services	58,908	54,245	4,663	9 %
Total revenues	\$ 94,820	\$ 85,576	\$ 9,244	11 %

Total revenues increased \$9.2 million, or 11%, to \$94.8 million for the three months ended September 30, 2024 as compared to the same period in 2023. The overall revenue growth was primarily due to an increase in our technology-enabled services and software product offerings, driven by strong demand from existing customers, client expansions, new customers, and business acquisitions.

Software revenues increased \$4.6 million, or 15%, to \$35.9 million for the three months ended September 30, 2024 as compared to the same period in 2023, primarily driven by strong demand within existing customers and expanding relationships with customers, and business acquisitions.

Services revenues increased \$4.7 million, or 9%, to \$58.9 million for the three months ended September 30, 2024 as compared to the same period in 2023, primarily attributed to growth from business acquisitions continued growth in technology-enabled services with existing and new customers.

Cost of Revenues

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Cost of revenues	\$ 37,189	\$ 35,876	\$ 1,313	4 %

Cost of revenues increased \$1.3 million, or 4%, to \$37.2 million for the three months ended September 30, 2024 as compared to the same period in 2023. The increase was primarily due to a \$1.1 million increase in employee-related costs resulting from billable headcount growth, a \$0.7 million increase in intangible assets amortization, a \$0.5 million increase in equipment and software expenses, and a \$0.3 million decrease in capitalized cost in R&D, partially offset by a \$1.1 million decrease in consulting and professional costs, and a \$0.2 million decrease in travel related expense.

Sales and Marketing Expenses

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Sales and marketing	\$ 11,347	\$ 7,238	\$ 4,109	57 %
% of total revenues	12 %	8 %		

Sales and marketing expenses increased by \$4.1 million, or 57%, to \$11.3 million for the three months ended September 30, 2024 as compared to the same period in 2023. Sales and marketing expenses increased primarily due to a \$1.8 million increase in employee-related costs mainly resulting from head count growth driven by acquisitions along with investment to build the commercial organization, a \$1.1 million increase in commission expenses, a \$0.5 million increase in stock-based compensation costs, a \$0.3 million increase in marketing expenses, a \$0.2 million increase in professional and consulting expenses, and a \$0.1 increase in travel expense.

Research and Development Expenses

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Research and development	\$ 8,271	\$ 8,980	\$ (709)	(8)%
% of total revenues	9 %	10 %		

Research and development expenses decreased by \$0.7 million, or 8%, to \$8.3 million for the three months ended September 30, 2024 as compared to the same period in 2023. The decrease in research and development expenses was primarily due to a \$1.9 million increase in capitalized cost in R&D, a \$0.6 million decrease in stock-based compensation costs, partially offset by a \$1.5 million increase in employee-related costs, mainly resulting from head count growth associated with investments in software development, including AI integration across our product portfolio, and a \$0.3 million increase in the equipment and software expense.

General and Administrative Expenses

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
General and administrative	\$ 22,030	\$ 27,760	\$ (5,730)	(21)%
% of total revenues	23 %	32 %		

General and administrative expenses decreased by \$5.7 million, or 21%, to \$22.0 million for the three months ended September 30, 2024 as compared to the same period in 2023. The decrease in general and administrative expenses was primarily due to a \$6.3 million decrease related to remeasurement changes in the fair value of contingent consideration, a \$0.6 million decrease in provision for credit allowance, a \$0.6 million decrease in equipment & software expense, a \$0.4 million decrease in stock-based compensation costs, and a \$0.4 million decrease in lease abandonment expense, partially offset by a \$1.6 million increase in employee-related costs primarily resulting from headcount growth and organizational restructure, and an \$0.8 million increase in professional and consulting expenses.

Intangible Asset Amortization

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Intangible asset amortization	\$ 12,950	\$ 11,155	\$ 1,795	16 %
% of total revenues	14 %	13 %		

Intangible asset amortization expense increased by \$1.8 million, or 16%, to \$13.0 million for the three months ended September 30, 2024 as compared to the same period in 2023. The increase in intangible asset amortization expense was primarily due to a \$1.2 million increase in amortization in acquired intangible assets and a \$0.6 million increase in amortization in capitalized software.

