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, 2021

or

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

For the transition period from _________ to _________

Commission File Number: 001-39799

Certara, Inc.

(Exact name of registrant as specified in its charter)

Delaware	82-2180925
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

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

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

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 ☐

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

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

Large accelerated filer	☐	Accelerated filer	☐		
Non-accelerated filer	☒	Smaller reporting company	☐	Emerging growth company	☒

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

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

As of November 2, 2021, the registrant had 159,679,485 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:

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

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

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

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

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

Channels for Disclosure of Information

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

CERTARA, INC. AND SUBSIDIARIES
FORM 10-Q
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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, 2021	DECEMBER 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 416,850	$ 271,382
Accounts receivable, net of allowance for doubtful accounts of $170 and $132, respectively	62,859	54,091
Restricted cash	1,108	1,909
Prepaid expenses and other current assets	24,032	19,202
Total current assets	504,849	346,584
Other assets:		
Property and equipment, net	3,005	3,872
Long-term deposits	1,145	1,163
Goodwill	522,814	518,592
Intangible assets, net of accumulated amortization of $156,870 and $127,172, respectively	378,985	396,445
Other long-term assets	1,075	—
Deferred income taxes	2,916	2,744
Total assets	$ 1,414,789	$ 1,269,400
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 11,260	$ 6,394
Accrued expenses	25,266	30,729
Current portion of deferred revenue	27,987	30,662
Current portion of interest rate swap liability	1,813	2,605
Current portion of long-term debt	3,020	4,680
Current portion of capital lease obligations	288	275
Total current liabilities	69,634	75,345
Long-term liabilities:		
Capital lease obligations, net of current portion	100	318
Deferred revenue, net of current portion	1,233	545
Deferred income taxes	79,633	75,894
Long-term portion of interest rate swap liability	—	1,066
Long-term debt, net of current portion and debt discount	292,183	294,100
Other long-term liabilities	686	—
Total liabilities	443,469	447,268
Commitments and contingencies		
Stockholders' equity:		
Preferred shares, $0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	—	—
Common shares, $0.01 par value, 600,000,000 shares authorized, 157,353,191 and 152,979,479 shares issued and outstanding as of September 30, 2021 and December 31, 2020, respectively	1,574	1,529
Additional paid-in capital	1,038,581	884,528
Accumulated deficit	(65,905)	(62,338)
Accumulated other comprehensive loss	(2,930)	(1,587)
Total stockholders' equity	971,320	822,132
Total liabilities and stockholders' equity	$ 1,414,789	$ 1,269,400

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

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

(IN THOUSANDS, EXCEPT PER SHARE AND SHARE DATA)	THREE MONTHS ENDED SEPTEMBER 30, 2021	THREE MONTHS ENDED SEPTEMBER 30, 2020	NINE MONTHS ENDED SEPTEMBER 30, 2021	NINE MONTHS ENDED SEPTEMBER 30, 2020
Revenues	$ 73,944	$ 60,317	$ 210,758	$ 178,889
Cost of revenues	28,769	23,030	82,327	65,860
Operating expenses:				
Sales and marketing	5,082	3,106	13,423	8,773
Research and development	4,530	3,295	13,862	9,139
General and administrative	26,199	13,403	60,795	36,125
Intangible asset amortization	9,592	9,374	28,527	28,056
Depreciation and amortization expense	533	614	1,687	1,836
Total operating expenses	45,936	29,792	118,294	83,929
(Loss) income from operations	(761)	7,495	10,137	29,100
Other income (expenses):				
Interest expense	(3,289)	(5,929)	(13,549)	(19,810)
Miscellaneous, net	657	11	194	456
Total other (expenses)	(2,632)	(5,918)	(13,355)	(19,354)
(Loss) income before income taxes	(3,393)	1,577	(3,218)	9,746
(Benefit) provision of income taxes	(1,631)	350	349	4,696
Net (loss) income	(1,762)	1,227	(3,567)	5,050
Other comprehensive (loss) income:				
Foreign currency translation adjustment	(2,798)	3,403	(4,041)	513
Change in fair value of interest rate swap, net of tax $(16), $97, $145, and $(488)	(47)	311	430	(1,530)
Reclassification of fair value of interest rate swap, net of tax of $0, $0, $(765), and $0	—	—	2,268	—
Total other comprehensive (loss) income	(2,845)	3,714	(1,343)	(1,017)
Comprehensive (loss) income	$ (4,607)	$ 4,941	$ (4,910)	$ 4,033
Net (loss) income per share attributable to common stockholders:				
Basic	$ (0.01)	$ 0.01	$ (0.02)	$ 0.04
Diluted	$ (0.01)	$ 0.01	$ (0.02)	$ 0.04
Weighted average common shares outstanding:				
Basic	149,016,609	132,407,786	147,894,227	132,407,786
Diluted	149,016,609	132,407,786	147,894,227	132,407,786

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

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

(IN THOUSANDS, EXCEPT SHARE DATA)	COMMON STOCK SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL STOCKHOLDERS' EQUITY
Balance as of June 30, 2021	152,864,921	$ 1,529	$ 897,209	$ (64,143)	$ (85)	$ 834,510
Equity compensation	—	—	8,165	—	—	8,165
Stock offerings	4,500,000	45	133,306	—	—	133,351
Restricted stock forfeiture	(11,730)	—	—	—	—	—
Restricted stock unit shares withheld for employee taxes	—	—	(99)	—	—	(99)
Change in fair value from interest rate swap, net of tax	—	—	—	—	(47)	(47)
Net loss	—	—	—	(1,762)	—	(1,762)
Foreign currency translation adjustment	—	—	—	—	(2,798)	(2,798)
Balance as of September 30, 2021	157,353,191	$ 1,574	$ 1,038,581	$ (65,905)	$ (2,930)	$ 971,320
Balance as of December 31, 2020	152,979,479	$ 1,529	$ 884,528	$ (62,338)	$ (1,587)	$ 822,132
Equity compensation	—	—	20,846	—	—	20,846
Stock offerings	4,500,000	45	133,306	—	—	133,351
Shares issued for employee share-based compensation awards	14,769	—	—	—	—	—
Restricted stock forfeiture	(141,057)	—	—	—	—	—
Restricted stock unit shares withheld for employee taxes	—	—	(99)	—	—	(99)
Change in fair value from interest rate swap, net of tax	—	—	—	—	430	430
Reclassification of fair value of interest rate swap, net of tax	—	—	—	—	2,268	2,268
Net loss	—	—	—	(3,567)	—	(3,567)
Foreign currency translation adjustment	—	—	—	—	(4,041)	(4,041)
Balance as of September 30, 2021	157,353,191	$ 1,574	$ 1,038,581	$ (65,905)	$ (2,930)	$ 971,320

