

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

**FORM 10-K**

**(Mark One)**

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

For the fiscal year ended September 30, 2023

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 001-35840

**Model N, Inc.**

(Exact name of Registrant as specified in its Charter)

**Delaware**

**77-0528806**

**(State or Other Jurisdiction of  
Incorporation or Organization)**

**(I.R.S. Employer  
Identification No.)**

**777 Mariners Island Boulevard, Suite 300**

**San Mateo, California**

**94404**

**(Address of Principal Executive Offices)**

**(Zip Code)**

**Registrant's telephone number, including area code: ( 650 ) 610-4600**

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

<b>Title of each class</b>	<b>Trading Symbol</b>	<b>Name of each exchange on which registered</b>
Common Stock, par value \$0.00015 per share	MODN	New York Stock Exchange

Common Stock, par value \$0.00015 per share

MODN

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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, 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The New York Stock Exchange Stock Market on March 31, 2023, was approximately \$ 1.2 billion.

The number of shares of Registrant's Common Stock outstanding as of November 10, 2023, was 38,763,859 .

Portions of the Registrant's Definitive Proxy Statement relating to the 2024 Annual Meeting of Shareholders are incorporated by reference into Part III of this Report.

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**PART I.**

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements regarding future events and our future results that are subject to the safe harbors created under the Securities Act of 1933 (Securities Act) and the Securities Exchange Act of 1934 (Exchange Act). All statements contained in this report other than statements of historical fact, including statements regarding our future results of operations and financial position, our business strategy and plans, our objectives for future operations, and potential impacts from macroeconomic and geopolitical events are forward-looking statements. The words "believe," "may," "will," "estimate," "continue," "anticipate," "goal," "plan," "intend," "expect," "seek", and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described under "Part I, Item 1A. Risk Factors," and elsewhere in this report. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. 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 light of these risks, uncertainties and assumptions, the future events and trends discussed in this report may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We are under no duty to update any of these forward-looking statements after the date of this report or to conform these statements to actual results or revised expectations.

As used in this report, the terms "Model N," "we," "us," "our," and "the Company" mean Model N, Inc. and its subsidiaries unless the context indicates otherwise.

## ITEM 1. Business

### Overview

Model N is a leading provider of cloud revenue management solutions for life sciences and high tech companies. Our software helps companies drive mission critical business processes such as pricing, quoting, contracting, regulatory compliance, rebates and incentives. With deep industry expertise, Model N supports the complex business needs of the world's leading brands in life sciences and high tech including Johnson & Johnson, AstraZeneca, Stryker, Seagate Technology, Broadcom, and Microchip Technology.

Historically, companies tended to rely on a disjointed patchwork of manual processes, spreadsheets, point applications, and legacy systems to manage their revenue processes. These processes and systems operated in isolation from one another and were labor intensive, error prone, inflexible, and costly, often resulting in missed revenue opportunities, suboptimal margins, incentive overpayments, and increased revenue compliance risk. Current industry trends, which include shortening product lifecycles, tightening compliance and regulatory controls, increasing channel complexity and growing volumes of transactional data, are causing these outdated processes and legacy systems to become increasingly ineffective.

Our expertise in cloud-based revenue management solutions, combined with our knowledge of the life sciences and high tech industries, has enabled us to develop software designed to meet the unique, strategic needs of these industries, such as managed care and government pricing for life sciences companies and channel incentives management for high tech companies. Model N Revenue Cloud transforms the revenue lifecycle into a strategic, end-to-end process aligned across the enterprise. Our industry specific solution suites – Revenue Cloud for Life Sciences and Revenue Cloud for High Tech – offer a range of solutions from individual products to complete product suites.

### Overview of the Life Sciences and High Tech Industries

The life sciences and high tech industries are large and highly fragmented. Companies in both industries market their products to a global customer base through diverse channels. Additionally, high costs are required to launch a drug or medical device to the global market. Regulatory pressures, consolidation, and other factors in both industries continue to drive a considerable focus on revenue management.

Management of the revenue lifecycle is a strategic imperative and a source of competitive advantage for life sciences and high tech companies as they address increasingly globalized markets, sophisticated buyers, complex channels, and expanding volumes of data from internal and market sources. Emerging business models like outcome based pricing and service bundles further complicate the revenue management processes, which increases the need for practical solutions.

Several trends specific to these industries further complicate revenue management.

#### **Life Sciences:**

- the emergence of large group purchasing, managed care organizations and integrated healthcare delivery networks drive increased pricing pressure, contract volume, and complexity;
- increased customer and channel incentives and rebates result in the increased risk of extending unearned discounts and the overpayment of rebates;
- the shift of purchasing influence from physicians to economic buyers makes price and commercial terms key decision making factors;
- increased spending on healthcare by governments instead of commercial entities adds further regulatory oversight to transactions;
- expanded scope of government mandates, frequency of regulatory reporting and audits, and fines, all of which increase administrative burden and monitoring costs;
- increased payer-provider consolidation which makes market access harder; and
- increased revenue leakage through 340B channels.

#### **High Tech:**

- shortened product lifecycles driving rapid pricing changes and require quick responses to quotes and competitive bidding;
- increased number of core high tech products sold into different end markets with segment-specific pricing;
- cyclical and rising R&D costs contributing to a focus on maximizing sell time, margins and revenues;

- increased complexity of multi-tiered global distribution channels intensifying channel conflict and price erosion;
- changing financial reporting requirements due to channel complexity; and
- increased use of off-invoice discounting to offset upfront discounts and mask end-customer pricing resulting in a lack of price transparency that can erode gross margins.

### Challenges to Effective Revenue Management

Traditionally, companies addressed revenue management through a patchwork of manual processes and inflexible and costly custom solutions. This outdated approach to revenue management impedes the ability of companies to respond to changing market conditions, preventing them from maximizing revenue and increasing their revenue compliance risk. Critical challenges include:

- **Incomplete and unreliable information for critical strategic decisions.** Legacy manual processes and systems used to manage the revenue lifecycle create silos of data causing companies to make strategic marketing, pricing and resource allocation decisions that are based on incomplete or inaccurate information. As a result, revenue strategies can be suboptimal, budgets may be misallocated, and sales and marketing efforts can fail to positively impact revenues.
- **Revenue leakage due to inadequate contract management and enforcement.** Customer-specific contracts with complex pricing and commercial terms are common in many industries, in particular life sciences and high tech. When the commercial terms of these contracts are not automated and monitored systematically, deviations from contract pricing can occur, volume commitments can be missed, unearned discounts may be given, and revenue can be lost.
- **Revenue leakage due to the overpayment of incentives.** life sciences and high tech companies process massive volumes of rebates and incentives. A lack of centralized, automated and enforceable processes can result in overpayment of incentives. Revenue leakage is also driven by inconsistent global pricing, poor price concession controls, and unmet contractual volume commitments.
- **Ineffective pricing across geographies and complex channels.** Sophisticated buyers deploy global procurement strategies to discover and exploit regional and channel differences in pricing and contracting. The inability to enforce a single price for a specific sales opportunity across regions and channels can result in channel conflicts, which leads to price and revenue erosion.
- **Inaccurate financial reporting.** Complex contracts and distribution channels have made it more difficult to obtain and process financial information, which can result in inaccurate financial reporting. For example, high tech companies face significant complexity in financial reporting and revenue recognition at the point of sale in their distribution channels. Life sciences companies have substantial challenges correctly accruing their massive rebate and incentive claim volumes.
- **Difficulty complying with complicated government regulations.** Satisfying the regulatory requirements of numerous federal and state programs is increasingly complex for our customers across both the life sciences and high-tech industries. For example, government-driven programs require sophisticated monitoring and reporting to compute and pay mandated rebates and fees under numerous federal and state programs. Government audits can expose ineffective management of these regulatory requirements and can result in penalties or program ineligibility.

### Our Solutions

Our solutions enable customers to achieve significant returns on investment through increased revenues and gross margins while addressing vital business objectives:

- **Driving optimal pricing and contracting strategies.** Our customers use our solutions to develop, deploy, monitor, and drive optimal pricing and contracting strategies. Our solutions consolidate information across the revenue lifecycle and provide visibility into historical volume, price, and contract performance trends. Our pricing analytics enable our customers to identify untapped revenue opportunities across customers or products and make better pricing and contracting decisions.
- **Realizing greater value from contracts.** Our solutions enable customers to codify and automate complex pricing, incentives, and financial and fulfillment terms that previously resided mainly on paper contracts. Our customers can maximize the value of contracts and realize additional revenue by tracking their customers' performance and enforcing contract terms. Our solutions automatically price orders in real-time and enforce contract pricing and commercial terms. Our solutions also enable customers to track and execute other revenue-enhancing financial terms, such as negotiated price increases.

- **Maximizing revenue by standardizing and enforcing pricing and discounting policies.** Our solutions allow customers to standardize pricing policies that can be enforced automatically across the enterprise and the channels to restrict maverick sales practices and discounting by sales personnel. By raising the visibility of, requiring authorization of, and enabling rapid resolution of, non-standard pricing, our customers can use our solutions to reduce unauthorized discounting. Through our channel solutions, our customers can gain visibility into and enforce channel pricing and reduce price erosion caused by different price quotes for the same end customer.
- **Executing and optimizing channel incentives.** Our solutions enable customers to manage the entire incentive lifecycle, from contracting to incentive management and payment. Accurate incentive management allows our customers to eliminate unearned discounts and overpayment. Our solutions also provide our customers with greater cross channel visibility to manage the effectiveness of their channel incentive programs. With this insight, our customers can better utilize their channel incentives to positively influence channel behavior and thus increase revenue.
- **Achieving accurate financial reporting.** With our solutions, customers can manage all aspects of the contract-to-payment process related to calculating, monitoring, processing and triggering payments to end customers and channel intermediaries. For example, by automating all rebates, these liabilities can be accurately accrued, enabling our customers to consistently record accruals in compliance with financial accounting requirements, while ensuring customers and channels are credited on a timely basis.
- **Automating government regulatory compliance to reduce revenue risk.** Our solutions enable customers to comply systematically with government regulations, policies, procedures, pricing, and reporting requirements. Further, by automating and integrating contract terms, incentives and pricing into mandated price and payment calculations, our life sciences customers are better able to manage compliance with the terms of critical government programs that provide significant sources of revenue.

## Our Competitive Strengths

We believe our key competitive strengths include:

- **Comprehensive approach to revenue management.** Our solutions address the end-to-end revenue management lifecycle. Our integrated, end-to-end application suites enable our customers to transform their revenue management processes from disjointed tactical operations into a cohesive, strategic, end-to-end process. Providing suites of cloud-based solutions is an advantage that enables us to address both decision making and process automation.
- **Deep domain knowledge.** Our expertise in the revenue management needs of life sciences and high tech companies enables us to develop solutions that address the unique demands of these industries. By incorporating best practices into our industry-specific solutions, implementation methodologies and support programs, our customers can experience significantly accelerated time to value. Our team possesses deep industry expertise in life sciences and high tech to enable our customers to maximize and accelerate the transformational benefits of our solutions.
- **Strong customer base.** We have established a reputation for delivering revenue management solutions to leading life sciences and high tech customers. Our close customer relationships provide us with insight into how these companies use our solutions and help us to maintain a competitive advantage by anticipating their future requirements. We also believe that the use of our products by respected industry leaders also increases the value of our brand in these industries.
- **Flexible deployment model.** We have the capability to deploy our revenue management solutions as SaaS applications, as fully managed and outsourced business services, or in a hybrid model mixing both SaaS and business services across different applications. We believe this flexibility to deliver our solutions to suit customer preferences is a meaningful competitive advantage given the inherent complexity of our customers' businesses processes and IT environments.
- **Talented team focused on customer success.** We employ experts from the life sciences and high tech industries in key customer-facing and development roles. Additionally, we have established strong core values that start with a focus on customer success. Our customer focus has resulted in close relationships with our customers and a strong reference base for sales opportunities.

## Products

We provide solutions that span the organizational and operational boundaries of functions such as sales, marketing, and finance and serve as a system of record for crucial revenue management processes including pricing, quoting, contracts, rebates, incentives, channel management, reporting and regulatory compliance. Our solutions are purpose-built for the life sciences and

high tech industries and are designed to work with enterprise resource planning (ERP) and customer relationship management (CRM) applications. Our solutions enable real-time pricing, contract management, deal management, quoting, and channel incentives management, including rebates, incentives, and regulatory compliance. Our Revenue Cloud suites comprise multiple applications, which are integrated to work together but are flexible enough to be deployed individually. For example, when deployed as an interconnected suite, our solutions allow prices that are set up in the price management process to flow into the quoting process. Similarly, closed deals are captured in contract management and can be synchronized with ERP systems and into regulatory reporting as required by government agencies. Our solutions provide critical data such as prices, quotes, contracts, incentives, and rebate claims that are typically not available in other enterprise systems. Our solutions can also provide customers predictive revenue insights necessary to optimize sales and marketing investments and offers, as well as customer profitability.

**Revenue Cloud for Life Sciences** – Our suite of revenue management solutions deliver end to end workflow, visibility and control across the enterprise and integrate with front-office products (e.g. CRM) as well as back-office products (e.g. ERP). This helps life science companies improve revenue and operational efficiency while adhering to government regulations as they create and execute contracts with their customers.

Our integrated suite of solutions includes the following products:

- **Global Pricing Management.** Minimizes price erosion of products in international markets due to competitive pressures and government mandate throughout the product lifecycle. Enables a streamlined pricing process by consolidating information into a single system of record, which provides users' access to accurate and up-to-date information. Provides an in-built International Reference Pricing (IRP) simulation and price controls, product launch sequence optimization and tracking and forecasting of prices and sales among other features.
- **Global Tender Management.** Improves revenue regionally and globally by enabling opportunity segmentation and targeting, optimal bid pricing and post-award tracking to manage the tendering lifecycle through automation and maximizing award value.
- **Provider Management.** Manufacturers can effectively manage and execute complex institutional contracts with Providers (Hospitals, IDNs, GPOs). This product helps minimize revenue leakage and improves operational efficiency by allowing the manufacturer to set up contracts using structured pricing and price alerts for each product and customer, implement the contracts and allow price look up, resolution and monitoring in end to end workflows enabled by analytics to drive contract compliance. This product calculates fees to be paid to wholesalers and GPOs as well as incentives to providers and ensures price-tier compliance and minimizes rebate overpayments.
- **Payer Management.** Minimizes revenue leakage and noncompliance of complex contracts with Payers (Pharmacy Benefit Managers (PBMs)/Plan Sponsors). Significant revenue leakage can happen without proper handling of rebate requests from PBMs. Payer Management is an end-to-end industry-leading payer management solution which can help end revenue leakage in payer rebating processes and ensure adherence to complex government pricing regulations.
- **Government Pricing.** Supports Federal government-mandated calculations and reporting requirements for average and minimum prices achieved by manufacturers across their product portfolio through various channels. Optimizes revenue and reduces the risk of fines and other penalties due to non-compliance with regulatory requirements.
- **Medicaid.** Improves compliance with regulatory requirements and ensures payment of rebate claims on a timely basis and at correct rates for government Medicaid programs, while helping manufacturers minimize revenue leakage due to overpayment. Leverages robotic process automation to avoid repetitive, manual, work and the associated costs and potential data errors for our customers.
- **Validata.** Enables manufacturers to validate, summarize and analyze prescription-level information in connection with processing of various forms of rebates to ensure accurate payments are made and duplicate reimbursements are avoided.
- **340B Vigilance.** Duplicate discounts are a significant challenge for today's pharmaceutical manufacturers participating in the \$44 billion federal 340B drug pricing program. Our innovative 340B Vigilance solution remediates duplicates discounts related to this program for manufacturers by flagging and managing prescriptions to prevent duplicate discounts before rebate payment. 340B Vigilance is integrated with our Validata solution and works seamlessly with Good Faith Inquiry (GFI) service providers to deliver a closed loop solution.

- **State Pricing Transparency Management.** Highly configurable solution to manage and meet the pricing calculations, reporting requirements, specific formats, and timelines mandated by various individual U.S. States. Reduces the potential risk of non-compliance with state price transparency requirements.
- **Deal Management.** Helps increase revenue and reduce revenue leakage by connecting critical front and back-office operations to ensure optimal product placement and pricing decisions leveraging customer memberships, pricing tiers and past performance insights. Ensures better efficiency and alignment between sales and operations teams of Life Sciences Manufacturers.
- **Advanced Membership Management.** Helps manufacturers manage their customers' membership with specific Group Purchasing Organizations (GPOs). Reduces revenue leakage by validating eligibility for contracted pricing and ensures compliance with specific rebate policies.
- **Intelligence Cloud.** Integrated business intelligence application to provide KPIs and trend analytics on all aspect of pricing, contracting, and discounting data across our suite of solutions through easy to configure dashboards and reports.

**Revenue Cloud for High Tech** – Our suite of solutions enables customers to modernize their sales processes by adopting a strategic approach to manage the revenue lifecycle by planned revenue.

- **Deal Management.** Increases deal conversion and pricing consistency with pricing, quotes and contracts natively supporting the High Tech Channel end-to-end.
- **Deal Intelligence.** Provides High Tech manufacturers with the ability to analyze historical deal data, measure the impact of different pricing and discounting strategies and apply their findings into current deals. Controls price concessions and determines ideal prices by using in-context analytics.
- **Channel Management.** Provides manufacturers a clearer view of inventory, including the ability to evaluate and perform actions, such as price protection and stock rotation and matching available inventory to quotes. Increases the ease of doing business with partners by streamlining commission calculations and validating inventory levels.
- **Market Development Fund Management.** Allows companies to streamline their marketing development funds MDF (MDF) programs and reduce revenue leakage by increasing partner participation through a self-service portal that facilitates claims and tracks proof of execution.
- **Rebates Management.** Centralizes control of rebate programs to reduce upfront discounts and enables effective management of all incentives. Automates the end-to-end process of managing rebates from creation to payment including dashboards and reports to manage compliance and performance for both internal and external users.
- **Channel Data Management.** Automates the process of collection, cleansing, validation, and standardization of channel partner data, such as point of sales (POS), inventory, and claims.
- **Payment Management.** Enables companies to pay, audit, and manage incentive payments globally while reducing costs to ensure their accuracy and timeliness.
- **NGage.** As high-tech customers are expanding with new channel partner types there is a need to accelerate onboarding of partners to achieve their business goals. NGage is an in-app guidance application that helps our customers drive and measure channel/user adoption, change management and process excellence.

## Technology

Our Revenue Cloud solution is architected in multiple layers. The first layer is composed of end-user operational and analysis solutions. The middle layer is comprised of supporting services and business engines. The lowest layer is made up of a unified technology platform used to construct and support all modules in higher layers. The platform also provides access to the normalized operational database where the transactional revenue management data used by the operational solutions are stored. It also provides access and facilitates the synchronization with the de-normalized analytics database where the revenue management data used by analytics and AI/ML solutions are stored.

Our Revenue Cloud solutions are built on a variety of industry standards such as Java EE, HTML5, ReactJS, Amazon Web Services and Force.com, which gives end users an intuitive and familiar user experience. These standard technologies

enable us to offer our customers a familiar technology environment that is widely understood and utilized, as well as the ability to use certain solutions on the "go" with a tablet or other mobile devices, including smartphones running iOS and Android.

Our technology platform has allowed us to quickly develop new solutions, features and functionalities. We believe the platform is configured to meet the needs of broad horizontal markets as well as specific vertical markets and, within each instance, to meet the specific needs of each of our customers. The flexibility of the technology platform has also allowed us to add mobile device support and deploy cloud-based solutions in a rapid and efficient manner, and we believe it will enable us to continue to add new capabilities in the future.

Our technology is designed specifically to handle the complex calculations and massive data sets associated with revenue management processes typical in the life sciences and high tech industries. With the expansion of global deployments, scalability has been a key requirement of our customers and a focus for us across all the layers of our application suites.

Our solutions have been designed to ensure high reliability and strong security, and the technology platform includes a comprehensive set of built-in features and management tools to allow optimal and continuous operation. The Revenue Cloud for Life Sciences and Revenue Cloud for High Tech suites are only offered to our customers through the cloud. We manage a reliable architecture designed to reduce the risk associated with infrastructure outages, improve system scalability and security, and allow for flexibility in deployment. The environment for our cloud-based solutions is designed to be secure and provide high availability with disaster recovery capabilities.

#### **Services and Customer Support**

We offer a comprehensive set of services to assist our customers through the full lifecycle of new business transformations or upgrades of existing solutions. We help our customers define, implement and support or manage our solutions. We provide implementation services, application services, business services, and strategic services both on and offshore, as described below.

- **Implementation services.** We assist our customers in the implementation or upgrade of our Revenue Cloud, including project management, design and solution blueprint, process improvement, application configuration or customization, systems integration, data cleansing and migration, testing and performance tuning, production cutover and post go-live support.
- **Application services.** We offer managed services for customers using our solutions either on-premise through a legacy contract or in the cloud, which include systems administration and infrastructure management, application support, custom feature support and education services, including process, application and end-user training.
- **Business services.** Through our acquisition of Deloitte & Touche LLP's pricing and contracting solutions business in fiscal year 2021, we offer a fully managed and outsourced deployment and consumption model for our core life sciences commercial and regulatory solutions.
- **Strategic services.** We assist our customers in defining best practices and strategies in revenue management, assessing the capability of the existing transaction and decision support solutions, developing business cases for change and transformation plans and answering strategic questions.
- **Customer support.** We deliver customer support from support centers located in the United States, as well as at our offices in India. We offer a range of support offerings, including 24x7x365, packaged into varying levels of access to our support resources.

For project delivery, we use a standard implementation methodology incorporating lessons learned from past work to ensure the success of our current projects. This methodology enables us to predictably estimate project costs and schedule, and proactively mitigate most implementation challenges.

In addition, we have cultivated relationships to promote and assist with the implementation of our solutions with consulting firms. While we do not maintain formal contractual relationships with these firms that require them to promote our solutions to their clients, we work with them for implementation and other professional services projects. As a result, these firms have expertise in our technologies and best practices and have invested in building out their practice areas with our revenue management solutions.

We deploy our resources globally through offices located in the United States, India, and Switzerland.

## **Customers**

As of September 30, 2023, we had approximately 182 customers. For the fiscal year ended September 30, 2023, revenues from our life sciences and high tech customers accounted for approximately 86% and 14% of our total revenues, respectively. Our customers range in size from the largest multi-national corporations to smaller, emerging companies. Our customers represent a range of sub-verticals within the broader life sciences and high tech industries, including biotechnology, pharmaceutical, medical device, generics, semiconductor, electronic component, consumer electronics, and software. During the fiscal year ended September 30, 2023, we did not rely on any single customer for a material portion of our revenue or subscription revenue.

We pursue close, long-term relationships with our customers because we believe strong customer relationships are the key to our success. Many of these relationships date back to our original business model. Customers maintaining on-premise implementations under legacy perpetual license contracts may purchase, at their discretion, maintenance and support services and in some cases managed services on an annual basis. For the last several years, we have been transitioning our business model to software as a service. New customers as well as customers who originally purchased a perpetual license now enter into a software as a service agreement that provides for a subscription to our solutions as well as implementation services.

## **Sales and Marketing**

We target large, mid-sized, and small/emerging life sciences and high tech manufactures worldwide through our direct sales force. Our sales and marketing programs are also organized by geographic region. We augment our sales professionals with solutions engineers and industry domain experts via our Center of Excellence. These professionals work closely with prospective customers during the sales process. Our marketing team supports sales with demand generation, competitive analysis and sales tools, and contributes to the sales process through lead generation, brand building, industry analyst relations, public relations and industry research.

We host an annual customer conference, Rainmaker, which plays a significant role in driving sales of our solutions. Customers are invited both as attendees and participants to deliver sessions relevant to the interests and practices of the life sciences and high tech industries. We also invite prospective customers to this conference to leverage our strong customer relationships to accelerate sales cycles. In addition, Rainmaker provides a forum to build our ecosystem of strategic partner relationships, offering partners the opportunity to work closely with our sales force on joint sales pursuits.

## **Research and Development**

Our research and development organization is responsible for the definition, design, development, testing, certification and SaaS delivery of our solutions. Our efforts are focused on developing new solutions and technologies and further enhancing the functionality, reliability, performance, and configurability of existing solutions. When considering improvements and enhancements to our solutions, we engage with our customers and partners who provide essential input for product development and innovation. We assess emerging customer demand and proactively focus our efforts in bringing new solutions and enhancements to existing solutions to market following a seasonal release schedule. We also closely monitor the changes in business environment and regulations in our target industries, particularly in life sciences, to quickly deliver updates to our solutions that are critical for our customers to remain in compliance with government regulations.

As our solutions often serve as a system-of-record for our customers' revenue management processes, our research and development efforts reflect the extensive information technology (IT) needs of our customers in both the life sciences and high-tech industries. Our research and development efforts continue to focus on evolving our solutions to meet the increasingly complex infrastructure requirements of our customers in these industries.

Our product development is based on deep industry knowledge and familiarity with the specific requirements of individual customers, combined with continued innovation using state of the art software development processes and tools. We follow an "agile" development process, which helps us clarify requirements and receive feedback early, accommodate changes and deliver products that better match the overall needs of our customers with higher quality.

As of September 30, 2023, our research and development team consisted of 337 employees globally.

## **Competition**

The market for revenue management solutions is highly competitive, fragmented and subject to rapid changes in technology. We face competition from spreadsheet-assisted manual processes, internally developed solutions, large integrated systems vendors, providers of business process outsourcing services, horizontal revenue management solutions and companies that provide point solutions. Companies lacking IT resources often resort to spreadsheet-assisted manual processes or personal database applications. Also, some potential customers, particularly large enterprises, may elect to develop their own internal solutions, including custom-built solutions that are designed to support the needs of a single organization. Companies with significant investments in ERP or CRM applications, which do not typically provide revenue management capabilities, may extend these horizontal applications with customizations or point solution applications to address single or a small set of

revenue management sub processes or drivers. Common horizontal applications that customers attempt to configure for this purpose in the life sciences and high tech industries include large integrated systems vendors like SAP AG and Oracle Corporation. We also encounter competition from independent companies such as IQVIA Holdings Inc., Vistex, Inc., IntegriChain, iContracts, Inc., EVERISANA, and E2open, LLC which compete based on price, unique product features, advisory and consulting services capabilities, data and/or analytics capabilities, and custom developments.

We believe we compete based primarily on the following factors:

- industry expertise;
- comprehensiveness of solution;
- flexibility of deployment models;
- reliability, scalability and performance;
- access to prospective customers through strategic partnerships;
- global system and support capabilities; and
- industry brand, reputation and customer base.

While we believe that we compete favorably on the basis of each of the factors listed above, many of our competitors have greater name recognition, more substantial sales and marketing budgets, and greater resources than we do and may have pre-existing relationships with our potential customers, including relationships with, and access to, key decision makers within these organizations, and major distribution agreements with consultants and system integrators. Moreover, many software vendors could bundle solutions or offer them at a low price as part of a larger product sale.

With the introduction of advanced technologies and market entrants, we expect competition to intensify in the future. We also expect enterprise software vendors that focus on enterprise resource planning or back-office applications to enter our market with competing products. Also, we expect sales force automation vendors to acquire or develop solutions that may compete with our solutions.

#### **Intellectual Property**

We rely upon a combination of copyright, trade secret, trademark and, to a lesser extent, patent laws, and we also rely on contractual restrictions, such as confidentiality agreements and licenses, to establish and protect our proprietary rights. As of September 30, 2023, we had one patent application pending and thirteen issued patents expiring between 2024 and 2038. We have a number of registered and unregistered trademarks. We maintain a policy requiring our employees, consultants and other third parties to enter into confidentiality and proprietary rights agreements and to control access to our software, documentation and other proprietary information. We also believe that factors resulting from our length of presence in the market and significant research and development investments, such as our deep expertise in life sciences and high tech revenue management practices, the ability of our solutions to handle the complexities of revenue management processes, the technological and creative skills of our personnel, the creation of new features and functionality and frequent enhancements to our solutions are essential to establishing and maintaining our technology leadership position.

Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy or obtain and use our technology to develop products with the same functionality as our solutions. Policing unauthorized use of our technology is difficult. The laws of other countries in which we market our application suite may offer little or no effective protection for our proprietary technology. Our competitors could also independently develop technologies equivalent to ours, and our intellectual property rights may not be broad enough for us to prevent competitors from selling products incorporating those technologies. Reverse engineering, unauthorized copying or other misappropriation of our proprietary technology could enable third parties to benefit from our technology without paying us for it, which would significantly harm our business.

#### **Human Capital Resources**

As of September 30, 2023, we employed 1089 people, including 531 in services and customer support, 337 in research and development, 120 in sales and marketing and 101 in a general and administrative capacity. As of such date, we had 561 employees in the United States and 528 employees in international locations. We also engage temporary employees and consultants. None of our employees are represented by a labor union with respect to his or her employment with us. We have not experienced any work stoppages and we consider our relations with our employees to be good. We conduct quarterly employee engagement surveys to understand employee sentiment and we use that feedback to build a strong employee experience.

We recognize that attracting, interviewing, motivating, and retaining diverse talent at all levels is vital to continuing our success. By improving employee retention and engagement, we also improve our ability to support Model N's customers and protect the long-term interests of our stakeholders and stockholders. We invest in our employees through high-quality benefits and various health and wellness initiatives, and offer competitive compensation packages, ensuring fairness in internal compensation practices. We support employee well-being through a wellness strategy that includes extended holiday weekends, an annual company-wide week off and programs to enable better time management and to boost productivity.

To further engage and incentivize our workforce, we offer a wide range of programs and avenues for support, motivation, and professional recognition. We utilize both instructor-led training and online learning to provide custom training courses to ensure our sales and services teams stay up-to-date on our products and service offerings. For our talent pipeline development, we work closely with individual business functions to provide training and hands-on support for managers and leaders, who use our Performance/Potential Matrix to assess talent, identify development opportunities, and discuss succession planning. Our mentor program further supports the development of our talent by pairing less experienced high-potential employees with experienced leaders for one-on-one mentorship and support.

We know that diverse perspectives drive our collective success, and we are committed to an inclusive workplace where every employee is respected, championed, and recognized for their unique contributions. Our commitment to diversity, equity, inclusion, and belonging is reflected in all of our talent practices. Our five Employee Affinity Groups provide a way for employees to connect and build community, and our commitment to 100% pay parity across gender and ethnicity helps ensure our pay practices are equitable. We work closely with the employee volunteers of our Global Diversity Council to continually check in on how we're progressing in these areas.

#### **Corporate Information**

We were incorporated in Delaware on December 14, 1999. Our principal offices are located at 777 Mariners Island Boulevard, Suite 300, San Mateo, CA 94404, and our telephone number is (650) 610-4600. Our website address is [www.modeln.com](http://www.modeln.com). The information contained on, or that can be accessed through, our website is not part of this report. Model N is our registered trademark in the United States and in various international jurisdictions. Model N, the Model N logo and all of our product names appearing in this report are our trademarks. Other trademarks appearing in this report are the property of their respective holders.

#### **Available Information**

We file annual, quarterly and other reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We also make available, free of charge on the investor relations portion of our website at [investor.modeln.com](http://investor.modeln.com), our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after they are filed electronically with the SEC. You can also view these reports on the SEC's website at <https://www.sec.gov/> where you can obtain most of our SEC filings. You can also obtain paper copies of these reports, without charge, by contacting Investor Relations at (650) 610-4600.

#### **ITEM 1A. Risk Factors**

*Our operating and financial results are subject to various risks and uncertainties. You should carefully consider the risks and uncertainties described below, together with all of the other information in this report, including the Consolidated Financial Statements and the related notes included elsewhere in this report, before deciding whether to invest in shares of our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks or others not specified below actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment.*

#### **Risk Factors Summary**

Our business is subject to a number of risks and uncertainties, including those risks discussed at-length below. These risks include, among other things, the following:

- We have incurred losses in the past, and we may not be profitable in the future.
- Our operating results are likely to vary significantly from period to period and be unpredictable, which could cause the trading price of our common stock to decline.
- We must improve our sales execution and increase our sales channels and opportunities in order to grow our revenues, and if we are unsuccessful, our operating results may be adversely affected.
- Our sales cycles are time-consuming, and it is difficult for us to predict when or if sales will occur.

- Our revenues are dependent on our ability to maintain and expand existing customer relationships and our ability to attract new customers.
- The loss of one or more of our key customers could slow our revenue growth or cause our revenues to decline.
- Because we recognize a majority of our subscription revenues from our customers over the term of their agreements, downturns or upturns in sales of our cloud-based solutions may not be immediately reflected in our operating results.
- Our implementation cycle is lengthy and variable, depends upon factors outside our control and could cause us to expend significant time and resources prior to earning associated revenues.
- We depend on our management team and our key sales and development and services personnel, and the loss of one or more key employees or groups could harm our business and prevent us from implementing our business plan in a timely manner.
- Our transition from an on-premise to a cloud-based business model is subject to numerous risks and uncertainties.
- Our future growth is, in large part, dependent upon the increasing adoption of revenue management solutions.
- We are highly dependent upon the life sciences industry, and factors that adversely affect this industry could also adversely affect us.
- Our acquisition of other companies could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our operating results.
- We rely on third parties and their systems as we introduce a variety of new services, including the processing of transaction data and settlement of funds to us and our counterparties, and these third parties' failure to perform these services adequately could materially and adversely affect our business.
- Failure to comply with applicable laws, regulations, or industry standards may harm our business and financial condition.
- If our solutions do not interoperate with our customers' IT infrastructure, sales of our solutions could be negatively affected, which would harm our business.
- If our solutions experience data security breaches, and there is unauthorized access to our customers' data, we may lose current or future customers, our reputation and business may be harmed, and we may incur significant liabilities.
- Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand, which would substantially harm our business and operating results.
- Our stock price may be volatile, and you may be unable to sell your shares at or above your purchase price.
- Our indebtedness could adversely affect our business and limit our ability to expand our business or respond to changes, and we may be unable to generate sufficient cash flow to satisfy our debt service obligations.

