



# First Quarter 2023 Financial Results

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May 8, 2023



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Numerical figures in the presentation have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

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## Non-GAAP Financial Information

This presentation contains “non-GAAP measures” that are financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with U.S. generally accepted accounting principles (“GAAP”). Specifically, we make use of the non-GAAP financial measures adjusted EBITDA, adjusted EBITDA margin, adjusted net income (loss), adjusted diluted earnings per share (“EPS”), and constant currency (“CC”) revenue, which are not recognized terms under GAAP and should not be considered as alternatives to net income (loss), GAAP EPS, or GAAP revenue as measures of financial performance or cash provided by operating activities as a measure of liquidity, or any other performance measure derived in accordance with GAAP. These non-GAAP measures have limitations as analytical tools and should not be considered in isolation, or as a substitute for our results as reported under GAAP. Because not all companies use identical calculations, the presentations of these measures may not be comparable to other similarly titled measures of other companies and can differ significantly from company to company.

Adjusted EBITDA represents net income (loss) excluding interest expense, provision (benefit) for income taxes, depreciation and amortization expense, intangible asset amortization, equity-based compensation expense, acquisition and integration expense and other items not indicative of our ongoing operating performance. Adjusted EBITDA margin represents adjusted EBITDA divided by revenue. Adjusted net income and adjusted diluted EPS exclude the effect of the same items noted above with respect to adjusted EBITDA from GAAP net income (loss) and GAAP EPS, respectively, as well as adjust the provision for income taxes for such charges. CC revenue excludes the effects of foreign currency exchange rate fluctuations by assuming constant foreign currency exchange rates used for translation. Current periods revenue reported in currencies other than U.S. dollars are converted into U.S. dollars at the average exchange rates in effect for the comparable prior periods. You should refer to the appendix at the end of this document for a reconciliation of these non-GAAP measures in specific periods to their most directly comparable financial measures calculated and presented in accordance with GAAP for those periods.

Management uses various financial metrics, including total revenues, income from operations, net income, CC revenue and certain non-GAAP measures, including those discussed above, to measure and assess the performance of the Company’s business, to evaluate the effectiveness of its business strategies, to make budgeting decisions, to make certain compensation decisions, and to compare the Company’s performance against that of other peer companies using similar measures. In addition, management believes these metrics provide useful measures for period-to-period comparisons of the Company’s business, as they remove the effect of certain non-cash expenses and other items not indicative of its ongoing operating performance. Management believes that these metrics 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. In addition, our business has operations outside the United States that are conducted in local currencies. As a result, the comparability of the financial results reported in U.S. dollars is affected by changes in foreign currency exchange rates. We use CC revenue to evaluate the underlying performance of the business, and we believe it is helpful for investors to present operating results on a comparable basis period over period to evaluate its underlying performance. In evaluating adjusted EBITDA, adjusted net income (loss), adjusted diluted EPS, and CC revenue, you should be aware that in the future the Company may incur expenses similar to those eliminated in this presentation and this presentation should not be construed as an inference that future results will be unaffected by unusual items.

# Certara at a Glance

## BUSINESS<sup>(1)</sup>



**20+ Year**  
History of innovation

**1,200+** Employees  
**380+** with Ph.D.s,  
Pharm.D.s and M.D.s

**17 Acquisitions**  
Track record of accretive,  
complementary  
acquisitions

## END-TO-END PLATFORM



### Software

- Biosimulation
- Regulatory & compliance
- Market access

### Technology-Driven Services

- Drug discovery & development with biosimulation
- Regulatory science
- Market access