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 SHARES	COMMON STOCK AMOUNT	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE LOSS	TOTAL STOCKHOLDERS' EQUITY
Balance as of June 30, 2020	132,407,786	$ 1,324	$ 510,212	$ (9,118)	$ (10,228)	$ 492,190
Equity compensation	—	—	1,181	—	—	1,181
Repurchase of Parent Class B units	—	—	(1,024)	—	—	(1,024)
Capital contribution	—	—	250	—	—	250
Change in fair value of interest rate swap, net of tax	—	—	—	—	311	311
Net income	—	—	—	1,227	—	1,227
Foreign currency translation adjustment	—	—	—	—	3,403	3,403
Balance as of September 30, 2020	132,407,786	$ 1,324	$ 510,619	$ (7,891)	$ (6,514)	497,538
Balance as of December 31, 2019	132,407,786	$ 1,324	$ 509,162	$ (12,941)	$ (5,497)	$ 492,048
Equity compensation	—	—	2,286	—	—	2,286
Repurchase of Parent Class B units	—	—	(1,079)	—	—	(1,079)
Capital contribution	—	—	250	—	—	250
Change in fair value of interest rate swap, net of tax	—	—	—	—	(1,530)	(1,530)
Net income	—	—	—	5,050	—	5,050
Foreign currency translation adjustment	—	—	—	—	513	513
Balance as of September 30, 2020	132,407,786	$ 1,324	$ 510,619	$ (7,891)	$ (6,514)	$ 497,538

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, 2021	NINE MONTHS ENDED SEPTEMBER 30, 2020
Cash flows from operating activities:		
Net (loss) income	$ (3,567)	$ 5,050
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	1,687	1,836
Amortization of intangible assets	30,435	29,804
Amortization of debt issuance costs	1,144	1,142
Provision for doubtful accounts	39	31
Loss on retirement of assets	304	9
Equity-based compensation expense	20,846	2,286
Unrealized loss on interest rate swap	1,750	—
Deferred income taxes	1,796	1,263
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(6,148)	1,565
Prepaid expenses and other assets	(5,504)	(8,610)
Accounts payable and other liabilities	(1,650)	(1,658)
Deferred revenues	(1,575)	(589)
Net cash provided by operating activities	39,557	32,129
Cash flows from investing activities:		
Capital expenditures	(995)	(782)
Capitalized development costs	(5,490)	(5,752)
Business acquisitions, net of cash acquired	(14,114)	(675)
Net cash used in investing activities	(20,599)	(7,209)
Cash flows from financing activities:		
Capital contributions	—	250
Unit repurchase	—	(1,079)
Net proceeds from public offering of common stock	133,351	—
Proceeds from borrowings on long-term debt	89	—
Payments on long-term debt and capital lease obligations	(3,147)	(23,511)
Payments on financing component of interest rate swap	(216)	—
Proceeds from line of credit	—	19,880
Payment of taxes on shares withheld for employee taxes	(100)	—
Payment of debt issuance costs	(2,942)	—
Proceeds from borrowings from affiliate	—	237
Payments on line of credit	—	(19,880)
Net cash provided by (used in) financing activities	127,035	(24,103)
Effect of foreign exchange rate changes on cash and cash equivalents, and restricted cash	(1,326)	1,170
Net increase in cash and cash equivalents, and restricted cash	144,667	1,987
Cash and cash equivalents, and restricted cash, at beginning of period	273,291	29,762
Cash and cash equivalents, and restricted cash, at end of period	$ 417,958	$ 31,749
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 10,671	$ 21,077
Cash paid for taxes	$ 6,744	$ 6,675
Supplemental schedule of non-cash investing and financing activities		
Liabilities assumed in connection with business acquisition	$ 1,912	$ —
Capital lease	$ —	$ 831
Deferred offering costs, accrued but not paid	$ —	$ 1,430

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

CERTARA, INC. AND SUBSIDIARIES

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

1. Description of Business

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

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

2. Summary of Significant Accounting Policies

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

(a) Basis of Presentation and Use of Estimates

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

The Company is an Emerging Growth Company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, Emerging Growth Companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an Emerging Growth Company or (ii) it affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, these condensed consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates. The adoption dates discussed below reflect this election. As of June 30, 2021, the last business day of the Company's second fiscal quarter, the Company had a public float above the threshold to be deemed to be a large accelerated filer. In addition, the Company will have been a public company for at least 12 months subject to the reporting requirements of Section 13(a) or 15(d) of the Exchange Act at December 31, 2021. Therefore, the Company expects to cease to be an Emerging Growth Company as of December 31, 2021. As a result, as of December 31, 2021 the Company will no longer qualify for the extended tranition period for adoption of new or revised accounting standards discussed above, will be subject to shortened filing timelines, and required to include an attestation of the Company's internal control over financial reporting by its independent auditors in its Annual Report on Form 10-K.

(b) ***Unaudited Interim Financial Statements***

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

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

(c) Recently Adopted Accounting Pronouncements

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

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

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

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

(d) Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU 2016-02, “Leases”. ASU 2016-02 establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. In its April 2020 meeting, the FASB deferred the effective date for ASC 842 for private companies to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Upon losing EGC status as of December 31, 2021, the Company will adopt this guidance and is currently evaluating the impact of this ASU on its condensed consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”. ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, held-to-maturity debt securities, loans, and other instruments, entities will be required to use a new forward-looking “expected loss” model that generally will result in the earlier recognition of allowances for losses. The guidance also requires increased disclosures. Per ASU 2019-10 issued in November 2019, ASU 2016-13 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years for private companies. Early adoption is permitted. Upon losing EGC status as of December 31, 2021, the Company will adopt this guidance and is currently evaluating the impact of adopting this guidance on its condensed consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Intangibles — Goodwill and Other (Topic 350): Simplifying the Accounting for Goodwill Impairment”. ASU 2017-04 removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value. This standard will be effective for a private company (and thus, for those adopting exemption for Emerging Growth Companies) beginning in the first quarter of fiscal year 2022 and is required to be applied prospectively. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. Upon losing EGC status as of December 31, 2021, the Company will adopt this guidance and is currently evaluating the impact of adopting this guidance on its condensed consolidated financial statements.

(e) Principles of Consolidation

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

(f) Cash and Cash Equivalents, and Restricted Cash

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

Restricted cash represents cash that is reserved to support a financing program. The restricted cash balance was $1,108, $1,909, and $1,812 at September 30, 2021, December 31, 2020, and September 30, 2020, respectively.

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

	SEPTEMBER 30, 2021	DECEMBER 31, 2020	SEPTEMBER 30, 2020
Cash and cash equivalents	$ 416,850	$ 271,382	$ 29,937
Restricted cash, current	1,108	1,909	1,812
Total cash and cash equivalents and restricted cash	$ 417,958	$ 273,291	$ 31,749

(g) Derivative Instruments

The Company has an interest rate swap agreement that was designated as a cash flow hedge of interest rate risk for a notional amount of $230,000 that fixed the interest rate at 2.1284%, non-inclusive of the fixed credit spread through May 31, 2022. In the second quarter of 2021, the Company determined that the hedge has not been highly effective from April 2018 and did not qualify for hedge accounting. As a result, the Company performed an analysis of the materiality of the out of period error correction in accordance with ASC 250, “Accounting Changes and Error Corrections”, both quantitively and qualitatively, and concluded that the error correction was immaterial to all periods. The Company reclassified $3,033 of accumulated comprehensive loss to interest expense in the condensed consolidated statements of comprehensive (loss) income in the second quarter of 2021. Changes in the fair value of the interest rate swap recognized in interest expense excluding the relcassfication discussed previously for the nine months ended September 30, 2021 amounted to $638.