#### **Risks Related to Our Financial Condition**

##### ***We have incurred losses in the past, and we may not be profitable in the future.***

We have incurred net losses of \$33.9 million and \$28.6 million for the fiscal years ended September 30, 2023 and 2022, respectively. As of September 30, 2023, we had an accumulated deficit of \$296.9 million. Our expenses may increase in future periods as we implement additional initiatives designed to grow our business, including, among other things, increasing sales to existing customers, expanding our customer base, introducing new applications, enhancing existing solutions, extending into the mid-market, and continuing to penetrate the technology industry. Increased operating expenses related to personnel costs such as salary, bonus, commissions and stock-based compensation as well as third-party contractors, travel-related expenses and marketing programs may also increase our expenses in future periods. In the near-term, our revenues may not be sufficient to offset increases in operating expenses, and we expect that we will incur losses. Additionally, we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may result in losses in future periods. We cannot assure investors that we will obtain and maintain profitability in the future. Any failure to return to profitability may materially and adversely affect our business, results of operations and financial condition.

***Our operating results are likely to vary significantly from period to period and be unpredictable, which could cause the trading price of our common stock to decline.***

Our operating results have historically varied from period to period, and we expect that this trend will continue as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including:

- our ability to increase sales to and renew agreements with our existing customers;
- our ability to expand and improve the productivity of our direct sales force;
- our ability to attract and retain new customers and to improve sales execution;
- our ability to continue to transition our customers from an on-premise to a cloud-based business model;
- the timing and volume of incremental customer purchases of our cloud-based solutions, which may vary from period to period based on a customer's needs at a particular time;
- our ability to successfully expand our business domestically and internationally;
- disruptions in our relationships with partners;
- the timing of new orders and revenue recognition for new and prior period orders;
- changes in the competitive landscape of our industry, including mergers or consolidation among our customers or competitors;
- the complexity of implementations and the scheduling and staffing of the related personnel, each of which can affect the timing and duration of revenue recognition;
- issues related to changes in customers' business requirements, project scope, implementations or market needs;
- the mix of revenues in any particular period between subscription and professional services;
- the timing of upfront recognition of sales commission expense relative to the deferred recognition of our revenues;
- the timing of recognition of payment of royalties;
- the timing of our annual payment and recognition of employee non-equity incentive and bonus payments;
- the budgeting cycles and purchasing practices of customers;
- changes in customer requirements or market needs;
- delays or reductions in information technology spending and resulting variability in customer orders from quarter to quarter;
- delays or difficulties encountered during customer implementations, including customer requests for changes to the implementation schedule;
- the timing and success of new product or service introductions by us or our competitors;
- the amount and timing of any customer refunds or credits;
- our ability to accurately estimate the costs associated with any fixed bid projects;
- deferral of orders from customers in anticipation of new solutions or solution enhancements announced by us or our competitors;
- the length of time for the sale and implementation of our solutions to be complete, and our level of upfront investments prior to the period we begin generating revenues associated with such investments;
- the amount and timing of our operating expenses and capital expenditures, and our ability to timely repay our debt;
- price competition;
- the rate of expansion and productivity of our direct sales force;
- regulatory compliance costs;
- required modifications to our solutions or services in response to changes in law or regulations;
- sales commissions expenses related to large transactions;
- technical difficulties or interruptions in the delivery of our cloud-based solutions;

- seasonality or cyclical fluctuations in our industries;
- future accounting pronouncements or changes in our accounting policies, including the impact of the adoption and implementation of the Financial Accounting Standards Board's new standard regarding revenue recognition;
- increases or decreases in our expenses caused by fluctuations in foreign currency exchange rates, as a significant portion of our expenses are incurred and paid in currencies other than the U.S. dollar;
- general economic conditions, both domestically and in our foreign markets;
- global epidemics, pandemics, or contagious diseases; and
- entry of new competitors into our market.

Any one of the factors above or discussed elsewhere in this report or the cumulative effect of some of the factors referred to above may result in significant fluctuations in our financial and other operating results. This variability and unpredictability could result in our failure to meet expectations of investors for our revenues or other operating results for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our common stock could decrease.

***We must improve our sales execution and increase our sales channels and opportunities in order to grow our revenues, and if we are unsuccessful, our operating results may be adversely affected.***

We must improve our sales execution in order to, among other things, increase the number of our sales opportunities and grow our revenue. We must improve the market awareness of our solutions and expand our relationships with our channel partners in order to increase our revenues. Further, we believe that we must continue to develop our relationships with new and existing customers and partners and create additional sales opportunities to effectively and efficiently extend our geographic reach and market penetration. Our efforts to improve our sales execution could result in a material increase in our sales and marketing expense and general and administrative expense, and there can be no assurance that such efforts will be successful. We have experienced challenges in sales execution in the past, and if we are unable to significantly improve our sales execution, increase the awareness of our solutions, create additional sales opportunities, expand our relationships with channel partners, leverage our relationship with strategic partners, or effectively manage the costs associated with these efforts, our operating results and financial condition could be materially and adversely affected.

***Our sales cycles are time-consuming, and it is difficult for us to predict when or if sales will occur.***

Our sales efforts are often targeted at larger enterprise customers, and as a result, we face greater costs, must devote greater sales support to individual customers, have longer sales cycles and have less predictability in completing some of our sales. Also, sales to large enterprises often require us to provide greater levels of education regarding the use and benefits of our solutions. We believe that our customers view the purchase of our solutions as a significant and strategic decision. As a result, customers carefully evaluate our solutions, often over long periods with a variety of internal constituencies. In addition, the sales of our solutions may be subject to delays if the customer has lengthy internal budgeting, approval and evaluation processes, which are quite common in the context of introducing large enterprise-wide technology solutions. As a result, it is difficult to predict the timing of our future sales.

***Our revenues are dependent on our ability to maintain and expand existing customer relationships and our ability to attract new customers.***

The continued growth of our revenues is dependent in part on our ability to expand the use of our solutions by existing customers and attract new customers. Likewise, it is also important that customers using our on-premise solutions renew their maintenance agreements and that customers using our cloud-based solutions renew their subscription agreements with us. Our customers have no obligation to renew their agreements after the expiration of the initial term, and there can be no assurance that they will do so. We have had in the past and may in the future have disputes with customers regarding our solutions, which may impact such customers' decisions to continue to use our solutions and pay for maintenance and support in the future.

If we are unable to expand our customers' use of our solutions, sell additional solutions to our customers, maintain our renewal rates for maintenance and subscription agreements and expand our customer base, our revenues may decline or fail to increase at historical growth rates, which could adversely affect our business and operating results. In addition, if we experience customer dissatisfaction with customers in the future, we may find it more difficult to increase use of our solutions within our existing customer base and it may be more difficult to attract new customers, or we may be required to grant credits or refunds, any of which could negatively impact our operating results and materially harm our business.

***The loss of one or more of our key customers could slow our revenue growth or cause our revenues to decline.***

A substantial portion of our total revenues in any given period may come from a relatively small number of customers. As of September 30, 2023, we had approximately 182 customers. Although our largest customers typically change from period

to period, for the fiscal year ended September 30, 2023, our 15 largest customers accounted for 53% of our total revenues. During the fiscal year ended September 30, 2023, no customer represented more than 10% of our total revenues or more than 10% of our subscription revenues. We expect that we will continue to depend upon a relatively small number of customers for a significant portion of our total revenues for the foreseeable future. The loss of any of our significant customers or groups of customers for any reason, or a change of relationship with any of our key customers may cause a significant decrease in our total revenues.

Additionally, mergers or consolidations among our customers in the life sciences and high tech industries, both of which are currently undergoing significant consolidation, could reduce the number of our customers and could adversely affect our revenues and sales. In particular, if our customers are acquired by entities that are not also our customers, that do not use our solutions or that have more favorable contract terms and choose to discontinue, reduce or change the terms of their use of our solutions, our business and operating results could be materially and adversely affected.

***Because we recognize a majority of our subscription revenues from our customers over the term of their agreements, downturns or upturns in sales of our cloud-based solutions may not be immediately reflected in our operating results.***

Subscription revenues primarily include contractual arrangements with customers accessing our cloud-based solutions and revenues associated with maintenance and support agreements from license customers. We recognize a majority of our subscription revenues over the term of our customer agreements, which, on average are typically one to three years. As a result, most of our quarterly subscription revenues result from agreements entered into during previous quarters. Consequently, a shortfall in sales of our cloud-based solutions or renewal of maintenance and support agreements in any quarter may not significantly reduce our subscription revenues for that quarter but may negatively affect subscription revenues in future quarters. Further, management measures sales performance and forecasts future SaaS subscription revenue based on the annualized value, or SaaS ARR, which is derived by dividing the SaaS portion of our recurring subscription revenue for the quarter, by the number of days in the quarter, and multiplying it by 365 to get an annualized number. Management also uses SaaS Net Dollar Retention, which uses the same SaaS ARR calculations to measure the percentage change in SaaS ARR from customers that are in both the current period and the year-ago period. The amount of subscription revenue we actually recognize may be different from ARR at the end of a period in which it was recorded. Accordingly, the effect of significant downturns in sales of our cloud-based solutions or renewals of our maintenance and support agreements may not be fully reflected in our results of operations until future periods. We may be unable to adjust our cost structure rapidly to compensate for this potential shortfall in subscription revenues, or at all, to take account of reduced revenue. Our revenue recognition model for our cloud-based solutions and maintenance and support agreements also makes it difficult for us to rapidly increase our revenues through additional sales in any period, as a significant amount of our revenues are recognized over the applicable agreement term. As a result, changes in the volume of sales of our cloud-based solutions or the renewals of our maintenance and support agreements in a particular period would not be fully reflected in our revenues until future periods.

***Our implementation cycle is lengthy and variable, depends upon factors outside our control and could cause us to expend significant time and resources prior to earning associated revenues.***

The implementation and testing of our solutions typically range from a few months to up to twelve months, and unexpected implementation delays and difficulties can occur including, but not limited to, those related to global epidemics, pandemics, or contagious diseases. Implementing our solutions typically involves integration with our customers' systems, as well as adding their data to our system. This can be complex, time-consuming and expensive for our customers and can result in delays in the implementation and deployment of our solutions. The lengthy and variable implementation cycle may also have a negative impact on the timing of our revenues, causing our revenues and results of operations to vary significantly from period to period.

***A substantial majority of our total revenues have come from sales and renewals of our enterprise cloud products, and decreases in demand for our enterprise cloud products could adversely affect our results of operations and financial condition.***

Historically, a substantial majority of our total revenues has been associated with our enterprise cloud products, whether deployed as individual solutions or as a complete suite. We expect our enterprise cloud products to continue to generate a substantial majority of our total revenues for the foreseeable future. Declines and variability in demand for our enterprise cloud products could occur for a number of reasons, including improved products or product versions being offered by competitors, competitive pricing pressures, failure to release new or enhanced versions on a timely basis, technological changes that we are unable to address or that change the way our customers utilize our solutions, reductions in technology spending, export restrictions or other regulatory or legislative actions that could limit our ability to sell those products to key customer or market segments. Our business, results of operations, financial condition and cash flows would be adversely affected by a decline in demand for our enterprise cloud products.

***Most of our implementation contracts are on a time and materials basis and may be terminated by the customer.***

The contracts under which we perform most of our implementation services may have a term typically ranging between a few months to up to twelve months and are on a time and materials basis and may be terminated by the customer at any time. If an implementation project is terminated sooner than we anticipated or a portion of the implementation is delayed, we would lose the anticipated revenues that we might not be able to replace or it may take significant time to replace the lost revenues with other work or we may be unable to eliminate the associated costs. Consequently, we may recognize fewer revenues than we anticipated or incur unnecessary costs, and our results of operations in subsequent periods could be materially lower than expected.

***We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and operating results.***

Our sales contracts are primarily denominated in U.S. dollars, and therefore, substantially all of our revenues are not subject to foreign currency risk. However, the continued strengthening of the U.S. dollar could increase the real cost of our solutions to our customers outside of the United States, which could adversely affect our financial condition and operating results. In addition, an increasing portion of our operating expenses are incurred in India, are denominated in Indian rupees and are subject to fluctuations due to changes in foreign currency exchange rates. While we recently began using foreign exchange forward contracts to hedge certain cash flow exposures resulting from changes in foreign currency exchange rates, this hedging strategy may not ultimately be effective and may adversely affect our financial condition and operating results.

***If we are required to collect sales and use taxes on the solutions we sell, we may be subject to liability for past sales and our future sales may decrease.***

State and local taxing jurisdictions have differing rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that may change over time. In particular, the applicability of sales taxes to our subscription services in various jurisdictions is unclear. Although we have historically collected and remitted sales tax in certain circumstances, it is possible that we could face sales tax audits and that our liability for these taxes could exceed our estimates as state tax authorities could still assert that we are obligated to collect additional amounts as taxes from our customers and remit those taxes to those authorities. We could also be subject to audits with respect to state and international jurisdictions for which we have not accrued tax liabilities. A successful assertion that we should be collecting additional sales or other taxes on our services in jurisdictions where we have not historically done so and do not accrue for sales taxes could result in substantial tax liabilities for past sales, discourage customers from purchasing our solutions or otherwise harm our business and operating results.

***If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our operating results could fall below expectations of securities analysts and investors, resulting in a decline in our stock price.***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying notes. For example, our revenue recognition policy is complex and we often must make estimates and assumptions that could prove to be inaccurate. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about revenue recognition, capitalized software, the carrying values of assets, taxes, liabilities, equity, revenues and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Significant assumptions and estimates used in preparing our Consolidated Financial Statements include those related to revenue recognition, share-based compensation and income taxes.

***We may need additional capital, and we cannot be certain that additional financing will be available.***

We may require additional financing in the future to operate or expand our business, acquire assets or repay or refinance our existing debt. Our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance and condition of the capital markets at the time we seek financing. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences or privileges senior to the rights of our common stock, notes, or preferred stock, and our stockholders may experience dilution.

If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- develop or enhance our solutions;
- continue to expand our sales and marketing and research and development organizations;
- repay or refinance our existing debt;

- acquire complementary technologies, solutions or businesses;
- expand operations, in the United States or internationally;
- hire, train and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

Our failure to do any of these things could seriously harm our business, financial condition, and operating results.

***Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.***

In general, under Section 382 of the U.S. Internal Revenue Code of 1986, as amended (Code), and similar state law provisions, a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change net operating losses (“NOLs”) to offset future taxable income. If our existing NOLs are subject to limitations arising from ownership changes, our ability to utilize NOLs could be limited by Section 382 of the Code. Future changes in our stock ownership, some of which are outside of our control, also could result in an ownership change under Section 382 of the Code. There is also a risk that our NOLs could expire, or otherwise be unavailable to offset future income tax liabilities due to changes in the law, including regulatory changes, such as suspensions on the use of NOLs or other unforeseen reasons. Additionally, the CARES Act, among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. The CARES Act also temporarily repealed the 80% taxable income limitation for tax years beginning before January 1, 2021; net operating loss carried forward generated from 2018 or later and carryforwards to taxable years beginning after December 31, 2020 will be subject to the 80% limitation. Under the CARES Act, net operating losses arising in 2018, 2019 and 2020 can be carried back 5 years.

**Risks Related to Our Business and Industry**

***We depend on our management team and our key sales and development and services personnel, and the loss of one or more key employees or groups could harm our business and prevent us from implementing our business plan in a timely manner.***

Our success depends on the expertise, efficacy and continued services of our executive officers, who are geographically dispersed. We have in the past and may in the future continue to experience changes in our executive management team resulting from the departure of executives or subsequent hiring of new executives, which may be disruptive to our business. Any changes in business strategies or leadership can create uncertainty, may negatively impact our ability to execute our business strategy quickly and effectively and may ultimately be unsuccessful. The impact of hiring new executives may not be immediately realized. We are also substantially dependent on the continued service of our existing development and services personnel because of their familiarity with the inherent complexities of our solutions.

Our personnel do not have employment arrangements that require them to continue to work for us for any specified period and, therefore, they could terminate their employment with us at any time. We do not maintain key personnel life insurance policies on any of our employees. The loss of one or more of our key employees or groups could seriously harm our business.

***Our transition from an on-premise to a cloud-based business model is subject to numerous risks and uncertainties.***

Our business model has shifted away from sales of on-premise software licenses to focus on sales of subscriptions for our cloud-based solutions, which provide our customers the right to access certain of our software in a hosted environment for a specified subscription period. This cloud-based strategy may give rise to a number of risks, including the following:

- if customers are uncomfortable with cloud-based solutions and desire only perpetual licenses, we may experience longer than anticipated sales cycles and sales of our cloud-based solutions may lag behind our expectations;
- our cloud-based strategy may raise concerns among our customer base, including concerns regarding changes to pricing over time, service availability, information security of a cloud-based solution and access to files while offline or once a subscription has expired;
- we may be unsuccessful in maintaining our target pricing, adoption and projected renewal rates;
- we may select a target price that is not optimal and could negatively affect our sales or earnings; and
- we may incur costs at a higher than forecasted rate as we expand our cloud-based solutions.

Our cloud-based strategy also requires a considerable investment of technical, financial, legal and sales resources, and a scalable organization. Market acceptance of such offerings is affected by a variety of factors, including but not limited to: security, reliability, scalability, customization, performance, current license terms, customer preference, customer concerns with entrusting a third party to store and manage their data, public concerns regarding privacy and the enactment of restrictive laws or regulations. Whether our business model transition will prove successful and will accomplish our business and financial

objectives is subject to numerous uncertainties, including but not limited to: customer demand, renewal rates, channel acceptance, our ability to further develop and scale infrastructure, our ability to include functionality and usability in such solutions that address customer requirements, tax and accounting implications, pricing and our costs. In addition, the metrics we use to gauge the status of our business may evolve over the course of the transition as significant trends emerge.

If we are unable to successfully execute our cloud-based strategy and navigate our business model transition in light of the foregoing risks and uncertainties, our results of operations could be negatively impacted.

***Our future growth is, in large part, dependent upon the increasing adoption of revenue management solutions.***

Revenue management is at an early stage of market development and adoption, and the extent to which revenue management solutions will become widely adopted remains uncertain. It is difficult to predict customer adoption rates, customer demand for revenue management solutions, including our solutions in particular, the future growth rate and size of this market and the timing of the introduction of additional competitive solutions. Any expansion of the revenue management market depends on a number of factors, including the cost, performance and perceived value associated with revenue management solutions. For example, many companies have invested substantial personnel, infrastructure and financial resources in other revenue management infrastructure and therefore may be reluctant to implement solutions such as ours. Additionally, organizations that use legacy revenue management products may believe that these products sufficiently address their revenue management needs. Because this market is relatively undeveloped, we must spend considerable time educating customers as to the benefits of our solutions. If revenue management solutions do not achieve widespread adoption, or if there is a reduction in demand for revenue management solutions caused by a lack of customer acceptance, technological challenges, competing technologies and products, decreases in corporate spending or otherwise, it could result in lower sales, reduced renewal and upsell rates and decreased revenues and our business could be adversely affected.

***We are highly dependent upon the life sciences industry, and factors that adversely affect this industry could also adversely affect us.***

Our future growth depends, in large part, upon continued sales to companies in the life sciences industry. Demand for our solutions could be affected by factors that adversely affect demand for the underlying life sciences products and services that are purchased and sold pursuant to contracts managed through our solutions. The life sciences industry is affected by certain factors, including the emergence of large group purchasing and managed care organizations and integrated healthcare delivery networks, increased customer and channel incentives and rebates, the shift of purchasing influence from physicians to economic buyers, increased spending on healthcare by governments instead of commercial entities and increased scope of government mandates, frequency of regulatory reporting and audits, fines, and global epidemics, pandemics, or contagious diseases. Accordingly, our future operating results could be materially and adversely affected as a result of factors that affect the life sciences industry generally.

***Failure to adequately expand and train our direct sales force will impede our growth.***

We rely almost exclusively on our direct sales force to sell our solutions. We believe that our future growth will depend, to a significant extent, on the continued development of our direct sales force and its ability to manage and retain our existing customer base, expand the sales of our solutions to existing customers and obtain new customers. Because our software is complex and often must interoperate with complex computing requirements, it can take longer for our sales personnel to become fully productive compared to other software companies. Our ability to achieve significant growth in revenues in the future will depend, in large part, on our success in recruiting, training and retaining a sufficient number of direct sales personnel. New hires require significant training and may, in some cases, take more than a year before becoming fully productive, if at all. If we are unable to hire and develop sufficient numbers of productive direct sales personnel, and if these sales personnel are unable to achieve full productivity, sales of our solutions will suffer and our growth will be impeded.

***Our acquisition of other companies could require significant management attention, disrupt our business, dilute stockholder value and adversely affect our operating results.***

As part of our business strategy, we have in the past and may in the future make investments in other companies, solutions or technologies to, among other reasons, expand or enhance our product offerings. In the future, any significant acquisition would require the consent of our lenders. Any failure to receive such consent could delay or prohibit us from acquiring companies that we believe could enhance our business.

We may not ultimately strengthen our competitive position or achieve our goals from any recent or any future acquisition, and any acquisitions we complete could be viewed negatively by users, customers, partners or investors. In addition, if we fail to integrate successfully such acquisitions, or the technologies associated with such acquisitions, into our company, the revenues and operating results of the combined company could be adversely affected. In addition, we may not be able to successfully retain the customers and key personnel of such acquisitions over the longer term, which could also adversely affect our business. The integration of any recently-acquired business or future-acquired business will require

significant time and resources, and we may not be able to manage the process successfully. We may not successfully evaluate or utilize the acquired technology and accurately forecast the financial impact of the acquisition, including accounting charges.

It is also possible that a governmental entity could initiate an antitrust investigation at any time. Among other things, an investigation that is resolved unfavorably to us could delay or prevent the completion of a transaction, require us to divest or sell the assets or businesses we acquired, limit the ability to realize the expected financial or strategic benefits of a transaction or have other adverse effects on our current business and operations.

We may have to pay cash, incur debt or issue equity securities to pay for any acquisition, each of which could affect our financial condition or the value of our capital stock. To fund any future acquisition, we may issue equity, which would result in dilution to our stockholders, or incur more debt, which would result in increased fixed obligations and could subject us to additional covenants or other restrictions that would impede our ability to manage our operations.

***Uncertainty in global economic conditions may adversely affect our business, operating results or financial condition.***

Our operations and performance depend on global economic conditions. Challenging or uncertain economic conditions including those related to global epidemics, pandemics, or contagious diseases, geopolitical turmoil, and macroeconomic conditions, inflation, fluctuations in foreign exchange rates, instability in the global banking system, disruptions in supply chains and interest rates, make it difficult for our customers and potential customers to accurately forecast and plan future business activities and may cause our customers and potential customers to slow or reduce spending, or vary order frequency, on our solutions. Furthermore, during challenging or uncertain economic times, our customers may face difficulties gaining timely access to sufficient credit and experience decreasing cash flow, which could impact their willingness to make purchases and their ability to make timely payments to us. Global economic conditions have in the past and could continue to have an adverse effect on demand for our solutions, including new bookings and renewal and upsell rates, on our ability to predict future operating results and on our financial condition and operating results. If global economic conditions remain uncertain or deteriorate, it may materially impact our business, operating results and financial condition.

Moreover, on March 10, 2023, Silicon Valley Bank ("SVB") was closed by the California Department of Financial Protection and Innovation and subsequently appointed the Federal Deposit Insurance Corporation ("FDIC") as receiver. Similarly, on March 12, 2023, Signature Bank and Silvergate Capital Corp. were each swept into receivership, and in May 2023, First Republic Bank was also closed and taken over by the FDIC. While the FDIC has taken steps to make whole all depositors of SVB, and other similarly situated banks, there is no assurance that similar guarantees will be made in the event of further bank closures and continued instability in the global banking system. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, then our ability to obtain financing may be threatened, which could have a material adverse effect on our business and financial condition. Moreover, events such as the closure of SVB, in addition to other global macroeconomic conditions, may cause further turbulence and uncertainty in the capital markets.

***We rely on third parties and their systems as we introduce a variety of new services, including the processing of transaction data and settlement of funds to us and our counterparties, and these third parties' failure to perform these services adequately could materially and adversely affect our business.***

To provide our managed operations and payments solution and other products and services, we rely on third parties that we do not control, such as financial institution partners, and systems like the Federal Reserve Automated Clearing House, and other partners. We rely on these third parties for a variety of services, including the transmission of transaction data, settlement of funds, and the provision of information and other elements of our services. For example, we directly or indirectly rely on banking institutions to facilitate payment settlement. If such banking institution should stop providing the underlying services, we must find other financial institutions to provide those services. If we are unable to find a replacement financial institution, we may no longer be able to provide processing services to certain customers, which could negatively affect our operations or cash flows.

***Our customers often require significant configuration efforts to match their complex business processes. The failure to meet their requirements could result in customer disputes, loss of anticipated revenues and additional costs, which could harm our business.***

Our customers often require significant configuration services to address their unique business processes. Supporting such a diversity of configured settings and implementations could become difficult as the number of customers we serve grows. In addition, supporting our customers could require us to devote significant development services and support personnel and strain our personnel resources and infrastructure. We have had in the past and may in the future have disputes with customers regarding the performance and implementation of our solutions. If we are unable to address the needs of our customers in a timely fashion, our customers may decide to seek to terminate their relationship, renew on less favorable terms, not renew their maintenance agreements or subscriptions, fail to purchase additional solutions or services, assert legal claims against us or cease

to be a reference. If any of these were to occur, our revenues may decline or we may be required to refund amounts to customers and our operating results may be harmed.

***If we are unable to enhance existing solutions and develop new solutions that achieve market acceptance or that keep pace with technological developments, our business could be harmed.***

Our ability to increase revenues from existing customers and attract new customers depends in large part on our ability to enhance and improve our existing solutions and to develop and introduce new solutions. The success of any enhancement or new solutions depends on several factors, including timely completion, adequate quality testing, introduction and market acceptance. Any enhancement or new solutions that we develop or acquire may not be introduced in a timely or cost-effective manner, may contain defects or may not achieve the broad market acceptance necessary to generate significant revenues. If we are unable to successfully enhance our existing solutions and develop new solutions to meet customer requirements, our business and operating results will be adversely affected.

Because we designed our solutions to operate on a variety of network, hardware and software platforms, we will need to continuously modify and enhance our solutions to keep pace with changes in networking, internet-related hardware, and software, communication, browser and database technologies. If we are unable to respond in a timely manner to these rapid technological developments in a cost-effective manner, our solutions may become less marketable and less competitive or obsolete and our operating results may be negatively impacted.

***Our efforts to expand the adoption of our solutions in the technology industry will be affected by our ability to provide solutions that adequately address trends in that industry.***

We are attempting to expand the use of our solutions by companies in the technology industry, and our future growth depends in part on our ability to increase sales of solutions to customers in this industry and potentially other industries. The technology industry is affected by many factors, including shortening of product lifecycles, core technology products being sold into different end markets with distinct pricing, increasing complexity of multi-tiered global distribution channels, changing financial reporting requirements due to channel complexity and increasing use of off-invoice discounting. If our solutions are not perceived by existing or potential customers in the technology industry as capable of providing revenue management tools that will assist them in adequately addressing these trends, then our efforts to expand the adoption of our solutions in this industry may not be successful, which would adversely impact our business and operating results.

***The market for cloud-based solutions is at an earlier stage of acceptance relative to on-premise solutions, and if it develops more slowly than we expect, our business could be harmed.***

Although gaining wider acceptance, the market for cloud-based solutions is at an early stage relative to on-premise solutions, and these types of deployments may not achieve and sustain high levels of demand and market acceptance. We plan to accelerate the shift in our business model to recurring revenues, including revenues derived from our cloud-based solutions, by continuing to expand the implementation of our cloud-based solutions both within our current installed base of customers as well as new customers and additional markets in the future. Many companies have invested substantial personnel and financial resources to integrate traditional enterprise software into their businesses, and therefore may be reluctant or unwilling to migrate to a cloud-based solution. Other factors that may affect the market acceptance of cloud-based solutions include:

- perceived security capabilities and reliability;
- perceived concerns about ability to scale operations for large enterprise customers;
- concerns with entrusting a third party to store and manage critical data;
- the level of configurability or customizability of the solutions; and
- ability to perform at or near the capabilities of our on-premise solutions.

If organizations do not perceive the benefits of our cloud-based solutions, or if our competitors or new market entrants are able to develop cloud-based solutions that are or are perceived to be more effective than ours, our plan to accelerate the shift in our business model to recurring revenues may not succeed or may develop more slowly than we expect, if at all, or may result in short-term declines in recognized revenue, any of which would adversely affect our business.

***If we or our solutions fail to perform properly, our reputation and customer relationships could be harmed, our market share could decline, and we could be subject to liability claims.***

Our solutions are inherently complex and may contain material vulnerabilities, defects or errors. Any defects in solution functionality or that cause interruptions in availability could result in:

- lost or delayed market acceptance and sales;
- reductions in current-period total revenues;

- breach of warranty or other contract breach or misrepresentation claims;
- sales credits or refunds to our customers;
- loss of customers;
- diversion of development and customer service resources; and
- injury to our reputation.

The costs incurred in correcting any material vulnerabilities, defects or errors might be substantial and could adversely affect our operating results. Because our customers often use our solutions as a system of record and many of our customers are subject to regulation of pricing of their products or otherwise have complex pricing commitments and revenue recognition policies, errors could result in an inability to process sales or lead to a violation of pricing requirements or misreporting of revenues by our customers that could potentially expose them to fines or other substantial claims or penalties. Accordingly, we could face increased exposure to product liability and warranty claims, litigation and other disputes and claims, resulting in potentially material losses and costs. Our limitation of liability provisions in our customer agreements may not be sufficient to protect us against any such claims.

Given the large amount of data that our solutions process and manage, it is possible that failures, vulnerabilities or errors in our software could result in unauthorized access, data loss or corruption, or cause the information that we process to be incomplete or contain inaccuracies that our customers regard as significant. We may be required to issue credits or refunds or indemnify or otherwise be liable to our customers or third parties for damages they may incur resulting from certain of these events.

Our insurance may be inadequate or may not be available in the future on acceptable terms, or at all. In addition, our policy may not cover any claim against us for claims related to any product defects or errors or other indirect or consequential damages and defending a suit, regardless of its merit, could be costly and divert management's attention.

***The market in which we participate is highly competitive, and if we do not compete effectively, our operating results could be harmed.***

The market for revenue management solutions is highly competitive, fragmented and subject to rapid changes in technology. We face competition from spreadsheet-assisted manual processes, internally developed solutions, large integrated systems vendors, providers of business process outsourcing services and smaller companies that offer point solutions.

Companies lacking IT resources often resort to spreadsheet-assisted manual processes or personal database applications. In addition, some potential customers, particularly large enterprises, may elect to develop their own internal solutions, including custom-built solutions that are designed to support the needs of a single organization. Companies with large investments in packaged ERP or CRM applications, which do not typically provide revenue management capabilities, may extend these horizontal applications with configurations or point solution applications in order to address one or a small set of revenue management sub processes or drivers. Common horizontal applications that customers attempt to configure for this purpose in the life sciences and high tech industries include large integrated systems vendors like SAP SE and Oracle Corporation. We also encounter competition from small independent companies which compete based on price, unique product features or functions and custom developments.

Many of our competitors have greater name recognition, larger sales and marketing budgets and greater resources than we do and may have pre-existing relationships with our potential customers, including relationships with, and access to, key decision makers within these organizations, and major distribution agreements with consultants and system integrators. Moreover, many software vendors could bundle solutions or offer them at a low price as part of a larger product sale.

With the introduction of new technologies and market entrants, we expect competition to intensify in the future. We also expect enterprise software vendors that focus on enterprise resource planning or back-office applications to enter our market with competing products. In addition, we expect sales force automation vendors to acquire or develop additional solutions that may compete with our solutions. If we fail to compete effectively, our business will be harmed. In addition, pricing pressures and increased competition generally could result in reduced sales, reduced margins, losses or the failure of our solutions to achieve or maintain more widespread market acceptance, any of which could harm our business.

***If we are not able to maintain and enhance our brand, our business and operating results may be adversely affected.***

We believe that maintaining and enhancing the "Model N" brand identity is critical to our relationships with our customers and partners and to our ability to attract new customers and partners. The successful promotion of our brand will depend largely upon our marketing efforts, our ability to continue to offer high-quality solutions and our ability to successfully differentiate our solutions from those of our competitors. Our brand promotion activities may not be successful or yield increased revenues. In addition, independent industry analysts often provide reviews of our solution, as well as those of our competitors, and perception of our solution in the marketplace may be significantly influenced by these reviews. If these

reviews are negative, or less positive as compared to those of our competitors' products and services, our brand may be adversely affected. Further, stockholder activism has been increasing in recent years. Any such activism or public criticism of our company or management team may harm our brand and reputation.

The promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our market becomes more competitive and as we expand into new verticals within the life sciences and high tech industries. To the extent that these activities yield increased revenues, these revenues may not offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, our business may not grow, we may have reduced pricing power relative to competitors with stronger brands and we could lose customers, partners, current employees and prospective employees, all of which would adversely affect our business operations and financial results.

***If we are unable to maintain successful relationships with system integrators, our business operations, financial results and growth prospects could be adversely affected.***

Our relationships with system integrators are generally non-exclusive, which means they may recommend to their customers the solutions of several different companies, including solutions that compete with ours, and they may also assist in the implementation of software or systems that compete with ours. If our system integrators do not choose to continue to refer our solutions, assist in implementing our solutions, choose to use greater efforts to market and sell their own solutions or those of our competitors, or fail to meet the needs of our customers, our ability to grow our business and sell our solutions may be adversely affected. The loss of a substantial number of our system integrators, our possible inability to replace them or the failure to recruit additional system integrators could harm our business.

Our ability to achieve revenue growth in the future will depend in part on our success in maintaining successful relationships with our system integrators and in helping our system integrators enhance their ability to independently market and implement our solutions. Our growth in revenues, particularly in international markets, will be influenced by the development and maintenance of relationships with these companies. Although we have established relationships with some of the leading system integrators, our solutions compete directly against the solutions of other leading system integrators. We are unable to control the resources that our system integrators commit to implementing our solutions or the quality of such implementation. If they do not commit sufficient resources to these activities, or if we are unable to maintain our relationships with these system integrators or otherwise develop and expand our indirect distribution channel, our business, results of operations, financial condition or cash flows could be adversely affected.

***Any failure to offer high-quality customer support for our cloud platform may adversely affect our relationships with our customers and harm our financial results.***

Once our solutions are implemented, our customers use our support organization to resolve technical issues relating to our solutions. In addition, we also believe that our success in selling our solutions is highly dependent on our business reputation and on favorable recommendations from our existing customers. Any failure to maintain high-quality customer support, or a market perception that we do not maintain high-quality support, could harm our reputation, adversely affect our ability to maintain existing customers or sell our solutions to existing and prospective customers, and harm our business, operating results and financial condition.

We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. Increased customer demand for these services, without corresponding revenues, could also increase costs and adversely affect our operating results.

***Incorrect or improper implementation or use of our solutions could result in customer dissatisfaction and negatively affect our business, operations, financial results and growth prospects.***

Our customers and third-party partners may need training in the proper use of and the variety of benefits that can be derived from our solutions to maximize their potential. We have implemented the Model N Align Program, which gives our customers full access to expert knowledge through a portal for easy and fast access to information, experienced customer success managers and defined customer success plans, in order to help our customers maximize the value of our solutions. However, our customers may choose not to use such programs or may not use such programs efficiently or effectively and as a result may become dissatisfied with our solutions. If our solutions are not implemented or used correctly or as intended, inadequate performance may result. Since our customers rely on our solutions and customer support to manage key areas of their businesses, the incorrect or improper implementation or use of our solutions, our failure to train customers on how to efficiently and effectively use our solutions or our failure to provide services to our customers, may result in negative publicity, failure of customers to renew their SaaS maintenance agreements or subscriptions or potentially make legal claims against us. Also, as we continue to expand our customer base, any failure by us to properly provide these services will likely result in lost opportunities for follow-on sales of our solutions.

***Competition for our target employees is intense, and we may not be able to attract and retain the quality employees we need to support our planned growth.***

Our future success depends, in part, upon our ability to recruit and retain key management, technical, sales, marketing, finance, and other critical personnel. Competition for qualified management, technical and other personnel is intense, and we may not be successful in attracting and retaining such personnel. If we fail to attract and retain qualified employees, including internationally, our ability to grow our business could be harmed. Competition for people with the specific skills that we require is significant. In order to attract and retain personnel in a competitive marketplace, we believe that we must provide a competitive compensation package, including cash and equity-based compensation. Volatility in our stock price may from time to time adversely affect our ability to recruit or retain employees. If we are unable to hire and retain qualified employees, or conversely, if we fail to manage employee performance or reduce staffing levels when required by market conditions, our business and operating results could be adversely affected.

***Our significant international operations subject us to additional risks that can adversely affect our business, results of operations and financial condition.***

We have significant international operations, including in emerging markets such as India, and we are continuing to expand our international operations as part of our growth strategy. As of September 30, 2023, approximately 47% of our total employees were located in India, where we conduct a portion of our development activities, implementation services and support services. Our current international operations and our plans to expand our international operations have placed, and will continue to place, a strain on our employees, management systems and other resources.

Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks and competition that are different from those in the United States. Because of our limited experience with international operations, we cannot assure you that our international expansion efforts will be successful or that returns on such investments will be achieved in the future. In addition, our international operations may fail to succeed due to other risks inherent in operating businesses internationally, including:

- our lack of familiarity with commercial and social norms and customs in countries which may adversely affect our ability to recruit, retain and manage employees in these countries;
- difficulties and costs associated with staffing and managing foreign operations;
- the potential diversion of management's attention to oversee and direct operations that are geographically distant from our U.S. headquarters;
- compliance with multiple, conflicting and changing governmental laws and regulations, including employment, tax, privacy and data protection laws and regulations;
- legal systems in which our ability to enforce and protect our rights may be different or less effective than in the United States and in which the ultimate result of dispute resolution is more difficult to predict;
- greater difficulty collecting accounts receivable and longer payment cycles;
- higher employee costs and difficulty in terminating non-performing employees;
- differences in workplace cultures;
- unexpected changes in regulatory requirements;
- the need to adapt our solutions for specific countries;
- our ability to comply with differing technical and certification requirements outside the United States;
- tariffs, export controls and other non-tariff barriers such as quotas and local content rules;
- more limited protection for intellectual property rights in some countries;
- adverse tax consequences, including as a result of transfer pricing adjustments involving our foreign operations;
- fluctuations in currency exchange rates;
- anti-bribery compliance by us or our partners;
- restrictions on the transfer of funds;
- global epidemics, pandemics, or contagious diseases;
- general macroeconomic conditions, including rising interest rates and inflation, slower growth or recession, instability in the global banking system;
- geopolitical turmoil, such as the wars in Ukraine and Israel; and
- new and different sources of competition.

Our failure to manage any of these risks successfully could harm our existing and future international operations and seriously impair our overall business.

### Risks Related to Regulatory Compliance

#### ***Changes in privacy laws, regulations and standards may cause our business to suffer.***

Personal privacy and data security have become significant issues in the United States, Europe and in many other jurisdictions where we offer our solutions. The regulatory framework for privacy and security issues worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. For example, the Court of Justice of the European Union ("ECJ") ruled on July 16, 2020, the U.S.-E.U. Privacy Shield as an invalid mechanism for managing personal data transfers between the European Union and the United States (and other countries). While the ECJ upheld the adequacy of E.U.-specified standard contractual clauses (a form of contract approved by the European Commission as an adequate data transfer mechanism), it made clear that reliance on them alone may not necessarily be sufficient in all circumstances and that their use must be assessed on a case-by-case basis taking into account the surveillance laws and right of individuals in the destination country. The ECJ went on to state that, if the competent supervisory authority believes that the standard contractual clauses cannot be complied with in the recipient country and the required level of protection cannot be secured by other means, such supervisory authority is under an obligation to suspend or prohibit that transfer unless the data exporter has already done so itself. Further, on June 4, 2021 the European Commission finalized new versions of the Standard Contractual Clauses, with the Implementing Decision now in effect as of June 27, 2021. Under the Implementing Decision, we had until December 27, 2022 to update any existing agreements, or any new agreements executed before September 27, 2021, that rely on Standard Contractual Clauses as the data transfer mechanism. To comply with the Implementing Decision and the new Standard Contractual Clauses, we may need to implement additional safeguards to further enhance the security of data transferred out of the EEA, which could increase our compliance costs, expose us to further regulatory scrutiny and liability, and adversely affect our business. We rely on a mixture of mechanisms to transfer personal data from our E.U. business to the U.S. (including having previously relied on U.S.-E.U. Privacy Shield) and are evaluating what additional mechanisms may be required to establish adequate safeguards for personal data transfer. We are currently tracking recent developments regarding the European Commission's July 10, 2023 adoption of an adequacy decision for the E.U.-U.S. Data Privacy Framework, a cooperative effort between U.S. and European officials to overcome the security issues raised by the U.S.-E.U. Privacy Shield regarding personal transfers from the E.U. to the United States. While we don't anticipate any immediate changes in our current operations, we will observe how legal challenges may shape this framework and how it may lead to opportunities that will facilitate cross-border personal data flows between the E.U. and the U.S. and potentially result in lower costs to conduct business.

Furthermore, federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws and regulations affecting data privacy. Evolving and changing definitions of personal data and personal information, within the European Union, the United States, and elsewhere, especially relating to classification of IP addresses, machine identification, location data, and other information, may limit or inhibit our ability to operate or expand our business, including limiting strategic partnerships that may involve the sharing of data. For example, the California Consumer Privacy Act (CCPA), in effect from January 1, 2020 through December 31, 2022, and, required, among other things, covered companies to provide certain disclosures to California consumers, and afford such consumers the ability to opt out of certain sales of personal information. On January 1, 2023, a new privacy law, the California Privacy Rights Act (CPRA) amended and expanded the CCPA. The CPRA requires covered companies to, among other things, provide new disclosures to California consumers, businesses and employees, and affords such consumers, businesses and employees new privacy rights such as the ability to opt-out of certain sales of personal information and expanded rights to access and require deletion of their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is collected, used and shared. The CPRA provides for civil penalties for violations, as well as a private right of action for security breaches that may increase security breach litigation. Potential uncertainty surrounding CPRA may increase our compliance costs and potential liability, particularly in the event of a data breach, and could have a material adverse effect on our business, including how we use personal information, our financial condition, the results of our operations or prospects. The CCPA and CPRA has also prompted a number of proposals for new federal and state privacy legislation that, if passed, could increase our potential liability, increase our compliance costs and adversely affect our business. As of October 2023, at least eleven additional states have recently passed personal information laws and at least seven additional states have active, pending privacy bills.

Industry organizations also regularly adopt and advocate for new standards in this area. In the United States, these include rules and regulations promulgated under the authority of federal agencies and state attorneys general and legislatures and consumer protection agencies. In many jurisdictions, enforcement actions and consequences for noncompliance are also rising. In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that either legally or contractually applies to us.

Internationally, many jurisdictions in which we operate have established their own data security and privacy legal framework with which we or our customers must comply, including but not limited to, the European General Data Protection

Regulation (GDPR), which imposes additional obligations and risks upon our business. Notably, the U.K. implemented the Data Protection Act, effective May 2018 and statutorily amended in 2019, that contains provisions, including its own derogations, for how GDPR is applied in the U.K. These developments in the European Union could increase the risk of non-compliance and the costs of providing our products and services in a compliant manner. From the beginning of 2021 (when the transitional period following Brexit expired), we have to continue to comply with the GDPR and also the Data Protection Act, with each regime having the ability to fine up to the greater of €20 million (£17.5 million) or 4% of global turnover. The relationship between the U.K. and the E.U. remains uncertain, for example how data transfers between the U.K. and the E.U. and other jurisdictions will be treated and the role of the U.K.'s supervisory authority. For example, on June 28, 2021, the European Commission adopted the adequacy decision (U.K. Adequacy Decision) in the wake of a non-binding vote by the European Parliament against the then-Draft U.K. Adequacy Decision the month prior. Consequently, personal data can continue to flow from the EEA to the U.K. without the need for appropriate safeguards. The U.K. Adequacy Decision includes a "sunset clause", rendering the decision valid for four years only, after which it will be reviewed by the European Commission and renewed only if the European Commission considers that the U.K. continues to ensure an adequate level of data protection. The European Commission also stated that it would intervene at any point within the four years if the U.K. deviates from the level of protection presently in place. If this adequacy decision is reversed by the European Commission, it would require that companies implement protection measures such as the Standard Contractual Clauses for data transfers between the E.U. and the U.K. These changes will lead to additional costs as we try to ensure compliance with new privacy legislation and will increase our overall risk exposure. We have incurred substantial expense in complying with the obligations imposed by the GDPR and we may be required to make further significant changes in our business operations as regulatory guidance changes, all of which may adversely affect our revenue and our business overall. Despite our efforts to attempt to comply with the GDPR, a regulator may determine that we have not done so and subject us to fines and public censure, which could harm our company.

Any inability to adequately address privacy and security concerns, even if unfounded, or comply with applicable privacy and data security laws, regulations and policies, could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely affect our business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our solutions. Privacy and data security concerns, whether valid or not valid, may inhibit market adoption of our solutions, particularly in foreign countries. If we are not able to adjust to changing laws, regulations and standards related to privacy or security, our business may be harmed.

As mentioned, changing definitions of personal data and information may also limit or inhibit our ability to operate or expand our business, including limiting strategic partnerships that may involve the sharing of data. Also, some jurisdictions require that certain types of data be retained on servers within these jurisdictions. Our failure to comply with applicable laws, directives, and regulations may result in enforcement action against us, including fines, and damage to our reputation, any of which may have an adverse effect on our business and operating results.

***Failure to comply with certain certifications and standards pertaining to our solutions, as may be required by governmental authorities or other standards-setting bodies could harm our business. Additionally, failure to comply with governmental laws and regulations could harm our business.***

Customers may require our solutions to comply with certain security or other certifications and standards, which are promulgated by governmental authorities or other standards-setting bodies. The requirements necessary to comply with these certifications and standards are complex and often change significantly. If our solutions are late in achieving or fail to achieve compliance with these certifications and standards, including when they are revised or otherwise change, or our competitors achieve compliance with these certifications and standards, we may be disqualified from selling our solutions to such customers, or at a competitive disadvantage, which would harm our business, operating results and financial condition.

***We are subject to governmental export and import controls that could subject us to liability or impair our ability to compete in international markets.***

U.S. export control laws and economic sanctions prohibit the shipment of certain products to U.S. embargoed or sanctioned countries, governments and persons. If we were to fail to comply with U.S. export licensing requirements, U.S. customs regulations, U.S. economic sanctions or other laws, we could be subject to substantial civil and criminal penalties, including fines, incarceration for responsible employees and managers, and the possible loss of export or import privileges. In addition, even though we take precautions to ensure that our channel partners comply with all relevant regulations, any failure by our channel partners to comply with such regulations could have negative consequences, including reputational harm, government investigations and penalties.

Furthermore, we incorporate encryption technology into our solutions. Various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our solutions or could limit our customers' ability to implement our solutions in those countries. Changes in our solutions or changes in export and import regulations may create delays in the introduction of our solutions into international markets, prevent our customers with international operations from deploying our solutions globally or, in some

cases, prevent the export or import of our solutions to certain countries, governments or persons altogether. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our solutions by, or in our decreased ability to export or sell our solutions to, existing or potential customers with international operations. Any decreased use of our solutions or limitation on our ability to export or sell our solutions would likely adversely affect our business, financial condition, and operating results.

***Changes to government regulations may reduce the size of the market for our solutions, harm demand for our solutions, force us to update our solutions or implement changes in our services and increase our costs of doing business.***

Any changes in government regulations that impact our customers or their end customers could have a harmful effect on our business by reducing the size of our addressable market, forcing us to update the solutions we offer or otherwise increasing our costs. For example, with respect to our life sciences customers, regulatory developments related to government-sponsored entitlement programs or U.S. Food and Drug Administration or foreign equivalent regulation of, or denial, withholding or withdrawal of approval of, our customers' products could lead to a lack of demand for our solutions. Other changes in government regulations, in areas such as privacy, export compliance or anti-bribery statutes, such as the U.S. Foreign Corrupt Practices Act, could require us to implement changes in our solutions, services or operations that increase our cost of doing business and thereby adversely affecting our financial performance.

***Any new implementation of or changes made to laws, regulations or other industry standards affecting our business in any of the geographic regions in which we operate may require significant development efforts or have an unfavorable effect on our business operations.***

Various U.S. laws and regulations, such as the Bank Secrecy Act of 1970 (the "Bank Secrecy Act") and many states jurisdictions impose license and registration obligations on those companies engaged in the business of money transmission, with varying definitions of what constitutes money transmission. Evaluation of our compliance efforts, as well as the questions of whether and to what extent our products and services require licensure is subject to regulatory interpretation and could change over time. Such changes could subject us to investigations and resulting liability, including governmental fines, restrictions on our business, or other sanctions, and we could be forced to cease conducting certain aspects of our business with customers of certain jurisdictions, or be required to obtain additional licenses or regulatory approvals. There can be no assurance that we will be able to obtain any such licenses, and, even if we were able to do so, there could be substantial costs and potential product changes involved in maintaining such licenses, which could have a material and adverse effect on our business. In addition, as our business and products continue to develop and expand, we may become subject to additional rules, regulations, and industry standards. We may not always be able to accurately predict the scope or applicability of certain regulations to our business, particularly as we expand into new areas of operations, which could have a significant negative effect on our existing business and our ability to pursue future plans.

***We may be the target of illegitimate or other improper transaction settlement despite compliance systems.***

We are legally or contractually required to comply with the anti-money laundering laws and regulations, such as, the Bank Secrecy Act, and other compliance standards related to providing managed payments and processing services for our customers. In some contexts, we are directly subject to these requirements; in other contexts, we have contractually agreed to assist our financial institutions with their obligation to comply with compliance requirements that apply to them. We have developed procedures and controls that are designed to monitor and address legal and regulatory requirements and developments and that are applicable to our payments sector. However, when our products and services are used to process illegitimate transactions, or if our products and services are subject to internal data and transaction reporting errors, and invoice or other payments settlements are improperly processed, we may suffer losses and liability. These types of illegitimate transactions or improper settlements can also expose us to governmental and regulatory sanctions and potentially prevent us from satisfying our contractual obligations to our customers or other third parties, which may cause us to be in breach of our obligations.

**Risks Related to Our Technology and Security**

***If our solutions do not interoperate with our customers' IT infrastructure, sales of our solutions could be negatively affected, which would harm our business.***

Our solutions must interoperate with our customers' existing IT infrastructure, which often have different specifications, complex configuration, utilize multiple protocol standards, deploy products from multiple vendors and contain multiple generations of products that have been added over time. As a result, when problems occur in a network, it may be difficult to identify the sources of these problems. If we find errors in the existing products or defects in the hardware used in our customers' IT infrastructure or problematic network configurations or settings, we may have to modify our solutions or platform so that our solutions will interoperate with our customers' IT infrastructure. Any delays in identifying the sources of

problems or in providing necessary modifications to our solutions could have a negative impact on our reputation and our customers' satisfaction with our solutions, and our ability to sell solutions could be adversely affected.

***If our solutions experience data security breaches, and there is unauthorized access to our customers' data, we may lose current or future customers, our reputation and business may be harmed, and we may incur significant liabilities.***

Our solutions are used by our customers to manage and store personally identifiable information, proprietary information and sensitive or confidential data relating to their business. Although we maintain security features in our solutions, our security measures may not detect or prevent hacker interceptions, break-ins, security breaches, the introduction of viruses or malicious code, such as "ransomware," attacks utilizing artificial intelligence and machine learning, and other disruptions that may jeopardize the security of information stored in and transmitted by our solutions. Cyber-attacks and other malicious Internet-based activity continue to increase generally and may be directed at either the solution used by our customers or our corporate information technology software and infrastructure.

Because techniques used to obtain unauthorized access, exploit vulnerabilities or sabotage systems change frequently and generally are not identified until they are launched against a target, we may be unable to anticipate these techniques, patch vulnerabilities, or implement adequate preventative measures. Certain of our customers may have a greater sensitivity to security defects or breaches in our software than to defects in other, less critical, software solutions. Any actual or perceived security breach or theft of the business-critical data of one or more of our customers, regardless of whether the breach is attributable to the failure of our software or solutions, may adversely affect the market's perception of our solutions. There can be no assurance that limitation of liability, indemnification or other protective provisions in our contracts would be applicable, enforceable or adequate in connection with a security breach, or would otherwise protect us from any such liabilities or damages with respect to any particular claim. We also cannot be sure that our existing general liability insurance coverage and coverage for errors or omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not deny coverage as to any future claim. One or more large claims may be asserted against us that exceed our available insurance coverage, or changes in our insurance policies may occur, including premium increases or the imposition of large deductible or co-insurance requirements.

Furthermore, a party that is able to circumvent our security measures or exploit any vulnerabilities in our solutions could misappropriate our or our customers' proprietary or confidential information, cause interruption in their operations, damage or misuse their computer systems, misuse any information that they misappropriate, cause early termination of our contracts, subject us to notification and indemnity obligations, litigation, and regulatory investigation or governmental sanctions, cause us to lose existing customers, and harm our ability to attract future customers. Any such breach could cause harm to our reputation, business, financial condition and results of operations, and we may incur significant liability, and as a result our business and financial position may be harmed.

***We rely on a small number of third-party service providers to host and deliver our cloud-based solutions, and any interruptions or delays in services from these third parties could impair the delivery of our cloud-based solutions and harm our business.***

We currently operate our cloud-based solutions primarily through third-party data centers, and cloud service providers. We do not control the operation of these facilities. These facilities and third-parties are vulnerable to damage or interruption from natural disasters, fires, power loss, telecommunications failures, global epidemics, pandemics, or contagious diseases, geopolitical turmoil and similar events, such as the wars in Ukraine and Israel. They are also subject to break-ins, computer viruses, sabotage, intentional acts of vandalism and other misconduct. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems could result in lengthy interruptions, which would have a serious adverse impact on our business. Additionally, our data center agreements are of limited duration, subject to early termination rights in certain circumstances, may include inadequate indemnification and liability provisions, and the providers of our data centers have no obligation to renew their agreements with us on commercially reasonable terms, or at all.

If we continue to add data centers and add capacity in our third-party existing data centers and cloud service providers, we may transfer data to other locations. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our service. Interruptions in our service, data loss or corruption may subject us to liability to our customers, cause customers to terminate their agreements and adversely affect our renewal rates and our ability to attract new customers. Data transfers may also subject us to regional privacy and data protection laws that apply to the transmission of customer data across international borders.

We also depend on access to the Internet through third-party bandwidth providers to operate our cloud-based solution. If we lose the services of one or more of our bandwidth providers, or if these providers experience outages, for any reason, we could experience disruption in delivering our cloud-based solutions or we could be required to retain the services of a replacement bandwidth provider. Any Internet outages or delays could adversely affect our ability to provide our solutions to our customers. Our data center operations also rely heavily on the availability of electricity, which also comes from third-party

providers. If we or the third-party data center facilities or cloud service provider facilities that we use to deliver our services were to experience a major power outage or if the cost of electricity were to increase significantly, our operations and financial results could be harmed. If we or our third-party data centers facilities or cloud service provider facilities were to experience a major power outage, we or they would have to rely on back-up generators, which might not work properly or might not provide an adequate supply during a major power outage. Such a power outage could result in a significant disruption of our business.

Additionally, defects in our systems or those of third parties, errors or delays in the processing of payment transactions, telecommunications failures, or other difficulties (including those related to system relocation) could result in loss of revenues, loss of customers, loss of data, harm to our business or reputation, exposure to fraud losses or other liabilities, negative publicity, additional operating and development costs, fines and other sanctions imposed by counterparties, and/or diversion of technical and other resources.

***Our use of open source and third-party technology could impose limitations on our ability to commercialize our solutions.***

We use open source software in our solutions and in our services engagements on behalf of customers. As we increasingly handle configured implementation of our solutions on behalf of customers, we use additional open source software that we obtain from all over the world. Although we try to monitor our use of open source software, the terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our solutions. In such event, we could be required to seek licenses from third parties in order to continue offering our solutions, to re-engineer our technology or to discontinue offering our solutions in the event re-engineering cannot be accomplished on a timely basis, any of which could cause us to breach contracts, harm our reputation, result in customer losses or claims, increase our costs or otherwise adversely affect our business, operating results and financial condition.

Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar solutions with lower development effort and time and ultimately could result in a loss of product sales for us.

***We use artificial intelligence and machine learning in our business, and challenges with properly managing its use could result in reputational harm, competitive harm, and legal liability, and adversely affect our results of operations.***

We currently incorporate artificial intelligence and machine learning ("AI") solutions into our intelligence cloud products including our deal intelligence application, and these applications may become important in our operations over time. Our competitors or other third parties may incorporate AI into their products and offerings more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our results of operations. Additionally, if the content, analyses, or recommendations that AI applications assist in producing are or are alleged to be inaccurate, deficient, or biased, our business, financial condition, and results of operations may be adversely affected. The use of AI applications has resulted in, and may in the future result in, cybersecurity incidents that implicate the sensitive data of customers analyzed within such applications. Any such cybersecurity incidents related to our use of AI applications for analysis of sensitive data could adversely affect our reputation and results of operations. AI also presents emerging ethical issues and if our use of AI becomes controversial, we may experience brand or reputational harm, competitive harm, or legal liability. The rapid evolution of AI, including potential government regulation of AI and its various uses, will require significant resources to develop, test and maintain our intelligence cloud platform, offerings, services, and features to help us implement AI ethically in order to minimize unintended, harmful impact.

**Risks Related to Our Intellectual Property**

***Any failure to protect our intellectual property rights could impair our ability to protect our proprietary technology and our brand, which would substantially harm our business and operating results.***

The success of our business and the ability to compete depend in part upon our ability to protect and enforce our patents, trade secrets, trademarks, copyrights and other intellectual property rights. We primarily rely on patent, copyright, trade secret and trademark laws, trade secret protection and confidentiality or license agreements with our employees, customers, partners and others to protect our intellectual property rights. However, the steps we take to protect our intellectual property rights may be inadequate or we may be unable to secure intellectual property protection for all of our solutions. Any of our copyrights, trademarks or other intellectual property rights may be challenged by others or invalidated through administrative process or litigation. Competitors may independently develop technologies or solutions that are substantially equivalent or superior to our solutions or that inappropriately incorporate our proprietary technology into their solutions. Competitors may hire our former employees who may misappropriate our proprietary technology or misuse our confidential information. Although we rely in

part upon confidentiality agreements with our employees, consultants and other third parties to protect our trade secrets and other confidential information, those agreements may not effectively prevent disclosure of trade secrets and other confidential information and may not provide an adequate remedy in the event of misappropriation of trade secrets or unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets and confidential information, and in such cases we could not assert any trade secret rights against such parties.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Any litigation, whether or not it is resolved in our favor, could result in significant expense to us and divert the efforts of our technical and management personnel, which may adversely affect our business, operating results and financial condition. Certain jurisdictions may not provide adequate legal infrastructure for effective protection of our intellectual property rights. Changing legal interpretations of liability for unauthorized use of our solutions or lessened sensitivity by corporate, government or institutional users to refraining from intellectual property piracy or other infringements of intellectual property could also harm our business.

It is possible that innovations for which we seek patent protection may not be protectable. Additionally, the process of obtaining patent protection is expensive and time consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. Given the cost, effort, risks and downside of obtaining patent protection, including the requirement to ultimately disclose the invention to the public, we may not choose to seek patent protection for certain innovations. However, such patent protection could later prove to be important to our business. Even if issued, there can be no assurance that any patents will have the coverage originally sought or adequately protect our intellectual property, as the legal standards relating to the validity, enforceability and scope of protection of patent and other intellectual property rights are uncertain. Any patents that are issued may be invalidated or otherwise limited, or may lapse or may be abandoned, enabling other companies to better develop products that compete with our solutions, which could adversely affect our competitive business position, business prospects and financial condition.

We cannot assure you that the measures we have taken to protect our intellectual property will adequately protect us, and any failure to protect our intellectual property could harm our business.

***We may not be able to enforce our intellectual property rights throughout the world, which could adversely impact our international operations and business.***

The laws of some foreign countries do not protect intellectual property rights to the same extent as federal and state laws in the United States. Many companies have encountered significant problems in protecting and enforcing intellectual property rights in certain foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection. This could make it difficult for us to stop the infringement or misappropriation of our intellectual property rights. Proceedings to enforce our proprietary rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business. Accordingly, our efforts to enforce our intellectual property rights in such countries may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop, which could have a material adverse effect on our business, financial condition and results of operations.

***We license technology from third parties, and our inability to maintain those licenses could harm our business. Certain third-party technology that we use may be difficult to replace or could cause errors or failures of our service.***

We incorporate technology that we purchase or license from third parties, including hardware and software, into our solutions. We cannot be certain that this technology will continue to be available on commercially reasonable terms, or at all. We cannot be certain that our licensors are not infringing the intellectual property rights of third parties or that our licensors have sufficient rights to the licensed intellectual property in all jurisdictions in which we may sell our solutions. Some of our agreements with our licensors may be terminated for convenience by them. If we are unable to continue to license any of this technology because of intellectual property infringement claims brought by third parties against our licensors or against us, or if we are unable to continue our license agreements or enter into new licenses on commercially reasonable terms, our ability to develop and sell solutions containing that technology would be severely limited and our business could be harmed. Additionally, if we are unable to license or obtain the necessary technology from third parties, we may be forced to acquire or develop alternative technology of lower quality or performance standards. This would limit and delay our ability to offer new or competitive solutions and increase our costs of production. In addition, errors or defects in third-party hardware or software used in our cloud-based solutions could result in errors or a failure of our cloud-based solutions, which could harm our business.

***We may be sued by third parties for alleged infringement of their proprietary rights which could result in significant costs and harm our business.***

There is considerable patent and other intellectual property development activity in our industry. Our success depends upon us not infringing upon the intellectual property rights of others. Companies in the software and technology industries, including some of our current and potential competitors, own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement, misappropriation or other violations of intellectual property rights. In addition, many of these companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. The litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our potential patents may provide little or no deterrence. We have received, and may in the future receive, notices that claim we have infringed, misappropriated or otherwise violated other parties' intellectual property rights. To the extent we gain greater visibility, we face a higher risk of being the subject of intellectual property infringement claims, which is not uncommon with respect to software technologies in general and information security technology in particular. There may be third-party intellectual property rights, including issued or pending patents that cover significant aspects of our technologies or business methods. Any intellectual property claims, with or without merit, could be very time consuming, could be expensive to settle or litigate and could divert our management's attention and other resources. These claims could also subject us to significant liability for damages, potentially including treble damages if we are found to have willfully infringed patents or copyrights. These claims could also result in our having to stop using technology found to be in violation of a third party's rights. We might be required to seek a license for the intellectual property, which may not be available on reasonable terms or at all. Even if a license were available, we could be required to pay significant royalties, which would increase our operating expenses. As a result, we may be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of one or more of our solutions or features of our solutions and may be unable to compete effectively. Any of these results would harm our business, operating results and financial condition.

In addition, our agreements with customers and partners include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement and, in some cases, for damages caused by us to property or persons. Large indemnity payments could harm our business, operating results and financial condition.

#### **Risks Related to the Ownership of Our Common Stock**

***Our stock price may be volatile, and you may be unable to sell your shares at or above your purchase price.***

The market price of our common stock could be subject to wide fluctuations in response to, among other things, the factors described in this "Risk Factors" section or otherwise and other factors beyond our control, such as fluctuations in the volume of shares traded, the valuations of companies perceived by investors to be comparable to us; stockholder activism and the general macroeconomic and geopolitical environment.

Furthermore, the stock markets have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies, particularly during this time of uncertainty as the world continues to respond to geopolitical turmoil, such as the wars in Ukraine and Israel, rising inflation, disruption in supply chains, recent instability in the global banking system and increasing interest rates. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. These broad market fluctuations, as well as general economic, systemic, political and market conditions, such as recessions, or impacts related to global epidemics, pandemics, or contagious diseases, future interest rate changes or international currency fluctuations, may negatively affect the market price of our common stock.

Many companies that have experienced volatility in the market price of their stock have become subject to securities class action litigation. We have been in the past, and may be in the future, the target of this type of litigation. Securities litigation against us could result in substantial costs and divert our management's attention, which could harm our business.

***The exclusive forum provision in our restated certificate of incorporation may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims.***

Our restated certificate of incorporation, to the fullest extent permitted by law, provides that the Court of Chancery of the State of Delaware is the exclusive forum for: any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, or the DGCL, our restated certificate of incorporation, or our restated bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine. This exclusive forum provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act. It could apply, however, to a suit that falls within one or more of the categories enumerated in the exclusive forum provision and asserts claims under the Securities Act, inasmuch as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability.

created by the Securities Act or the rule and regulations thereunder. There is uncertainty as to whether a court would enforce such provision with respect to claims under the Securities Act, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, or other employees, which may discourage lawsuits with respect to such claims. Alternatively, if a court were to find the choice of forum provisions contained in our restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations and financial condition.

In addition, Section 203 of the DGCL may discourage, delay or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations and other transactions between us and holders of 15% or more of our common stock.

Section 22 of the Securities Act of 1933, as amended (the Securities Act), creates concurrent jurisdiction for federal and state courts over all claims brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. In May 2020, we amended and restated our restated bylaws to provide that the federal district courts of the United States of America will, to the fullest extent permitted by law, be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, or a Federal Forum Provision. Our decision to adopt a Federal Forum Provision followed a decision by the Supreme Court of the State of Delaware holding that such provisions are facially valid under Delaware law. While there can be no assurance that federal or state courts will follow the holding of the Delaware Supreme Court or determine that the Federal Forum Provision should be enforced in a particular case, application of the Federal Forum Provision means that suits brought by our stockholders to enforce any duty or liability created by the Securities Act must be brought in federal court and cannot be brought in state court.