**\$13B** TAM growing at  
**9-17% CAGR<sup>(2)</sup>**

## CUSTOMERS<sup>(3)</sup>



**2,300+**  
Customers across  
70 countries

**10+ Year**  
Average tenure  
for top 30 customers

**370** customers with  
ACV > \$100,000

**57** customers with  
ACV > \$1M

## 1Q23 FINANCIALS



**\$90.3M** Revenue  
11% GAAP YoY Growth  
13% CC YoY Growth<sup>(4)</sup>

Net Income **\$1.4M**  
(39%) YoY Decrease

**\$32.3M**  
Reported Adjusted  
EBITDA<sup>(5)</sup>  
17% YoY Growth

36% Adjusted EBITDA  
Margin<sup>(5)</sup>

(1) As of 12/31/2022

(2) Market research reports from Grand View and SpendEdge

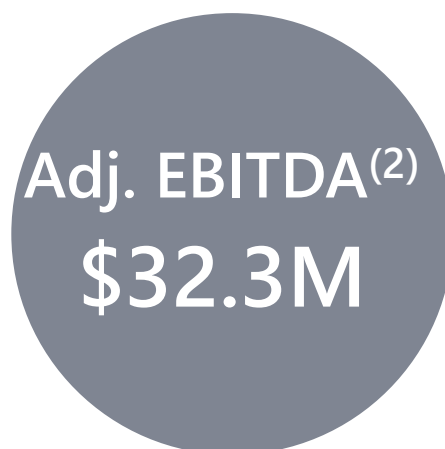
(3) Customer data as of 12/31/2022

(4) See Appendix for reconciliation of GAAP revenue to constant currency (non-GAAP revenue)

(5) See Appendix for reconciliation of net income (loss) to adjusted EBITDA

# Financial Highlights

First Quarter 2023



**11%** GAAP YoY change  
**13%** CC YoY change<sup>(1)</sup>

**(39%)** YoY change

**17%** YoY change

**PY \$0.01**

**PY \$0.11**

(1) See Appendix for reconciliation of GAAP revenue to constant currency (non-GAAP revenue)

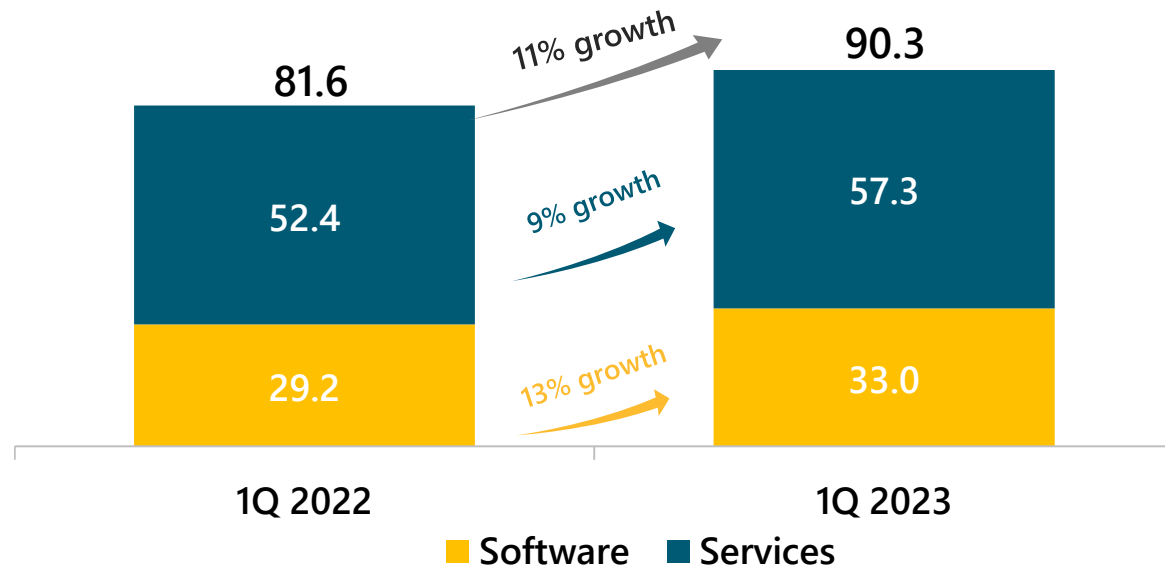
(2) See Appendix for reconciliation of net income (loss) to adjusted EBITDA

(3) See Appendix for reconciliation of Diluted Earnings Per Share to Adjusted Diluted Earnings Per Share