On August 31, 2021, the Company entered an amendment to the interest rate swap agreement. The amended interest rate swap agreement does not in its entirety meet the definition of a derivative instrument because of its off market fixed rate at inception and is deemed to be a hybrid instrument with a financing component and an embedded at-the-market derivative. Such embedded derivative is bifurcated and accounted for separately. At inception, the financing component of $1,966 was recorded at amortized cost. The embedded at-the-market derivative was designated and qualified as a cash flow hedge of interest rate risk for a notional amount of $230,000 that fixed the interest rate at 1.2757%, non-inclusive of the fixed credit spread through May 31, 2022. The fair value of the embedded at-the-market derivative is recognized in the condensed consolidated balance sheets and the changes in the fair value of the embedded at-the-market derivative is recognized in other comprehensive loss. At September 30, 2021, the financing component is recorded in current portion of interest rate swap liability in the amount of $1,750. Due to an other-than-insignificant financing element on a portion of such hybrid instrument, the cash flows associated with this hybrid instrument are classified as financing activities in the condensed consolidated statements of cash flows. At September 30, 2021, the Company recorded the fair value of the embedded at-the-market derivative in current portion of interest rate swap liability in the amount of $63.

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

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Liability				
Interest rate swap liability	$ —	$ 63	$ —	$ 63
Total	$ —	$ 63	$ —	$ 63

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

LEVEL 1	LEVEL 2	LEVEL 3	TOTAL

Liability								
Interest rate swap liability	$	—	$	3,671	$	—	$	3,671
Total	$	—	$	3,671	$	—	$	3,671

The net amount of deferred losses related to derivative instruments designated as cash flow hedges that is expected to be reclassified from Accumulated other comprehensive loss into earnings over the next twelve months is insignificant.

(h) Revenue Recognition ASC 606

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for promised goods or services. The Company's revenue consists of fees for perpetual and term licenses for the Company's software products, post-contract customer support (referred to as maintenance), software as a service ("SaaS") and professional services including training and other revenue. For contracts with multiple performance obligations, the Company allocates the transaction price of the contract to each performance obligation on a relative standalone selling price basis. The delivery of a particular type of software and each of the user licenses would be one performance obligation. However, any training, implementation, or support and maintenance promises as part of the software license agreement would be considered separate performance obligations, as those promises are distinct and separately identifiable from the software licenses. The payment terms in these arrangements are sufficiently short such that there is no significant financing component to the transaction.

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

The Company's professional services offerings primarily include consulting services. The service contracts are either time-and-materials, fixed fee or prepaid. The revenues are generally recognized over time as the services are performed.

Contract Balances

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

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

The unsatisfied performance obligations as of September 30, 2021 were approximately $93,837.

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,	
	2021	2020	2021	2020
Software licenses transferred at a point in time	$ 8,665	$ 8,274	$ 30,719	$ 28,652
Software licenses transferred over time	10,603	9,443	30,565	27,273
Service revenues earned over time	54,676	42,600	149,474	122,964
Total	$ 73,944	$ 60,317	$ 210,758	$ 178,889

(i) Earnings per Share

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

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

(j) COVID-19

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

3. Public Offerings

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

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

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

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

On September 13, 2021, the Company completed another public offering, at a public offering price of $31.00 per share, pursuant to which the Company sold 4,500,000 shares of its common stock, and certain selling stockholders sold 18,500,000 shares of the Company’s common stock, including an additional 3,000,000 shares of common stock pursuant to the full exercise of the underwriters’ option to purchase additional shares. The Company received net proceeds of $134,096, after deducting underwriters' discounts and commissions. In addition, $745 of legal, accounting and other offering costs incurred in connection with the sale of the Company's common stock in the public offering, were capitalized and offset against the proceeds received.

4. Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk have consisted principally of cash and cash equivalent investments and trade receivables. The Company invests available cash in bank deposits, investment-grade securities, and short-term interest-producing investments, including government obligations and other money market instruments. At September 30, 2021 and December 31, 2020, the investments were bank deposits and overnight sweep accounts. The Company has adopted credit policies and standards to evaluate the risk associated with sales that require collateral, such as letters of credit or bank guarantees, whenever deemed necessary. Management believes that any risk of loss is significantly reduced due to the nature of the customers and distributors with which the Company does business.

As of September 30, 2021, there was one customer that accounted for more than 10% of the Company’s accounts receivable and no customer accounted for more than 10% of the Company’s revenues during the three and nine months presented for 2021. No customers accounted for more than 10% of the Company’s accounts receivable or revenues as of December 31, 2020 or during the periods presented.

5. Acquisitions

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

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

The condensed consolidated financial statements include the operating results of each acquisition from the date of acquisition. Pro forma results of operations and the revenue and net income subsequent to the acquisition date for the acquisitions completed nine months ended September 30, 2021 have not been presented because the effects of the acquisitions, individually and in the aggregate, were not material to our financial results.

6. Long-Term Debt and Revolving Line of Credit

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

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

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

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

As of September 30, 2021, available borrowings under the revolving lines of credits were $100,000. Available borrowings under the revolving lines of credits of $20,000 at December 31, 2020 were reduced by $120 standby letters of credit issued to a landlord in lieu of a security deposit in addition to any outstanding borrowings.

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

The effective interest rate was 3.68% and 4.48% for the nine months ended September 30, 2021 and the year ended December 31, 2020 for the term loan debt, respectively. As discussed previously, the Company entered into interest rate swap agreements to mitigate the interest risk.

Interest incurred on the Credit Agreement with respect to the term loan amounted to $2,773, $8,444, $2,974, and $11,047 for the three and nine months ended September 30, 2021 and 2020, respectively. Accrued interest payable on the Credit Agreement with respect to the term loan amounted to $30 and $32 at September 30, 2021 and December 31, 2020, respectively, and is included in accrued expenses. Interest paid on the Credit Agreement with respect to the revolving line of credit was $93 and $457 for the nine months ended September 30, 2021 and 2020, respectively. There was less than $1 accrued interest payable and no accrued interest payable on the revolving line of credit at September 30, 2021 and December 31, 2020.

Effective August 14, 2017, the Company entered into an unsecured credit agreement with another lender for a $100,000 term loan ("Loan Agreement"). The loan bears interest at 8.25% which is payable in semi-annual installments on January 15 and July 15 through August 14, 2025, at which time all outstanding principal and interest are due. Under the Loan Agreement, the Company could voluntarily repay outstanding loans without premium or penalty. On July 15, 2020, the Company made a $20,000 prepayment on the loan, which reduced the amount outstanding to $80,000. On December 28, 2020, the Company repaid the $80,000 aggregate principal amount owed under the Loan Agreement, including $3,000 of accrued interest using a portion of the proceeds from the IPO. The Company's obligations under the Loan Agreement were discharged on that date. Interest paid on the loan amounted to $0 and $8,388 for the nine months ended September 30, 2021 and 2020, respectively.