Depreciation and Amortization Expense

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Depreciation and amortization	\$ 439	\$ 367	\$ 72	20 %
% of total revenues	— %	— %		

Depreciation and amortization expense increased \$0.1 million, to \$0.4 million for the three months ended September 30, 2024 as compared to the same period in 2023. The increase in depreciation and amortization expense was primarily due to a \$0.1 million increase in depreciation expense for computer equipment.

Goodwill Impairment Expense

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Goodwill impairment expense	—	\$ 46,984	\$ (46,984)	nm

There was no goodwill impairment charge for the three months ended September 30, 2024. Goodwill impairment expense was \$47.0 million for the three months ended September 30, 2023. The goodwill impairment expense in the previous year was primarily due to an impairment related to the legacy Regulatory and Writing reporting unit, as its carrying value exceeded its fair value.

Interest Expense

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Interest expense	\$ 5,187	\$ 5,903	\$ (716)	(12)%
% of total revenues	5 %	7 %		

Interest expense decreased by \$0.7 million, or 12%, to \$5.2 million for the three months ended September 30, 2024, as compared to the same period in 2023. The change in interest expense was primarily due to a \$0.5 million decrease in interest from our floating rate term loan debt, primarily related to the base margin rate reduction from term loan refinancing, and a \$0.2 million decrease related with the amortization of debt issuance cost.

Net Other Income

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Net other income	\$ (932)	\$ (5,078)	\$ 4,146	(82)%
% of total revenues	(1)%	(6)%		

Net other income decreased by \$4.1 million, to \$0.9 million for the three months ended September 30, 2024 as compared to the same period in 2023. The decrease in net other income was primarily due to a \$3.7 million increase in expense from remeasurement related to the fluctuation of the foreign currency rate and a \$0.3 million decrease in interest income.

Provision (Benefit) for Income Taxes

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Provision (benefit) for income taxes	\$ (290)	\$ (4,644)	\$ 4,354	(94)%
Effective income tax rate	17 %	9 %		

Our income tax benefit was \$0.3 million, resulting in an effective income tax rate of 17% for the three months ended September 30, 2024 as compared to an income tax benefit of \$4.6 million, or an effective income tax rate of 9%, for the same period in 2023. Our income tax expense for the three months ended September 30, 2024 and 2023 was primarily due to the tax effects of U.S. pre-tax income, the relative mix of domestic and international earnings, the impact of non-deductible items, adjustments to the valuation allowances, the effects of tax elections made for U.K. earnings, and discrete tax items.

Net Loss

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Net loss	\$ (1,371)	\$ (48,965)	\$ 47,594	(97)%

Net loss was \$1.4 million representing a \$47.6 million change in net income for the three months ended September 30, 2024 as compared to a net loss of \$49.0 million for the same period of 2023. The increase in net income was primarily due to a \$47.4 million decrease in operating expense mainly related to a \$47.0 million goodwill impairment charge recorded in the third quarter of 2023, a \$9.2 million increase in revenue, and a \$0.7 million decrease in interest expense, partially offset by a \$4.1 million decrease in total other income, a \$4.4 million decrease in tax benefit, and a \$1.3 million increase in cost of revenue.

Nine Months Ended September 30, 2024 Versus Nine Months Ended September 30, 2023

The following table summarizes our unaudited statements of operations data for the nine months ended at September 30, 2024 and 2023:

Revenues

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Software	\$ 113,426	\$ 98,058	\$ 15,368	16 %
Services	171,361	168,269	3,092	2 %
Total revenues	\$ 284,787	\$ 266,327	\$ 18,460	7 %

Total revenues increased by \$18.5 million, or 7%, to \$284.8 million for the nine months ended September 30, 2024 as compared to the same period in 2023. The overall increase in revenues was primarily due to growth in

our software product offerings, driven by strong demand from existing customers, client expansions, and new customers, as well as growth from our technology-enabled services and business acquisitions.

Software revenues increased \$15.4 million, or 16%, to \$113.4 million for the nine months ended September 30, 2024 as compared to the same period in 2023, primarily driven by strong demand within existing customers, client expansions, new customers, and growth from business acquisitions.

Services revenues increased \$3.1 million, or 2% to \$171.4 million for the nine months ended September 30, 2024 as compared to the same period in 2023, primarily attributed to increase in revenue from our technology-enabled services and business acquisitions.