Section 27 of the Exchange Act creates exclusive federal jurisdiction over all claims brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. In addition, neither the exclusive forum provision nor the Federal Forum Provision applies to suits brought to enforce any duty or liability created by the Exchange Act. Accordingly, actions by our stockholders to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder must be brought in federal court.

Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the regulations promulgated thereunder.

Any person or entity purchasing or otherwise acquiring or holding any interest in any of our securities shall be deemed to have notice of and consented to our exclusive forum provisions, including the Federal Forum Provision. These provisions may limit a stockholders' ability to bring a claim in a judicial forum of their choosing for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers, and other employees.

***We do not anticipate paying any dividends on our common stock.***

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. If we do not pay cash dividends, you would receive a return on your investment in our common stock only if the market price of our common stock is greater at the time you sell your shares than the market price at the time you bought your shares.

**Risks Related to Ownership of Our Convertible Senior Notes**

***Our outstanding notes are effectively subordinated to our secured debt and any liabilities of our subsidiaries.***

Our outstanding notes will rank senior in right of payment to all of our indebtedness that is expressly subordinated in right of payment to the notes; equal in right of payment with all of our liabilities that are not so subordinated; effectively junior to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure debt ranking senior or equal in right of payment to the notes will be available to pay obligations on the notes only after the secured debt has been repaid in full from these assets. There may not be sufficient assets remaining to pay amounts due on any or all of the notes then outstanding. The indenture governing the notes will not prohibit us from incurring additional senior debt or secured debt, nor will it prohibit any of our subsidiaries from incurring additional liabilities.

***Our notes are our obligations only, and to the extent our operations will be conducted through, and a substantial portion of our consolidated assets will be held by, our subsidiaries, we may rely on distributions from such subsidiaries to service our debt.***

Our notes are our obligations exclusively. To the extent our operations will be conducted through, and a substantial portion of our consolidated assets will be held by, our subsidiaries, our ability to service the notes will depend on the results of operations of our subsidiaries and upon the ability of such subsidiaries to provide us with cash, whether in the form of dividends, loans or otherwise, to pay amounts due on our obligations, including the notes. Our present and future subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to make payments on the notes or to make any funds available for that purpose. In addition, dividends, loans or other distributions to us from such subsidiaries may be subject to statutory, contractual and other restrictions and are subject to other business considerations.

***Our indebtedness could adversely affect our business and limit our ability to expand our business or respond to changes, and we may be unable to generate sufficient cash flow to satisfy our debt service obligations.***

As of September 30, 2023, the outstanding aggregate principal amount of the issuance of the 2.625% convertible senior notes due in 2025 (the "2025 Notes") and the issuance of the 1.875% convertible senior notes due in 2028 (the "2028 Notes") were \$34.5 million, and \$253 million, respectively. We may also incur additional indebtedness in the future to meet future financing needs. Our current indebtedness and any future occurrence of additional significant indebtedness could have adverse consequences, including the following:

- reducing the availability of our cash flow for our operations, capital expenditures, future business opportunities and other purposes;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- increasing our vulnerability to general adverse economic and industry conditions; and
- lengthening our sales process as customers evaluate our financial viability.

Our ability to generate cash to repay our indebtedness is subject to the performance of our business, as well as general economic, financial, competitive and other factors that are beyond our control. If our business does not generate sufficient cash flow from operating activities or if future borrowings are not available to us in amounts sufficient to enable us to fund our liquidity needs, our operating results, financial condition and ability to expand our business may be adversely affected. In addition, if we are unable to generate such cash flow or obtain sufficient borrowings, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

***Recent and future regulatory actions and other events may adversely affect the trading price and liquidity of our notes.***

We expect that many investors in our notes will employ, or seek to employ, a convertible arbitrage strategy with respect to the notes. Investors would typically implement such a strategy by selling short the common stock underlying the notes and dynamically adjusting their short position while continuing to hold the notes. Investors may also implement this type of strategy by entering into swaps on our common stock in lieu of or in addition to short selling the common stock. The SEC and other regulatory and self-regulatory authorities have implemented various rules and taken certain actions, and may in the future adopt additional rules and take other actions, that may impact those engaging in short selling activity involving equity securities (including our common stock). Such rules and actions include Rule 201 of SEC Regulation SHO, the adoption by the Financial Industry Regulatory Authority, Inc. and the national securities exchanges of a "Limit Up-Limit Down" program, the imposition of market-wide circuit breakers that halt trading of securities for certain periods following specific market declines, and the implementation of certain regulatory reforms required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. Any governmental or regulatory action that restricts the ability of investors in, or potential purchasers of, the notes to effect short sales of our common stock, borrow our common stock or enter into swaps on our common stock could adversely affect the trading price and the liquidity of our notes.

In addition, the liquidity of the market for our common stock may decline, which could reduce the number of shares available for lending in connection with short sale transactions and the number of counterparties willing to enter into an equity swap on our shares of common stock with a note investor. If investors in our notes seeking to employ a convertible note arbitrage strategy are unable to borrow or enter into equity swaps on our shares of common stock on commercially reasonable terms, then the trading of, and the liquidity of the market for, our notes may significantly decline.

***Volatility in the market price and trading volume of our common stock could adversely impact the trading price of our notes.***

We expect that the trading price of the notes will be significantly affected by the market price of our common stock. The stock market in recent years has experienced significant price and volume fluctuations that have often been unrelated to the operating performance of companies. The market price of our common stock could fluctuate significantly for many reasons, including in response to the risks described in this section and this report, many of which are beyond our control, such as reports by industry analysts, investor perceptions or negative announcements by our customers, competitors or suppliers regarding their own performance, as well as industry conditions and general financial, economic and political instability. A decrease in the market price of our common stock would likely adversely impact the trading price of our notes. The market price of our common stock could also be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving our common stock. This trading activity could, in turn, affect the trading price of the notes.

In addition, the condition of the financial markets and changes in prevailing interest rates can have an adverse effect on the trading price of our notes. For example, prevailing interest rates have fluctuated in the past, and are currently increasing. This increase in prevailing interest rates could adversely affect the trading price of our notes.

***We and our subsidiaries may incur substantially more debt or take other actions which would intensify the risks discussed above.***

We and our subsidiaries may be able to incur substantial additional debt in the future, subject to the restrictions contained in our debt instruments, some of which may be secured debt. We are not restricted under the terms of the indentures governing our notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indentures governing the notes that could have the effect of diminishing our ability to make payments on our notes when due.

***We may not have the ability to raise the funds necessary to settle conversions of our notes in cash, to repurchase our notes for cash upon a fundamental change or to pay the redemption price for any notes we redeem, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the notes.***

Holders of our notes have the right to require us to repurchase all or a portion of their notes upon the occurrence of a fundamental change (as defined in the indentures governing the notes) at a fundamental change repurchase price equal to 100% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest, if any. In addition, upon conversion of the notes, unless we elect to deliver solely shares of our common stock to settle such conversion (other than paying cash in lieu of delivering any fractional shares), we will be required to make cash payments in respect of the notes being converted. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefore or notes that are being redeemed or converted.

In addition, our ability to repurchase the notes or to pay cash upon redemptions or conversions of the notes may be limited by law, by regulatory authority, or by other agreements governing our future indebtedness. Our failure to repurchase notes at a time when the repurchase is required by the applicable indenture or to pay any cash payable on future conversions of the notes as required by the applicable indenture would constitute a default under the applicable indenture. A default under either of the indentures or the occurrence of a fundamental change itself could also lead to a default under agreements governing our existing and future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the notes or make cash payments upon conversions thereof.

***The conditional conversion feature of our notes, if triggered, may adversely affect our financial condition and operating results.***

In the event the conditional conversion feature of our notes is triggered, holders of the applicable series of notes will be entitled to convert the notes of the applicable series at any time during specified periods at their option. If one or more holders elect to convert their notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional shares), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

***The accounting method for convertible debt securities that may be settled in cash, such as our outstanding notes, could have a material effect on our reported financial results.***

Under Accounting Standards Codification 470-20, Debt with Conversion and Other Options ("ASC 470-20"), an entity must separately account for the liability and equity components of the convertible debt instruments (such as our notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet at the issuance date, and the value of the equity component is treated as debt discount for purposes of accounting for the debt component of the notes. As a result, we are required to record a greater amount of non-cash interest expense in current periods presented as a result of the accretion of the discounted carrying value of the notes to their face amount over the respective terms of the notes. We report larger net losses (or lower net income) in our financial results because ASC 470-20 requires interest to include both the current period's accretion of the debt discount and the instrument's coupon interest rate, which could adversely affect our future financial results, the trading price of our common stock or the trading price of the notes.

In addition, under certain circumstances, the treasury stock method for calculating diluted earnings per share is permitted for convertible debt instruments (such as the notes) that may be settled entirely or partly in cash. As a result, for purposes of calculating diluted earnings per share, we will include, under certain circumstances, the shares underlying the notes only to the extent that the conversion value of the notes exceeds the principal amount; provided that we will not use the treasury stock method if the effect on diluted earnings per share would be an anti-dilutive.

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. The Company adopted this ASU on October 1, 2022 on a modified retrospective basis. Among other changes, ASU 2020-06 removes from U.S. GAAP the liability and equity separation model for convertible instruments with a cash conversion feature. As a result, the Company no longer separately presents in equity an embedded conversion feature for such debt. Similarly, the embedded conversion feature is no longer amortized into income as interest expense over the life of the instrument.

***Future sales of our common stock or equity-linked securities in the public market could lower the market price for our common stock and adversely impact the trading price of the notes.***

In the future, we may sell additional shares of our common stock or equity-linked securities to raise capital. In addition, a substantial number of shares of our common stock are reserved for issuance upon the exercise of stock options, settlement of other equity incentive awards, and upon conversion of the notes. The indentures for our notes does not restrict our ability to issue additional common stock or equity-linked securities in the future. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock or equity-linked securities, or the perception that such issuances and sales may occur, could adversely affect the trading price of our notes and the market price of our common stock and impair our ability to raise capital through the sale of additional common stock or equity-linked securities.

***Holders of our notes are not entitled to any rights with respect to our common stock, but they are subject to all changes made with respect to them to the extent our conversion obligation includes shares of our common stock.***

Holders of our notes are not entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock) prior to the conversion date relating to such notes (if we have elected to settle the relevant conversion by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional shares)) or the last trading day of the relevant observation period (if we elect to pay and deliver, as the case may be, a combination of cash and shares of our common stock in respect of the relevant conversion), but holders of notes will be subject to all changes affecting our common stock. For example, if an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to the conversion date related to a holder's conversion of its notes (if we have elected to settle the relevant conversion by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional shares)) or the last trading day of the relevant observation period (if we elect to pay and deliver, as the case may be, a combination of cash and shares of our common stock in respect of the relevant conversion), such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes affecting our common stock.

***The conditional conversion feature of the notes could result in holders of our notes receiving less than the value of our common stock into which the notes would otherwise be convertible.***

Prior to the close of business on the business day immediately preceding March 1, 2025, with respect to the 2025 Notes and, December 15, 2027, with respect to the 2028 Notes the holders of the applicable series of notes may convert their notes only if specified conditions are met. If the specific conditions for conversion are not met, the noteholders will not be able to

convert their notes, and they may not be able to receive the value of the cash, common stock or a combination of cash and common stock, as applicable, into which the notes would otherwise be convertible.

***Upon conversion of our notes, our note holders may receive less valuable consideration than expected because the value of our common stock may decline after such exercise of conversion rights but before we settle our conversion obligation.***

Under the Convertible Senior Notes, a converting holder will be exposed to fluctuations in the value of our common stock during the period from the date such holder surrenders notes for conversion until the date we settle our conversion obligation.

Upon conversion of the notes, we have the option to pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock. If we elect to satisfy our conversion obligation in cash or a combination of cash and shares of our common stock, the amount of consideration that our note holders will receive upon conversion of their notes will be determined by reference to the volume-weighted average price of our common stock for each trading day in a 40 consecutive trading day observation period. This period would be (i) subject to clause (ii), if the relevant conversion date occurs prior to March 1, 2025, with respect to the 2025 Notes or December 15, 2027, with respect to the 2028 Notes, the 40 consecutive trading day period beginning on, and including, the second trading day immediately succeeding such conversion date; (ii) if the relevant conversion date occurs on or after the date of our issuance of a notice of redemption calling such note for redemption and on or prior to the business day immediately preceding the relevant redemption date, the 40 consecutive trading days beginning on, and including, the 41st scheduled trading day immediately preceding such redemption date; and (iii) subject to clause (ii), if the relevant conversion date occurs on or after March 1, 2025, with respect to the 2025 Notes or December 15, 2027, with respect to the 2028 Notes, the 40 consecutive trading days beginning on, and including, the 41st scheduled trading day immediately preceding the maturity date. Accordingly, if the price of our common stock decreases during this period, the amount and/or value of consideration a note holder will receive will be adversely affected. In addition, if the market price of our common stock at the end of such period is below the average volume-weighted average price of our common stock during such period, the value of any shares of our common stock that our note holders will receive in satisfaction of our conversion obligation will be less than the value used to determine the number of shares that they will receive.

If we elect to satisfy our conversion obligation solely in shares of our common stock upon conversion of the notes, we will be required to deliver the shares of our common stock, together with cash for any fractional shares, on the second business day following the relevant conversion date. Accordingly, if the price of our common stock decreases during this period, the value of the shares that note holders receive will be adversely affected and would be less than the conversion value of the notes on the conversion date.

***Our notes are not protected by restrictive covenants.***

The indentures governing the notes do not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. The indentures do not contain any covenants or other provisions to afford protection to holders of the notes in the event of a fundamental change or other corporate transaction involving us except to the extent described in the applicable indenture governing the notes.

***The increase in the conversion rate for notes converted in connection with a make-whole fundamental change or a notice of redemption may not adequately compensate note holders for any lost value of their notes as a result of such transaction or redemption.***

If a make-whole fundamental change (as defined in the applicable indenture governing the notes) occurs prior to the maturity date or if we deliver a notice of redemption, we will, under certain circumstances, increase the conversion rate by a number of additional shares of our common stock for notes converted in connection with such make-whole fundamental change or notice of redemption, as the case may be. The number of additional shares, if any, by which the conversion rate will be increased will be determined based on the date on which the make-whole fundamental change occurs or becomes effective or the date of the notice of redemption, as the case may be, and the price paid (or deemed to be paid) per share of our common stock in the make-whole fundamental change or determined with respect to the notice of redemption, as the case may be. Although the increase in the conversion rate is designed to compensate note holders for the option value that their notes lose as result of a make-whole fundamental change or a redemption, as the case may be, the value provided by the increase in the conversion rate is only an approximation of the lost option value and may not adequately compensate note holders for any lost value of their notes as a result of such transaction or redemption, as the case may be. In addition, if the "stock price" (as defined in the applicable indenture governing the notes) is greater than (i) \$325.00 per share or less than \$26.14 per share (in each case, subject to adjustment), with respect to the 2025 Notes or (ii) \$450 per share or less than \$32.48 per share (in each case, subject to adjustment) with respect to the 2028 Notes, no additional shares will be added to the conversion rate. Moreover, in no event will the conversion rate per \$1,000 principal amount of notes as a result of this adjustment exceed (i) 38.2555 shares

of common stock, with respect to the 2025 Notes or (ii) 30.7881 shares of common stock, with respect to the 2028 Notes, subject to adjustment.

Our obligation to increase the conversion rate for notes converted in connection with a make-whole fundamental change or notice of redemption could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness and equitable remedies.

***Upon any redemption of the 2025 Notes on or after June 6, 2023 or 2028 Notes on or after March 20, 2026 or any conversion of the notes in connection with a notice of redemption, the cash comprising the redemption price, in the case of a redemption, or the applicable conversion rate, in the case of a conversion in connection with a notice of redemption, as applicable, may not fully compensate note holders for future interest payments or lost time value of their notes and may adversely affect their return on the notes.***

On a redemption date occurring on or after June 6, 2023, with respect to the 2025 Notes or March 20, 2026, with respect to the 2028 Notes and on or before the 41st scheduled trading day immediately before the maturity date, we may redeem for cash all or any portion of the applicable series of notes, at our option, if the last reported sale price of our common stock has been at least 130% of the conversion price with respect to such series of notes then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which we provide notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. If we call any or all of a series of notes for redemption, our note holders may convert their notes of such series at any time prior to the close of business on the business day immediately preceding the redemption date. Upon such redemption or conversion, the cash comprising the redemption price, in the case of a redemption, or the applicable conversion rate, in the case of a conversion in connection with a notice of redemption, in either case, may not fully compensate our note holders for any future interest payments that they would have otherwise received or any other lost time value of their notes. In addition, we may choose to redeem some or all of the notes, including at times when prevailing interest rates are relatively low and our note holders may not be able to reinvest the proceeds or conversion consideration they receive from the redemption or conversion prior to the redemption, respectively, of such notes in a comparable security at an effective interest rate as high as the interest rate on the notes being redeemed.

***The conversion rate of our notes may not be adjusted for all dilutive events.***

The conversion rate of our notes is subject to adjustment for certain events, including, but not limited to, the issuance of certain stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness, or assets, cash dividends and certain issuer tender or exchange offers. However, the conversion rate will not be adjusted for other events, such as a third-party tender or exchange offer or an issuance of our common stock for cash, that may adversely affect the trading price of the notes or our common stock. An event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the conversion rate.

***Provisions in the indentures for the notes may deter or prevent a business combination that may be favorable to our security holders.***

If a fundamental change occurs prior to the maturity date, holders of our notes will have the right, at their option, to require us to repurchase all or a portion of their notes. In addition, if a make-whole fundamental change occurs prior the maturity date, we will in some cases be required to increase the conversion rate for a holder that elects to convert its notes in connection with such make-whole fundamental change. Furthermore, the indentures for the notes prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the notes. These and other provisions in the indentures could deter or prevent a third party from acquiring us even when the acquisition may be favorable to our security holders.

***Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to repurchase the notes.***

Upon the occurrence of a fundamental change, our note holders have the right to require us to repurchase their notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of other transactions that could adversely affect the notes. For example, transactions such as leveraged recapitalizations, refinancings, restructurings, or acquisitions initiated by us may not constitute a fundamental change requiring us to repurchase the notes. In the event of any such transaction, the note holders would not have the right to require us to repurchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

***We have not registered the notes or the common stock issuable upon conversion of the notes, if any, which will limit our note holders' ability to resell them.***

The offer and sale of the notes and the shares of common stock issuable upon conversion of the notes, if any, have not been registered under the Securities Act or any state securities laws. Unless the notes and the shares of common stock issuable upon conversion of the notes, if any, have been registered, the notes and such shares may not be transferred or resold except in a transaction exempt from or not subject to the registration requirements of the Securities Act and applicable state securities laws. We do not intend to file a registration statement for the resale of the notes and the common stock, if any, into which the notes are convertible.

***There may not be an active trading market for our notes.***

We do not intend to apply to list the notes on any securities exchange or to arrange for quotation on any automated dealer quotation system. The liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, an active trading market may not be maintained for the notes, and the market price and liquidity of the notes may be adversely affected. In that case note holders may not be able to sell their notes at a particular time or they may not be able to sell their notes at a favorable price.

***Any adverse rating of the notes may cause their trading price to fall.***

We do not intend to seek a rating on the notes. However, if a rating service were to rate the notes and if such rating service were to lower its rating on the notes below the rating initially assigned to the notes or otherwise announces its intention to put the notes on credit watch, the trading price of the notes could decline.

***Note holders may be subject to tax if we make or fail to make certain adjustments to the conversion rate of the notes even though they do not receive a corresponding cash distribution.***

The conversion rate of the notes is subject to adjustment in certain circumstances, including the payment of cash dividends. If the conversion rate is adjusted as a result of a dividend that is taxable to our common stockholders, such as a cash dividend, note holders will be deemed to have received a distribution subject to U.S. federal income tax, without the receipt of any cash. In addition, a failure to adjust (or to adjust adequately) the conversion rate after an event that increases a note holder's proportionate interest in us could be treated as a deemed taxable dividend to the holder. If a make-whole fundamental change occurs prior to the maturity date or if we deliver a notice of redemption, we will, under certain circumstances, increase the conversion rate for notes converted in connection with the make-whole fundamental change or notice of redemption, as the case may be. Such increase also may be treated as a distribution subject to U.S. federal income tax as a dividend. It is unclear whether any such deemed dividend would be eligible for the preferential tax treatment generally available for dividends paid by U.S. corporations to certain non-corporate U.S. holders. If a note holder is a non-U.S. holder, any deemed dividend would generally be subject to U.S. federal withholding tax, which may be offset against subsequent payments on the notes or any shares of our common stock owned by the holder or from any proceeds of any subsequent sale, exchange or other disposition of the notes (including the retirement of a note) or such common stock or other funds or assets of the holder. The Internal Revenue Service has proposed regulations addressing the amount and timing of deemed distributions, obligations of withholding agents and filing and notice obligations of issuers, which if adopted could affect the U.S. federal income tax treatment of beneficial owners of notes deemed to receive such a distribution.

***We may invest or spend the proceeds of from the sale of our notes in ways with which our security holders may not agree or in ways which may not yield a return.***

Our management will have considerable discretion in the application of the net proceeds from the sale of our notes, and our security holders will not have the opportunity to assess whether the proceeds are being used appropriately. The net proceeds may be invested with a view towards long-term benefits for our stockholders and this may not increase our operating results or market value. The failure by our management to apply these funds effectively may adversely affect the return on investment.

***Because the notes will initially be held in book-entry form, holders must rely on DTC's procedures to receive communications relating to the notes and exercise their rights and remedies.***

The notes were initially issued in the form of one or more global notes registered in the name of Cede & Co., as nominee of DTC. Beneficial interests in global notes will be shown on, and transfers of global notes will be effected only through, the records maintained by DTC. Except in limited circumstances, we will not issue certificated notes. Accordingly, if a note holder owns a beneficial interest in a global note, then it will not be considered an owner or holder of the notes. Instead, DTC or its nominee will be the sole holder of the notes. Unlike persons who have certificated notes registered in their names, owners of beneficial interests in global notes will not have the direct right to act on our solicitations for consents or requests for waivers or other actions from holders. Instead, those beneficial owners will be permitted to act only to the extent that they have received appropriate proxies to do so from DTC or, if applicable, a DTC participant. The applicable procedures for the granting of these proxies may not be sufficient to enable owners of beneficial interests in global notes to vote on any requested actions on a timely basis. In addition, notices and other communications relating to the notes will be sent to DTC. We expect DTC to

forward any such communications to DTC participants, which in turn would forward such communications to indirect DTC participants. However, we can make no assurances that note holders will timely receive any such communications.

#### **General Risk Factors**

##### ***Our financial results may be adversely affected by changes in accounting principles generally accepted in the United States.***

U.S. GAAP is subject to interpretation by the Financial Accounting Standards Board ("FASB"), the American Institute of Certified Public Accountants, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. See Note 2 to the Consolidated Financial Statements included in this report regarding the effect of new accounting pronouncements on our financial statements. Any difficulties in implementing these pronouncements could cause us to fail to meet our financial reporting obligations, which could result in regulatory discipline and harm investors' confidence in us. Further, the implementation of this new guidance or a change in other principles or interpretations could have a significant effect on our financial results and could affect the reporting of transactions completed before the announcement of a change.

***If we fail to maintain an effective system of internal controls, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.***

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934 (Exchange Act), the Sarbanes-Oxley Act and the rules and regulations of the applicable listing exchange. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting and financial compliance costs, make some activities more difficult, time consuming and costly, and place significant strain on our personnel, systems and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our internal controls may be discovered in the future. Any failure to develop or maintain effective controls, any deficiencies found in the technology system we use to support our controls, or any difficulties encountered in their implementation or improvement, could harm our operating results or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal controls also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we are required to include in our periodic reports we file with the SEC under Section 404 of the Sarbanes-Oxley Act. For example, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our common stock.

In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs, and provide significant management oversight. Any failure to maintain the adequacy of our internal controls, or consequent inability to produce accurate financial statements on a timely basis, could increase our operating costs and could materially impair our ability to operate our business. In the event that our internal controls are perceived as inadequate or that we are unable to produce timely or accurate financial statements, investors may lose confidence in our operating results and our stock price could decline. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the New York Stock Exchange.

##### ***We incur significant costs and devote substantial management time as a result of operating as a public company.***

As a public company, we incur significant legal, accounting and other expenses. For example, we are required to comply with the requirements of the Sarbanes-Oxley Act of 2002 ("Sarbanes-Oxley Act") and the Dodd Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the Securities and Exchange Commission ("SEC") and the New York Stock Exchange, including the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Compliance with these rules and regulations increases our legal and financial compliance costs, makes some activities more difficult, time-consuming or costly and increases demand on our systems and resources, particularly since we are no longer an "emerging growth company." In order to maintain and, if required, improve our disclosure controls and procedures and internal control over financial reporting, significant resources and

management oversight may be required. As a result, management's attention may be diverted from other business concerns, which could adversely affect our business and operating results.

***If securities analysts do not publish research or reports or if they publish unfavorable or inaccurate research about our business and our stock, the price of our stock and the trading volume could decline.***

We expect that the trading market for our common stock will be affected by research or reports that industry or financial analysts publish about us or our business. There are many large, well-established companies active in our industry and portions of the markets in which we compete, which may mean that we receive less widespread analyst coverage than our competitors. If one or more of the analysts who covers us downgrades their evaluations of our company or our stock, the price of our stock could decline. If one or more of these analysts cease coverage of our company, our stock may lose visibility in the market, which in turn could cause our stock price to decline.

***Our business is subject to the risks of earthquakes, fire, power outages, floods and other catastrophic events, and to interruption by manmade problems such as terrorism.***

Our corporate headquarters and facilities are located near known earthquake fault zones and are vulnerable to significant damage from earthquakes. The corporate headquarters and facilities are also vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, hurricanes, floods, fires, global epidemics, pandemics, or contagious diseases, war, terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. The occurrence of a natural disaster or an act of terrorism or vandalism or other misconduct or other unanticipated problems with our facilities could result in lengthy interruptions to our services. If any disaster were to occur, our ability to operate our business at our facilities could be seriously or completely impaired or destroyed. The insurance we maintain may not be adequate to cover our losses resulting from disasters or other business interruptions.

***We may face risks related to securities litigation that could result in significant legal expenses and settlement or damage awards.***

We have been in the past and may in the future become subject to claims and litigation alleging violations of the securities laws or other related claims, which could harm our business and require us to incur significant costs. We are generally obliged, to the extent permitted by law, to indemnify our current and former directors and officers who are named as defendants in these types of lawsuits. Regardless of the outcome, litigation may require significant attention from management and could result in significant legal expenses, settlement costs or damage awards that could have a material impact on our financial position, results of operations and cash flows.

***Our restated certificate of incorporation and restated bylaws and Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.***

Our restated certificate of incorporation and restated bylaws contain provisions that could delay or prevent a change in control of us. These provisions could also make it more difficult for stockholders to elect directors and take other corporate actions. These provisions include:

- providing for a classified board of directors with staggered, three-year terms;
- authorizing the board of directors to issue, without stockholder approval, preferred stock with rights senior to those of our common stock;
- providing that vacancies on our board of directors be filled by appointment by the board of directors;
- prohibiting stockholder action by written consent;
- requiring that certain litigation must be brought in Delaware;
- limiting the persons who may call special meetings of stockholders; and
- requiring advance notification of stockholder nominations and proposals.

In addition, we are subject to Section 203 of the Delaware General Corporation Law which may prohibit large stockholders, in particular those owning fifteen percent or more of our outstanding voting stock, from merging or combining with us for a certain period of time without the consent of our board of directors.

These and other provisions in our restated certificate of incorporation and our restated bylaws and under the Delaware General Corporation Law could discourage potential takeover attempts, reduce the price that investors might be willing to pay in the future for shares of our common stock and result in the market price of our common stock being lower than it would be without these provisions.

#### **ITEM 1B. Unresolved Staff Comments**

None.

#### **ITEM 2. Properties**

Our corporate headquarters are located in San Mateo, California, and consist of approximately 35,000 square feet of space under a lease for our business operations and product development activities.

We have additional U.S. offices in Colorado, North Carolina, Tennessee and New Jersey. We also have international office locations in India and Switzerland. We believe our facilities are adequate for our current needs and for the foreseeable future; however, we will continue to seek additional space as needed. See Note 4 to the Consolidated Financial Statements for information regarding our lease obligations.

#### **ITEM 3. Legal Proceedings**

We are not currently a party to any pending material legal proceedings. From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. Regardless of outcome, litigation can have an adverse impact on us due to defense and settlement costs, diversion of management resources, negative publicity and reputational harm and other factors.

#### **ITEM 4. Mine Safety Disclosure**

Not applicable

### **PART II**

#### **ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

##### **Market Information for Common Stock**

Model N's common stock is traded on the New York Stock Exchange under the symbol "MODN".

##### **Dividend Policy**

We have never declared or paid, and do not anticipate declaring or paying in the foreseeable future, any cash dividends on our capital stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors, subject to applicable laws and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant.

##### **Stockholders**

As of November 10, 2023, there were 28 holders of record of our common stock, including The Depository Trust Company, which holds shares of our common stock on behalf of an indeterminate number of beneficial owners.

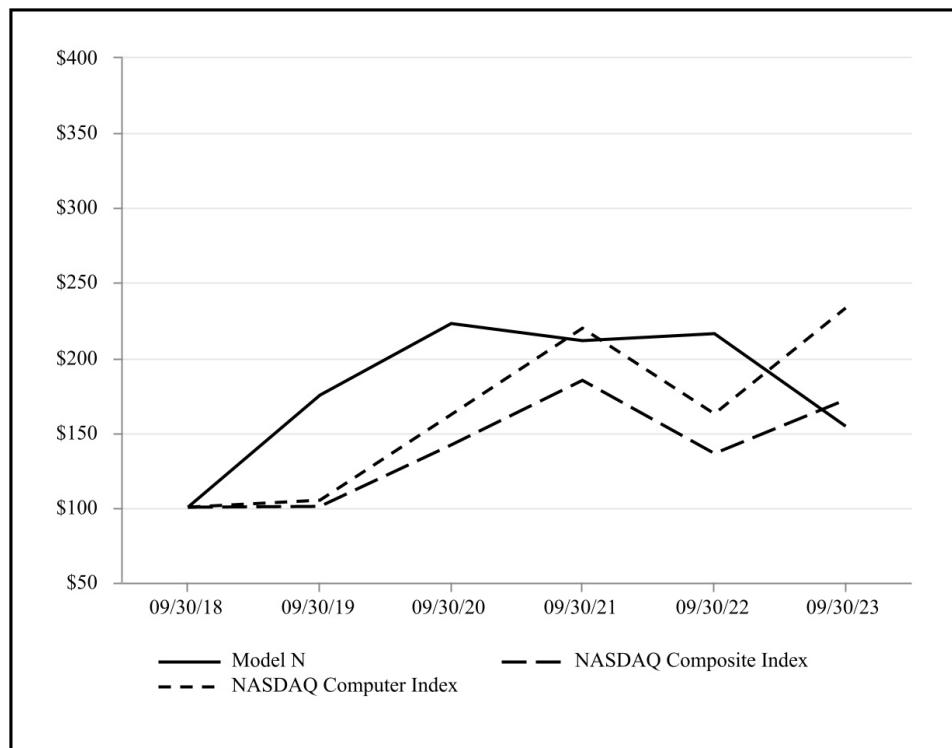
##### **Securities Authorized for Issuance under Equity Compensation Plans**

The information called for by this item is incorporated by reference to our Proxy Statement for the Annual Meeting of Stockholders to be held in 2024 (the "Proxy Statement"). See Part III, Item 12 "Security Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information."

##### **Stock Performance Graph**

The following shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or incorporated by reference into any of our other filings under the Exchange Act or the Securities Act of 1933, as amended, except to the extent we specifically incorporate it by reference into such filing.

This chart compares the cumulative total return on our common stock with that of the NASDAQ Composite Index and the NASDAQ Computer Index. The chart assumes \$100 was invested at the close of market on September 30, 2018, in our common stock, the NASDAQ Composite Index and the NASDAQ Computer Index, and assumes the reinvestment of any dividends.



**ITEM 6. [Reserved]**

## **ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*You should read the following discussion and analysis of our financial condition and results of operations together with the Consolidated Financial Statements and related notes that are included elsewhere in this report. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" or in other parts of this report.*

*A discussion and analysis regarding our financial condition, results of operations and cash flows for the year ended September 30, 2023 compared to the year ended September 30, 2022 is presented below. A discussion regarding our financial condition, results of operations and cash flows for the year ended September 30, 2022 compared to the year ended September 30, 2021 is included in Item 7 of Part II, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K filed with the SEC on November 18, 2022.*

### **Overview**

We are a leading provider of cloud revenue management solutions for life sciences and high tech companies. Our software and business services help companies drive mission critical business processes such as pricing, quoting, contracting, regulatory compliance, rebates and incentives. With deep industry expertise, Model N supports the complex business needs of the world's leading brands in life sciences and high tech including Johnson & Johnson, AstraZeneca, Stryker, Seagate Technology, Broadcom, and Microchip Technology.

Model N Revenue Cloud transforms the revenue life cycle into a strategic, end-to-end process aligned across the enterprise. Deployments may vary from specific divisions or territories to enterprise-wide implementations. Customers may purchase and deploy a single cloud product or a full suite.