Long-term debt consists of the following:

	SEPTEMBER 30, 2021	DECEMBER 31, 2020
Term loans	$ 301,245	$ 304,099
Less: debt issuance costs	(6,042)	(5,319)
Total	295,203	298,780
Current portion of long-term debt	(3,020)	(4,680)
Long-term debt, net of current portion and debt issuance costs	$ 292,183	$ 294,100

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

	2021	2022	2023	2024	2025	Thereafter	TOTAL
Maturities	$ 755	$ 3,020	$ 3,020	$ 3,020	3,020	$ 288,410	$ 301,245

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

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

7. Commitments and Contingencies

Leases

The Company leases certain office facilities and equipment under non-cancelable operating and capital leases with remaining terms from one to eight years. The gross amounts of assets under capital leases were $1,498 and $1,501 at September 30, 2021 and December 31, 2020, respectively. The total accumulated amortization associated with equipment under capital leases was $1,158 and $946 at September 30, 2021 and December 31, 2020, respectively. The related amortization expense is included in depreciation expense. Rent expense under the operating leases was $4,796 and $4,929 for the nine months ended September 30, 2021 and 2020, respectively.

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

	OPERATING LEASES	CAPITAL LEASES
Remainder of 2021	$ 1,847	$ 76
2022	5,121	304
2023	3,367	25
2024	2,647	—
2025	2,093	—
Thereafter	2,366	—
Non-cancelable future minimum lease payments	17,441	405
Less amount representing interest	—	(17)
Net non-cancelable future minimum lease payments	$ 17,441	388
Current portion of net non-cancelable future minimum lease payments		288
Net long-term non-cancelable future minimum lease payments		$ 100

8. Equity-Based Compensation

Class B Incentive Units

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

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

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

As of September 30, 2020, 6,328,153 Class B Units were issued and outstanding to Company employees. The Company granted 1,357,404 units and recorded actual forfeitures of 377,626 units during the nine months ended September 30, 2020.

The fair value of the Time-based Units that vested solely upon continued employment was measured at the grant date and was recognized as cost over the employee’s requisite service period, which was generally five years. The expense related to the vesting of the Time-based Units was recorded on the Company’s books because the Company directly benefited from the services provided by Class B Unit holders. The Company recorded compensation expense related to the Class B Units of $1,181 and $2,286 for the three and nine months ended September 30, 2020.

Restricted Stock

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

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

	SHARES	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE
Non-vested restricted stock as of December 31, 2020	5,941,693	$ 23.00
Granted	—	—
Vested	(1,724,979)	23.00
Forfeited	(141,057)	23.00
Non-vested restricted stock as of September 30, 2021	4,075,657	$ 23.00

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

Equity-based compensation expense related to the restricted stock exchanged for Performance-based Class B Units was $3,120 and $10,144 for the three and nine months ended September 30, 2021, respectively. At September 30, 2021, the total unrecognized equity-based compensation expense related to outstanding restricted stock recognized using the accelerated attribution approach was $14,072, which is expected to be recognized over a weighted-average period of 26 months.

Equity-based compensation expense related to the restricted stock exchanged for Time-based Class B Units were $767 and $2,298 for the three and nine months ended September 30, 2021 respectively. At September 30, 2021, the total unrecognized equity-based compensation expense related to outstanding restricted stock recognized using the straight-line attribution approach was $7,230, which is expected to be recognized over a weighted-average period of 35.2 months.

Restricted Stock Units

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

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

	UNITS	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE
Non-vested RSUs as of December 31, 2020	30,052	$ 23.00
Granted	1,027,512	27.47
Vested	(24,728)	23.00
Forfeited	(48,956)	26.86
Non-vested RSUs as of September 30, 2021	983,880	$ 27.48

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

Equity-based compensation expense related to the RSUs was $2,362 and $4,898 for three and nine months ended September 30, 2021, respectively. At September 30, 2021, the total unrecognized equity-based compensation expense related to outstanding RSUs was $22,559, which is expected to be recognized over a weighted-average period of 29.3 months.

Performance Stock Units

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

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

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

	UNITS	WEIGHTED-AVERAGE GRANT DATE FAIR VALUE
Non-vested PSUs as of December 31, 2020	—	$ —
Granted	400,354	27.01
Vested	—	—
Forfeited	(11,905)	27.45
Non-vested PSUs as of September 30, 2021	388,449	$ 27.00

Equity-based compensation expense related to the PSUs was $1,916 and $3,506 for the three and nine months ended September 30, 2021. At September 30, 2021, the total unrecognized equity-based compensation expense related to outstanding PSUs was $6,982, which is expected to be recognized over a weighted-average period of 19.5 months.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2021	2020	2021	2020
Cost of revenues	$ 1,442	$ 53	$ 3,738	$ 151
Sales and marketing	602	34	1,636	99
Research and development	514	34	1,528	97
General and administrative expenses	5,607	1,060	13,944	1,939
Total	$ 8,165	$ 1,181	$ 20,846	$ 2,286

9. Segment Data

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

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

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2021	2020	2021	2020
Revenue[(1)]:				
Americas	$ 54,911	$ 44,910	$ 150,594	$ 135,187
EMEA	13,307	10,679	41,222	30,601
Asia Pac	5,726	4,728	18,942	13,101
Total	$ 73,944	$ 60,317	$ 210,758	$ 178,889

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

10. Income Taxes

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

The Company's global ETR for the three and nine months ended September 30, 2021 and 2020 were 48%, (11)%, 22%, and 48%, respectively, including discrete tax items. The current year decrease in the ETR was principally due to the combined effect of the discrete tax effect of certain prior period swap losses that are required to be excluded from the EAETR calculation and the overall increase in pre-tax loss.

11. Earnings per Share

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

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

	THREE MONTHS ENDED SEPTEMBER 30, 2021	THREE MONTHS ENDED SEPTEMBER 30, 2020	NINE MONTHS ENDED SEPTEMBER 30, 2021	NINE MONTHS ENDED SEPTEMBER 30, 2020
Numerator:				
Net income (loss) available to common shareholders	$ (1,762)	$ 1,227	$ (3,567)	$ 5,050
Denominator:				
Basic weighted average common shares outstanding	149,016,609	132,407,786	147,894,227	132,407,786
Effects of dilutive securities	—	—	—	—
Diluted weighted average common shares outstanding	149,016,609	132,407,786	147,894,227	132,407,786
Earnings (loss) per share:				
Basic	$ (0.01)	$ 0.01	$ (0.02)	$ 0.04
Diluted	$ (0.01)	$ 0.01	$ (0.02)	$ 0.04

12. Subsequent Events

On October 1, 2021, the Company completed the acquisition of Pinnacle 21, LLC ("Pinnacle"), a company that develops advanced software for standards-based data management for regulatory submissions, for total consideration of $250,000 cash and 2,239,717 shares of restricted common stock of the Company. We will complete the initial accounting for the acquisition of Pinnacle 21, LLC, including the allocation of purchase consideration, in the fourth quarter of 2021.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

Executive Overview

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

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

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

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

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

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

Initial Public Offering

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

Secondary Public Offering

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

Other Public Offering

On September 13, 2021, the Company completed another public offering, at a public offering price of $31.00 per share, pursuant to which the Company sold 4,500,000 shares of its common stock, and certain selling stockholders sold 18,500,000 shares of the Company's common stock, including an additional 3,000,000 shares of common stock pursuant to the full exercise of the underwriters' option to purchase additional shares. The Company received net proceeds of $134.1 million, after deducting underwriters' discounts and commissions. In addition, $0.7 million of legal, accounting and other offering costs incurred in connection with the sale of the Company's common stock in the public offering, were capitalized and offset against the proceeds received.