# 1Q 2023 Results - Revenue

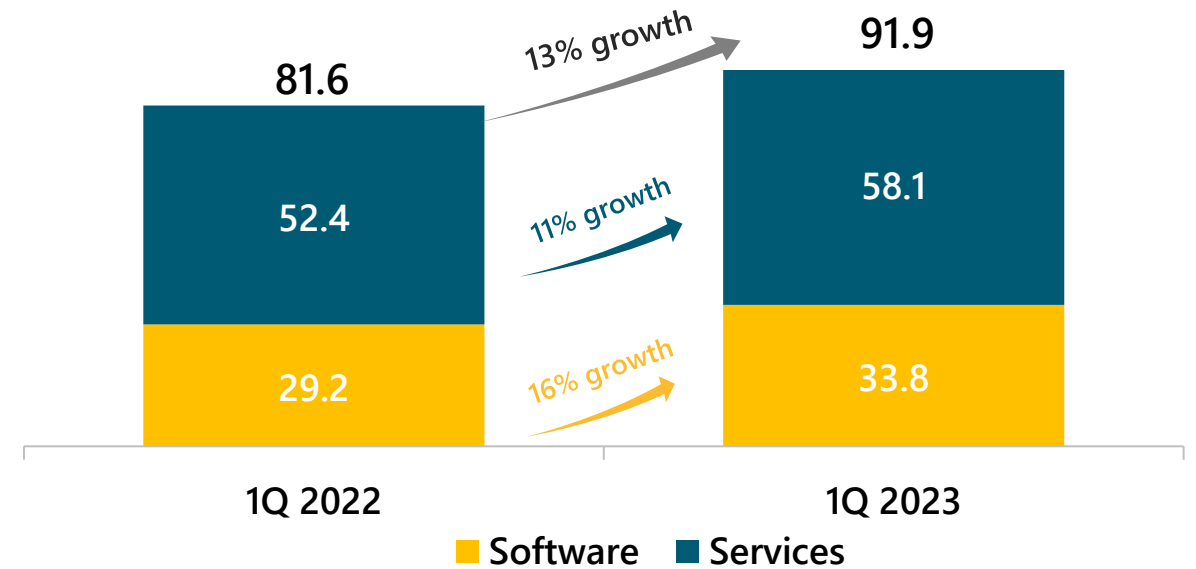
## GAAP Reported Revenue

(\$Millions)