We derive revenues primarily from the sale of subscriptions to our cloud-based solutions, as well as subscriptions for managed support services including business services, and maintenance and support related to on-premise solutions. We price our solutions based on a number of factors, including revenues under management and number of users. Subscription revenues are recognized ratably over the coverage period. We also derive revenues from selling professional services related to past sales of perpetual licenses and implementation and professional services associated with our cloud-based solutions and related to the solutions provided by our recent acquisition. The actual timing of revenue recognition may vary based on our customers' implementation requirements and the availability of our services personnel.

We market and sell our solutions to customers in the life sciences and high tech industries. Historically, our growth was driven by the sale of on-premise solutions. Over the past few years, we have primarily been entering into cloud-based subscription arrangements with our new and existing customers and we anticipate that subscription arrangements will be the majority of new contractual arrangements going forward.

Our most significant customers in any given period generally vary from period to period due to the timing in the delivery of our professional services and related revenue recognition. During the fiscal years ended September 30, 2023, and 2022, no customer represented more than 10% of our total revenues or more than 10% of our subscription revenues. For the fiscal years ended September 30, 2023, and 2022, our total revenues derived from customers located outside the United States was at an approximately 5% for both the years.

For the fiscal years ended September 30, 2023, and 2022, our total revenues were \$249.5 million and \$219.2 million respectively, representing a year-over-year increase of 14%. Revenue increased in fiscal year 2023 primarily due to the addition of subscription and professional services revenues from business services and increased subscription and professional services revenues from new and existing customers.

### **Key Business Metrics**

In addition to the measures of financial performance presented in our Consolidated Financial Statements, we use adjusted EBITDA, SaaS ARR and Net Dollar Retention to establish budgets and operational goals and to evaluate and manage our business internally. We believe adjusted EBITDA, SaaS ARR and Net Dollar Retention provides investors with consistency and comparability with our past financial performance and facilitates period-to-period comparisons of our operating results. For more information regarding adjusted EBITDA, see "Non-GAAP Financial Measures" below.

#### **SaaS ARR and Net Dollar Retention**

We use SaaS ARR as a measure of our SaaS revenue trend and an indicator of our future revenue opportunity from existing recurring customer contracts, assuming zero cancellations. SaaS ARR is the annualized value of our SaaS revenue,

which is derived by taking the SaaS portion of our recurring subscription revenue for the quarter, dividing it by the number of days in the quarter, and multiplying it by 365 to get an annualized number. SaaS ARR is not adjusted for the impact of any known or projected future customer cancellations, service upgrades or downgrades or price increases or decreases. The amount of actual SaaS revenue that we recognize over any 12-month period is likely to differ from SaaS ARR at the beginning of that period, sometimes significantly. This may occur due to new bookings, subsequent changes in our pricing, service cancellations, upgrades or downgrades and acquisitions or divestitures. Our calculation of SaaS ARR may differ from similarly-titled metrics presented by other companies.

We believe that our ability to retain and expand our revenue generated from our existing customers is an indicator of the long-term value of our customer relationships and our potential future business opportunities. SaaS Net Dollar Retention uses the same SaaS ARR calculations to measure the percentage change in SaaS ARR from customers that are in both the current period and the year-ago period. SaaS ARR that has been added from new customers that were not in the year-ago calculation is excluded from the SaaS Net Dollar Retention calculation. Our SaaS Net Dollar Retention Rate will fluctuate in future periods due to a number of factors, including the level of SaaS ARR, the level of penetration within our customer base, expansion of products and features, and our ability to retain our customers. SaaS ARR and SaaS Net Dollar Retention should be viewed independently of revenue, deferred revenue, and remaining performance obligations, and are not intended to be a substitute for, or combined with, any of these items.

For the quarter ended September 30, 2023, SaaS ARR was \$131.2 million, which reflects a 20% year-over-year increase from \$109.4 million for the quarter ended September 30, 2022. SaaS Net Dollar Retention decreased to 118.2% for the 12 months ended September 30, 2023 from 129% for the 12 months ended September 30, 2022.

## **Key Components of Results of Operations**

### **Revenues**

#### *Subscription*

Subscription revenues primarily include contractual arrangements with customers accessing our cloud-based solutions. These arrangements, on average, are for committed three-year terms. Included in subscription revenues are revenues associated with managed support services and maintenance and support which generally renew on a one year or three year basis. Managed support services revenue includes supporting, managing and administering our software solutions and providing additional end user support including the support provided by business services. Maintenance and support revenues include post-contract customer support and the right to unspecified software updates and enhancements on a when and if available basis from customers using on-premise solutions. Term-based licenses for current products with the right to use unspecified future versions of the software and maintenance and support during the coverage period are also included in subscription revenues. Subscription revenue is generally recognized ratably over the contractual term of the arrangement beginning on the date our service is made available to the customer. The software-as-a-service ("SaaS") model is the primary way we sell to our customers in our vertical markets.

#### *Professional Services*

Professional services revenues primarily include fees generated from implementation, cloud configuration, on-site support, and other consulting services. Also included in professional services revenues are revenues related to training and customer-reimbursed expenses, as well as services related to software licenses for our on-premise solutions and solutions provided by business services. Professional services revenues are generally recognized as the services are rendered for time and materials contracts or recognized using a proportional performance method as hours are incurred relative to total estimated hours for the engagement for fixed price contracts. The majority of our professional services contracts are on a time and materials basis. The revenue from training and customer-reimbursed expenses is recognized as we deliver these services.

### **Cost of Revenues**

#### *Subscription*

Cost of subscription revenues includes costs related to our cloud-based solutions, managed support services and support provided by business services, and maintenance and support for our on-premise solutions. Cost of subscription revenues primarily consists of personnel-related costs including salary, bonus, and stock-based compensation as well as costs for cloud infrastructure, royalties, facilities expense, amortization, depreciation and third-party contractors.

#### *Professional Services*

Cost of professional services revenues includes costs related to the set-up of our cloud-based solutions, services for on-premise and business services solutions, training and customer-reimbursed expenses. Cost of professional services revenues primarily consists of personnel-related costs including salary, bonus, and stock-based compensation as well as costs for third-party contractors and other expenses. Cost of professional services revenues may vary from period to period depending on a

number of factors, including the amount of implementation services required to deploy our solutions and the level of involvement of third-party contractors providing implementation services.

#### **Operating Expenses**

##### *Research and Development*

Our research and development expenses consist primarily of personnel-related costs including salary, bonus, stock-based compensation, and costs related to third-party contractors. Our software development costs are generally expensed as incurred. We capitalize certain development costs incurred in connection with the cloud-based software platform for internal use.

##### *Sales and Marketing*

Our sales and marketing expenses consist primarily of personnel-related costs including salary, bonus, commissions, stock-based compensation, as well as amortization of intangibles, travel-related expenses, and marketing programs.

##### *General and Administrative*

Our general and administrative expenses consist primarily of personnel-related costs including salary, bonus, and stock-based compensation, as well as audit and legal fees, costs related to third-party contractors, facilities expenses, costs associated with corporate transactions, and travel-related expenses.

#### **Results of Operations**

The following tables set forth our consolidated results of operations for fiscal years ended September 30, 2023, and 2022 and as a percentage of our total revenues for those periods. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

	Fiscal Years Ended September 30,	
	2023	2022
(in thousands)		
<b>Consolidated Statements of Operations Data:</b>		
Revenues:		
Subscription	\$ 181,353	\$ 159,766
Professional services	68,110	59,398
<b>Total revenues</b>	<b>249,463</b>	<b>219,164</b>
Cost of Revenues:		
Subscription	63,497	58,509
Professional services	44,721	38,611
<b>Total cost of revenues</b>	<b>108,218</b>	<b>97,120</b>
Gross profit	141,245	122,044
Operating Expenses:		
Research and development	48,452	47,604
Sales and marketing	54,010	47,719
General and administrative	42,900	39,676
<b>Total operating expenses</b>	<b>145,362</b>	<b>134,999</b>
Loss from operations	(4,117)	(12,955)
Interest expense	6,601	15,642
Loss on extinguishment of debt	29,493	—
Interest income	(9,090)	\$ (879)
Other expenses (income), net	(43)	(558)
Loss before income taxes	(31,078)	(27,160)
Provision for income taxes	2,844	1,475
<b>Net loss</b>	<b>\$ (33,922)</b>	<b>\$ (28,635)</b>

**Comparison of the Fiscal Years Ended September 30, 2023, and 2022**

**Revenues**

	Fiscal Years Ended September 30,					
	2023		2022			
	Amount	% of Total Revenues	Amount	% of Total Revenues	\$ Change	% Change
(in thousands, except percentages)						
<b>Revenues:</b>						
Subscription	\$ 181,353	73 %	159,766	73 %	\$ 21,587	14 %
Professional services	68,110	27 %	59,398	27 %	8,712	15 %
Total revenues	<u>\$ 249,463</u>	<u>100 %</u>	<u>\$ 219,164</u>	<u>100 %</u>	<u>\$ 30,299</u>	<u>14 %</u>

*Subscription*

Subscription revenues increased by \$21.6 million, or 14%, to \$181.4 million for the fiscal year ended September 30, 2023, from \$159.8 million for the fiscal year ended September 30, 2022. As a percentage of total revenues, subscription revenues was at 73% for the years 2023 and 2022. The increase in our subscription revenues was primarily due to increased SaaS revenue relating to an increase in subscriptions for our cloud-based solutions, but partially offset by declines in maintenance revenue relating to our on-premise solutions and term licenses. The increase in subscriptions for our cloud-based solutions is primarily due to sales to new customers and more existing customers transitioning to SaaS from on-premise solutions and term licenses. We intend to continue to focus on growing our recurring revenue from SaaS subscriptions in future periods.

*Professional Services*

Professional services revenue increased by \$8.7 million, or 15%, to \$68.1 million for the fiscal year ended September 30, 2023, from \$59.4 million for the fiscal year ended September 30, 2022. The increase in our professional services revenues was primarily due to an increased number of SaaS implementation projects during the fiscal year 2023.

**Cost of Revenues**

	Fiscal Years Ended September 30,					
	2023		2022			
	Amount	% of Revenues	Amount	% of Revenues	\$ Change	% Change
(in thousands, except percentages)						
<b>Cost of revenues</b>						
Subscription	\$ 63,497	35 %	\$ 58,509	37 %	\$ 4,988	9 %
Professional services	44,721	66 %	\$ 38,611	65 %	6,110	16 %
Total cost of revenues	<u>\$ 108,218</u>	<u>43 %</u>	<u>\$ 97,120</u>	<u>44 %</u>	<u>11,098</u>	<u>11 %</u>
<b>Gross profit</b>						
Subscription	\$ 117,856	65 %	\$ 101,257	63 %	\$ 16,599	16 %
Professional services	23,389	34 %	\$ 20,787	35 %	2,602	13 %
Total gross profit	<u>\$ 141,245</u>	<u>57 %</u>	<u>\$ 122,044</u>	<u>56 %</u>	<u>\$ 19,201</u>	<u>16 %</u>

*Subscription*

Cost of subscription revenues increased by \$5.0 million, or 9%, to \$63.5 million during the fiscal year ended September 30, 2023, from \$58.5 million for the fiscal year ended September 30, 2022. The increase in cost of subscription primarily pertains to employee-related costs including stock-based compensation driven by 7% increase in average headcount, cloud hosting and related services and outside service costs of \$1.7 million but partially offset by a \$0.8 million decrease in amortization of intangibles. As a percentage of subscription revenues, cost of subscription revenues decreased from 37% in fiscal year 2022 to 35% in fiscal year 2023 primarily due to improved cost efficiencies.

*Professional Services*

Cost of professional services revenues increased by \$6.1 million, or 16%, to \$44.7 million during the fiscal year ended September 30, 2023, from \$38.6 million for the fiscal year ended September 30, 2022. The increase in cost of professional services primarily pertains to increase in outside service costs of \$5.9 million and increase of employee related costs. As a

percentage of professional services revenue, cost of professional services revenues increased from 65% to 66% primarily due to increase in outside service cost.

**Operating Expenses**

	Fiscal Years Ended September 30,			\$ Change	% Change	
	2023		2022			
	(in thousands, except percentages)					
<b>Operating expenses:</b>						
Research and development	\$ 48,452	\$ 47,604	\$ 848		2 %	
Sales and marketing	54,010	47,719	6,291		13 %	
General and administrative	42,900	39,676	3,224		8 %	
<b>Total operating expenses</b>	<b>\$ 145,362</b>	<b>\$ 134,999</b>	<b>\$ 10,363</b>		<b>8 %</b>	

*Research and Development*

Research and development expenses increased by \$0.8 million, or 2%, to \$48.5 million during the fiscal year ended September 30, 2023, from \$47.6 million for the fiscal year ended September 30, 2022. The increase was primarily due to a \$0.5 million increase in equipment and related expenses, and a \$0.4 million increase in outside service costs.

*Sales and Marketing*

Sales and marketing expenses increased by \$6.3 million, or 13%, to \$54.0 million during the fiscal year ended September 30, 2023, from \$47.7 million for the fiscal year ended September 30, 2022. The increase was primarily due to a \$5.4 million increase in employee-related costs including stock-based compensation driven by an approximately 18% increase in average headcount, a \$0.4 million increase in travel and entertainment expenses, and a \$0.3 million increase in equipment and related expenses.

*General and Administrative*

General and administrative expenses increased by \$3.2 million, or 8%, to \$42.9 million during the fiscal year ended September 30, 2023, from \$39.7 million for the fiscal year ended September 30, 2022. The increase was primarily due to a \$1.9 million increase in employee-related costs including stock-based compensation driven by an approximately 8% increase in average headcount, a \$0.8 million increase in outside services, a \$0.3 million increase in equipment and related expense, and a \$0.2 million increase in travel and entertainment expense.

**Interest and Other (Income) Expense, Net**

	Fiscal Years Ended September 30,			\$ Change	% Change
	2023		2022		
	(in thousands, except percentages)				
Interest expense	\$ 6,601	\$ 15,642	\$ (9,041)		(58)%
Loss on extinguishment of debt	\$ 29,493	\$ —	\$ 29,493		100 %
Interest income	\$ (9,090)	\$ (879)	\$ (8,211)		934 %
Other expenses (income), net	\$ (43)	\$ (558)	\$ 515		(92)%

Interest expense decreased by \$9.0 million to \$6.6 million during the fiscal year ended September 30, 2023, from \$15.6 million during the fiscal year ended September 30, 2022. The decrease was primarily driven by a \$10.5 million decrease in amortization expenses of debt discount related to the issuance of the 2.625% convertible senior notes due in 2025 (the "2025 Notes") due to the adoption of ASU 2020-06 on October 1, 2022, which was partially offset by a \$0.8 million increase in amortization of debt issuance costs related to the issuance of the 1.875% convertible senior notes due 2028 (the "2028 Notes") issued in March 2023, and a \$0.6 million increase in interest expense.

Interest income increased by \$8.2 million to \$9.1 million during the fiscal year ended September 30, 2023, from \$0.9 million during the fiscal year ended September 30, 2022. The increase was primarily due to increased marketable securities portfolio and higher interest rate in the fiscal year 2023 compared to the fiscal year 2022.

Loss on extinguishment of debt of \$29.5 million related to the repurchase of the 2025 Notes, the Company repurchased approximately \$138.0 million in aggregate principal amount of the 2025 Notes for \$165.2 million during the fiscal year ended September 30, 2023. Further, the expense includes approximately \$2.3 million write-off of deferred debt issuance cost related to the 2025 Notes. See Note 10 to the Notes to Consolidated Financial Statements.

The change in other expense (income), net was primarily due to foreign currency fluctuations.

**Provision for Income Taxes**

	Fiscal Years Ended September 30,				% Change
	2023	2022	\$ Change		
	(in thousands, except percentages)				
Provision for income taxes	\$ 2,844	\$ 1,475	\$ 1,369		93 %

The income tax provision for fiscal year 2023, and 2022 was primarily related to foreign taxes on our profitable foreign operations, foreign withholding taxes on dividends, and deferred taxes on goodwill resulting from the acquisition.

**Liquidity and Capital Resources**

Our principal sources of liquidity are our cash and cash equivalents. As of September 30, 2023, we had cash and cash equivalents of \$301.4 million.

Based on our future expectations and historical usage, we believe our current cash and cash equivalents are sufficient to meet our operating needs including principal payments related to our debt for at least the next twelve months. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, the timing and extent of spending to support research and development efforts, expansion of our business and capital expenditures. To the extent that existing cash and cash equivalents and cash from operations are insufficient to fund our future activities, we may elect to raise additional capital through the sale of additional equity or debt securities, obtain a credit facility or sell certain assets. If additional funds are raised through the issuance of debt securities, these securities could have rights, preferences and privileges senior to holders of common stock and terms of any debt could impose restrictions on our operations. The sale of additional equity or additional convertible debt securities could result in more dilution to our stockholders and additional financing may not be available in amounts or on terms acceptable to us. We may also seek to invest in, or acquire complementary businesses or technologies, any of which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

**Cash Flows**

	Fiscal Years Ended September 30,			
	2023	2022		
	(in thousands)			
Cash flows provided by operating activities	\$ 23,597	\$ 25,287		
Cash flows used in investing activities	(447)	(993)		
Cash flows provided by financing activities	84,248	4,543		

**Operating Activities**

Net cash provided by operating activities during the fiscal year ended September 30, 2023 was primarily the result of a net loss of \$33.9 million, adjusted for non-cash charges of \$84.5 million and net cash outflows of \$27.0 million from changes in operating assets and liabilities. Non-cash charges consisted primarily of stock-based compensation of \$38.8 million, loss on extinguishment of debt of \$29.5 million, depreciation and amortization of \$8.2 million, amortization of capitalized contract acquisition costs of \$4.9 million, amortization of debt issuance costs of \$1.5 million. The net change in operating assets and liabilities primarily reflects an outflow from the changes in accounts receivable of \$13.8 million due to timing of billing and cash collections, accrued employee compensation of \$7.0 million, other current and long-term liabilities of \$3.1 million, accounts payable of \$1.9 million due to timing of vendor invoices and payments, prepaid expenses and other assets of \$0.7 million and deferred revenue of \$0.5 million.

Net cash provided by operating activities during the fiscal year ended September 30, 2022 was primarily the result of non-cash adjustments of \$60.1 million exceeding our net loss of \$28.6 million partially offset by net cash outflows of \$6.2 million from changes in operating assets and liabilities. Non-cash expenses consisting primarily of stock-based compensation of \$36.1 million, amortization of debt discount and issuance costs of \$11.1 million, depreciation and amortization of \$9.0 million, and amortization of capitalized contract acquisition costs of \$4.3 million. The net change in operating assets and liabilities primarily reflects an outflow from the changes in prepaid expenses and other assets of \$7.1 million, accounts receivable of \$5.7 million due to timing of billing and cash collections, and other current and long-term liabilities of \$2.2 million, partially offset by an inflow from the changes in deferred revenue of \$4.8 million caused by the timing of amounts invoiced and revenue

recognized, accrued employee compensation of \$2.9 million, and accounts payable of \$1.0 million due to timing of vendor invoices and payments.

*Investing Activities*

Net cash used in investing activities for fiscal year ended September 30, 2023, consisted of \$0.4 million for purchases of property and equipment.

Net cash used in investing activities for fiscal year ended September 30, 2022, consisted of \$1.0 million for purchases of property and equipment.

*Financing Activities*

Net cash provided by financing activities for the fiscal year ended September 30, 2023 was primarily due to the proceeds of \$253.0 million from the issuance of the 2028 Notes, partially offset by the partial repurchase of the 2025 Notes for \$165.2 million and a payment of debt issuance costs of \$7.5 million. The period also included proceeds from our employee stock purchase plan and stock option exercises of \$4.5 million and a decrease in funds held for customers.

Net cash provided by financing activities for the fiscal year ended September 30, 2022, resulted from \$4.3 million proceeds from purchases made under our employee stock purchase plan and the exercise of stock options and \$0.3 million increase in funds held for customers.

**Critical Accounting Policies and Estimates**

Our Consolidated Financial Statements have been prepared in conformity with generally accepted accounting principles in the United States ("U.S. GAAP"). The preparation of the accompanying Consolidated Financial Statements in conformity with U.S. GAAP requires us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs, and expenses, as well as related disclosures. These estimates and assumptions are based on our management's best estimates and judgment. Our management regularly evaluates these estimates and assumptions using historical experience and other factors; however, actual results could differ significantly from these estimates.

Note 2, "Summary of Significant Accounting Policies," of the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K describes the significant accounting policies and methods used in the preparation of the Company's Consolidated Financial Statements. We believe that the assumptions and estimates associated with revenue recognition, convertible senior notes, share-based compensation, business combinations, and income taxes have the greatest potential impact on our Consolidated Financial Statements. Therefore, we consider these to be our critical accounting policies and estimates.

**Revenue recognition under ASC Topic 606**

We account for revenue in accordance with ASC Topic 606, Revenue from Contracts with Customers. We apply the five step framework to recognize revenue as described in our revenue recognition policy included in Note 2 in the notes to our Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

We derive revenues from the sale of subscriptions to our cloud-based solutions, subscriptions for managed support services and maintenance and support, term based licenses, and implementation and other professional services.

We use estimates and assumptions requiring significant judgment under our revenue policy in accordance with ASC Topic 606. If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on its standalone selling price ("SSP") in relation to the total fair value of all performance obligations in the arrangement. SSP is estimated for each distinct performance obligation. Some of our performance obligations, such as support and training services, have observable inputs that are used to determine the SSP of those distinct performance obligations. Where SSP is not directly observable, we determine SSP using information that includes market conditions and other observable inputs such as customer type and geography. We evaluate the SSP for our performance obligations on a quarterly basis.

The majority of our contracts contain multiple performance obligations, such as when cloud-based solutions are sold with implementation services or training services. As customers enter into a subscription agreement for cloud-based solutions to migrate from an on-premise application, an allocation of the transaction price to each performance obligation is required. Additionally, contract modifications for services and products that are distinct but are not priced commensurate with their SSP or are not distinct from performance obligations under the existing contract may affect the initial transaction price or the allocation of the transaction price to the performance obligations in the contract.

**Convertible Senior Notes**

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. It also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impacted the diluted EPS computation. The Company adopted this ASU on October 1, 2022 on a modified retrospective basis. As a result, we no longer separately presents in equity an embedded conversion feature for such debt. Similarly, the discount is no longer amortized into income as interest expense over the life of the instrument.

In connection with the adoption of ASU 2020-06, we recognized a \$21.5 million decrease of accumulated deficit, a \$55.2 million decrease of additional paid-in capital, and a \$33.7 million increase of long term debt. The adoption of ASU 2020-06 did not have a material effect on our consolidated statements of operations and consolidated statements of cash flows.

#### **Stock-based compensation**

We recognize compensation expense for restricted stock units, employee stock purchase plan ("ESPP"), and performance based restricted stock units. We use the Black-Scholes-Merton valuation model to estimate the fair value of ESPP shares. Black-Scholes-Merton valuation model requires the input of subjective assumptions including expected stock price volatility over the expected term. The fair value of restricted stock units and performance based restricted stock units with vesting conditions based on pre-established performance goals of the Company is determined based on the intrinsic value of the award on the grant date. For performance share unit grants with market condition performance criteria, we use a Monte Carlo simulation model to determine their fair value on the grant date. The fair value of these grants with a market condition is recognized using the graded-vesting attribution method over the requisite service period. The Monte-Carlo simulation model takes into account the same input assumptions as the Black-Scholes-Merton model; however, it also further incorporates into the fair value determination the possibility that the performance criteria may not be satisfied. The estimation of the possibility that the performance criteria may not be satisfied is inherently uncertain.

Changes in the estimates used to determine the fair value of share-based equity compensation instruments could result in changes to our stock-based compensation expense. We have not made any material changes to our assumptions and estimates related to our stock-based compensation during the periods presented.

#### **Business Combinations**

We use all available information to estimate fair values. We typically engage outside appraisal firms to assist in the fair value determination of identifiable assets such as customer contracts and any other significant assets or liabilities and contingent consideration. We adjust the preliminary purchase price allocation, as necessary, up to one year after the acquisition closing date if we obtain more information regarding asset valuation and liabilities assumed.

Our purchase price allocation methodology contains uncertainties because it requires assumptions and management's judgment to estimate the fair value of assets acquired and liabilities assumed at the acquisition date. Management estimates the fair value of assets and liabilities based upon quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows and market multiple analyses. Our estimates are inherently uncertain and subject to refinement. Unanticipated events or circumstances may occur which could affect the accuracy of our fair value estimates, including assumptions regarding industry economic factors and business strategies.

On December 31, 2020, we acquired certain assets, properties and rights and certain liabilities and obligations from Deloitte & Touche LLP's pricing and contracting solutions business. We used significant estimates and assumptions in estimating the fair value of the intangible assets acquired such as customer attrition rate, obsolescence rate, and discount rate. We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we used for the purchase price allocations and the fair value of assets acquired and liabilities assumed.

#### **Income Taxes**

We account for income taxes in accordance with the FASB ASC No. 740— *Accounting for Income Taxes* ("ASC 740). We make certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, tax benefits and deductions and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. Significant changes to these estimates may result in an increase or decrease to our tax provision in the subsequent period when such a change in estimate occurs.

We regularly assess the likelihood that our deferred income tax assets will be realized from future taxable income based on the realization criteria set forth in ASC 740. To the extent that we believe any amounts are not more likely than not to be

realized, we record a valuation allowance to reduce the deferred income tax assets. In assessing the need for a valuation allowance, we consider all available evidence, including past operating results, estimates of future taxable income and the feasibility of tax planning strategies. In the event we determine that all or part of the net deferred tax assets are not realizable in the future, an adjustment to the valuation allowance would be charged to earnings in the period such determination is made. Similarly, if we subsequently realize deferred income tax assets that were previously determined to be unrealizable, the respective valuation allowance would be reversed, resulting in an adjustment to earnings in the period such determination is made.

We apply judgment in determining our uncertain tax positions. We account for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. We classify the liability for unrecognized tax benefits as current to the extent that our anticipated payment or receipt of cash is within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

#### **Recent Accounting Pronouncements**

See "Note 2. Summary of Significant Accounting Policies and Estimates" of the Notes to Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" for a full description of recent accounting pronouncements including the respective expected dates of adoption and estimated effects, if any, on our Consolidated Financial Statements.

#### **Non-GAAP Financial Measures**

##### **Adjusted EBITDA**

Adjusted EBITDA is a financial measure that is not calculated in accordance with generally accepted accounting principles in the United States. We define adjusted EBITDA as net loss before items discussed below, including: stock-based compensation expense, depreciation and amortization, acquisition related expense, interest expense, interest income, other expenses (income), net, provision for (benefit from) income taxes and loss on extinguishment of debt. We believe adjusted EBITDA provides investors with consistency and comparability with our past financial performance and facilitates period-to-period comparisons of our operating results and our competitors' operating results. We also use this measure internally to establish budgets and operational goals to manage our business and evaluate our performance.

We understand that, although adjusted EBITDA is frequently used by investors and securities analysts in their evaluations of companies, adjusted EBITDA has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of our results of operations as reported under U.S. GAAP. These limitations include:

- adjusted EBITDA does not reflect stock-based compensation expense;
- depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future; adjusted EBITDA does not reflect any cash requirements for these replacements;
- adjusted EBITDA does not include acquisition-related expense;
- adjusted EBITDA does not reflect income taxes, interest expense, interest income, and other income and expense; and
- other companies in our industry may calculate adjusted EBITDA differently than we do, limiting its usefulness as a comparative measure.

	Fiscal Years Ended September 30,	
	2023	2022
	(in thousands)	
<b>Reconciliation of Adjusted EBITDA:</b>		
Net loss	\$ (33,922)	\$ (28,635)
Adjustments:		
Stock-based compensation expense	38,765	36,054
Depreciation and amortization	8,225	8,991
Interest expense	6,601	15,642
Loss on extinguishment of debt	29,493	—
Interest income	(9,090)	(879)
Other income, net	(43)	(558)
Provision for income taxes	2,844	1,475
<b>Adjusted EBITDA</b>	<b>\$ 42,873</b>	<b>\$ 32,090</b>

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of fluctuations in interest rates and foreign currency exchange rates. We do not hold or issue financial instruments for trading purposes.

##### ***Interest Rate Sensitivity***

Our exposure to market risk for changes in interest rates relates primarily to our cash and cash equivalents, which bear interest at a fixed interest rate. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of the interest rates in the United States. However, because of the short-term nature of our interest-bearing securities, a 10% change in market interest rates would not be expected to have a material impact on our consolidated financial condition or results of operations.

In May 2020, we issued \$172.5 million aggregate principal amount of 2.625% convertible senior notes due in 2025 (the "2025 Notes"). In March 2023, we issued \$253.0 million aggregate principal amount of 1.875% convertible senior notes due in 2028 (the "2028 Notes", and together with the 2025 Notes the "Convertible Senior Notes"). As the Convertible Senior Notes have a fixed annual interest rate, we have no financial or economic interest exposure associated with changes in interest rates. However, the fair value of fixed rate debt instruments fluctuates when interest rates change. Additionally, the fair value of the Convertible Senior Notes can be affected when the market price of our common stock fluctuates. We carry the Convertible Senior Notes at face value less unamortized issuance costs on our consolidated balance sheet, and we present the fair value for required disclosure purposes only.

##### ***Foreign Currency Exchange Risk***

Our customers typically pay us in U.S. dollars. However, in foreign jurisdictions, our expenses are typically denominated in local currency. Our expenses and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. A significant fluctuation in the exchange rates between our subsidiaries' local currencies, especially Indian Rupee, and the U.S. dollar, could have an adverse impact on our results of operations and cash flows.

In the first quarter of 2019, we initiated a hedging program with respect to foreign currency risk. During fiscal year September 30, 2023, the effect of a hypothetical 10% change in foreign currency exchange rates to which we have exposure, after considering foreign currency hedges, would have had an impact of approximately \$2.5 million on our net loss. As our international operations grow, we will continue to reassess our approach to managing our risk relating to fluctuations in currency rates.

**Item 8. Financial Statements and Supplementary Data**

**MODEL N, INC.**

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors and Stockholders of Model N, Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Model N, Inc. and its subsidiaries (the "Company") as of September 30, 2023 and 2022, and the related consolidated statements of operations, of comprehensive loss, of stockholders' equity and of cash flows for each of the three years in the period ended September 30, 2023, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended September 30, 2023 appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of September 30, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of September 30, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

### ***Change in Accounting Principle***

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for Convertible Senior Notes in 2023.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the

company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

*Subscription Revenue Recognition*

As described in Note 2 to the consolidated financial statements, the Company enters into contracts with customers that can include various combinations of products and services which are generally distinct and accounted for as separate performance obligations. As a result, the contracts may contain multiple performance obligations. Management identifies and evaluates any terms and conditions in contracts which may impact revenue recognition. Specifically, for contracts that contain multiple performance obligations, the transaction price is allocated to each performance obligation based on its relative standalone selling price. Standalone selling price is estimated for each distinct performance obligation and judgment may be involved in the determination. Subscription revenue related to cloud-based solutions, managed service and support, and maintenance and support revenues, which management considers to be distinct performance obligations, are generally recognized ratably over the contractual term of the arrangement beginning on that date that the service is made available to the customer. The Company has recorded total subscription revenues of \$181 million for the year ended September 30, 2023.

The principal consideration for our determination that performing procedures relating to subscription revenue recognition is a critical audit matter is a high degree of auditor effort in performing procedures related to the Company's subscription revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the subscription revenue recognition process, including controls over the completeness, accuracy, and existence of subscription revenue recognized. These procedures also included, among others, (i) testing, for a sample of subscription revenue transactions, (a) management's identification and evaluation of any terms and conditions in contracts which may impact revenue recognition, (b) the completeness, accuracy, and existence of revenue recognized by obtaining and inspecting source documents, such as subscription agreements, invoices, and proof of access, (c) the relative allocation of transaction price to performance obligations, where applicable, and (ii) testing a sample of outstanding customer invoice balances as of September 30, 2023 by obtaining and inspecting source documents, such as invoices, proof of access, and subsequent cash receipts, where applicable.

/s/ PricewaterhouseCoopers LLP  
San Jose, California  
November 17, 2023

We have served as the Company's auditor since 2007.