Key Factors Affecting Our Performance

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

Customer Retention and Expansion

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

- ***Bookings:*** Our new bookings represent a signed contract or purchase order where there is sufficient or reasonable certainty about the customer's ability and intent to fund and commence the software and/or services. Bookings vary from period to period depending on numerous factors, including the overall health of the biopharmaceutical industry, regulatory developments, industry consolidation, and sales performance. Bookings have varied and will continue to vary significantly from quarter to quarter and from year to year.

- ***Renewal Rates:*** Our renewal rates measure the percentage of software customers who renew their licenses or subscriptions at the end of the license or subscription periods. The renewal rate is based on revenues and excludes the effect of price increases or expansions.

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

	2021			2020		
	Q1	Q2	Q3	Q1	Q2	Q3
Bookings (in millions)	$ 81.9	75.1	72.3	$ 61.0	70.1	72.9
Renewal Rate	92 %	90 %	87 %	92 %	96 %	84 %

Investments in Growth

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

Our Operating Environment

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

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

Competition

The market for our biosimulation products and related services for the biopharmaceutical industry is competitive and highly fragmented. In biosimulation software, we compete with other scientific software providers, technology companies, in-house development by biopharmaceutical companies, and certain open source solutions. In the technology-enabled services market, we compete with specialized companies, in-house teams at biopharmaceutical companies, and academic and government institutions. In some standard biosimulation services, and in regulatory and market access, we also compete with contract research organizations. Some of our competitors and potential competitors have longer operating histories in certain segments of our industry than we do and could have greater financial, technical, marketing, R&D, and other resources. Some of our competitors offer products and services directed at more specific markets than those we target, enabling these competitors to focus a greater proportion of their efforts and resources on those specific markets. Some competing products are developed and made available at lower cost by government organizations and academic institutions, and these entities may be able to devote substantial resources to product development. Some clinical research organizations or technology companies may decide to enter into or expand their offerings in the biosimulation area, whether through acquisition or internal development. We also face competition from open source software initiatives, in which developers provide software and intellectual property free of charge, such as R and PK-Sim software. In addition, some of our customers spend significant internal resources in order to develop their own solutions.

Impact of COVID-19

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

Non-GAAP Measures

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

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

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

Adjusted EBITDA and adjusted net income are non-GAAP measure 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 and adjusted net income have certain limitations in that they do not include the impact of certain expenses that are reflected in our consolidated statement of operations that are necessary to run our business. Other companies, including other companies in our industry, may not use these measures and may calculate it differently than as presented on this report, limiting the usefulness as comparative measures.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2021	2020	2021	2020
	(in thousands)		(in thousands)	
Net (loss) income[(a)]	$ (1,762)	$ 1,227	$ (3,567)	$ 5,050
Interest expense[(a)]	3,289	5,929	13,549	19,810
Interest income[(a)]	(84)	(12)	(255)	(36)
(Benefit) provision for income taxes[(a)]	(1,631)	350	349	4,696
Depreciation and amortization expense[(a)]	533	614	1,687	1,836
Intangible asset amortization[(a)]	10,209	9,956	30,436	29,804
Currency gain (loss)[(a)]	(545)	37	(189)	(190)
Equity-based compensation expense[(b)]	8,165	1,181	20,846	2,286
Acquisition-related expenses[(c)]	7,561	216	9,713	1,165
Integration expense[(d)]	—	57	—	57
Transaction-related expenses[(e)]	154	487	1,776	487
Severance expense[(f)]	—	150	—	361
Reorganization expense[(g)]	—	83	—	190
Loss on disposal of fixed assets[(h)]	22	9	304	9
Executive recruiting expense[(i)]	86	188	413	188
First-year Sarbanes-Oxley implementation costs[(j)]	129	—	469	—
Adjusted EBITDA	$ 26,126	$ 20,472	$ 75,531	$ 65,713

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

	THREE MONTHS ENDED SEPTEMBER 30, 2021	THREE MONTHS ENDED SEPTEMBER 30, 2020	NINE MONTHS ENDED SEPTEMBER 30, 2021	NINE MONTHS ENDED SEPTEMBER 30, 2020
	(in thousands)		(in thousands)	
Net (loss) income[(a)]	$ (1,762)	$ 1,227	$ (3,567)	$ 5,050
Currency gain (loss)[(a)]	(545)	37	(189)	(190)
Equity-based compensation expense[(b)]	8,165	1,181	20,846	2,286
Acquisition-related expenses[(c)]	7,561	216	9,713	1,165
Integration expense[(d)]	—	57	—	57
Transaction-related expenses[(e)]	154	487	1,776	487
Severance expense[(f)]	—	150	—	361
Reorganization expense[(g)]	—	83	—	190
Loss on disposal of fixed assets[(h)]	22	9	304	9
Executive recruiting expense[(i)]	86	188	413	188
First-year Sarbanes-Oxley implementation costs[(j)]	129	—	469	—
Income tax expense impact of adjustments[(k)]	(3,036)	(335)	(5,382)	(600)
Adjusted Net Income	$ 10,774	$ 3,300	$ 24,383	$ 9,003

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

	THREE MONTHS ENDED SEPTEMBER 30, 2021	THREE MONTHS ENDED SEPTEMBER 30, 2020	NINE MONTHS ENDED SEPTEMBER 30, 2021	NINE MONTHS ENDED SEPTEMBER 30, 2020
			(in thousands)	
Diluted earnings per share[(a)]	$ (0.01)	$ 0.01	$ (0.02)	$ 0.04
Currency gain (loss)[(a)]	—	—	—	—
Equity-based compensation expense[(b)]	0.05	0.01	0.13	0.02
Acquisition-related expenses[(c)]	0.05	—	0.06	—
Integration expense[(d)]	—	—	—	—
Transaction-related expenses[(e)]	—	—	0.02	—
Severance expense[(f)]	—	—	—	—
Reorganization expense[(g)]	—	—	—	—
Loss on disposal of fixed assets[(h)]	—	—	—	—
Executive recruiting expense[(i)]	—	—	—	—
First-year Sarbanes-Oxley implementation costs[(j)]	—	—	—	—
Income tax expense impact of adjustments[(k)]	(0.02)	—	(0.03)	—
Adjusted Diluted Earnings Per Share	$ 0.07	$ 0.02	$ 0.16	$ 0.06
Diluted weighted average common shares outstanding	149,016,609	132,407,786	147,894,227	132,407,786
Effect of potentially dilutive shares outstanding [(l)]	4,303,765	—	4,584,295	—
Diluted weighted average common shares outstanding	153,320,374	132,407,786	152,478,522	132,407,786

(a) Represents amounts as determined under GAAP.