Cost of Revenues

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Cost of revenues	\$ 116,253	\$ 106,956	\$ 9,297	9 %

Cost of revenues increased by \$9.3 million, or 9%, to \$116.3 million for the nine months ended September 30, 2024 as compared to the same period in 2023. The increase was primarily due to a \$5.5 million increase in employee-related costs resulting from billable headcount growth, a \$2.4 million increase in intangible assets amortization, a \$1.8 million increase in stock-based compensation costs, a \$1.5 million increase in equipment and software expenses, and a \$0.5 million decrease in capitalized cost in R&D, partially offset by a \$2.2 million decrease in professional and consulting expenses, and a \$0.2 million decrease in cost related to license and service.

Sales and Marketing Expenses

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Sales and marketing	\$ 34,247	\$ 23,351	\$ 10,896	47 %
% of total revenues	12 %	9 %		

Sales and marketing expenses increased by \$10.9 million, or 47%, to \$34.2 million for the nine months ended September 30, 2024 as compared to the same period in 2023. Sales and marketing expenses increased primarily due to a \$4.3 million increase in employee-related costs mainly resulting from head count growth driven by acquisitions along with investment to build the commercial organization, a \$2.9 million increase in commission expense, a \$1.3 million increase in stock-based compensation costs, a \$1.0 million increase in marketing expenses, a \$0.6 million increase in professional and consulting expenses, a \$0.5 million increase in travel expenses, and a \$0.3 million increase in equipment and software expenses.

Research and Development Expenses

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Research and development	\$ 29,333	\$ 26,155	\$ 3,178	12 %
% of total revenues	10 %	10 %		

Research and development expenses increased by \$3.2 million, or 12%, to \$29.3 million for the nine months ended September 30, 2024 as compared to the same period in 2023. The change in research and development expenses was primarily due to a \$7.2 million increase in employee-related costs, mainly resulting from head count growth associated with investments in software development, including AI integration across our product portfolio, a \$0.7 million increase in equipment and software expenses, and a \$0.5 million increase in the cost of licenses, partially offset by a \$4.4 million increase in capitalized cost in R&D, a \$0.5 million decrease in stock-based compensation costs, and a \$0.4 million decrease in professional and consulting expenses.

General and Administrative Expenses

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
General and administrative	\$ 73,080	\$ 61,777	\$ 11,303	18 %
% of total revenues	26 %	23 %		

General and administrative expenses increased by \$11.3 million, or 18%, to \$73.1 million for the nine months ended September 30, 2024 as compared to the same period in 2023. The increase in general and administrative expenses was primarily due to a \$6.1 million increase in employee-related costs, mainly resulting from headcount growth and organizational restructuring, a \$3.7 million increase in stock-based compensation costs, a \$2.4 million increase in transaction expense primarily related to refinancing of our term loan and revolving line of credit, a \$1.4 million increase in professional and consulting expenses, a \$0.6 million increase in merger and acquisition expenses, a \$0.3 million increase in provision for credit allowance, a \$0.3 million increase in public company-related expense, and a \$0.2 million increase in executive recruiting, partially offset by a \$3.2 million decrease related to remeasurement changes in the fair value of contingent consideration, and a \$0.5 million decrease in equipment and software expenses.

Intangible Asset Amortization

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Intangible asset amortization	\$ 38,286	\$ 32,272	\$ 6,014	19 %
% of total revenues	13 %	12 %		

Intangible asset amortization expense increased by \$6.0 million, or 19%, to \$38.3 million for the nine months ended September 30, 2024, as compared to the same period in 2023. The increase in intangible asset amortization expense was primarily due to a \$3.8 million increase in amortization in acquired intangible assets and a \$2.2 million increase in amortization in capitalized software.

Depreciation and Amortization Expense

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Depreciation and amortization	\$ 1,322	\$ 1,139	\$ 183	16 %
% of total revenues	— %	— %		

Depreciation and amortization expense increased \$0.2 million, to \$1.3 million for the nine months ended September 30, 2024 as compared to the same period in 2023. The increase in depreciation and amortization expense was primarily due to an increase in depreciation expense for computer equipment.

Goodwill Impairment Expense

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Goodwill impairment expense	—	46,984	\$ (46,984)	nm

There was no goodwill impairment charge for the nine months ended September 30, 2024. Goodwill impairment expense was \$47.0 million for the nine months ended September 30, 2023. The goodwill impairment charge in the previous year was primarily due to an impairment related to the legacy Regulatory and Writing reporting unit, as its carrying value exceeded its fair value.