**MODEL N, INC.**  
**Consolidated Balance Sheets**  
(in thousands, except per share data)

	As of September 30,	
	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 301,355	\$ 193,524
Funds held for customers	91	603
Accounts receivable, net of allowance of \$ 496 , and \$ 102 as of September 30, 2023, and 2022, respectively	61,761	49,121
Prepaid expenses	5,922	5,772
Other current assets	14,777	12,516
Total current assets	383,906	261,536
Property and equipment, net	1,242	1,838
Operating lease right-of-use assets	9,885	15,392
Goodwill	65,665	65,665
Intangible assets, net	30,176	37,362
Other assets	9,221	10,454
Total assets	<u>500,095</u>	<u>392,247</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,888	\$ 5,820
Customer funds payable	91	603
Accrued employee compensation	14,645	26,712
Accrued liabilities	8,700	6,860
Operating lease liabilities, current portion	4,408	4,651
Deferred revenue, current portion	61,745	62,282
Total current liabilities	93,477	106,928
Long-term debt	280,358	135,417
Operating lease liabilities, less current portion	6,755	12,142
Other long-term liabilities	4,042	3,139
Total liabilities	<u>384,632</u>	<u>257,626</u>
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Common Stock, \$ 0.00015 par value; 200,000 shares authorized; 38,764 , and 37,358 shares issued and outstanding at September 30, 2023, and 2022, respectively	6	6
Preferred Stock, \$ 0.00015 par value; 5,000 shares authorized; no shares issued and outstanding	—	—
Additional paid-in capital	414,562	421,473
Accumulated other comprehensive loss	( 2,245 )	( 2,413 )
Accumulated deficit	( 296,860 )	( 284,445 )
Total stockholders' equity	<u>115,463</u>	<u>134,621</u>
Total liabilities and stockholders' equity	<u>\$ 500,095</u>	<u>\$ 392,247</u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

**MODEL N, INC.**  
**Consolidated Statements of Operations**  
(in thousands, except per share data)

	Fiscal Years Ended September 30,		
	2023	2022	2021
Revenues:			
Subscription	\$ 181,353	\$ 159,766	\$ 142,448
Professional services	68,110	59,398	50,997
Total revenues	249,463	219,164	193,445
Cost of revenues:			
Subscription	63,497	\$ 58,509	49,933
Professional services	44,721	\$ 38,611	36,715
Total cost of revenues	108,218	97,120	86,648
Gross profit	141,245	122,044	106,797
Operating expenses:			
Research and development	48,452	\$ 47,604	44,661
Sales and marketing	54,010	\$ 47,719	43,239
General and administrative	42,900	\$ 39,676	33,311
Total operating expenses	145,362	134,999	121,211
Loss from operations	( 4,117 )	( 12,955 )	( 14,414 )
Interest expense	6,601	\$ 15,642	14,391
Loss on extinguishment of debt	29,493	\$ —	—
Interest income	( 9,090 )	\$ ( 879 )	( 47 )
Other expenses (income), net	( 43 )	\$ ( 558 )	210
Loss before income taxes	( 31,078 )	( 27,160 )	( 28,968 )
Provision for income taxes	2,844	1,475	769
Net loss	\$ ( 33,922 )	\$ ( 28,635 )	\$ ( 29,737 )
Net loss per share attributable to common stockholders:			
Basic and diluted	\$ ( 0.89 )	\$ ( 0.78 )	\$ ( 0.84 )
Weighted average number of shares used in computing net loss per share attributable to common stockholders:			
Basic and diluted	38,081	36,744	35,461

The accompanying notes are an integral part of these Consolidated Financial Statements.

**MODEL N, INC.**  
**Consolidated Statements of Comprehensive Loss**  
**(in thousands)**

	<b>Fiscal Years Ended September 30,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
Net loss	\$ (33,922)	\$ (28,635)	\$ (29,737)
Other comprehensive income (loss), net:			
Unrealized gain (loss) on cash flow hedges	239	(316)	38
Foreign currency translation loss	(71)	(892)	(30)
Total comprehensive loss	<u><u>\$ (33,754)</u></u>	<u><u>\$ (29,843)</u></u>	<u><u>\$ (29,729)</u></u>

The accompanying notes are an integral part of these Consolidated Financial Statements.

**MODEL N, INC.**  
**Consolidated Statements of Stockholders' Equity**  
(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss		Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount					
Balance at September 30, 2020	34,821	\$ 5	\$ 351,952	\$ (1,213)	\$ (226,073)	\$ 124,671	
Issuance of common stock upon exercise of stock options	9	—	73	—	—	—	73
Issuance of common stock upon release of restricted stock units	1,091	—	0	—	—	—	—
Issuance of common stock under stock purchase plans	138	—	4234	—	—	—	4,234
Stock-based compensation	—	—	24269	—	—	—	24,269
Other comprehensive income	—	—	0	8	—	—	8
Net loss	—	—	0	—	(29,737)	—	(29,737)
Balance at September 30, 2021	36,059	\$ 5	\$ 380,528	\$ (1,205)	\$ (255,810)	\$ 123,518	
Issuance of common stock upon exercise of stock options	21	—	232	—	—	—	232
Issuance of common stock upon release of restricted stock units	1,091	1	—	—	—	—	1
Issuance of common stock under stock purchase plans	187	—	4,023	—	—	—	4,023
Stock-based compensation (1)	—	—	36,690	—	—	—	36,690
Other comprehensive income	—	—	—	(1,208)	—	—	(1,208)
Net loss	—	—	—	—	(28,635)	—	(28,635)
Balance at September 30, 2022	37,358	\$ 6	\$ 421,473	\$ (2,413)	\$ (284,445)	\$ 134,621	
Cumulative effect of ASU 2020-06 adoption	—	—	(55,227)	—	21,507	—	(33,720)
Balance at October 1, 2022	37,358	\$ 6	\$ 366,246	\$ (2,413)	\$ (262,938)	\$ 100,901	
Issuance of common stock upon exercise of stock options	4	—	55	—	—	—	55
Issuance of common stock upon release of restricted stock units	1,224	—	—	—	—	—	—
Issuance of common stock under stock purchase plans	178	—	4,440	—	—	—	4,440
Stock-based compensation (2)	—	—	43,821	—	—	—	43,821
Other comprehensive income	—	—	—	168	—	—	168
Net loss	—	—	—	—	(33,922)	—	(33,922)
Balance at September 30, 2023	38,764	\$ 6	\$ 414,562	\$ (2,245)	\$ (296,860)	\$ 115,463	

(1) For the year ended September 30, 2022, the additional paid-in capital included \$ 5.4 million related to restricted stock unit grants for the portion of the bonus recorded as stock-based compensation for the year ended September 30, 2021.

(2) For the year ended September 30, 2023, the additional paid in capital included \$ 5.1 million related to restricted stock unit grants for the portion of the bonus recorded as stock-based compensation for the year ended September 30, 2022 .

The accompanying notes are an integral part of these Consolidated Financial Statements.

**MODEL N, INC.**  
**Consolidated Statements of Cash Flows**  
(in thousands)

	Fiscal Years Ended September 30,		
	2023	2022	2021
<b>Cash flows from operating activities:</b>			
Net loss	\$ ( 33,922 )	\$ ( 28,635 )	( 29,737 )
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>			
Depreciation and amortization	8,225	8,991	7,972
Stock-based compensation	38,765	36,054	29,963
Amortization of debt discount and issuance costs	1,463	11,114	9,863
Deferred income taxes	513	389	95
Amortization of capitalized contract acquisition costs	4,907	4,349	3,114
Loss on extinguishment of debt	29,493	—	—
Other non-cash charges	1,109	( 797 )	10
<b>Changes in assets and liabilities, net of acquisition:</b>			
Accounts receivable	( 13,781 )	( 5,685 )	( 3,542 )
Prepaid expenses and other assets	( 697 )	( 7,108 )	( 4,224 )
Accounts payable	( 1,930 )	1,049	1,695
Accrued employee compensation	( 6,982 )	2,946	1,933
Other accrued and long-term liabilities	( 3,115 )	( 2,197 )	( 2,003 )
Deferred revenue	( 451 )	4,817	4,451
Net cash provided by operating activities	<u>23,597</u>	<u>25,287</u>	<u>19,590</u>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	( 447 )	( 993 )	( 1,055 )
Acquisition of business	<u>—</u>	<u>—</u>	<u>( 57,849 )</u>
Net cash used in investing activities	<u>( 447 )</u>	<u>( 993 )</u>	<u>( 58,904 )</u>
<b>Cash flows from financing activities:</b>			
Proceeds from exercise of stock options and issuance of employee stock purchase plan	4,495	4,255	4,307
Proceeds from issuance of 2028 Notes	253,000	—	—
Payment of debt issuance cost for Notes 2028	( 7,525 )	—	—
Repayment of 2025 Notes	( 165,210 )	—	—
Net changes in customer funds payable	( 512 )	288	316
Net cash provided by financing activities	<u>84,248</u>	<u>4,543</u>	<u>4,623</u>
Effect of exchange rate changes on cash and cash equivalents	( 79 )	( 493 )	( 17 )
Net increase (decrease) in cash and cash equivalents	<u>107,319</u>	<u>28,344</u>	<u>( 34,708 )</u>
<b>Cash and cash equivalents</b>			
Beginning of period	194,127	165,783	200,491
End of period	<u>301,446</u>	<u>194,127</u>	<u>165,783</u>
<b>Supplemental disclosure of cash flow data:</b>			
Cash paid for income taxes	\$ 1,785	\$ 995	\$ 936
Cash paid for interest	6,142	4,528	4,641

The accompanying notes are an integral part of these Consolidated Financial Statements.

**MODEL N, INC.**  
**Notes to Consolidated Financial Statements**

**Note 1. The Company**

Model N, Inc. (the "Company") was incorporated in Delaware on December 14, 1999. The Company is a provider of cloud revenue management solutions for the life sciences and high tech industries. The Company's solutions enable its customers to maximize revenues and reduce revenue compliance risk by transforming their revenue life cycle from a series of tactical, disjointed operations into a strategic end-to-end process, which enables them to manage the strategy and execution of pricing, contracting, incentives, and rebates. The Company's corporate headquarters are located in San Mateo, California, with additional offices in the United States, India, and Switzerland.

***Fiscal Year***

The Company's fiscal year ends on September 30. References to fiscal year 2023, for example, refer to the fiscal year ended September 30, 2023.

**Note 2. Summary of Significant Accounting Policies and Estimates*****Basis for Presentation***

The Company's Consolidated Financial Statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated upon consolidation. The Company has evaluated subsequent events through the date that the financial statements were issued.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements. Significant items subject to such estimates include revenue recognition, liability and equity allocation of convertible senior notes, income taxes, stock-based compensation, and business combinations. These estimates and assumptions are based on management's best estimates and judgment. Management regularly evaluates its estimates and assumptions using historical experience and other factors; however, actual results could differ significantly from these estimates.

***Revenue Recognition under ASC Topic 606***

The Company derives revenues primarily from subscription revenues and professional services revenues. The Company accounts for revenue in accordance with Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606"). The core principle of ASC 606 is to recognize revenue upon the transfer of services or products to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services or products. The Company applies the following five step revenue recognition framework to recognize revenue from contracts with customers:

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

The Company enters into contracts with customers that can include various combinations of products and services which are generally distinct and accounted for as separate performance obligations. As a result, the contracts may contain multiple performance obligations. The Company determines whether the products and services are distinct based on whether the customer can benefit from the product or service on its own or together with other resources that are readily available and whether the Company's commitment to transfer the product or service to the customer is separately identifiable from other obligations in the contract. The Company generally considers its cloud-based subscription offerings, managed service support, maintenance and support on license arrangements, professional services and training to be distinct performance obligations. Term-based licenses generally have two performance obligations: software licenses and software maintenance.

The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for transferring products and services to the customer. Variable consideration, if any, is estimated and included in the transaction price if, in the Company's judgment, it is probable that there will not be a significant future reversal of cumulative revenue under the contract. The Company typically does not offer contractual rights of return or concessions.

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The Company applies judgment in identifying and evaluating any terms and conditions in contracts which may impact revenue recognition. For contracts that contain multiple performance obligations, the transaction price is allocated to each performance obligation based on its relative standalone selling price ("SSP"). SSP is estimated for each distinct performance obligation and judgment may be involved in the determination. The Company determines SSP using information that may include market conditions and other observable inputs. The Company evaluates SSP for its performance obligations on a quarterly basis.

Revenue is recognized when control of these products and services is transferred to the customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for these products and services. In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that its contracts generally do not include a significant financing component.

Subscription revenue related to cloud-based solutions, managed service and support, and maintenance and support revenues are generally recognized ratably over the contractual term of the arrangement beginning on the date that our service is made available to the customer. These arrangements, in general, are for committed one to three-year terms. For term-based license contracts, the transaction price allocated to the software element is recognized when it is made available to the customer. The transaction price allocated to the related support and updates is recognized ratably over the contract term. Term-based license arrangements may include termination rights that limit the term of the arrangement to a month, quarter or year.

Professional services revenues are generally recognized as the services are rendered for time and materials contracts or recognized using a proportional performance method as hours are incurred relative to total estimated hours for the engagement for fixed price contracts. The majority of the Company's professional services contracts are on a time and materials basis. Revenue from training and customer-reimbursed expenses is recognized as the Company delivers these services. The Company's implementation projects generally have a term ranging from a few months to twelve months and may be terminated by the customer at any time.

***Capitalized Contract Acquisition Costs under ASC Topic 606***

The Company capitalizes incremental costs incurred to acquire contracts with customers, primarily sales commissions, for which the associated revenue is expected to be recognized in future periods. The Company incurs these costs in connection with both initial contracts and renewals. Such costs for renewals are not considered commensurate with those for initial contracts given the substantive difference in commission rates in proportion to their respective contract values. The costs in connection with initial contracts and renewals are deferred and amortized ratably over an expected customer life of five years and over the renewal term, respectively, which corresponds to the period of benefit to the customer. The Company determined the period of benefit by considering the Company's history of customer relationships, length of customer contracts, technological development and obsolescence, and other factors. The current and non-current portion of capitalized contract acquisition costs are included in other current assets and other assets on the Consolidated Balance Sheets. Amortization expense is included in sales and marketing expenses on the Consolidated Statements of Operations.

***Cost of Revenues***

Cost of subscription revenues primarily consists of personnel-related costs including salary, bonus, and stock-based compensation as well as costs for royalties, facilities expense, amortization, depreciation, third-party contractors and cloud infrastructure costs. Cost of professional services revenues primarily consists of personnel-related costs including salary, bonus, and stock-based compensation as well as costs for third-party contractors and other expenses.

***Warranty***

The Company provides limited warranties on all sales and provides for the estimated cost of warranties at the date of sale. The estimated cost of warranties has not been material to date.

***Foreign Currency Translation***

The functional currency of the Company's foreign subsidiaries is their respective local currency. The Company translates all assets and liabilities of foreign subsidiaries to U.S. dollars at the current exchange rate as of the applicable consolidated balance sheet date. Revenues and expenses are translated at the average exchange rate prevailing during the period. The effects of foreign currency translations are recorded in accumulated other comprehensive loss as a separate component of stockholders' equity in the Consolidated Statements of Stockholders' Equity. Realized gains and losses from foreign currency transactions are included in other expenses, net in the Consolidated Statements of Operations and have not been material for all periods presented.

***Hedging***

*Cash Flow Hedging—Hedges of Forecasted Foreign Currency Operation Costs*

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The Company's customers typically pay in U.S. dollars; however, in foreign jurisdictions, the expenses are typically denominated in local currency. The Company may use foreign exchange forward contracts to hedge certain cash flow exposures resulting from changes in these foreign currency exchange rates. These foreign exchange contracts generally range from one month to one year in duration.

To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge and the hedges must be highly effective in offsetting changes to future cash flows on hedged transactions. The Company records changes in the fair value of cash flow hedges in accumulated other comprehensive loss in the Consolidated Balance Sheets, until the forecasted transaction occurs, at which point, the related gain or loss on the cash flow hedge is reclassified to the financial statement line item to which the derivative relates. In the event the underlying forecasted transaction does not occur or it becomes probable that it will not occur, the gain or loss on the related cash flow hedge is reclassified into earnings from accumulated other comprehensive loss. If the Company does not elect hedge accounting or the contract does not qualify for hedge accounting treatment, the changes in fair value from period to period are recognized immediately in the same financial statement line item to which the derivative relates.

***Hedge Effectiveness***

For foreign currency hedges designated as cash flow hedges, the Company elected to utilize the critical terms method to determine if the hedges are highly effective and thus eligible for hedge accounting treatment. The Company evaluates the effectiveness of the foreign exchange contracts on a quarterly basis.

***Cash and Cash Equivalents***

The Company considers all highly liquid investments with an original maturity of three months at date of purchase to be cash equivalents. The Company's cash equivalents are comprised of money market funds and U.S. Treasury securities and are maintained with financial institutions with high credit ratings.

***Concentration of Credit Risk and Significant Customers***

The Company maintains cash and cash equivalents with major financial institutions. The Company's cash and cash equivalents consist of bank deposits held with banks, money market funds, and U.S. Treasury securities. The Company limits its credit risk by dealing with counterparties that are considered to be of high credit quality and by performing periodic evaluations of its investments and of the relative credit standing of these financial institutions.

Credit risk is the risk of loss from amounts owed by financial counterparties. Credit risk can occur at multiple levels; as a result of broad economic conditions, challenges within specific sectors of the economy, or from issues affecting individual companies. Financial instruments that potentially subject the Company to credit risk consist of cash equivalents and accounts receivable.

In the normal course of business, the Company is exposed to credit risk from its customers. To reduce credit risk, the Company performs ongoing credit evaluations of its customers.

No customer represented more than 10% of the Company's accounts receivable as of September 30, 2023, and 2022.

No customer represented more than 10% of the Company's total revenues for the fiscal years ended September 30, 2023, 2022, and 2021.

***Accounts Receivable and Allowance***

Accounts receivable are recorded at the invoiced amount, net of allowances for credit losses. The allowance for credit losses is based on management's assessment of the collectability of accounts. The Company regularly reviews the adequacy of this allowance for credit losses by considering historical experience, the age of the accounts receivable balances, the credit quality of the customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect customers' ability to pay to determine whether a specific allowance is appropriate. Accounts receivable deemed uncollectible are charged against the allowance for credit losses when identified.

Accounts receivable included unbilled receivables of \$ 15.4 million, and \$ 14.0 million as of September 30, 2023, and 2022, respectively.

***Property and Equipment, Net***

Property and equipment are stated at cost less accumulated depreciation. Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets.

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The estimated useful lives of property and equipment are as follows:

Computer software and equipment	2 - 5 years
Furniture and fixtures	2 - 5 years
Leasehold improvements	Shorter of the lease term or estimated useful life
Software development costs	3 years

Costs of maintenance and repairs that do not improve or extend the lives of the respective assets are charged to expense as incurred. Upon retirement or sale of property and equipment, the cost and related accumulated depreciation are removed from the balance sheet and the resulting gain or loss is reflected in the Consolidated Statement of Operations.

**Leases**

The Company determines if an arrangement contains a lease at inception. The Company has entered into operating lease agreements primarily for offices. The Company does not have any finance leases.

Operating lease assets, also known as right-of-use asset ("ROU assets") represent the Company's right to use an underlying asset for the lease term and operating lease liabilities represent the Company's obligation to make payments arising from the lease. Operating leases are included in "Operating lease right-of-use assets", "Operating lease liabilities, current portion", and "Operating lease liabilities, less current portion" in the consolidated balance sheets.

Operating lease ROU assets and operating lease liabilities are recognized at the present value of the future lease payments at commencement date. ROU assets also include any initial direct costs incurred and any lease payments made at or before the lease commencement date, less lease incentives received.

The Company's lease arrangements may contain lease and non-lease components. The Company elected to combine lease and non-lease components. In determining the present value of the future lease payments, the Company considers only payments that are fixed and determinable at commencement date, including non-lease components. Variable components such as utilities and maintenance costs are expensed as incurred. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the lease liabilities as the Company's leases generally do not provide an implicit rate. In determining the appropriate incremental borrowing rate, the Company considers information including, but not limited to, its credit rating, the lease term, and the economic environment where the leased asset is located. Lease terms include periods under options to extend or terminate the lease when the Company is reasonably certain to exercise those options or not to exercise those options, respectively. Lease expense is recognized on a straight-line basis over the lease term.

The Company also elected to apply the short-term lease measurement and recognition exemption in which ROU assets and lease liabilities are not recognized for leases with a term of 12 months or less.

**Business Combination**

The Company includes the results of operations of the businesses that are acquired as of the acquisition date. The Company allocates the purchase price of acquisitions to the assets acquired and liabilities assumed based on the estimated fair values. The excess of the purchase price over the fair values of the identifiable assets and liabilities is recorded as goodwill. Acquisition related costs are recognized separately from the business combination and are expensed as incurred.

**Goodwill and Intangible Assets**

The Company records goodwill when consideration paid in an acquisition exceeds the fair value of the net tangible assets and the identified intangible assets acquired. Goodwill is not amortized, but rather is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable. The Company conducted the annual impairment test of goodwill as of September 30, 2023, and 2022. For purposes of goodwill impairment testing, the Company has one reporting unit. The Company has elected to first assess the qualitative factors to determine whether it is more likely than not that the fair value of the single reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the goodwill impairment test. When performing the goodwill impairment test, the Company compares the fair value of the single reporting unit with its carrying amount. An impairment charge is recognized for the amount by which the carrying amount exceeds the fair value with goodwill written down accordingly. There have been no goodwill impairments during the periods presented.

Intangible assets, consisting of developed technology, customer relationships, non-compete agreements, and trade name are stated at cost less accumulated amortization. All intangible assets have been determined to have finite lives and are amortized on a straight-line basis over their estimated remaining economic lives, ranging from three to fifteen years.

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Amortization expense related to developed technology is included in cost of subscription revenue while amortization expense related to customer relationships, non-compete agreements, and trade name is included in sales and marketing expenses.

**Long-lived Assets**

The Company continually monitors events and changes in circumstances that could indicate that carrying amounts of its long-lived assets, including property and equipment and intangible assets, may not be recoverable. When such events or changes in circumstances occur, the Company assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through their undiscounted expected future cash flows. If the future undiscounted cash flows are less than the carrying amount of these assets, the Company recognizes an impairment loss based on the excess of the carrying amount over the fair value of the assets. The Company did not recognize any impairment charges on its long-lived assets during any periods presented.

**Research and Development and Capitalization of Software Development Costs**

The Company generally expenses costs related to research and development, including those activities related to software solutions to be sold, leased or otherwise marketed. As such development work is essentially completed concurrently with the establishment of technological feasibility, and accordingly, the Company has not capitalized any such development costs.

The Company capitalizes certain software development costs incurred in connection with its cloud-based software platform for internal use. The Company capitalizes software development costs when application development begins, it is probable that the project will be completed, and the software will be used as intended. When development becomes substantially complete and ready for its intended use, such capitalized costs are amortized on a straight-line basis over the estimated useful life of the related asset, which is generally three years. Costs associated with preliminary project stage activities, training, maintenance and all post implementation stage activities are expensed as incurred.

**Fair Value of Financial Instruments**

The financial instruments of the Company consist primarily of cash and cash equivalents, accounts receivable, accounts payable, certain accrued liabilities and convertible senior notes. The Company regularly reviews its financial instruments portfolio to identify and evaluate such instruments that have indications of possible impairment. When there is no readily available market data, fair value estimates are made by the Company, which involves some level of management estimation and judgment and may not necessarily represent the amounts that could be realized in a current or future sale of these assets.

The Company's cash equivalents consist of money market funds and U.S. Treasury securities, which are classified within Level 1 of the fair value hierarchy because they are valued based on quoted prices in active markets for identical assets or liabilities.

The fair value of the Convertible Senior Notes is primarily affected by the trading price of the Company's common stock and market interest rates. The fair value of the Convertible Senior Notes is considered a Level 2 measurement as they are not actively traded.

**Advertising and Promotion Costs**

Advertising and promotion costs are expensed as incurred. The Company incurred \$ 0.2 million, \$ 0.2 million, and \$ 0.3 million in advertising and promotions costs during the fiscal years ended September 30, 2023, 2022, and 2021, respectively.

**Employee Benefit Plan**

The Company has a savings plan that qualifies under Section 401(k) of the Internal Revenue Code (IRC). Under the 401(k) Plan, matching contributions are based upon the amount of the employees' contributions subject to certain limitations. The Company contributed approximately \$ 1.3 million, \$ 0.8 million, and \$ 0.8 million for the years ended September 30, 2023, 2022, and 2021, respectively.

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**Stock-Based Compensation**

Stock-based compensation expense for all share-based payment awards granted to the employees and directors is measured and recognized based on the fair value of the awards on the grant date. The fair value is recognized as expense, net of estimated forfeitures on a ratable basis, over the requisite service period, which is generally the vesting period of the respective award. The Company uses the Black-Scholes-Merton valuation model to estimate the fair value of stock purchase right granted under the employee stock purchase plan ("ESPP"). The Black-Scholes-Merton valuation model requires the use of subjective assumptions including the expected stock price volatility over the expected term, risk-free interest rates, and expected dividends. The fair value of RSUs is determined based on the closing quoted price of the Company's common stock on the grant date. The Company periodically estimates the portion of awards which will ultimately vest based on its historical forfeiture experience. These estimates are adjusted over the requisite service period to the extent that actual forfeitures differ, or are expected to differ, from the prior estimates.

The Company grants performance-based restricted stock units ("PB-RSUs") to executives and leadership team and has determined no forfeiture rate would be applied to the PB-RSUs. PB-RSUs have vesting conditions either based on pre-established performance goals of the Company or the performance of the Company's total shareholder return relative to that of the Russell 3000 Index. For the former, the fair value is determined based on the closing quoted price of the Company's common stock on the grant date and the fair value is recognized using the graded-vesting attribution method over the requisite service period. For the latter, the Company uses a Monte Carlo simulation model to determine the fair value on the grant date and the fair value is recognized using the graded-vesting attribution method over the requisite service period.

**Income Taxes**

The Company accounts for income taxes in accordance with the FASB ASC No. 740— *Accounting for Income Taxes* ("ASC 740"). The Company makes certain estimates and judgments in determining income tax expense for financial statement purposes. These estimates and judgments occur in the calculation of tax credits, tax benefits and deductions and in the calculation of certain tax assets and liabilities, which arise from differences in the timing of recognition of revenue and expense for tax and financial statement purposes. Significant changes to these estimates may result in an increase or decrease to our tax provision in the subsequent period when such a change in estimate occurs. The Company regularly assesses the likelihood that its deferred income tax assets will be realized from future taxable income based on the realization criteria set forth in ASC 740. To the extent that the Company believes any amounts are not more likely than not to be realized, the Company records a valuation allowance to reduce the deferred income tax assets. In assessing the need for a valuation allowance, the Company considers all available evidence, including past operating results, estimates of future taxable income and the feasibility of tax planning strategies. In the event the Company determines that it is more likely than not that all or part of the net deferred tax assets are not realizable in the future, an adjustment to the valuation allowance would be charged to income tax expense in the period such determination is made. Similarly, if the Company subsequently realizes deferred income tax assets that were previously determined to be unrealizable, the respective valuation allowance would be reversed, resulting in an adjustment to income tax expense in the period such determination is made.

As of September 30, 2023, and 2022, the Company had gross deferred income tax assets, related primarily to net operating loss ("NOL") carry forwards, stock compensation, accruals and reserves that are not currently deductible, depreciation and amortization, and research and development tax credits of \$ 108.5 million, and \$ 110.3 million, respectively, which have been fully offset by valuation allowance and deferred tax liabilities. Utilization of these net loss carry forwards can be subject to the limitations of IRC Section 382 ("Section 382 Limitations"). A Section 382 study was performed in fiscal year 2023 and it was determined that there are no material limitations of IRC Section 382. However, in the future, some portion or all of these carry forwards may not be available to offset any future taxable income.

The Company accounts for uncertainty in income taxes using a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. The Company classifies the liability for unrecognized tax benefits as current to the extent that the Company anticipates payment or receipt of cash within one year. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

**Segment**

The Company has one operating segment with one business activity: developing and monetizing revenue management solutions. The Company's Chief Operating Decision Maker ("CODM") is its Chief Executive Officer, who manages operations on a consolidated basis for purposes of allocating resources. When evaluating performance and allocating resources, the CODM reviews financial information as presented on a consolidated basis.

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**Comprehensive Loss**

Comprehensive loss is comprised of net loss and other comprehensive income (loss). Other comprehensive income (loss) includes foreign currency translation adjustments and unrealized gain (loss) on cash flow hedges.

**Recent Accounting Pronouncements**

**Recently Adopted Accounting Guidance**

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740), Simplifying the Accounting for Income Taxes, which removes certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2020, with early adoption permitted. The Company adopted this guidance in the first quarter of fiscal year 2022 and it did not have a material impact on the Consolidated Financial Statements.

In August 2020, the FASB issued ASU 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which eliminates the beneficial conversion and cash conversion accounting models for convertible instruments. It also amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions. In addition, the new guidance modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impacted the diluted EPS computation. The Company adopted this ASU on October 1, 2022 on a modified retrospective basis. As a result, the Company no longer separately presents in equity an embedded conversion feature for such debt. Similarly, the discount is no longer amortized into income as interest expense over the life of the instrument. The cumulative effect of the ASU adoption was as follows (in thousands):

	<b>Balance at September 30, 2022</b>		<b>Adjustments from Adoption of ASU 2020-06</b>		<b>Balance at October 1, 2022</b>
<b>Liabilities</b>					
Long term debt	\$ 135,417	\$	33,720	\$	169,137
<b>Stockholders' Equity</b>					
Additional paid-in capital	421,473		( 55,227 )		366,246
Accumulated deficit	( 284,445 )		21,507		( 262,938 )

**Recently Issued Accounting Pronouncements Not Yet Adopted**

In October 2021, the FASB issued Accounting Standards Update No. 2021-08, "Business Combinations (Topic 805), Accounting for Contract Assets and Contract Liabilities from Contracts with Customers" ("ASU 2021-08"), which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured in accordance with ASC 606, Revenue from Contracts with Customers. ASU 2021-08 is effective for interim and annual periods beginning after December 15, 2022 on a prospective basis, with early adoption permitted. The Company does not anticipate the impact of the adoption of this standard to be material to its Consolidated Financial Statements.

**Note 3. Revenues from Contracts with Customers**

**Revenue Recognition**

The Company derives revenues primarily from subscription revenues and professional services revenues. Revenues are recorded at a net basis which exclude sales taxes that are collected from customers.

**Disaggregation of Revenues**

See Note 15, Geographic Information, for information on revenue by geography.

**MODEL N, INC.**  
**Notes to Consolidated Financial Statements**

**Customer Contract Balances**

The following table reflects balances related to contracts with customers (in thousands):

	As of September 30,	
	2023	2022
Accounts receivable, net	\$ 46,314	\$ 35,095
Unbilled accounts receivable, net	15,447	14,026
Total accounts receivable, net	\$ 61,761	\$ 49,121
Contract asset	\$ 9,294	\$ 7,671
Deferred revenue	\$ 62,198	\$ 62,649
Capitalized contract acquisition costs	\$ 11,803	\$ 13,041

*Accounts Receivable*

Accounts receivable represents our right to consideration that is unconditional, net of allowances for credit losses. The allowance for credit losses is based on management's assessment of the collectability of accounts receivable amounts. The additions, write-offs and deductions to the allowance for credit losses were immaterial for the fiscal years ended September 30, 2023, 2022, and 2021.

*Unbilled Accounts Receivable*

As of September 30, 2023, and 2022, the unbilled accounts receivable were \$ 15.4 million and \$ 14.0 million, respectively. There was no allowance for credit losses associated with unbilled accounts receivable as of September 30, 2023 and 2022.

*Contract Asset*

Contract asset represents revenue that has been recognized for satisfied performance obligations for which the Company does not have an unconditional right to consideration.

*Deferred Revenue*

Deferred revenue, which is a contract liability, consists of amounts that have been invoiced and for which the Company has the right to bill, but that have not been recognized as revenue because the related goods or services have not been transferred.

The non-current portion of deferred revenue is included in other long-term liabilities in the Consolidated Balance Sheets. During the year ended September 30, 2023, the Company recognized \$ 62.2 million of revenue that was included in the deferred revenue balance at the beginning of the period.

*Capitalized Contract Acquisition Costs*

As of September 30, 2023, the current and non-current portions of capitalized contract acquisition costs were \$ 4.5 million, and \$ 7.3 million, respectively. The Company amortized \$ 4.9 million, \$ 4.3 million, and \$ 3.1 million of contract acquisition costs during the years ended September 30, 2023, 2022, and 2021, respectively. For the years ended September 30, 2023, 2022, and 2021, there was no impairment related to capitalized contract acquisition costs.

**Customer Deposits**

Customer deposits primarily relate to payments received from customers which could be refundable pursuant to the terms of the arrangement. These amounts are included in accrued liabilities on the Consolidated Balance Sheets. The customer deposits amount was immaterial as of September 30, 2023, and 2022.

Standard payment terms to customers generally range from thirty to ninety days; however, payment terms and conditions in the customer contracts may vary. In some cases, customers prepay for subscription and services in advance of the delivery; in other cases, payment is due as services are performed or in arrears following the delivery.

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***Remaining Performance Obligations***

Remaining performance obligations represent non-cancelable contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As of September 30, 2023, the aggregate amount of the transaction price allocated to performance obligations either unsatisfied or partially unsatisfied was \$ 344.6 million, 43 % of which the Company expects to recognize as revenue over the next 12 months and the remainder thereafter.

**Note 4. Leases**

The Company leases facilities under noncancelable operating leases with lease terms between three years and eleven years . Certain leases include options to extend or terminate the lease. The Company factored into the determination of lease payments the options that it is reasonably certain to exercise.

Operating lease costs were \$ 4.9 million, \$ 5.8 million, and \$ 4.6 million for the years ended September 30, 2023, 2022, and 2021, respectively. Short-term lease costs, variable lease costs, and sublease income were immaterial for the years ended September 30, 2023, 2022, and 2021.

Cash flow information related to operating leases is as follows (in thousands):

	Fiscal Years Ended September 30,	
	2023	2022
Cash paid for amounts included in the measurement of operating lease liabilities	4,873	5,032
Operating lease ROU assets obtained in exchange for new operating lease liabilities	—	—

The weighted-average remaining lease terms were 2.6 years, and 3.6 years as of September 30, 2023, and 2022, respectively. The weighted-average discount rates were 2.7 %, and 2.9 % as of September 30, 2023, and 2022, respectively.