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

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

(d) Represents integration costs related to post-acquisition integration activities.

(e) Represents costs associated with directly expensed costs from the stock offerings and debt modification.

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

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

(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 in 2021.

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

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

Components of Results of Operations

Revenues

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

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

fee, or prepaid. Revenues are recognized over the time services are performed for time and materials, and over time by estimating progress to completion for fixed fee and prepaid services.

Cost of Revenues

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

Operating Expenses

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

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

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

Other Expenses

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

Acquisition

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

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

Subsequent to the quarter end, on October 1, 2021, we completed our acquisition of Pinnacle 21, LLC ("Pinnacle"), a company that develops advanced software for standards-based data management for regulatory submissions, for total consideration of $250.0 million cash and 2,239,717 shares of restricted common stock of the Company. We expect to complete the initial accounting for the acquisition of Pinnacle 21, LLC, including the allocation of purchase consideration, in the fourth quarter of 2021.

Results of Operations

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

Three Months Ended September 30, 2021 Versus Three Months Ended September 30, 2020

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

Revenues

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
		(in thousands)		
Software	$ 19,268	$ 17,717	$ 1,551	9 %
Services	54,676	42,600	12,076	28 %
Total revenues	$ 73,944	$ 60,317	$ 13,627	23 %

Revenues increased $13.6 million, or 23%, to $73.9 million for the three months ended September 30, 2021 as compared to the same period in 2020. The increase in revenues was due to growth in our technology-enabled services and software product offerings from strong renewal rates, client expansion and new customers.

Software revenue increased $1.6 million, or 9%, to $19.3 million for the three months ended September 30, 2021 as compared to the same period in 2020, driven primarily by $1.5 million growth in the revenues attributable to maintaining high net revenue retention rates, renewal rates and new customers for our core software products.

Services revenue increased by $12.1 million, or 28%, to $54.7 million for the three months ended September 30, 2021 as compared to the same period in 2020, driven by growth in our technology-enabled services which resulted from strong growth in biosimulation and regulatory services.

Cost of Revenues

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
	(in thousands)			
Cost of revenues	$ 28,769	$ 23,030	$ 5,739	25 %

Cost of revenues increased by $5.7 million, or 25%, to $28.8 million for the three months ended September 30, 2021 as compared to the same period in 2020. The increase was primarily due to a $4.0 million increase in employee-related costs resulting from billable head count growth and a $1.4 million increase in stock-based compensation costs. The remaining increase is primarily due to consulting costs.

Sales and Marketing Expenses

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
	(in thousands)			
Sales and marketing	$ 5,082	$ 3,106	$ 1,976	64 %
% of total revenues	7 %	5 %		

Sales and marketing expenses increased by $2.0 million, or 64%, to $5.1 million for the three months ended September 30, 2021 as compared to the same period in 2020. Sales and marketing expenses increased primarily due to a $1.1 million increase in employee-related costs resulting from head count growth and a $0.6 million increase in stock-based compensation costs.

Research and Development Expenses

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
	(in thousands)			
Research and development	$ 4,530	$ 3,295	$ 1,235	37 %
% of total revenues	6 %	5 %		

Research and development expenses increased by $1.2 million, or 37%, to $4.5 million for the three months ended September 30, 2021 as compared to the same period in 2020. The increase in R&D expenses was primarily due to a $0.9 million increases in employee-related costs primarily resulting from head count growth and a $0.5 million increase in stock-based compensation costs.

General and Administrative Expenses

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
	(in thousands)			
General and administrative	$ 26,199	$ 13,403	$ 12,796	95 %
% of total revenues	35 %	22 %		

General and administrative expenses increased by $12.8 million, or 95%, to $26.2 million for the three months ended September 30, 2021 as compared to the same period in 2020. The increase in general and administrative expenses was primarily due to a $7.5 million increase in business acquisition costs, a $4.6 million increase in stock-based compensation costs, a $0.7 million increase in insurance expenses, and a $0.3 milllion increase in employee related costs.

Intangible Asset Amortization

	THREE MONTHS ENDED SEPTEMBER 30, 2021	2020	CHANGE $	%
		(in thousands)		
Intangible asset amortization	$ 9,592	$ 9,374	$ 218	2 %
% of total revenues	13 %	16 %		

Intangible asset amortization expense increased by $0.2 million, or 2%, to $9.6 million for the three months ended September 30, 2021 as compared to the same period in 2020. The increase in intangible asset amortization expense is primarily due to increased amortization cost from the acquired intangible assets.

Depreciation and Amortization Expense

	THREE MONTHS ENDED SEPTEMBER 30, 2021	2020	CHANGE $	%
		(in thousands)		
Depreciation and amortization	$ 533	$ 614	$ (81)	(13)%
% of total revenues	1 %	1 %		

Depreciation and amortization expense of $0.5 million was relatively flat for the three months ended September 30, 2021 as compared to the same period in 2020.

Interest Expense

	THREE MONTHS ENDED SEPTEMBER 30, 2021	2020	CHANGE $	%
		(in thousands)		
Interest expense	$ 3,289	$ 5,929	$ (2,640)	(45)%
% of total revenues	4 %	10 %		

Interest expense decreased $2.6 million, or 45%, to $3.3 million for the three months ended September 30, 2021 as compared to the same period in 2020. The decrease in interest expense was primarily due to lower average outstanding principal balances on our credit facilities in the third quarter of 2021 compared to the same period in 2020.

Miscellaneous, net

	THREE MONTHS ENDED SEPTEMBER 30, 2021	2020	CHANGE $	%
		(in thousands)		
Miscellaneous, net	$ (657)	$ (11)	$ (646)	nm
% of total revenues	(1)%	(0)%		

Miscellaneous income was $0.7 million for the three months ended September 30, 2021 as compared to miscellaneous expenses of $0.0 million for the same period in 2020. The change was primarily due to $0.6 million currency translation gains.

Provision for Income Taxes

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
		(in thousands)		
Provision for income taxes	$ (1,631)	$ 350	$ (1,981)	(566)%
Effective income tax rate	48 %	22 %		

Our income tax benefit was $1.6 million, resulting in an effective income tax rate of 48% for the three months ended September 30, 2021 as compared to income tax expense of $0.4 million, or an effective income tax rate of 22%, for the same period in 2020. Our income tax expense for the three months ended September 30, 2021 was primarily due to the discrete tax effect of certain prior period swap losses that are required to be excluded from the EAETR calculation and the overall increase in pre-tax book loss. Our income tax expense for the three months ended September 30, 2020 was primarily due to the tax effects of U.S. pre-tax income, the impact of non-deductible items, the effects of tax elections made for U.K. earnings, the relative mix of domestic and international earnings, and discrete tax items.