## Constant Currency Revenue<sup>(1)</sup>

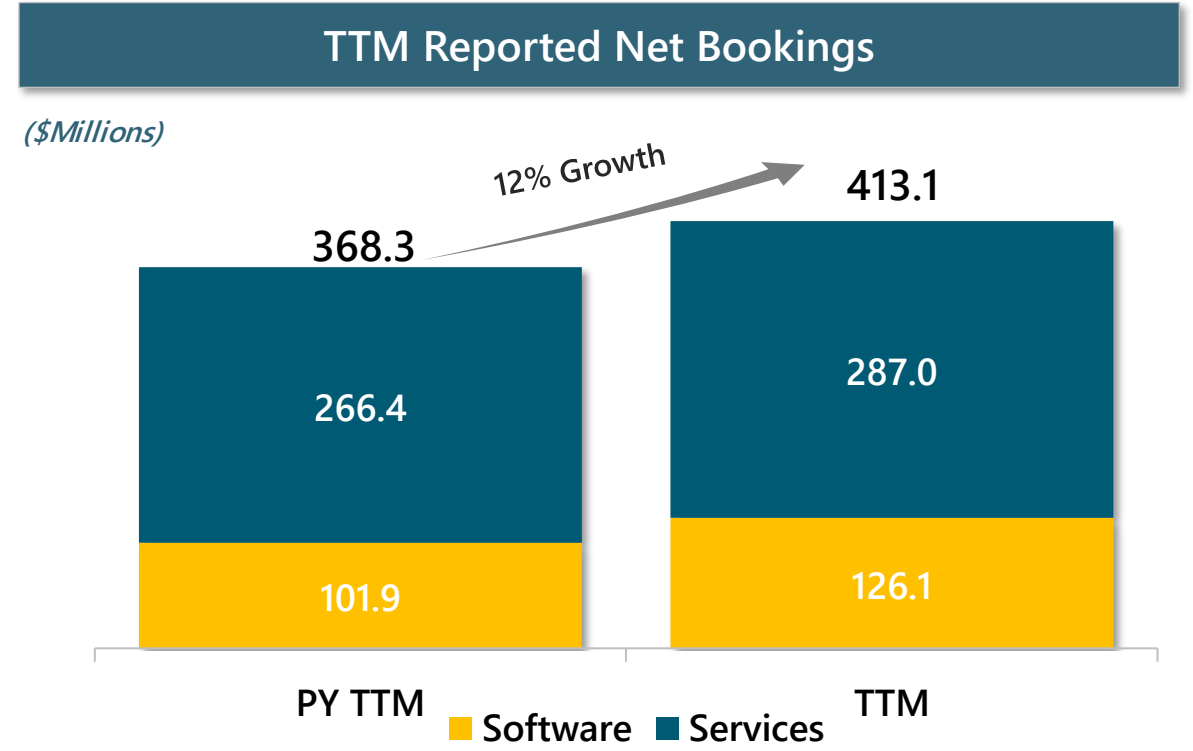
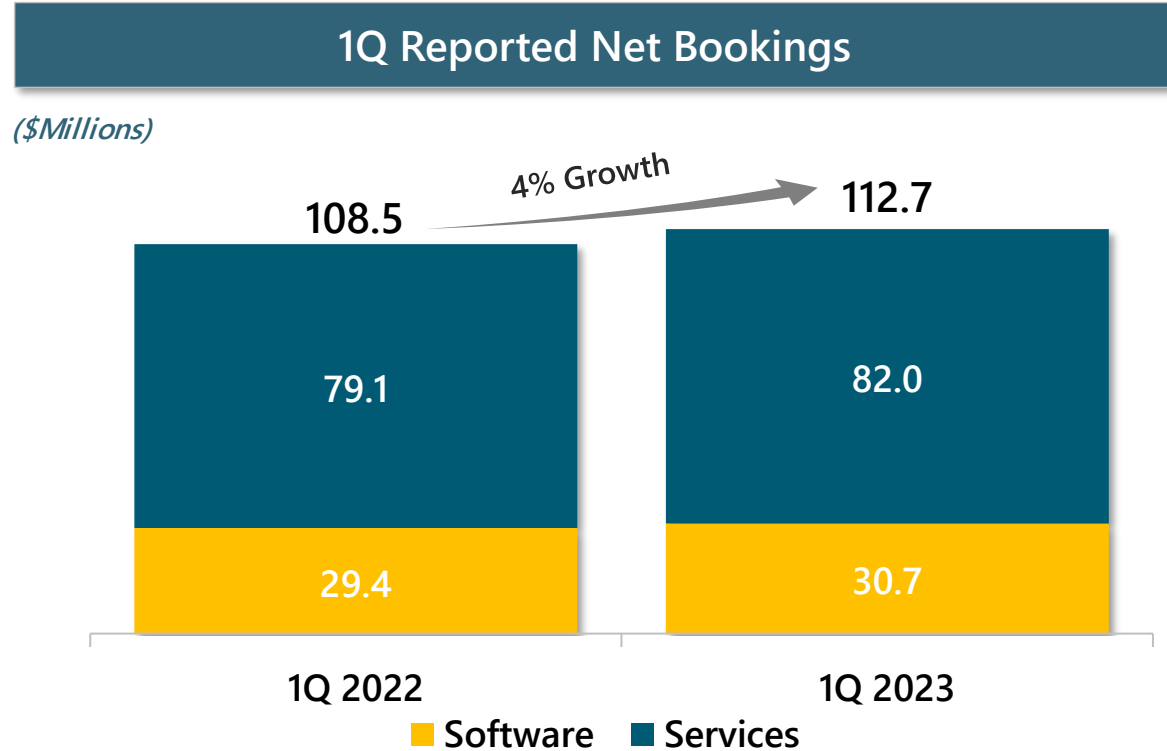
(\$Millions)