Maturities of operating lease liabilities as of September 30, 2023 are as follows (in thousands):

<u>Fiscal Year</u>		
2024	\$ 4,645	4,645
2025	4,279	4,279
2026	2,349	2,349
2027	276	276
2028 and thereafter	—	—
Total operating lease payments	11,549	11,549
Less imputed interest	386	386
Total operating lease liabilities	<u>\$ 11,163</u>	<u>\$ 11,163</u>

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**Notes to Consolidated Financial Statements**

**Note 5. Financial Instruments**

The table below sets forth the Company's cash equivalents as of September 30, 2023, and 2022, which are measured at fair value on a recurring basis by level within the fair value hierarchy. The assets are classified based on the lowest level of input that is significant to the fair value measurement. The Company had no liabilities measured at fair value on a recurring basis.

						Reported as:			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents				
<b>As of September 30, 2023</b>									
Level 1:									
Money market funds	\$ 243,251	\$ —	\$ —	\$ 243,251	\$ 243,251	\$ 243,251	\$ 243,251		
U.S. Treasury securities	—	—	—	—	—	—	—		
<b>Total</b>	<b>\$ 243,251</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 243,251</b>	<b>\$ 243,251</b>	<b>\$ 243,251</b>	<b>\$ 243,251</b>		
<b>As of September 30, 2022</b>									
Level 1:									
Money market funds	\$ 61,956	\$ —	\$ —	\$ 61,956	\$ 61,956	\$ 61,956	\$ 61,956		
U.S. Treasury securities	89,679	11	( 6 )	89,684	89,684	89,684	89,684		
<b>Total</b>	<b>\$ 151,635</b>	<b>\$ 11</b>	<b>\$ ( 6 )</b>	<b>\$ 151,640</b>	<b>\$ 151,640</b>	<b>\$ 151,640</b>	<b>\$ 151,640</b>		

The Company's financial instruments not measured at fair value on a recurring basis include cash, funds held for customers, accounts receivable, accounts payable, customer funds payable, and accrued liabilities, and are reflected in the financial statements at cost and approximates their fair value due to their short-term nature.

The Company recorded interest income on marketable securities and cash balances of \$ 9.1 million, and \$ 0.9 million during the fiscal years ended September 30, 2023, and 2022, respectively.

See Note 8 for the fair value measurement of the Company's derivative contracts and Note 10 for the fair value measurement of the Company's convertible senior notes.

**Note 6. Acquisition, Goodwill, and Intangible Assets**

**Acquisition**

On December 31, 2020, the Company acquired certain assets, properties and rights and certain liabilities and obligations from Deloitte & Touche LLP's pricing and contracting solutions business for a contractual purchase price of \$ 60.0 million subject to net working capital adjustments (the "Acquisition"). The acquired business operates primarily in the same markets as the Company's existing operations. The reason for the Acquisition was to increase the Company's addressable market and expand the opportunity to sell existing Model N products. This Acquisition has been accounted for as a business combination. The Company has included these results in its Consolidated Financial Statements since the date of Acquisition. The Company incurred \$ 2.5 million of acquisition-related expense during the year ended September 30, 2021, which was recorded as general and administrative expenses.

The total purchase consideration was \$ 57.8 million and reflected a \$ 2.2 million net working capital adjustment from the contractual purchase price. The original estimate was \$ 0.1 million in the first quarter of fiscal year 2021 which resulted in a measurement period adjustment of \$ 2.1 million. The Company paid the entire purchase consideration in cash during the year ended September 30, 2021.

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The purchase price was allocated to assets acquired and liabilities assumed based upon their estimated fair values as of the date of the acquisition. The excess of the purchase price over the estimated fair value of the net assets acquired was recorded as goodwill. The following table sets forth the allocation of the purchase price in connection with the Acquisition (in thousands):

	<b>Acquisition Date Fair Value</b>
Accounts receivable	\$ 3,844
Property and equipment, net	511
Operating lease right-of-use assets	2,764
Goodwill	26,382
Intangible assets	28,210
Total assets acquired	61,711
Operating lease liabilities, current portion	656
Deferred revenue, current portion	1,549
Operating lease liabilities, less current portion	1,657
Total liabilities assumed	3,862
Total purchase price	<b>\$ 57,849</b>

Intangible assets included customer relationships of \$ 15.5 million, developed technology of \$ 10.2 million, non-compete agreements of \$ 1.6 million, and trade name of \$ 0.9 million, which are amortized on a straight-line basis over 15 years, 6 years, 5 years, and 3 years, respectively, and over a weighted average period of 10.8 years. Fair value of the customer relationships was estimated using a multi-period excess earnings valuation method and fair value of the developed technology was estimated using a relief from royalty valuation method. The Company applied significant judgment in estimating the fair value of the customer relationships and developed technology intangible assets, which involved the use of significant assumptions. Significant assumptions used in the valuation of customer relationships intangible asset included subscription revenue growth rates, research and development expenses as percentage of revenue, discount rate, subscription gross margins, and customer attrition rate. Significant assumptions used in the valuation of developed technology intangible asset included royalty rate, obsolescence rate, and discount rate. Goodwill is comprised of expected synergies for the combined operations and the assembled workforce acquired in the Acquisition. This goodwill is deductible for income tax purposes.

The Acquisition contributed \$ 18.5 million to the Company's revenues and increased operating loss, which approximated net loss, by \$ 6.2 million since the date of Acquisition. The Company has not presented the supplemental pro forma information for revenue and earnings related to the Acquisition, as it is deemed impracticable to determine and disclose this information, due to the unavailability of the information provided to the Company by Deloitte & Touche LLP, management's inability to reasonably estimate the amounts from the carve out business and differing fiscal year-ends.

**Goodwill**

The following table summarizes the changes in the carrying amount of goodwill (in thousands):

Balance at September 30, 2022	\$ 65,665
Addition from Acquisition	—
Balance at September 30, 2023	<b>\$ 65,665</b>

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**Intangible Assets**

The following table summarizes the gross intangible assets, accumulated amortization, and net intangible assets balances as of September 30, 2023:

	Estimated Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(in thousands)				
<b>Intangible Assets:</b>				
Customer relationships	3 - 15	\$ 52,109	\$ ( 28,276 )	\$ 23,833
Developed technology	5 - 6	22,333	( 16,781 )	5,552
Non-compete agreements	5	1,600	( 880 )	720
Trade name	3	850	( 779 )	71
Total		<u><u>\$ 76,892</u></u>	<u><u>\$ ( 46,716 )</u></u>	<u><u>\$ 30,176</u></u>

The following table summarizes the gross intangible assets, accumulated amortization, and net intangible assets balances as of September 30, 2022:

	Estimated Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
(in thousands)				
<b>Intangible Assets:</b>				
Customer relationships	3 - 15	\$ 52,109	\$ ( 23,684 )	\$ 28,425
Developed technology	5 - 6	22,333	( 14,791 )	7,543
Non-compete agreements	5	1,600	( 560 )	1,040
Trade name	3	850	( 496 )	354
Total		<u><u>\$ 76,892</u></u>	<u><u>\$ ( 39,531 )</u></u>	<u><u>\$ 37,362</u></u>

The Company recorded amortization expense related to the acquired intangible assets of \$ 7.2 million, \$ 8.0 million, and \$ 7.2 million during the fiscal years ended September 30, 2023, 2022, and 2021, respectively.

Estimated future amortization expense for the intangible assets as of September 30, 2023 is as follows:

	Fiscal Years Ending September 30,
(in thousands)	
2024	\$ 6,691
2025	6,620
2026	6,069
2027	2,266
2028	1,034
2029 and thereafter	7,496
Total future amortization	<u><u>\$ 30,176</u></u>

**Note 7. Cash, Cash Equivalents, and Funds Held for Customers**

The Company has contractual obligations to remit funds to various third parties on behalf of customers to which the Company provides payment processing services. Funds received from these customers represent cash and cash equivalents and are reflected in the "Funds held for customers" line item on the condensed consolidated balance sheets.

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The table below reconciles the cash and cash equivalents and funds held for customers as reported on the condensed consolidated balance sheets to the cash and cash equivalents on the condensed consolidated statements of cash flows (in thousands):

	As of September 30,	
	2023	2022
Cash and cash equivalents	\$ 301,355	\$ 193,524
Funds held for customers	91	603
<b>Total cash and cash equivalents</b>	<b>\$ 301,446</b>	<b>\$ 194,127</b>

**Note 8. Derivative Instruments and Hedging**

The Company uses foreign currency forward contracts to hedge a portion of the forecasted foreign currency-denominated expenses incurred in the normal course of business. These contracts are designated as cash flows hedges. These hedging contracts reduce, but do not entirely eliminate, the impact of adverse foreign exchange rate movements. The Company does not use any of the derivative instruments for trading or speculative purposes. These contracts have maturities of 12 months or less. The amounts reclassified to expenses related to the hedged transactions were immaterial for the years ended September 30, 2023, 2022, and 2021. The fair value of the outstanding non-deliverable foreign currency forward contracts was measured using Level 2 fair value inputs and was immaterial as of September 30, 2023, and 2022.

*Notional Amounts of Derivative Contracts*

Derivative transactions are measured in terms of the notional amount but this amount is not recorded on the balance sheet and is not, when viewed in isolation, a meaningful measure of the risk profile of the instruments. The notional amount is generally not exchanged but is used only as the basis on which the value of foreign exchange payments under these contracts are determined. The notional amounts of the Company's outstanding foreign currency forward contracts designated as cash flow hedges were \$ 4.3 million as of September 30, 2022. The Company had no outstanding non-deliverable foreign currency forward contracts as of September 30, 2023.

**Note 9. Property and Equipment**

Components of property and equipment consisted of the following:

	As of September 30,	
	2023	2022
(in thousands)		
Computer software and equipment	\$ 5,494	\$ 5,372
Furniture and fixtures	1,046	1,148
Leasehold improvements	521	527
Software development costs	5,824	5,753
<b>Total property and equipment</b>	<b>\$ 12,885</b>	<b>\$ 12,800</b>
Less: accumulated depreciation and amortization	( 11,643 )	( 10,962 )
<b>Total property and equipment, net</b>	<b>\$ 1,242</b>	<b>\$ 1,838</b>

Depreciation expense including depreciation of assets under capital leases totaled \$ 1.0 million, \$ 1.0 million, and \$ 0.8 million for the fiscal years ended September 30, 2023, 2022, and 2021, respectively.

**Note 10. Convertible Senior Notes**

In May 2020, the Company issued \$ 172.5 million aggregate principal amount of 2.625 % convertible senior notes due in 2025 (the "2025 Notes"). In March 2023, the Company issued \$ 253.0 million aggregate principal amount of 1.875 % convertible senior notes due in 2028 (the "2028 Notes", and together with the 2025 Notes the "Convertible Senior Notes"). Each series of the Convertible Senior Notes is governed by an indenture between the Company, as the issuer, and U.S. Bank National Association, as Trustee (individually, each an "Indenture," and together, the "Indentures"). The applicable Indenture governing each series of the convertible senior notes does not contain any financial covenants or any restrictions on the payment of dividends, the occurrence of senior debt or other indebtedness, or the issuance or repurchase of the Company's other securities by the Company.

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In May 2020, the Company issued \$ 172.5 million aggregate principal amount of the 2025 Notes in a private placement, including \$ 22.5 million which represents the exercise in full of the initial purchasers' option to purchase additional notes. The net proceeds from the issuance of the 2025 Notes was \$ 166.4 million, net of initial purchasers' discounts and debt issuance costs of \$ 6.1 million. The Company used \$ 40.0 million of the net proceeds to repay in full the debt outstanding under, and terminated the Credit Agreement dated May 4, 2018, as amended, by and among the Company, Wells Fargo, as administrative agent, and the lenders party thereto.

The 2025 Notes are senior, unsecured obligations of the Company and bear an interest rate of 2.625 % per year payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2020. The Notes mature on June 1, 2025 unless repurchased, redeemed or converted in accordance with their terms prior to such date.

Pursuant to the term of the Indenture, the 2025 Notes are convertible into cash, shares of the Company's common stock or a combination thereof, at the Company's election, at an initial conversion rate of 30.0044 shares of common stock per \$1,000 principal amount of the 2025 Notes, which is equal to an initial conversion price of approximately \$ 33.33 per share of common stock subject to adjustment for standard anti-dilution provision and the make-whole feature described below.

During the second quarter of fiscal 2023, the Company made an irrevocable election to settle the principal amount of the 2025 Notes using Combination Settlement (as defined in the applicable Indenture). Generally, under this settlement method, the conversion value will be settled in cash in an amount up to the principal amount being converted, and any excess of the conversion value over the principal amount will be settled, at the Company's election, in cash or shares of the Company's common stock.

Prior to the close of business on the scheduled trading day immediately preceding March 1, 2025, holders of the 2025 Notes may convert all or a portion of their 2025 Notes in multiples of \$1,000 principal amount, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on September 30, 2020 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130 % of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price per \$1,000 principal amount of 2025 Notes for each trading day of the measurement period was less than 98 % of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- if the Company calls any or all of the 2025 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events.

On or after March 1, 2025 and prior to the close of business on the second scheduled trading day immediately preceding the maturity date, holders of the 2025 Notes may convert all or a portion of their Notes in multiples of \$1,000 principal amount regardless of the foregoing conditions.

Holders of the 2025 Notes who convert their 2025 Notes in connection with a make-whole fundamental change (as defined in the Indenture) or in connection with any optional redemption are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, in the event of a fundamental change (as defined in the Indenture), holders of the 2025 Notes may require the Company to repurchase all or a portion of their 2025 Notes at a price equal to 100 % of the principal amount of the 2025 Notes, plus any accrued and unpaid interest to, but excluding, the repurchase date.

The Company may not redeem the 2025 Notes prior to June 6, 2023. The Company may redeem for cash all or part of the 2025 Notes, at its option, on or after June 6, 2023 and on or before the 41st scheduled trading day immediately before the maturity date, at a redemption price equal to 100 % of the principal amount thereof, plus accrued and unpaid interest if the last reported sale price of the Company's common stock has been at least 130 % of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption. No sinking fund is provided for the 2025 Notes.

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In initial accounting for the issuance of the 2025 Notes prior to the adoption of ASU 2020-06 on October 1, 2022, the Company separated the 2025 Notes into liability and equity components. The carrying amount of the liability component of \$ 115.3 million was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was \$ 57.2 million and was determined by deducting the fair value of the liability component from the principal amount of the 2025 Notes. The excess of the principal amount of the 2025 Notes over the carrying amount of the liability component is amortized to interest expense at an effective interest rate over the contractual terms of the 2025 Notes. The equity component was recorded in additional paid-in capital and is not remeasured as long as it continues to meet the conditions for equity classification.

In initial accounting for the issuance costs related to the 2025 Notes prior to the adoption of ASU 2020-06 on October 1, 2022, the Company allocated the total amount incurred to the liability and equity components of the 2025 Notes based on the proportion of the proceeds allocated to the debt and equity components. Issuance costs attributable to the liability component were \$ 4.1 million and are amortized to interest expense using the effective interest method over the contractual terms of the 2025 Notes. Issuance costs attributable to the equity component of \$ 2.0 million were netted with the equity component in stockholders' equity.

As a result of the adoption of ASU 2020-06 on October 1, 2022, the Company no longer separately presents in equity an embedded conversion feature for such debt. Similarly, the debt discount, which was equal to the carrying value of the embedded conversion feature upon issuance, is no longer amortized into income as interest expense over the life of the instrument. For the impact of adoption see Note 1 to Consolidated Financial Statements.

In March 2023, the Company issued \$ 253.0 million aggregate principal amount of the 2028 Notes in a private placement, including \$ 33.0 million which represents the exercise in full of the initial purchasers' option to purchase additional notes. The net proceeds from the issuance of the 2028 Notes was \$ 245.5 million, net of initial purchasers' discounts and debt issuance costs of \$ 7.6 million. The Company used \$ 165.2 million of the net proceeds from this issuance to repurchase approximately \$ 138.0 million in aggregate principal amount of its 2025 Notes concurrently with the issuance. The repurchase of the 2025 Notes was accounted for as a debt extinguishment. The Company recorded a \$ 29.5 million loss on extinguishment of debt on its consolidated statements of operations during the fiscal quarter ended March 31, 2023, and the twelve months ended September 30, 2023 which includes a write-off of related deferred issuance costs of \$ 2.3 million. After giving effect to the repurchase, the total remaining principal amount outstanding under the 2025 Notes as of September 30, 2023 was \$ 34.5 million.

The 2028 Notes are senior, unsecured obligations of the Company and bear an interest rate of 1.875 % per year payable semi-annually in arrears on September 15 and March 15 of each year, beginning on September 15, 2023. The 2028 Notes mature on March 15, 2028 unless repurchased, redeemed or converted in accordance with their terms prior to such date.

The 2028 Notes are convertible into cash, shares of the Company's common stock or a combination thereof, at the Company's election, at an initial conversion rate of 23.2364 shares of common stock per \$1,000 principal amount of the 2028 Notes, which is equal to an initial conversion price of approximately \$ 43.04 per share of common stock subject to adjustment, with a maximum conversion rate of 30.7881. The conversion value will be settled in cash in an amount no less than the principal amount being converted, and any excess of the conversion value over the principal amount will be settled, at the Company's election, in cash or shares of the Company's common stock. Prior to the close of business on the scheduled trading day immediately preceding December 15, 2027, holders of the 2028 Notes may convert all or a portion of their 2028 Notes in multiples of \$1,000 principal amount, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on June 30, 2023 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130 % of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price per \$1,000 principal amount of the 2028 Notes for each trading day of the measurement period was less than 98 % of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- if the Company calls any or all of the 2028 Notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events.

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On or after December 15, 2027 and prior to the close of business on the second scheduled trading day immediately preceding the maturity date, holders of the 2028 Notes may convert all or a portion of their Notes in multiples of \$1,000 principal amount regardless of the foregoing conditions.

Holders of the 2028 Notes who convert their 2028 Notes in connection with a make-whole fundamental change (as defined in the applicable Indenture) or in connection with any optional redemption are, under certain circumstances, entitled to an increase in the conversion rate. Additionally, in the event of a fundamental change (as defined in the applicable Indenture), holders of the 2028 Notes may require the Company to repurchase all or a portion of their 2028 Notes at a price equal to 100 % of the principal amount of the 2028 Notes, plus any accrued and unpaid interest to, but excluding, the repurchase date.

The Company may not redeem the 2028 Notes prior to March 20, 2026. The Company may redeem for cash all or part of the 2028 Notes, at its option, on or after March 20, 2026 and on or before the 41st scheduled trading day immediately before the maturity date, at a redemption price equal to 100 % of the principal amount thereof, plus accrued and unpaid interest if the last reported sale price of the Company's common stock has been at least 130 % of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption. No sinking fund is provided for the 2028 Notes.

The Company intends to use the remaining net proceeds from the issuance of the 2028 Notes for general corporate purposes, including working capital and to fund growth and potential strategic projects.

During the twelve months ended September 30, 2023, the conditions allowing holders of the Convertible Senior Notes to convert were not met. The Convertible Senior Notes were classified as long-term debt on the Consolidated Balance Sheets as of September 30, 2023.

In accordance with ASU 2020-06, the 2028 Notes are accounted for as a single liability.

The net carrying amounts of the liability and equity components for the 2025 Notes were as follows (in thousands):

	As of September 30,	
	2023	2022
<b>Liability component:</b>		
Principal amount	\$ 34,530	\$ 172,500
Unamortized discount	—	( 34,354 )
Unamortized issuance costs	( 428 )	( 2,729 )
Net carrying amount	<u>\$ 34,102</u>	<u>\$ 135,417</u>
Equity component, net of issuance costs	\$ —	\$ 55,227

The net carrying amounts of the liability for the 2028 Notes were as follows (in thousands):

	As of September 30,	
	2023	2022
<b>Principal amount</b>		
Principal amount	253,000	—
Unamortized issuance costs	( 6,744 )	—
Net carrying amount	<u>\$ 246,256</u>	<u>\$ —</u>

The following table sets forth the interest expense recognized related to the Convertible Senior Notes (in thousands):

	Fiscal Years Ended September 30,	
	2023	2022
<b>Coupon interest expense</b>		
Coupon interest expense	\$ 5,138	\$ 4,528
Amortization of debt discount	—	10,448
Amortization of debt issuance costs	1,463	666
Total interest expense related to the Notes	<u>\$ 6,601</u>	<u>\$ 15,642</u>

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The issuance costs related to the 2025 Notes and the 2028 Notes are being amortized to interest expense over the respective contractual term, at effective interest rates of 3.4 %, and 2.5 %, respectively. As of September 30, 2023, unamortized debt issuance costs will be amortized over the remaining life of the 2025 Notes and the 2028 Notes which is approximately 20 months, and 54 months, respectively.

As of September 30, 2023, the total estimated fair value of the 2025 Notes, and 2028 Notes was approximately \$ 35.1 million, and \$ 226.1 million, respectively. The fair value was determined based on the closing trading price per \$ 100 of the applicable series of the Convertible Senior Notes as of the last day of trading for the period. The fair value of the Convertible Senior Notes is primarily affected by the trading price of the Company's common stock and market interest rates. The fair value of the Convertible Senior Notes is considered a Level 2 measurement as they are not actively traded.

#### **Note 11. Commitments and Contingencies**

##### **Leases**

See Note 4 for details of leases.

##### **Indemnification Obligations**

Each of the Company's software licenses contains the terms of the contractual arrangement with the customer and generally includes certain provisions for defending the customer against any claims that the Company's software infringes upon a patent, copyright, trademark, or other proprietary right of a third party. The software license also provides for indemnification by the Company of the customer against losses, expenses, and liabilities from damages that may be assessed against the customer in the event the Company's software is found to infringe upon such third party rights.

The Company has not had to reimburse any of its customers for losses related to indemnification provisions, and there were no material claims against the Company outstanding as of September 30, 2023, and 2022. For several reasons, including the lack of prior indemnification claims and the lack of a monetary liability limit for certain infringement cases under the software license, the Company cannot estimate the amount of potential future payments, if any, related to indemnification provisions.

##### **Legal Proceedings**

The Company is not currently a party to any pending material legal proceedings. From time to time, the Company may become involved in legal proceedings arising in the ordinary course of our business. Regardless of outcome, litigation can have an adverse impact on the Company due to defense and settlement costs, diversion of management resources, negative publicity and reputational harm and other factors.

#### **Note 12. Stock-Based Compensation**

##### **2000 Stock Plan**

The 2000 Stock Plan (the "2000 Plan") authorized the board of directors (the "Board") to grant incentive share options and non-statutory share options to employees, directors and other eligible participants. Stock purchase rights may also be granted under the 2000 Plan. The exercise price of the stock options shall not be less than the estimated fair value of the underlying shares of the common stock on the grant date. Options generally vest over four years and expire ten years from the date of grant. In connection with the adoption of the 2010 Equity Incentive Plan (the "2010 Plan") in June 2010, the 2000 Plan was terminated and all shares of common stock previously reserved but unissued were transferred to the 2010 Plan.

##### **2010 Equity Incentive Plan**

On June 15, 2010, the Board adopted the 2010 Plan under which employees, directors, and other eligible participants of the Company or any subsidiary of the Company may be granted incentive stock options, non-statutory stock options and all other types of awards to purchase shares of the Company's common stock. The total number of shares reserved and available for grant and issuance pursuant to the 2010 Plan consists of (a) any authorized shares not issued or subject to outstanding grants under the 2000 Plan on the adoption date, (b) shares that are subject to issuance upon exercise of options granted under the 2000 Plan but cease to exist for any reason other than exercise of such options; and (c) shares that were issued under the 2000 Plan which are repurchased by the Company at the original issue price or forfeited. In connection with the adoption of the 2013 Equity Incentive Plan (the "2013 Plan") in February 2013, the 2010 Plan was terminated and all shares of common stock previously reserved but unissued were transferred to the 2013 Plan.

##### **2013 Equity Incentive Plan**

In February 2013, the Board adopted the 2013 Plan. The 2013 Plan was approved with a reserve of 8.0 million shares, which consists of 2.5 million shares of the Company's common stock reserved for future issuance under the 2013 Plan and

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shares of common stock previously reserved but unissued under the 2010 Plan. Additionally, the 2013 Plan provides for automatic increases in the number of shares available for issuance under it on October 1 of each of the first four calendar years during the term of the 2013 Plan by the lesser of 5 % of the number of shares of common stock issued and outstanding on each September 30 immediately prior to the date of increase or the number determined by the Board. In fiscal year 2018, 2.0 million additional shares were approved by the Company's stockholders for issuance under the 2013 Plan. The 2013 Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, stock appreciation rights, performance stock awards, restricted stock units and stock bonuses. Awards generally vest over four years and expire ten years from the date of grant. In connection with the adoption of the 2021 Equity Incentive Plan (the "2021 Plan") in February 2021, the 2013 Plan was terminated and all shares of common stock previously reserved but unissued were transferred to the 2021 Plan.

**2021 Equity Incentive Plan**

The Board adopted the 2021 Plan in December 2020, and the stockholders approved the 2021 Plan in February 2021. The 2021 Plan became effective on February 19, 2021 and will terminate on February 18, 2031. The 2021 Plan serves as the successor equity compensation plan to the 2013 Plan. No further grants will be made under the 2013 Plan, and the balances under the 2013 Plan have been transferred to the 2021 Plan. The 2021 Plan was approved with a reserve of 3.9 million shares, which consists of 1.7 million shares of the Company's common stock reserved for future issuance under the 2021 Plan and shares of common stock previously reserved but unissued under the 2013 Plan. In March 2023, 3.5 million additional shares were approved by the Company's stockholders for issuance under the 2021 Plan.

The 2021 Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock awards, stock appreciation rights, performance stock awards, restricted stock units, and stock bonuses. Awards generally vest over four years and expire ten years from the date of grant. As of September 30, 2023, 4.4 million shares were available for future stock awards under the 2021 Plan and any additional releases resulting from an over-achievement relating to performance-based restricted stock units.

**Stock Options**

There were no stock options granted in fiscal years ended September 30, 2023, 2022, and 2021. The expected terms of options granted were calculated using the simplified method, determined as the average of the contractual term and the vesting period. Estimated volatility is derived from the historical closing prices of common shares of similar entities whose share prices are publicly available for the expected term of the option. The risk-free interest rate is based on the U.S. treasury constant maturities in effect at the time of grant for the expected term of the option. The Company uses historical data to estimate the number of future stock option forfeitures.

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The following table summarized the stock option activity and related information under all stock option plans:

	Number of Shares (in thousands)	Weighted Average Exercised Price	Weighted Average Remaining Contract Term (in years)	Aggregate Intrinsic Value (in thousands)
<b>Balance at September 30, 2020</b>	34	10.57	1.68	\$ 846
Exercised	( 9 )	8.20		
<b>Balance at September 30, 2021</b>	25	11.41	0.82	\$ 560
Exercised	( 21 )	11.10		
Expired	—	1.74		
<b>Balance at September 30, 2022</b>	4	13.50	0.41	\$ 83
Exercised	( 4 )	\$ 13.50		
<b>Balance at September 30, 2023</b>	—	—	—	\$ —
Options exercisable as of September 30, 2023	—	\$ —		\$ —
Options vested and expected to vest as of September 30, 2023	—	\$ —		\$ —

The intrinsic value of options exercised during fiscal years ended September 30, 2023, 2022, and 2021 was \$ 0.1 million, \$ 0.4 million, and \$ 0.2 million, respectively.

**Employee Stock Purchase Plan**

The 2021 Employee Stock Purchase Plan (the "ESPP") became effective on February 19, 2021, and replaced the 2013 Employee Stock Purchase Plan. The ESPP allows eligible employees to purchase shares of the Company's common stock at a discount through payroll deductions of up to 15 % of their eligible compensation, at not less than 85 % of the fair market value, as defined in the ESPP, subject to any plan limitations. The ESPP provides for six-month offering periods, starting on February 20 and August 20 of each year.

The following table summarizes the weighted-average assumptions used to estimate the fair value of rights to acquire stock granted under the Company's ESPP during the periods presented:

	Fiscal Years Ended September 30,		
	2023	2022	2021
Risk-free interest rate	5.31 %	1.97 %	0.05 %
Dividend yield	— %	— %	— %
Volatility	33 %	47 %	41 %
Expected term (in years)	0.50	0.50	0.50
Fair value at grant date	\$ 7.78	\$ 8.07	\$ 9.68

**Restricted Stock Units and Performance-based Restricted Stock Units**

During the years ended September 30, 2023, 2022, and 2021, the Compensation Committee of the Board approved grants of performance-based restricted stock units to the Company's certain senior officers, including the Chief Executive Officer and the Chief Financial Officer. For the performance-based restricted stock units granted in fiscal years 2021 and 2022, under the terms of these grants, the actual number of shares that will vest and be released will range from 0 % to 200 % of the grant based on the performance of the Company's total shareholder return ("TSR") relative to that of the Russell 3000 Index (the "Index"). These grants vest over a three-year period with 50 % vesting on each of the second and the third annual anniversary of the vesting commencing date. The grant date fair values of the performance-based restricted stock units granted in fiscal years 2021 and 2022 were determined using Monte-Carlo simulation model with risk-free interest rate of 0.57 %– 0.87 % and volatility of 45 %– 50 %. For the performance-based restricted stock units granted in fiscal year 2023, under the terms of these grants, the actual number of shares that will vest and be released will range from 0 % to 200 % of the grant based on the achievement of the pre-established performance goals of the Company. These grants vest over a three-year period with one third vesting on the first

**MODEL N, INC.**  
**Notes to Consolidated Financial Statements**

anniversary of the vesting commencing date and quarterly thereafter. As of September 30, 2023, 0.3 million shares were reserved for any additional release resulting from over-achievement relating to performance-based restricted stock units.

The following table summarizes the Company's restricted stock unit activity (including performance based restricted stock awards) under all equity award plans:

	Restricted Stock Units Outstanding (in thousands)	Weighted Average Grant Date Fair Value
<b>Balance at September 30, 2020</b>	1,957	\$ 22.43
Granted	1,200	36.00
Released	( 1,091 )	22.79
Forfeited	( 318 )	27.88
<b>Balance at September 30, 2021</b>	<b>1,748</b>	<b>\$ 30.54</b>
Granted	1,699	32.22
Released	( 1,091 )	28.29
Forfeited	( 301 )	30.85
<b>Balance at September 30, 2022</b>	<b>2,055</b>	<b>\$ 33.08</b>
Granted	1,352	37.71
Released	( 1,224 )	32.84
Forfeited	( 103 )	31.71
<b>Balance at September 30, 2023</b>	<b>2,080</b>	<b>\$ 36.29</b>

The total fair value of restricted stock and performance based restricted stock awards vested for the years ended September 30, 2023, 2022, and 2021, was \$ 40.6 million, \$ 31.7 million, and \$ 41.1 million, respectively.

The following table summarizes certain information of the unvested awards as of September 30, 2023:

	Restricted Stock Units (1)	ESPP
Total compensation cost for unvested (in millions)	\$ 48.6	\$ 0.6
Weighted-average period to recognize (in years)	1.74	0.4

(1): Includes restricted stock units and performance-based restricted stock awards.

**Stock-based Compensation**

Stock-based compensation recorded in the Consolidated Statements of Operations is as follows:

	Fiscal Years Ended September 30,		
	2023	2022	2021
	(in thousands)		
<b>Cost of revenues:</b>			
Subscription	\$ 5,134	\$ 4,887	\$ 3,658
Professional Services	\$ 4,231	\$ 4,074	\$ 4,032
<b>Total stock-based compensation in cost of revenues</b>	<b>9,365</b>	<b>8,961</b>	<b>7,690</b>
<b>Operating expenses:</b>			
Research and development	\$ 6,925	\$ 6,655	\$ 6,051
Sales and marketing	\$ 9,476	\$ 8,138	\$ 7,541
General and administrative	12,999	12,300	8,681
<b>Total stock-based compensation in operating expenses</b>	<b>29,400</b>	<b>27,093</b>	<b>22,273</b>
<b>Total stock-based compensation</b>	<b>\$ 38,765</b>	<b>\$ 36,054</b>	<b>\$ 29,963</b>

The total stock-based compensation included \$ 5.1 million, and \$ 5.7 million related to bonus, for the fiscal year ended September 30, 2022, and 2021, respectively, which was recorded in the accrued employee compensation line item in the Consolidated Balance Sheets.