Net Income (loss)

	THREE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
		(in thousands)		
Net income (loss)	$ (1,762)	$ 1,227	$ (2,989)	(244)%

Net loss for the third quarter of 2021 was $1.8 million, compared to a net income of $1.2 million in the third quarter of 2020. The loss was primarily due to a $7.0 million increase in stock-based compensation expense, a $7.5 million increase in acquisition cost, and other employee related costs. The loss was partially offset by higher revenues and lower interest expense in the third quarter of 2021.

Nine Months Ended September 30, 2021 Versus Nine Months Ended September 30, 2020

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

Revenues

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
		(in thousands)		
Software	$ 61,284	$ 55,925	$ 5,359	10 %
Services	149,474	122,964	26,510	22 %
Total revenues	$ 210,758	$ 178,889	$ 31,869	18 %

Revenues increased $31.9 million, or 18%, to $210.8 million for the nine months ended September 30, 2021 as compared to the same period in 2020. The increase in revenues was due to growth in both our services and software product offerings, primarily related to strong renewal rates, client expansions and new customers in both our technology-enabled service product lines and software.

Software revenue increased by $5.4 million, or 10%, to $61.3 million for the nine months ended September 30, 2021 as compared to the same period in 2020, driven primarily by 10% or $5.2 million growth in revenue from subscriptions and license products offerings. The revenue growth was driven by strong renewal rates and new customers from software products.

Services revenue increased by $26.5 million, or 22%, to $149.5 million for the nine months ended September 30, 2021 as compared to the same period in 2020, driven by growth in our technology-enabled biosimulation and regulatory services.

Cost of Revenues

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
		(in thousands)		
Cost of revenues	$ 82,327	$ 65,860	$ 16,467	25 %

Cost of revenues increased by $16.5 million, or 25%, to $82.3 million for the nine months ended September 30, 2021 as compared to the same period in 2020. The increase was primarily due to a $10.4 million increase in employee-related costs resulting from billable head count growth, a $3.6 million increase in stock-based compensation costs, and a $2.3 million increase in consulting costs.

Sales and Marketing Expenses

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
		(in thousands)		
Sales and marketing	$ 13,423	$ 8,773	$ 4,650	53 %
% of total revenues	6 %	5 %		

Sales and marketing expenses increased by $4.7 million, or 53%, to $13.4 million for the nine months ended September 30, 2021 as compared to the same period in 2020. Sales and marketing expenses increased primarily due to a $2.9 million increase in employee-related costs resulting from head count growth and a $1.5 million increase in stock-based compensation costs.

Research and Development Expenses

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
		(in thousands)		
Research and development	$ 13,862	$ 9,139	$ 4,723	52 %
% of total revenues	7 %	5 %		

Research and development expenses increased by $4.7 million, or 52%, to $13.9 million for the nine months ended September 30, 2021 as compared to the same period in 2020. The increase in R&D expenses was primarily due to a $2.9 million increases in employee-related costs resulting from head count growth and a $1.4 million increase in stock-based compensation costs. The remaining increases were primarily due to an increase in consulting costs and an increase in cost due to lower software capitalization.

General and Administrative Expenses

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
		(in thousands)		
General and administrative	$ 60,795	$ 36,125	$ 24,670	68 %
% of total revenues	29 %	20 %		

General and administrative expenses increased by $24.7 million, or 68%, to $60.8 million for the nine months ended September 30, 2021 as compared to the same period in 2020. The increase in general and administrative expenses was primarily due to a $12.0 million increase in stock-based compensation costs, $9.4 million increase in acquisition costs, and $2.1 million increase in insurance costs. The remaining increases are due to increases in public company costs, stock offering costs, first-year Sarbanes-Oxley implementation costs, and executive recruiting costs. The increases were partially offset by decreases in consulting cost, travel and entertainment related costs, office supplies and facilities costs.

Intangible Asset Amortization Expense

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
		(in thousands)		
Intangible asset amortization	$ 28,527	$ 28,056	$ 471	2 %
% of total revenues	14 %	16 %		

Intangible asset amortization expense increased by $0.5 million, or 2%, to $28.5 million for the nine months ended September 30, 2021 as compared to the same period in 2020. The increase in intangible asset amortization expense is due to $0.3 million in amortization cost in acquired intangibles and $0.2 million increase in amortization cost in capitalized software development.

Depreciation and Amortization Expense

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
		(in thousands)		
Depreciation and amortization	$ 1,687	$ 1,836	$ (149)	(8)%
% of total revenues	1 %	1 %		

Depreciation and amortization expense was $1.7 million for the nine months ended September 30, 2021, a decrease of $0.1 million, or 8% as compared to the same period in 2020. The decrease was primarily due to decrease in depreciation in leasehold improvement and computer equipment.

Interest Expense

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
		(in thousands)		
Interest expense	$ 13,549	$ 19,810	$ (6,261)	(32)%
% of total revenues	6 %	11 %		

Interest expense decreased by $6.3 million, or 32%, to $13.5 million for the nine months ended September 30, 2021 as compared to the same period in 2020. The decrease in interest expense was primarily due to lower average outstanding principal balances on our credit facilities in the first nine months of 2021 compared to the same period in 2020. The decrease in interest expense was partially offset by interest expense reclassed in from other comprehensive income due to hedge ineffectiveness.

Miscellaneous, net

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
		(in thousands)		
Miscellaneous, net	$ (194)	$ (456)	$ 262	(57)%
% of total revenues	(0)%	(0)%		

Miscellaneous incomes decreased by $0.3 million for the nine months ended September 30, 2021 as compared for the same period in 2020. The decrease was primarily due to $0.3 million loss recorded in the current period for disposal of fixed assets.

Provision for Income Taxes

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
	(in thousands)			
Provision for income taxes	$ 349	$ 4,696	$ (4,347)	(93)%
Effective income tax rate	(11)%	48 %		

Our income tax expense was $0.3 million, resulting in an effective income tax rate of (11)% for the nine months ended September 30, 2021 as compared to income tax expense of $4.7 million, or an effective income tax rate of 48%, for the same period in 2020. Our income tax expense for the nine months ended September 30, 2021 was primarily due to the discrete tax effect of certain prior period swap losses that are required to be excluded from the EAETR calculation and the overall increase in pre-tax book loss. Our income tax expense for the nine months ended September 30, 2020 was primarily due to the tax effects of U.S. pre-tax income, the impact of non-deductible items, the effects of tax elections made for U.K. earnings, the relative mix of domestic and international earnings, and discrete tax items.

Net Income (loss)

	NINE MONTHS ENDED SEPTEMBER 30,		CHANGE	
	2021	2020	$	%
	(in thousands)			
Net income (loss)	$ (3,567)	$ 5,050	$ (8,617)	(171)%

Net loss was $3.6 million for the nine months ended September 30, 2021 as compared to net income of $5.1 million for the same period in 2020. The loss was primarily due to $18.6 million increase in stock based compensation expense, $15.7 million increase in employee related costs, and $9.4 million increase in acquisition costs. The loss was partially offset by increased revenue and lower interest expense in the first nine months of 2021.

Liquidity and Capital Resources

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

As of September 30, 2021, we had cash and cash equivalents $416.9 million, of which $35.6 million represents cash and cash equivalents held outside of the United States.