Certara reported 13% constant currency<sup>(1)</sup> revenue growth

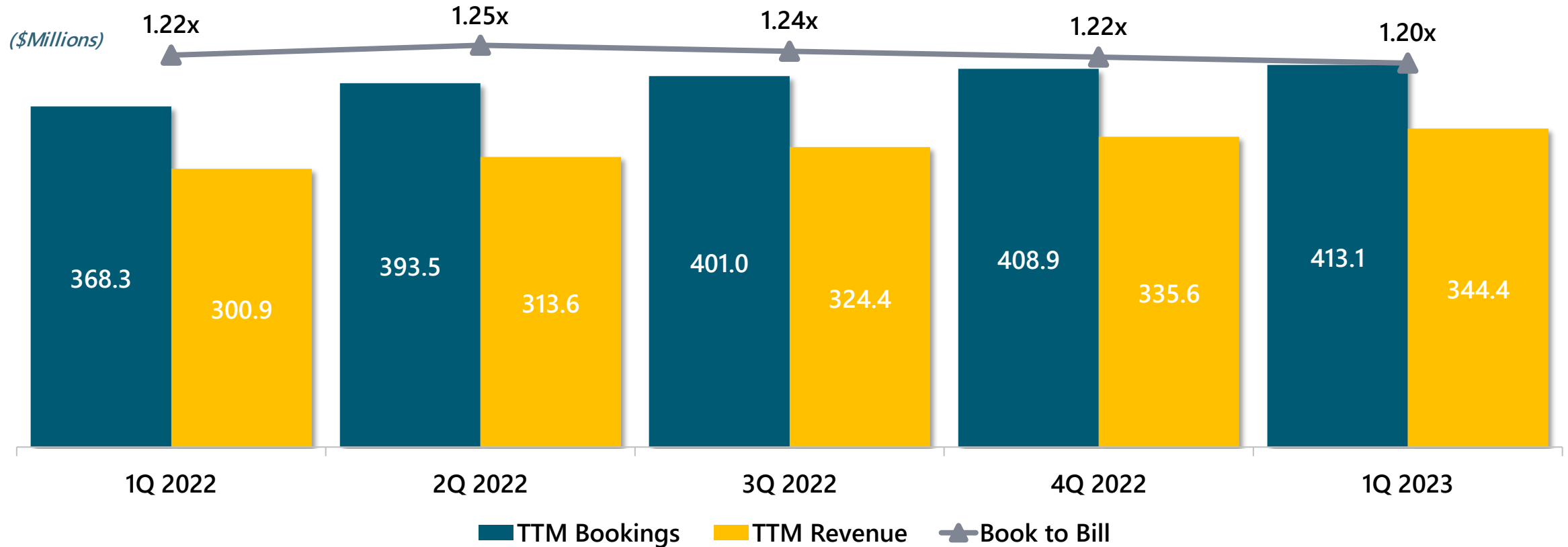
(1) See Appendix for reconciliation of GAAP revenue to constant currency (non-GAAP revenue)