Interest Expense

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Interest expense	\$ 16,516	\$ 17,046	\$ (530)	(3)%
% of total revenues	6 %	6 %		

Interest expense decreased by \$0.5 million, or 3%, to \$16.5 million for the nine months ended September 30, 2024 as compared to the same period in 2023. The decrease in interest expense was primarily due to a \$0.8 million increase in gain from our interest swap hedge activities, and a \$0.3 million decrease in amortization of debt issuance costs, partially offset by a \$0.6 million increase in interest expense from term loan debt.

Net Other Income

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Net other income	\$ (4,886)	\$ (6,594)	\$ 1,708	(26)%
% of total revenues	(2)%	(2)%		

Net other income decreased by \$1.7 million, or 26%, to \$4.9 million for the nine months ended September 30, 2024 as compared to the same period in 2023. The decrease in net other income was primarily due to a \$2.7 million in remeasurement loss related to the fluctuation of the foreign currency rate, partially offset by a \$1.2 million increase in interest income, primarily from cash investments.

Provision (Benefit) for Income Taxes

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Provision (benefit) for income taxes	\$ (736)	\$ 142	\$ (878)	(618)%
Effective income tax rate	4 %	(0.3)%		

Our income tax benefit was \$0.7 million, resulting in an effective income tax rate of 4% for the nine months ended September 30, 2024 as compared to an income tax expense of \$0.1 million, or an effective income tax rate of (0.3)% for the same period in 2023. Our income tax expense for the nine months ended September 30, 2024 and 2023 was primarily due to the tax effects of U.S. pre-tax income, the relative mix of domestic and international earnings, the impact of non-deductible items, adjustments to the valuation allowances, the effects of tax elections made for U.K. earnings, and discrete tax items.

Net Loss

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2024	2023	\$	%
	(in thousands)			
Net loss	\$ (18,628)	\$ (42,901)	\$ 24,273	57 %

Net loss was \$18.6 million representing a \$24.3 million change in net income for the nine months ended September 30, 2024 as compared to a net loss of \$42.9 million for the same period of 2023. The increase in net income was primarily due to a \$18.5 million increase in revenue, \$15.4 million decrease in operating expense, a \$0.9 million decrease in tax expense, and a \$0.5 million decrease in interest income, partially offset by a \$9.3 million increase in cost of revenue, and a \$1.7 million decrease in other income.

Liquidity and Capital Resources

We have consistently generated positive cash flow from operations, providing \$31.1 million and \$59.4 million as a source of funds for the nine months ended September 30, 2024 and 2023, respectively. Our additional liquidity comes from several sources: maintaining adequate balances of cash and cash equivalents, issuing common stock, and accessing credit facilities and revolving lines of credit. The following table provides a summary of the major sources of liquidity for the nine and twelve months periods ended at September 30, 2024 and December 31, 2023 and as of September 30, 2024 and December 31, 2023.

	SEPTEMBER 30, 2024	DECEMBER 31, 2023
	(dollars in thousands)	
Net cash from operating activities ^(a)	31,097	82,755
Cash and cash equivalents ^(b)	233,023	234,951
Term loan credit facilities	299,250	294,450
Gross revolving line of credit	100,000	100,000

(a) Net cash from operating activities for nine months ended at September 30, 2024 and twelve months ended at December 31, 2023.

(b) Cash balances a September 30, 2024 and December 31, 2023 included \$129.7 million and \$47.3 million in cash and cash equivalents, respectively, held outside of the United States.

Our material cash requirements from known contractual obligations are principal and interest payments on long term debt. We also have future cash obligations of \$17.3 million for lease contracts, which have remaining terms of one to six years.

The principal amount of long-term debt outstanding as of September 30, 2024 matures in the following years:

	Remainder of 2024	2025	2026	2027	2028	Thereafter	TOTAL
	(in thousands)						
Maturities	\$ 750	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 286,500	\$ 299,250

We assess our liquidity in terms of our ability to generate adequate amounts of cash to meet current and future needs. We believe our existing sources of liquidity will be sufficient to meet our working capital, capital expenditures, and contractual obligations for the foreseeable future. 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 believe we will meet short-term and long-term expected future cash requirements and obligations through a combination of cash flows from operating activities, available cash balances, and potential future equity or debt transactions.