Cash Flows

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	2021	2020
	(in thousands)	
Net cash provided by operating activities	$ 39,557	$ 32,129
Net cash used in investing activities	(20,599)	(7,209)
Net cash provided by (used in) financing activities	127,035	(24,103)
Effect due to foreign exchange rate changes on cash, cash equivalents, and restricted cash	(1,326)	1,170
Net (decrease) increase in cash, cash equivalents, and restricted cash	$ 144,667	$ 1,987
Cash paid for interest	$ 10,671	$ 21,077
Cash paid for income taxes	$ 6,744	$ 6,675

Operating Activities

Cash provided by operating activities in the first nine months of 2021 was $39.6 million, compared to $32.1 million in the same period of 2020. The $7.4 million increase in cash from operating activities was primarily due to decreased interest payments for the current period and higher cash collected from revenue generated sales activities, partially offset by cash outflow from higher employee related expenses.

Investing Activities

Cash used by investing activities in the first nine months of 2021 was $20.6 million, an increase of $13.4 million, compared to $7.2 million in the same period of 2020. During the nine months ended September 30, 2021, investing activities used cash primarily for investing in business acquisitions, capitalized software development, and capital expenditures to support our growth.

Financing Activities

Cash provided by financing activities in the first nine months of 2021 was $127.0 million, compared to $24.1million cash used in the same period of 2020. The $151.1 million increase in cash from financing activities was primarily due to cash received from stock offerings in September 2021 and the principal portion payment on a term loan debt during first nine months in 2020.

Funding Requirements

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

While we believe we have sufficient liquidity to fund our operations for the foreseeable future, our sources of liquidity could be affected by various factors, such as changes to the U.S. economic condition, market interest rates, the Federal Reserve monetary policy, other government policies, etc.

Indebtedness

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

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

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

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

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

All obligations under the Credit Agreement are unconditionally guaranteed by our wholly owned direct and indirect subsidiaries, subject to certain exceptions. All obligations under the Credit Agreement, and the guarantees of those obligations, are secured on a first lien basis, subject to certain exceptions, by substantially all of our assets and the assets of the other guarantors.

As of September 30, 2021, we had $301.2 million of outstanding borrowings on the term loan, and $100.0 million of availability under the revolving credit facility under the Credit Agreement.

As of September 30, 2021, we were in compliance with the covenants of 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, 2021 from those disclosed in our Annual Report on Form 10-K, except for payment made in the ordinary course of business.

Income Taxes

We recorded income tax benefit of $1.6 million and income tax expense $0.3 million for the three and nine months ended September 30, 2021, respectively, and income tax expense of $0.4 million and $4.7 million for the three and nine months ended September 30, 2020, respectively.

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

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

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

Our accounting policies are more fully described in Note 2, "Summary of Significant Accounting Policies," in our audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2020. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. We monitor estimates and assumptions on a continuous basis and update these estimates and assumptions as facts and circumstances change and new information is obtained. Actual results could differ materially from those estimates and assumptions. We discussed the accounting policies that we believe are most critical to the portrayal of our results of operations and financial condition and require management's most difficult, subjective and complex judgments in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on 2020 Form 10-K for the year ended December 31, 2020. There were no significant changes to our critical accounting policies and estimates during the nine months ended September 30, 2021.

Recently Adopted and Issued Accounting Standards

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Changes in Internal Control over Financial Reporting

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

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

Except as described below, there have been no significant changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2020 that we believe are material to our business, financial condition, results of operations, cash flows or growth prospects.

We regularly evaluate potential acquisitions of other companies or technologies, which could divert our management's attention, result in additional dilution to our stockholders, and otherwise disrupt our operations and adversely affect our operating results.

We have acquired multiple businesses and technologies in the past and we regularly evaluate opportunities to acquire or invest in businesses, solutions or technologies that we believe could complement or expand our solutions, enhance our technical capabilities or otherwise offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not they are consummated.

If we acquire additional businesses, we may not be able to integrate the acquired personnel, operations and technologies successfully, effectively manage the combined business following the acquisition or preserve the operational synergies between our business units that we underwrite at the time of the acquisition. We cannot assure that following any acquisition we would achieve the expected synergies to justify the transaction, due to a number of factors, including:

- inability to integrate or benefit from acquired technologies or services in a profitable manner;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- difficulty integrating the accounting systems, operations and personnel of the acquired business;
- difficulties and additional expenses associated with supporting legacy products and hosting infrastructure of the acquired business;
- difficulty converting the customers of the acquired business onto our solutions and contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;
- diversion of management's attention from other business concerns;
- adverse effects to our existing business relationships with business partners and customers as a result of the acquisition;
- the potential loss of key employees;
- use of resources that are needed in other parts of our business; and
- use of substantial portions of our available cash to consummate the acquisition.

Furthermore, acquired businesses may change or increase the risks to which we are exposed. For example, in October 2021 we acquired Pinnacle, whose software is used by the U.S. Food & Drug Administration (FDA) and Japan's Pharmaceuticals and Medical Devices Agency (PMDA) validate compliance with the Clinical Data Interchange Standards Consortium (CDISC) standards. As a result, we are at increased exposure to risks related to changes the FDA's or the PMDA's regulatory standards and risks related to government customers.

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

None

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On November 6, 2021, Sherilyn S. McCoy informed our board of directors of her intention to resign as a director of the Company, effective December 1, 2021. The resignation is not the result of any disagreement between Ms. McCoy and the Company. Ms. McCoy serves as the Chair of the Company's board of directors. The Company's board of directors is expected to elect Mr. James E. Cashman III, who has served on the board of directors since 2018, to serve as its Chair upon Ms. McCoy's departure.

Item 6. Exhibits

See Exhibit Index.

EXHIBIT INDEX

Exhibit Number	Exhibit Title	Incorporated by Reference Form	File No.	Exhibit	Filing Date
2.1	Agreement and Plan Of Merger By and Among Certara, Inc., Puma Merger Sub, LLC Pinnacle 21, LLC and Shareholder Representative Services LLC, as The Equity holder Representative				
3.1	Amended and Restated Certificate of Incorporation of Certara, Inc.	S-8	333-251368	4.1	12/15/2020
3.2	Amended and Restated Bylaws of Certara, Inc.	S-8	333-251368	4.2	12/15/2020
10.1	Form of Performance Stock Unit Grant Notice and Agreement for Certara, Inc. 2020 Incentive Plan†*				
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)				

† Filed herewith.

* Management contract or compensatory plan or arrangement.

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

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 9, 2021	By: /s/ William F. Feehery Name: William F. Feehery Title: Chief Executive Officer (Principal Executive Officer)
Date: November 9, 2021	By: /s/ M. Andrew Schemick Name: M. Andrew Schemick Title: Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

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 9, 2021

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

Exhibit 31.2

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

CERTIFICATION OF CHIEF FINANCIAL OFFICER (Principal Financial Officer)

I, M. Andrew Schemick, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Certara, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s Board of Directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2021

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

Exhibit 32.1

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, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, the undersigned, hereby certify that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2021 *⁄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.

Exhibit 32.2

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, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, the undersigned, hereby certify that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2021

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

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