# 1Q and TTM Results - Net Bookings



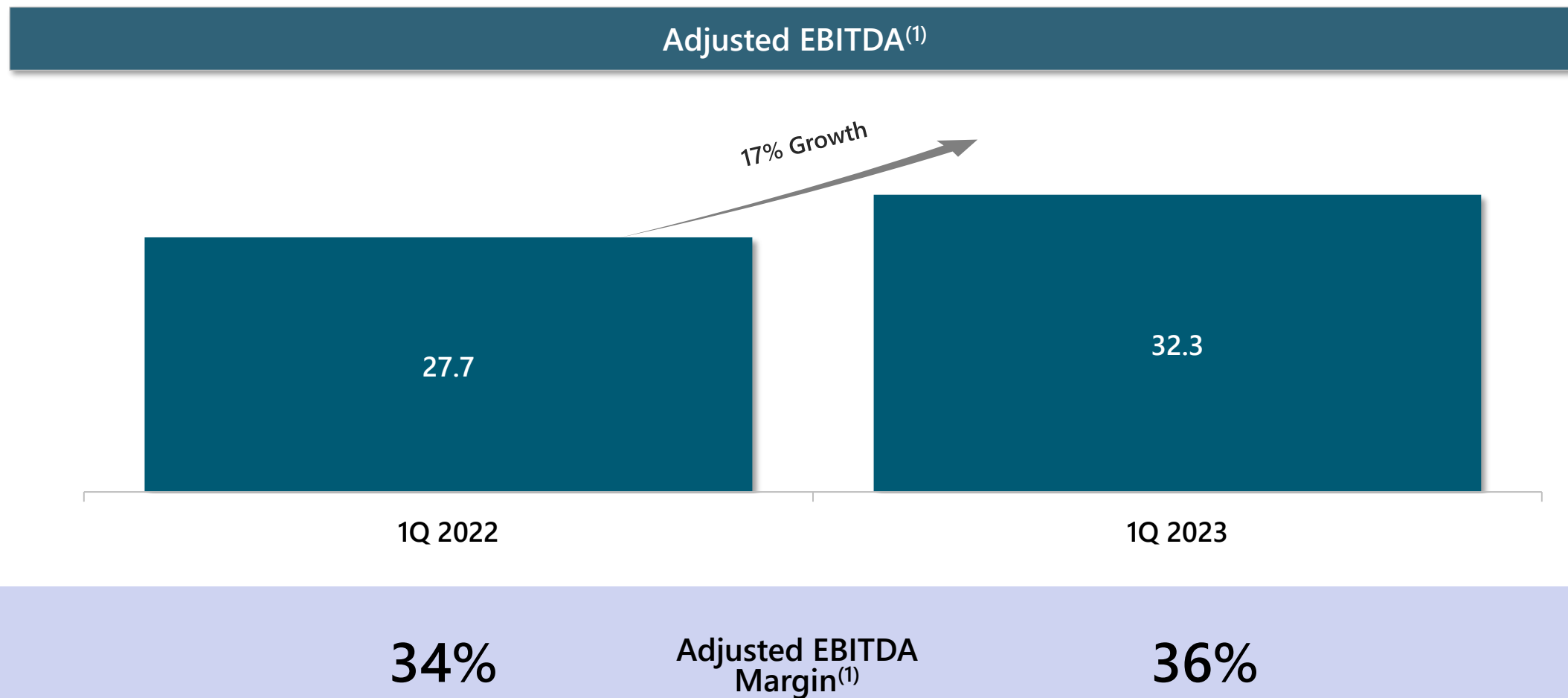
Trailing twelve months bookings are highly correlated with revenue and drive strong visibility