Our future capital requirements, however, will depend on many factors, including funding for potential acquisitions, investments, and other growth and strategic opportunities, which could increase our cash requirements. While we believe we have, and will be able to generate, sufficient liquidity to fund our operations for the foreseeable future, our sources of liquidity could be affected by factors described under “Risk Factors” in our 2023 Annual Report.

Cash Flows

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	2024	2023
	(in thousands)	
Net cash provided by operating activities	\$ 31,097	\$ 59,429
Net cash used in investing activities	(15,205)	(18,503)
Net cash used in financing activities	(19,707)	(8,195)
Effect of foreign exchange rate changes on cash and cash equivalents, and restricted cash	1,887	(107)
Net increase (decrease) in cash and cash equivalents, and restricted cash	\$ (1,928)	\$ 32,624
Cash paid for interest	\$ 11,171	\$ 13,668
Cash paid for income taxes	\$ 11,630	\$ 12,365

Operating Activities

Our cash flows from operating activities primarily include net income adjusted for (i) non-cash items included in net income, such as provisions (recoveries) for credit losses, depreciation and amortization, stock-based compensation, deferred taxes, and other non-cash items and (ii) changes in the balances of operating assets and liabilities. Net cash provided by operating activities in the first nine months of 2024 was \$31.1 million, compared to \$59.4 million in the same period of 2023. The \$28.3 million decrease in cash from operating activities was primarily driven by a decrease in cash-adjusted net income, an increase in accounts receivable, an increase in cash used to obtain prepaid and other assets, and an increase in payment for accounts payable, accrued expense and other liabilities, partially offset by increased cash inflows from deferred revenues.

Investing activities

Net cash used by investing activities in the first nine months of 2024 was \$15.2 million, a decrease of \$3.3 million, compared to \$18.5 million in the same period of 2023. The change in investing activities was primarily due to a \$7.6 million decrease in cash used for business acquisition, partially offset by a \$4.0 million increase in cash utilized in capitalized development costs and a \$0.3 million in cash utilized in capital expenditures to support our growth.

Financing Activities

Net cash used by financing activities in the first nine months of 2024 was \$19.7 million, compared to \$8.2 million in the same period of 2023. The \$11.5 million increase in cash outflow in financing activities was primarily due to a \$15.2 million increase in cash payments for contingent consideration related to business acquisitions, and a \$2.2 million increase in cash payments associated with share awards vested and withheld for payroll tax, partially offset by a \$5.1 million increase in cash proceeds net of debt issuance cost from refinancing of term loan debt, and a \$0.8 million decrease in quarterly prepayment payment of term loan debt.

Indebtedness

We have been a party to a Credit Agreement since August 2017 that provides for a senior secured term loan and commitments under a revolving credit facility (as amended, the "Credit Agreement"). On June 26, 2024, we entered into the Fifth Amendment to the Credit Agreement (the 'Amendment'), primarily amended (1) the principal amount of the term loan to \$300.0 million and the maturity date to June 26, 2031; and (2) extending

the termination date of \$100.0 million revolving credit commitment to June 26, 2029. The term loan under this Amendment has substantially the same terms as the existing term loans and revolving credit commitments.

Borrowings under the Credit Agreement bear interest at a rate per annum equal to, at the election of the Borrowers, either (i) the Term SOFR rate, with a floor of 0.00% plus an applicable margin rate of 3.00% for the Term Loans and between 3.50% and 2.75% for loans under the Revolving Facility, depending on the applicable first lien leverage ratio or (ii) an Alternate Base Rate (“ABR”), with a floor of 1.00%, plus an applicable margin rate of 2.00% for the Term Loans or between 2.50% and 1.75% for loans under the Revolving Facility, depending on the applicable first lien leverage ratio. The ABR is determined as the greatest of (a) the prime rate, (b) the federal funds effective rate, plus 0.50% and (iii) the Term SOFR rate plus 1.00%. Additionally, we are obligated to pay a commitment fee on the unused amount and other customary fees.

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 September 30, 2024, we were in compliance with the covenants of the Credit Agreement.

As of September 30, 2024, we had \$299.3 million of outstanding borrowings on the term loan, and \$100.0 million of availability under the revolving credit facility under the Credit Agreement.

Contractual Obligations and Commercial Commitments

There have been no material changes to our contractual obligations during the nine months ended September 30, 2024 from those disclosed in our 2023 Annual Report, except for payments made in the ordinary course of business.