# Historical TTM Book to Bill



Stable book to bill provides forward visibility into revenue growth

# 1Q 2023 Results – Adjusted EBITDA

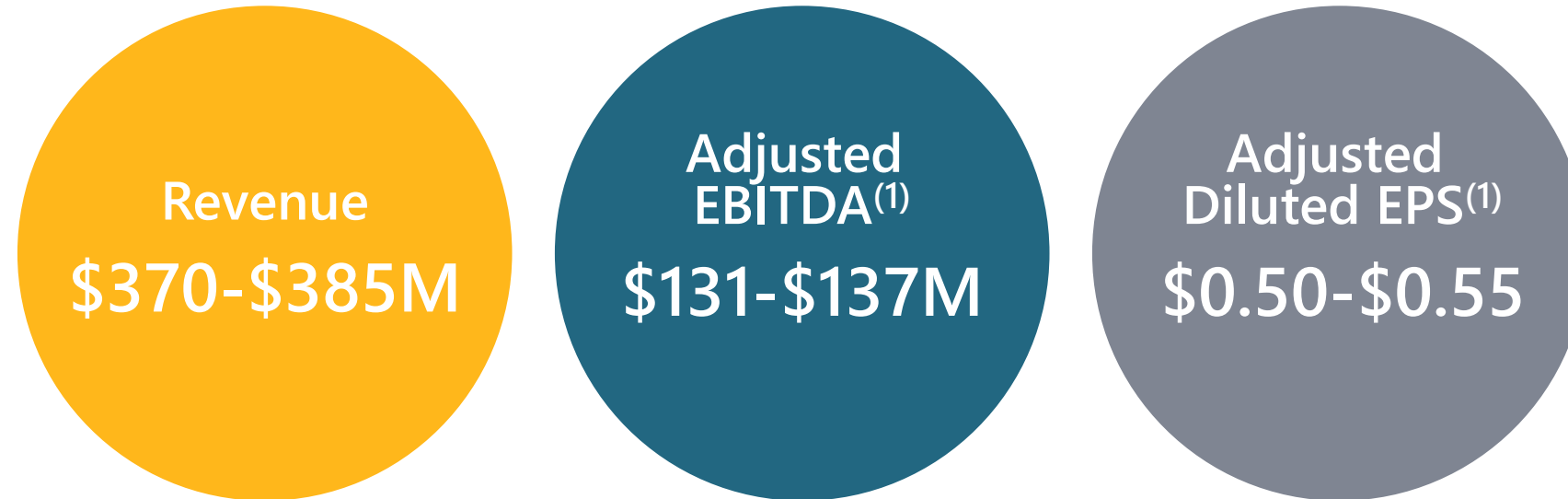


(1) See Appendix for a reconciliation net income (loss) to adjusted EBITDA



# 2023 Outlook

## Reiterated FY 2023 guidance



## Key Assumptions 2023 Guidance

- Reported revenue growth of **10-15%**
- Fully diluted shares expected to be in the range of **159-162M**
- Tax rate expected to be **25-30%**

*This financial guidance is provided as of May 8, 2023, and its inclusion in this presentation should not be construed as continued affirmation of such guidance beyond that date.*

(1) We have not reconciled the adjusted EBITDA and adjusted diluted EPS forward-looking guidance above to the most directly comparable GAAP measures because this cannot be done without unreasonable effort due to the variability and low visibility with respect to costs related to acquisitions, financings, and employee stock compensation programs, which are potential adjustments to future earnings. We expect the variability of these items to have a potentially unpredictable, and a potentially significant, impact on our future GAAP financial results.



# Appendix

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# Reconciliation of Net Income (Loss) to Adjusted EBITDA

	<b>THREE MONTHS ENDED MARCH 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(in thousands)</b>	
Net income <sup>(a)</sup>	\$ 1,358	\$ 2,210
Interest expense <sup>(a)</sup>	5,475	3,228
Interest income <sup>(a)</sup>	(1,354)	(11)
Provision for income taxes <sup>(a)</sup>	1,111	1,536
Depreciation and amortization expense <sup>(a)</sup>	411	482
Intangible asset amortization <sup>(a)</sup>	13,113	12,450
Currency (gain) loss <sup>(a)</sup>	894	(705)
Equity-based compensation expense <sup>(b)</sup>	8,543	7,513
Change in fair value of contingent consideration <sup>(d)</sup>	1,261	—
Acquisition-related expenses <sup>(e)</sup>	1,192	272
Integration expense <sup>(f)</sup>	102	—
Transaction-related expenses <sup>(g)</sup>	—	17
Loss on disposal of fixed assets <sup>(h)</sup>	4	5
Executive recruiting expense <sup>(i)</sup>	196	—
First-year Sarbanes-Oxley implementation costs <sup>(i)</sup>	—	653
Adjusted EBITDA	<u>\$ 32,306</u>	<u>\$ 27,650</u>

# Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss)

	<b>THREE MONTHS ENDED MARCH 31,</b>	
	<b>2023</b>	<b>2022</b>
	(in thousands)	
Net income <sup>(a)</sup>	\$ 1,358	\$ 2,210
Currency (gain) loss <sup>(a)</sup>	894	(705)
Equity-based compensation expense <sup>(b)</sup>	8,543	7,513
Amortization of acquisition-related intangible assets <sup>(c)</sup>	11,256	10,880
Change in fair value of contingent consideration <sup>(d)</sup>	1,261	—
Acquisition-related expenses <sup>(e)</sup>	1,192	272
Integration expense <sup>(f)</sup>	102	—
Transaction-related expenses <sup>(g)</sup>	—	17
Loss on disposal of fixed assets <sup>(h)</sup>	4	5
Executive recruiting expense <sup>(i)</sup>	196	—
First-year Sarbanes-Oxley implementation costs <sup>(j)</sup>	—	653
Income tax expense impact of adjustments <sup>(k)</sup>	(5,495)	(3,916)
Adjusted net income	<u>\$ 19,311</u>	<u>\$ 16,929</u>