Income Taxes

We recorded income tax benefit of \$0.7 million for the nine months ended September 30, 2024 and income tax expense of \$0.1 million for the nine months ended September 30, 2023.

As of September 30, 2024, we had federal and state NOLs of approximately \$1.6 million and \$0.04 million, respectively, which are available to reduce future taxable income and expire between 2035 and 2036 and 2029 and 2040, respectively. We had federal and state R&D tax credit carryforwards of approximately \$0.3 million and \$0, respectively, to offset future income taxes, which expire between 2027 and 2028. We also had foreign tax credits of approximately \$13.8 million, which will start to expire in 2027. 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 \$81.6 million which will start to expire in 2024, foreign research and development credits of \$0.3 million which expire in 2029, and Canadian investment tax credits of approximately \$3.8 million which expire between 2031 and 2041. 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, Section 174 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 \$31.5 million was recorded at December 31, 2023. As of September 30, 2024, the valuation allowance remained unchanged from December 31, 2023.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, and currently do not have, any off-balance sheet arrangements, as defined under the rules and regulations of the SEC, that have, or are reasonably likely to have, a material effect on our current or future financial condition, results of operations, liquidity, capital expenditures, or capital resources.

Critical Accounting 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 2023 Annual Report. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 2023 Annual Report. There were no significant changes to our critical accounting estimates during the three months ended September 30, 2024.

Recently Adopted and Issued Accounting Standards

We have reviewed all recently issued standards and have determined that, other than as disclosed in Note 2. “Summary of Significant Accounting Policies” 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 2023 Annual Report. There were no material changes to the Company’s market risk exposure during the nine months ended September 30, 2024.

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 Quarterly 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 September 30, 2024.

Changes in Internal Control over Financial Reporting

During the period ended September 30, 2024, there were no changes in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) 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 2023 Annual Report.

Item 1A. Risk Factors

There are no material changes from any of the risk factors previously disclosed in our 2023 Annual Report .

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

The following table illustrates the activities of equity security repurchases during the three months ended at September 30, 2024.

	Total Number of Shares Purchased(a)	Weighted Average Price Paid per Share	Total Number of Shares Purchased Under Announced Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under Announced Programs
7/1/2024 to 7/31/2024	3,710	\$ 13.85	—	\$ —
8/1/2024 to 8/31/2024	5,185	14.68	—	—
9/1/2024 to 9/30/2024	—	—	—	—
Total	8,895	\$ 14.33	—	\$ —

(a) Shares purchased were due to shares delivered by employees to the Company for the payment of taxes resulting from issuance of common stock upon the vesting of RSUs or PSUs relating to stock-based compensation plans.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Our directors and officers may adopt written plans, known as Rule 10b5-1 plans, in which they will contract with a broker to buy or sell our common stock on a periodic basis. Under a Rule 10b5-1 plan, a broker executes trades pursuant to parameters established by the director or officer when entering into the plan, without further direction from them. These Rule 10b5-1 plans are intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act.

Non of our directors or officers adopted the plan during the three months ended September 30, 2024.

Item 6. Exhibits

See Exhibit Index.

EXHIBIT INDEX

Exhibit Number	Exhibit Title	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Certificate of Incorporation of Certara, Inc.	8 - K	001-39799	3.1	7/19/2024
3.2	Amended and Restated Bylaws of Certara, Inc.	8 - K	001-39799	3.2	7/19/2024
10.1*	Form of 2024 PSU Grant Agreement	10 - Q	001-39799	10.1	5/7/2024
31.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
31.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002				
32.1+	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002+				
32.2+	Certification of Principal Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002+				
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)				

* Management contract or compensatory plan or arrangement.

+ This certification is deemed not filed for purpose 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 filings under the Securities Act or the Exchange Act.

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: November 6, 2024

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

Date: November 6, 2024

By: /s/ John E. Gallagher III
Name: John E. Gallagher III
Title: Chief Financial Officer
(Principal Financial Officer)

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: November 6, 2024

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

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

CERTIFICATION OF CHIEF FINANCIAL OFFICER (Principal Financial Officer)

I, John Gallagher, 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: November 6, 2024

/s/ John E. Gallagher III
John E. Gallagher III
Chief Financial Officer
(Principal Financial Officer)

**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 September 30, 2024, 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.

November 6, 2024

/s/ William Feehery

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.

**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 September 30, 2024, 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.

November 6, 2024

/s/ John E. Gallagher III

John E. Gallagher III

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.