# Reconciliation of Diluted Earnings Per Share to Adjusted Diluted Earnings Per Share

	<b>THREE MONTHS ENDED MARCH 31,</b>	
	<b>2023</b>	<b>2022</b>
	<b>(in thousands except share and per share data)</b>	
Diluted earnings per share <sup>(a)</sup>	\$ 0.01	\$ 0.01
Currency (gain) loss <sup>(a)</sup>	0.01	—
Equity-based compensation expense <sup>(b)</sup>	0.04	0.05
Amortization of acquisition-related intangible assets <sup>(c)</sup>	0.07	0.07
Change in fair value of contingent consideration <sup>(d)</sup>	0.01	—
Acquisition-related expenses <sup>(e)</sup>	0.01	—
Integration expense <sup>(f)</sup>	—	—
Transaction-related expenses <sup>(g)</sup>	—	—
Loss on disposal of fixed assets <sup>(h)</sup>	—	—
Executive recruiting expense <sup>(i)</sup>	—	—
First-year Sarbanes-Oxley implementation costs <sup>(j)</sup>	—	—
Income tax expense impact of adjustments <sup>(k)</sup>	(0.03)	(0.02)
<b>Adjusted Diluted Earnings Per Share</b>	<b>\$ 0.12</b>	<b>\$ 0.11</b>
Diluted weighted average common shares outstanding	158,177,025	155,936,953
Effect of potentially dilutive shares outstanding <sup>(l)</sup>	1,550,387	3,223,368
<b>Diluted weighted average common shares outstanding</b>	<b>159,727,412</b>	<b>159,160,321</b>

# Reconciliation of Revenues to the Revenues Adjusted for Constant Currency

	THREE MONTHS ENDED MARCH 31,			CHANGE			
	2023	2023	2022	\$	%	\$	%
	Actual (GAAP)	CC (non-GAAP)	Actual (GAAP)	Actual (GAAP)	Actual (GAAP)	CC Impact (non-GAAP)	Adjust for CC (non-GAAP)
(in thousands)							
Revenue							
Software	\$ 33,005	\$ 33,845	\$ 29,193	\$ 3,812	13%	\$ 840	16%
Services	57,296	58,051	52,358	4,938	9%	755	11%
Total Revenue	<u>\$ 90,301</u>	<u>\$ 91,896</u>	<u>\$ 81,551</u>	<u>\$ 8,750</u>	<u>11%</u>	<u>\$ 1,595</u>	<u>13%</u>

# Notes to Reconciliations

- (a) Represents amounts as determined under GAAP.
- (b) Represents expense related to equity-based compensation. Equity-based compensation has been, and will continue to be for the foreseeable future, a recurring expense in our business and an important part of our compensation strategy.
- (c) Represents 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 costs associated with acquisitions and any retention bonuses pursuant to the acquisitions.
- (f) Represents integration costs related to post - acquisition integration activities.
- (g) Represents costs associated with our public offerings that are not capitalized.
- (h) Represents the gain/loss related to disposal of fixed assets.
- (i) Represents recruiting and relocation expenses related to hiring senior executives.
- (j) Represents the first-year Sarbanes-Oxley costs for accounting and consulting fees related to the Company's preparation to comply with Section 404 of the Sarbanes-Oxley Act, as well as implementation cost of adopting ASC 842.
- (k) Represents the income tax effect of the non-GAAP adjustments calculated using the applicable statutory rate by jurisdiction.
- (l) Represents dilutive shares or potentially dilutive shares that were excluded from the Company's GAAP diluted weighted average common shares outstanding because the Company had a reported net loss and therefore including these shares would have been anti-dilutive.



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