**MODEL N, INC.**  
**Notes to Consolidated Financial Statements**

**Note 13. Income Taxes**

The components of loss before income taxes are as follows:

	Fiscal Years Ended September 30,		
	2023	2022	2021
	(in thousands)		
Domestic	\$ ( 29,851 )	\$ ( 30,819 )	\$ ( 30,734 )
Foreign	( 1,227 )	3,659	1,766
<b>Loss before taxes</b>	<b>\$ ( 31,078 )</b>	<b>\$ ( 27,160 )</b>	<b>\$ ( 28,968 )</b>

The components of the provision for income taxes are as follows:

	Fiscal Years Ended September 30,		
	2023	2022	2021
	(in thousands)		
<b>Current</b>			
Federal	\$ —	\$ —	\$ —
State	469	42	84
Foreign	1,862	1,010	589
	<b>\$ 2,331</b>	<b>\$ 1,052</b>	<b>\$ 673</b>
<b>Deferred</b>			
Federal	\$ 116	\$ 1	\$ 67
State	87	143	130
Foreign	310	279	( 101 )
	<b>\$ 513</b>	<b>\$ 423</b>	<b>\$ 96</b>
<b>Total provision for income taxes</b>	<b>\$ 2,844</b>	<b>\$ 1,475</b>	<b>\$ 769</b>

Reconciliation of the statutory federal income tax to the Company's effective tax is as follows:

	Fiscal Years Ended September 30,		
	2023	2022	2021
	(in thousands)		
Tax at statutory federal rate	\$ ( 6,526 )	\$ ( 5,702 )	\$ ( 6,083 )
State tax, net of federal benefit	469	40	84
Permanent differences	41	19	( 320 )
Stock-based compensation	1,528	816	( 2,757 )
Section 162(m)	1,719	1,099	2,389
Foreign tax rate differential	( 106 )	315	61
Change in valuation allowance	8,571	6,113	8,459
Research and development tax credits	( 1,337 )	( 951 )	( 1,013 )
Change in deferred tax liabilities	( 336 )	( 274 )	( 84 )
Loss on Repurchase of Convertible Debt	5,720	—	—
ASU 2020-06 Adoption, Convertible Debt	( 6,988 )	—	—
Other	89	—	33
<b>Total provision for income taxes</b>	<b>\$ 2,844</b>	<b>\$ 1,475</b>	<b>\$ 769</b>

The current United States federal income tax legislation generally allows companies to make distributions of previously taxed non-U.S. earnings to the U.S. without incurring additional federal income tax. As a result, the Company expects to repatriate future foreign earnings in certain foreign jurisdictions over time. During the year ended September 30, 2023, the Company repatriated \$ 4.1 million of foreign subsidiary earnings to the U.S. in the form of cash and paid foreign withholding taxes of \$ 0.7 million. During the year ended September 30, 2022, the Company did not repatriate foreign subsidiary earnings to the U.S. in the form of cash and paid zero foreign withholding taxes. During the year ended September 30, 2021, the Company repatriated \$ 1.5 million of foreign subsidiary earnings to the U.S. in the form of cash and paid foreign withholding taxes

**MODEL N, INC.**  
**Notes to Consolidated Financial Statements**

of \$ 0.2 million. As of September 30, 2023, the Company recorded a deferred tax liability of \$ 0.4 million for the additional non-U.S. taxes that are expected to be incurred related to the repatriation of \$ 2.6 million in foreign subsidiary earnings.

Deferred tax assets and liabilities consisted of the following:

	As of September 30,	
	2023	2022
	(in thousands)	
<b>Deferred tax assets:</b>		
Depreciation and amortization	\$ 2,630	\$ 1,670
Accruals and other	7,924	15,684
Deferred revenue	101	100
NOL carry-forward	62,512	68,841
Stock compensation	2,591	4,208
Research and development tax credits	22,232	19,812
Section 174 Capitalized R&D	10,466	—
<b>Total deferred tax assets</b>	<b>\$ 108,456</b>	<b>\$ 110,315</b>
Valuation allowance	( 98,205 )	( 89,581 )
<b>Net deferred tax assets</b>	<b>\$ 10,251</b>	<b>\$ 20,734</b>
<b>Deferred tax liabilities:</b>		
Convertible senior notes	\$ —	\$ ( 8,723 )
Intangibles	( 5,307 )	( 5,624 )
Capitalized contract acquisition costs	( 3,257 )	( 3,538 )
Other	( 2,246 )	( 3,316 )
<b>Net deferred tax liabilities</b>	<b>\$ ( 559 )</b>	<b>\$ ( 467 )</b>

A valuation allowance is provided when it is more likely than not that the deferred tax assets will not be realized. The Company has established a full valuation allowance to offset net deferred tax assets as of September 30, 2023, and 2022, due to the uncertainty of realizing future tax benefits from its net operating loss carry-forwards and other deferred tax assets. The net increase in the total valuation allowance for the year ended September 30, 2023 was approximately \$ 8.6 million.

As of September 30, 2023, the Company has federal and state NOL carry-forwards of approximately \$ 231.0 million and \$ 367.4 million, respectively. The federal NOL and the state NOLs began expiring in 2022. As of September 30, 2023, the Company had federal and state research and development credit carry-forwards of approximately \$ 15.6 million and \$ 15.4 million, respectively. The federal research and development credit carry-forwards began expiring in 2022. The California and Massachusetts tax credits can be carried forward indefinitely.

Internal Revenue Code section 382 places a limitation ("Section 382 Limitation") on the amount of taxable income can be offset by NOL carry-forwards after a change in control (generally greater than 50% change in ownership) of a loss corporation. California has similar rules. Generally, after a control change, a loss corporation cannot deduct NOL carry-forwards in excess of the Section 382 Limitation. An IRC Section 382 analysis has been performed as of September 30, 2023 and determined there would be no effect on the NOL deferred tax asset if ownership changes occurred.

**MODEL N, INC.**  
**Notes to Consolidated Financial Statements**

As of September 30, 2023, the Company had unrecognized tax benefits of approximately \$ 7.0 million. It is unlikely that the amount of liability for unrecognized tax benefits will significantly change over the next twelve months. The Company's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. As of September 30, 2023, the liability related to uncertain tax positions recorded on the financial statements was immaterial.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Fiscal Years Ended September 30,		
	2023	2022	2021
	(in thousands)		
Unrecognized tax benefits at the beginning of the period	\$ 5,621	\$ 5,118	\$ 4,655
Gross decrease based on tax positions during the prior period	( 70 )	( 54 )	( 179 )
Gross increase based on tax positions during the prior period	425	—	—
Gross increase based on tax positions during the current period	998	557	642
Unrecognized tax benefits at the end of the period	<u>\$ 6,974</u>	<u>\$ 5,621</u>	<u>\$ 5,118</u>

The Company is subject to income taxes in U.S. federal and various state, local and foreign jurisdictions. The tax years ended from September 2001 to September 2023 remain open to examination due to the carryover of unused net operating losses or tax credits.

**Note 14. Net Loss Per Share**

The Company's basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted average number of shares of common stock outstanding for the period, which excludes unvested restricted stock awards. The diluted net loss per share attributable to common stockholders is computed by giving effect to all potentially dilutive common stock equivalents outstanding for the period including options to purchase common stock, unvested restricted stock units, ESPP, and convertible senior notes.

	Fiscal Years Ended September 30,		
	2023	2022	2021
	(in thousands, except per share data)		
<b>Numerator:</b>			
Basic and diluted:			
Net loss attributable to common stockholders	<u>\$ ( 33,922 )</u>	<u>\$ ( 28,635 )</u>	<u>\$ ( 29,737 )</u>
<b>Denominator:</b>			
Basic and diluted:			
Weighted Average Shares Used in Computing Net Loss per Share Attributable to Common Stockholders	<u>38,081</u>	<u>36,744</u>	<u>35,461</u>
<b>Net Loss per Share Attributable to Common Stockholders:</b>			
Basic and diluted	<u>\$ ( 0.89 )</u>	<u>\$ ( 0.78 )</u>	<u>\$ ( 0.84 )</u>

Potentially dilutive securities that were not included in the calculation of diluted net loss per share because their effect would have been anti-dilutive are as follows (in thousands):

	As of September 30,		
	2023	2022	2021
	(in thousands)		
Stock options	—	4	25
Performance-based RSUs and RSUs	2,080	2,055	1,748
Shares issuable pursuant to the employee stock purchase plan	115	95	91
Convertible senior notes	—	—	5,176

Because the Convertible Senior Notes principal amount will always be settled in cash, the conversion spread has a dilutive impact on diluted net income per share of common stock when the average market price of the Company's common stock for a given period exceeds the conversion price of \$ 33.33 per share for the 2025 Notes and \$ 43.04 per share for the 2028 Notes. The number of shares relating to convertible senior notes represents potentially dilutive securities relating to the conversion premium (if any) of Convertible Senior Notes outstanding as of period-end, calculated using the Company's period-end common stock price.

Upon adoption of ASU 2020-06 on October 1, 2022 and prior to an irrevocable election to settle the Company's conversion obligations with respect to the 2025 Notes using Combination Settlement on March 30, 2023, we used if-converted method to calculate potentially dilutive shares from conversion of the 2025 Notes, under this method the assumption is made that the entire amount of 2025 Notes is converted at the beginning of the reporting period.

#### **Note 15. Geographic Information**

The Company has one operating segment with one business activity - developing and monetizing revenue management solutions.

##### **Revenues from External Customers**

Revenues from customers outside the United States were 5 %, 5 %, and 7 % of total revenues for the fiscal years ended September 30, 2023, 2022, and 2021, respectively.

##### **Long-Lived Assets**

The following table sets forth the Company's property and equipment, net by geographic region:

	As of September 30,		
	2023	2022	
	(in thousands)		
United States	\$ 624	\$ 1,113	
India	618	725	
Total property and equipment, net	\$ 1,242	\$ 1,838	

## **ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **ITEM 9A. Controls and Procedures**

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

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

#### ***Management's Annual Report on Internal Control over Financial Reporting***

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of September 30, 2023, using the criteria established in *Internal Control—Integrated Framework* (2013 framework) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on our evaluation under the COSO framework, our management has concluded that our internal control over financial reporting was effective as of September 30, 2023, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The effectiveness of our internal control over financial reporting as of September 30, 2023, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

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

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended September 30, 2023, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### ***Inherent Limitations on Effectiveness of Controls***

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## **ITEM 9B. Other Information**

### **Rule 10b5-1 Plan Adoptions and Modifications**

None .

**ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

None.

## PART III

### **ITEM 10. Directors, Executive Officers and Corporate Governance**

Information about our Executive Officers and our Directors is incorporated by reference to information contained in the Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of September 30, 2023.

We have adopted a code of business conduct for directors and a code of business conduct for all of our employees, including our executive officers, and those employees responsible for financial reporting. Both codes of business conduct are available on the investor relations portion of our website at [investor.modeln.com](http://investor.modeln.com). A copy may also be obtained without charge by contacting Investor Relations, Model N, Inc., 777 Mariners Island Boulevard, Suite 300, San Mateo, CA 94404 or by calling (650) 610-4998.

We plan to post on our website at the address described above any future amendments or waivers of our codes of business conduct.

### **ITEM 11. Executive Compensation**

The information required by this item is incorporated by reference to information contained in the Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of September 30, 2023.

### **ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The information required by this item is incorporated by reference to information contained in the Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of September 30, 2023.

### **ITEM 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this item is incorporated by reference to information contained in the Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of September 30, 2023.

### **ITEM 14. Principal Accountant Fees and Services**

The information required by this item is incorporated by reference to information contained in the Proxy Statement for the 2024 Annual Meeting of Stockholders to be filed with the SEC within 120 days of September 30, 2023.

**PART IV**

**ITEM 15. Exhibits and Financial Statement Schedules**

(a) The following documents filed as a part of the report:

(1) Financial Statements

The financial statements are set forth in Item 8 of this Annual Report on Form 10-K.

(2) Financial Statement Schedule

Schedule II - Valuation and qualifying accounts

The table below presents the changes in the valuation allowance for deferred tax assets for the fiscal years ended September 30, 2023, 2022, and 2021, respectively.

Description	Balance at Beginning of Period	Additions Charges to Costs and Expenses	Write-offs and Deductions	Balance at End of Period
<b>Valuation allowance for deferred tax assets</b>				
For the Year Ended September 30, 2023	\$ 89,581	24,330	15,706	\$ 98,205
For the Year Ended September 30, 2022	\$ 83,444	7,742	1,605	\$ 89,581
For the Year Ended September 30, 2021	\$ 73,372	14,332	4,260	\$ 83,444

(3) Exhibits

The following exhibits are included herein or incorporated herein by reference:

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Registrant</a>	10-Q	001-35840	3.1	5/10/2013	
3.2	<a href="#">Amended and Restated Bylaws of the Registrant</a>	10-Q	001-35840	3.1	5/6/2020	
4.1	<a href="#">Form of Registrant's Common Stock certificate</a>	S-1	333-186668	4.01	3/7/2013	
4.2	<a href="#">Indenture dated May 22, 2020 between Model N, Inc. and U.S. Bank, National Association</a>	8-K	001-35840	4.1	5/22/2020	
4.3	<a href="#">Form of Global Note, representing Model N, Inc.'s 2.625% Convertible Senior Notes due 2025</a>	8-K	001-35840	4.1	5/22/2020	
4.4	<a href="#">Indenture dated March 13, 2023 between Model N, Inc. and U.S. Bank Trust Company, National Association</a>	8-K	001-35840	4.1	3/14/2023	
4.5	<a href="#">Form of Global Note, resenting Model N, Inc.'s 1.875% Convertible Senior Notes due 2028 (included as Exhibit A to the Indenture filed as Exhibit 4.4)</a>	8-K	001-35840	4.1	3/14/2023	
4.4	<a href="#">Description of Registrant's Securities</a>	10-K	001-35840	4.5	11/23/2020	
10.1	<a href="#">Form of Indemnity Agreement to be entered into between Registrant and each of its officers and directors</a>	S-1	333-186668	10.01	3/12/2013	
10.2	<a href="#">Form of Change in Control and Severance Agreement (Non-CEO Executives)</a>	8-K	001-35840	10.2	5/9/2019	
10.3†	<a href="#">2010 Equity Incentive Plan and forms of stock option agreement and stock option exercise agreement</a>	S-1	333-186668	10.03	2/13/2013	
10.4†	<a href="#">2013 Equity Incentive Plan and forms of stock option agreement and stock option exercise agreement</a>	S-1	333-186668	10.04	3/7/2013	

10.5†	<a href="#">2013 Employee Stock Purchase Plan</a>	S-8	333-187388	99.4	3/20/2013
10.6†	<a href="#">Form of Restricted Stock Unit Agreement</a>	10-K	001-35840	10.12	12/6/2013
10.7†	<a href="#">Employment agreement dated May 7, 2018 by and between Registrant and Jason Blessing</a>	10-Q	001-35840	10.2	8/8/2018
10.8	<a href="#">Form of Change in Control and Severance Agreement (CEO)</a>	8-K	001-35840	10.1	5/9/2019
10.9	<a href="#">Lease by and between RV VI 777 Mariners, LLC and Registrant dated April 7, 2020</a>	10-Q	001-35840	10.1	5/6/2020
10.10†	<a href="#">2021 Equity Incentive Plan</a>	DEF 14A	001-35840	Appendix A	1/8/21
10.11†	<a href="#">2021 Employee Stock Purchase Plan</a>	DEF 14A	001-35840	Appendix B	1/8/21
10.12†	<a href="#">Form of Executive Employment Agreement</a>	10-K	001-35840	10.12	11/19/2021
19.1	<a href="#">Insider Trading Policy</a>				X
21.1	<a href="#">List of Subsidiaries of Registrant</a>				X
23.1	<a href="#">Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm</a>				X
24.1	<a href="#">Power of Attorney (included on the signature page of this report)</a>				X
31.1	<a href="#">Certification of Periodic Report by Principal Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002</a>				X
31.2	<a href="#">Certification of Periodic Report by Principal Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002</a>				X
32.1*	<a href="#">Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				X
32.2*	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>				X
97.1	<a href="#">Compensation Recovery Policy</a>				X
101.INS	<a href="#">Inline XBRL Instance Document</a>				X
101.SCH	<a href="#">Inline XBRL Taxonomy Extension Schema Document</a>				X
101.CAL	<a href="#">Inline XBRL Taxonomy Extension Calculation Linkbase Document</a>				X
101.DEF	<a href="#">Inline XBRL Taxonomy Extension Definition Linkbase Document</a>				X
101.LAB	<a href="#">Inline XBRL Taxonomy Extension Label Linkbase Document</a>				X
101.PRE	<a href="#">Inline XBRL Taxonomy Extension Presentation Linkbase Document</a>				X
104	<a href="#">Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)</a>				X

† Indicates a management contract or compensatory plan.

\* These exhibits are furnished with this Annual Report on Form 10-K and are not deemed filed with the Securities and Exchange Commission and are not incorporated by reference in any filing of the Registrant under the Securities Act of 1933 or the Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in such filings.

**ITEM 16. Form 10-K Summary**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized, in San Mateo, State of California, on this 17th day of November 2023.

**MODEL N, INC.**

By: /s/ JOHN EDERER

John Ederer

Chief Financial Officer

**POWER OF ATTORNEY**

**KNOW ALL PERSONS BY THESE PRESENTS**, that each person whose signature appears below constitutes and appoints Jason Blessing or John Ederer, or any of them, their attorneys-in-fact, for such person in any and all capacities, to sign any amendments to this report and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that either of said attorneys-in-fact, or substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ JASON BLESSING Jason Blessing	Chief Executive Officer and Director ( <i>Principal Executive Officer</i> )	November 17, 2023
/s/ JOHN EDERER John Ederer	Chief Financial Officer ( <i>Principal Financial Officer and Accounting Officer</i> )	November 17, 2023
Additional Directors:		
/s/ TIM ADAMS Tim Adams	Director	November 17, 2023
/s/ BALJIT DAIL Baljit Dail	Director	November 17, 2023
/s/ KIMBERLY DECARLIS Kimberly DeCarlis	Director	November 17, 2023
/s/ MELISSA FISHER Melissa Fisher	Director	November 17, 2023
/s/ MANISHA SHETTY GULATTI Manisha Shetty Gulatti	Director	November 17, 2023
/s/ ALAN HENRICKS Alan Henricks	Director	November 17, 2023
/s/ SCOTT REESE Scott Reese	Director	November 17, 2023
/s/ DAVE YARNOLD Dave Yarnold	Director	November 17, 2023

## MODEL N, INC.

PROCEDURES AND GUIDELINES GOVERNING  
SECURITIES TRADES BY COMPANY PERSONNEL

As adopted March 19, 2013  
 As amended August 27, 2013  
 As amended November 5, 2014  
 As amended November 2, 2018  
 As amended May 1, 2020  
 As amended March 10, 2023

## I. PURPOSE

It is illegal for any employee, officer (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934, as amended (the **“Exchange Act”**) or director of Model N, Inc. (the **“Company”**) to trade in the securities of the Company while in the possession of material nonpublic information about the Company. It is also illegal for any employee, officer or director of the Company to give material nonpublic information to others who may trade on the basis of that information.

In order to comply with federal and state securities laws governing (i) trading in Company securities while in the possession of material nonpublic information concerning the Company and (ii) tipping or disclosing material nonpublic information to outsiders, and in order to prevent the appearance of improper trading or tipping, the Company has adopted this policy for all of its employees, officers and directors, members of their immediate families and others living in their households.

## II. SCOPE

- A. This policy covers all employees, officers and directors of the Company, as well as their immediate family members, people sharing their households and anyone subject to their influence or control. Employees, officers and directors are responsible for ensuring compliance by their immediate family members and affiliated or associated entities. An **“immediate family member”** under this policy means any child, stepchild, parent, stepparent, spouse, domestic partner, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law of a person security holder, and includes any person (other than a tenant or employee) sharing the household of that person. All of these individuals and entities are referred to in this policy collectively as **“Insiders.”**
- B. This policy applies to any and all transactions in the Company’s securities, including shares of its Common Stock, restricted stock units, and options to purchase Common Stock (as described in more detail in Section VI.E below), however acquired, and any other type of securities that the Company may issue, such as preferred shares, convertible debentures, warrants and exchange-traded options or other derivative securities.

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- C. This policy allows for trades by Insiders made in compliance with Rule 10b5-1 (**Rule 10b5-1**) promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), subject to the requirements set forth below and approval of the Company's Compliance Officer.
- D. The Company may change these procedures or adopt such other procedures in the future as the Company considers appropriate in order to carry out the purposes of its policy.

### III. SECTION 16 PARTIES; ACCESS PERSONS

- A. **Section 16 Parties.** The Company has designated those persons on a list maintained by the Compliance Officer as "Officer" (as defined in Rule 16a-1(f) of the Exchange Act) and "Director" as those who are subject to the reporting provisions and trading restrictions of Section 16 of the Exchange Act, and the underlying rules and regulations promulgated by the Securities and Exchange Commission ("**SEC**"). Each such person, and each entity affiliated or associated with any such officer or director, is referred herein as a "**Section 16 Party**." Section 16 Parties must obtain prior approval of all trades in Company securities from the Insider Trading Compliance Officer in accordance with the procedures set forth in Section VI.D below. The Company will amend Exhibit A from time to time as necessary to reflect the addition and the resignation or departure of Section 16 Parties. Each Section 16 Party will notify the Insider Trading Compliance Officer in writing when such Section 16 Party believes that he or she is no longer subject to Section 16 of the Exchange Act. If the Company agrees that such Section 16 Party is no longer so subject, or if the Company determines independently that such Section 16 Party is no longer so subject, then such Section 16 Party automatically will be deemed to be removed from Exhibit A effective when it is determined that such Section 16 Party is no longer subject to Section 16 of the Exchange Act. The Company will promptly notify any Section 16 Party in writing if the Company independently determines that such Section 16 Party is no longer legally subject to Section 16 of the Exchange Act.
- B. **Access Persons.** The Company has designated those persons on a list maintained by the Compliance Officer as "**Access Persons**" as those who have regular access to material nonpublic information in the normal course of their duties for the Company (other than Section 16 Parties). The Company will amend Exhibit A from time to time as necessary to reflect the addition and the resignation, departure or change of status of Access Persons. The Company will promptly notify any Access Person in writing if the Company independently determines that such Access Person no longer has access to material nonpublic information about the Company.

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#### **IV. INSIDER TRADING COMPLIANCE OFFICER**

The Company has designated the Company's General Counsel as its Insider Trading Compliance Officer ("Compliance Officer") and in the event of the General Counsel's unavailability, the Company's Chief Executive Officer or Chief Financial Officer, or another Section 16 Party, shall be authorized to serve as Compliance Officer in the interim. The Compliance Officer will review and either approve or prohibit all proposed trades by Section 16 Parties or Access Persons in accordance with the procedures set forth in Section VI.D below, except that with respect to proposed trades by the Compliance Officer when also serving as the Compliance Officer, any proposed trades must be approved by another Section 16 Party. The Compliance Officer may consult with the Company's legal counsel.

In addition to the trading approval duties described in Section VI.D below, the duties of the Compliance Officer will include the following:

- A. Administering and interpreting this policy and monitoring and enforcing compliance with all policy provisions and procedures.
- B. Responding to all inquiries relating to this policy and its procedures.
- C. Designating and announcing trading blackout periods during which no designated Section 16 Party, Access Person or certain other Insiders may trade in Company securities.
- D. Providing copies of this policy and other appropriate materials to all current and new Insiders, and such other persons who the Compliance Officer determines may have access to material nonpublic information concerning the Company.
- E. Revising the policy as necessary to reflect changes in federal or state insider trading laws and regulations.
- F. Maintaining the accuracy of the list of Section 16 Parties and Access Persons, and updating such lists periodically as necessary to reflect additions or deletions.

The Compliance Officer may designate one or more individuals who may perform the Compliance Officer's duties in the event that the Compliance Officer is unable or unavailable to perform such duties.

#### **V. DEFINITION OF "MATERIAL NONPUBLIC INFORMATION"**

##### **A. "MATERIAL" INFORMATION**

Information about the Company is "material" if it would be expected to affect the investment or voting decisions of a reasonable shareholder or investor, or if the disclosure of the information would be expected to alter significantly the total mix of the information in the marketplace about the Company. In simple terms, material information is any type of information that could

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reasonably be expected to affect the market price of the Company's securities. Both positive and negative information may be material. While it is not possible to identify all information that would be deemed "material," the following types of information ordinarily would be considered material:

- Financial performance, especially quarterly and year-end earnings, and significant changes in financial performance or liquidity.
- Financial and operational forecasts, including projections of future earnings or losses or other earnings guidance.
- Customer, product, service, pricing, geography, and market strategies and shifts.
- Status of the Company's progress toward achieving significant Company goals.
- Entry into new strategic relationships, and amendments to or termination of existing strategic relationships.
- Significant cybersecurity or data breaches.
- Potential restatements of the Company's financial statements, changes in the Company's auditor or notification that the Company may no longer rely on an auditor's report.
- Potential material mergers and acquisitions or material sales of Company assets or subsidiaries.
- Stock splits, public or private securities/debt offerings, or changes in Company dividend policies or amounts.
- Significant changes in senior management.
- New major contracts or customers, or the loss of a major customer.
- Initiation of a significant lawsuit.

## B. "NONPUBLIC" INFORMATION

Material information is "nonpublic" if it has not been widely disseminated to the public, for example, through major newswire services, national news services, Web casts, financial news services or Forms 8-K and other filings with the SEC. For the purposes of this policy, information will be considered public, i.e., no longer "nonpublic," at the opening of trading on the third full trading day following the Company's widespread public release of the information.

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### C. CONSULT THE COMPLIANCE OFFICER FOR GUIDANCE

Insiders who are unsure whether the information that they possess is material or nonpublic must consult the Compliance Officer for guidance before trading in any Company securities.

## VI. STATEMENT OF COMPANY POLICY AND PROCEDURES

### A. PROHIBITED ACTIVITIES

1. No Insider may trade in Company securities while possessing material nonpublic information concerning the Company (except as permitted by Section VI.C). It does not matter that there may exist a justifiable reason for a purchase or sale apart from the nonpublic information; if the Insider has material nonpublic information, the prohibition still applies.
2. No Insider may trade in Company securities outside of the applicable "trading windows" described in Section VI.B below and no Insider may trade in the Company securities during any trading blackout periods designated by the Compliance Officer that are applicable to such Insider (except as permitted by Section VI.C).
3. No Section 16 Party or Access Person may trade in Company securities unless the trade has been approved by the Compliance Officer in accordance with the procedures set forth in Section VI.C below.
4. The Compliance Officer may not trade in Company securities unless the trade has been approved by another Section 16 Party in accordance with the procedures set forth in Section VI.D below (except as permitted by Section VI.C).
5. No Insider may disclose material nonpublic information concerning the Company to any outside person (including family members, analysts, individual investors and members of the investment community and news media), unless required as part of the regular duties of such Insider for the Company or authorized by the Compliance Officer. In any instance in which such information is disclosed to outsiders, the Company will take such steps as are necessary to preserve the confidentiality of the information, including requiring the outsider to agree in writing to comply with the terms of this policy and/or to sign a confidentiality agreement. All inquiries from outsiders regarding material nonpublic information about the Company must be forwarded to the Compliance Officer.
6. No Insider may give trading advice of any kind about the Company to anyone while possessing material nonpublic information about the Company, except that Insiders should advise others not to trade if

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doing so might violate the law or this policy. The Company strongly discourages all Insiders from giving trading advice concerning the Company to third parties even when the Insiders do not possess material nonpublic information about the Company.

7. No Insider may engage in hedging or monetization transactions, acquire, sell or trade in any interest or position relating to the future price of Company securities, such as a put option, a call option, or a short sale (including a short sale "against the box"), and no such person may pledge any Company securities.
8. No Insider may give trading advice of any kind to anyone concerning any other public company while possessing such material nonpublic information about that company.
9. Except as permitted by Section VI.C, no Insider may make a gift or other transfer without consideration of Company securities during a period when that Insider is not permitted to trade.
10. No Insider may participate, in any manner other than passive observation, in any of the investment or stock-related Internet "chat" rooms or message boards relating to the Company.
11. No entity over which an Insider has or shares voting or investment control may distribute securities of the Company to its limited partners, general partners or shareholders during a period when the Insider is not permitted to trade, unless the limited partners, general partners or shareholders of that entity have agreed in writing to hold the securities until the trading window described in Section VI.B below is first open.

## B. TRADING WINDOWS AND BLACKOUT PERIODS

1. ***Trading Windows for Section 16 Parties and Access Persons.*** Subject to the exceptions described in Section VI.C below, after obtaining trading approval from the Compliance Officer in accordance with the procedures set forth in Section VI.D below, Section 16 Parties and Access Persons may trade in Company securities only during the period **beginning at the opening of trading on the third business day following the Company's widespread public release of quarterly or year-end earnings, and ending at the close of trading on the fourteenth (14th) day of the third month of the then-current quarter, as long as they are not in possession of material nonpublic information or subject to any trading blackout period.**
2. ***Trading Windows for Employees.*** Subject to the exceptions described in Section VI.C below, all Insiders who are not Section 16 Parties or Access Persons may trade in Company securities only

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during the period **beginning at the opening of trading on the third business day following the Company's widespread public release of quarterly or year-end operating results, and ending at the close of trading on the fourteenth (14th) day of the third month of the then-current quarter, as long as they are not in possession of material nonpublic information or subject to any trading blackout period.** Insiders who are not Section 16 Parties or Access Persons need not obtain approval from the Compliance Officer prior to trading during this period.

3. **No Trading During Trading Windows While in the Possession of Material Nonpublic Information.** No Insider possessing material nonpublic information concerning the Company may trade in Company securities even during applicable trading windows, except as permitted by Section VI.C. Persons possessing such information may trade during a trading window only after the opening of trading on the third full trading day following the Company's widespread public release of the information.
4. **No Trading During Blackout Periods.** The Compliance Officer may designate trading blackout periods that apply to particular individuals or groups of persons for such time as is determined by the Compliance Officer. No Insider may trade in Company securities outside of the applicable trading windows or during any trading blackout periods that the Compliance Officer may designate that applies to such Insider, except as permitted by Section VI.C. No Insider subject to a trading blackout period may disclose to anyone not subject to the trading blackout period that a trading blackout period has been designated or that one previously was in place because that is also confidential information.

#### C. EXCEPTION FOR TRANSFERS PURSUANT TO RULE 10b5-1 PLANS

1. The Company allows Insiders to trade in Company securities while in possession of material nonpublic information, outside of a trading window or during a trading blackout period, pursuant to a written plan for selling or purchasing a predetermined number of shares that is entered into while an Insider is not in possession of material nonpublic information as contemplated in Rule 10b5-1 (a, "**Rule 10b5-1 Plan**") that is approved in writing by the Compliance Officer.

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The Company encourages any Section 16 Party and Access Person to enter into a Rule 10b5-1 Plan.

D. PROCEDURES FOR APPROVING TRADES

1. **Section 16 Parties and Access Persons.** No Section 16 Party or Access Person may trade in Company securities, until:
  - a. The person trading has notified the Compliance Officer in writing of the amount and nature of the proposed trade(s);
  - b. The person trading has certified to the Compliance Officer in writing no earlier than two business days prior to the proposed trade(s) that:
    - (i) Such person is not in possession of material nonpublic information concerning the Company; and
    - (ii) the proposed trade(s) do not violate the trading restrictions of Section 16 of the Exchange Act or Rule 144 of the Securities Act.
  - c. The Compliance Officer has approved the trade(s) and has certified such approval in writing, except as provided in paragraph 2 of this subsection.
  - d. Notwithstanding the Compliance Officer's approval of a proposed trade, if a Section 16 Party or Access Person comes into possession of material nonpublic information after the approval of a proposed trade but before the proposed trade has occurred, such person shall not execute the proposed trade.
2. **Rule 10b5-1 Plans.** No trades shall be treated as having been made pursuant to a Rule 10b5-1 Plan under this policy unless:
  - a. The Rule 10b5-1 Plan complies with the requirements of Rule 10b5-1 and this policy;
  - b. The Compliance Officer has approved the Rule 10b5-1 Plan, and has certified such approval in writing at least one month in advance of the first trade thereunder (such approval shall not be considered a determination by the Company or the Compliance Officer that the Rule 10b5-1 Plan satisfies the requirements of Rule 10b5-1);
  - c. The person establishing the Rule 10b5-1 Plan has certified to the Compliance Officer in writing no earlier than two business days prior to the date that the Rule 10b5-1 Plan is formally adopted (and shall not have withdrawn such certification prior

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to such adoption), that as of such date and as of the adoption date of the Rule 10b5-1 Plan, that:

- (i) Such person is not aware of material nonpublic information concerning the Company;
- (ii) all such trades to be made pursuant to Rule 10b5-1 Plan will be made in accordance with applicable SEC rules;
- (iii) such person is establishing the Rule 10b5-1 Plan in good faith and not as part of a plan or scheme to evade the prohibitions of Section 10(b) of the Exchange Act and Rule 10b-5 of the Exchange Act; and
- (iv) such person will act in good faith with respect to the 10b5-1 Plan throughout its duration.

You must notify the Compliance Officer promptly and withdraw the certification if any changes of circumstances prior to the adoption date of the 10b5-1 Plan have or will render such certification to be inaccurate as of that time.

- d. The first trade under the Rule 10b5-1 Plan does not occur (i) for a Section 16 Party: until the later of (A) ninety (90) days after adoption of the Rule 10b5-1 Plan and (B) two business days following the disclosure of the Company financial results in a Form 10-Q or Form 10-K for the completed fiscal quarter in which the 10b5-1 Plan was adopted that disclose the Company's financial results (but not to exceed 120 days following the adoption of the 10b5-1 Plan); and for persons other than Section 16 Parties: thirty (30) days after the adoption of the 10b5-1 Plan. These waiting periods are collectively referred to as the "**Cooling-Off Period**."
- e. A trading person may have no more than one 10b5-1 Plan established at any point in time (i.e. multiple concurrent or overlapping plans are prohibited), subject to the exception note in Rule 10b5-1, which are provided for you in the Appendix. One of these exceptions is for plans authorizing certain "sell-to-cover" transactions.
- f. The Rule 10b5-1 Plan is not a single-trade Rule 10b5-1 Plan established during the 12-month period immediately following the person's establishment of another single-trade Rule 10b5-1 Plan, subject to the exception noted in Rule 10b5-1, which are provided in the Appendix.

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- 3 . **Modification of a Rule 10b5-1 Plan.** Once an approved Rule 10b5-1 Plan in place, approval from the Compliance Officer is necessary to make certain changes to it. Modifying or changing the amount, price, or timing of the purchase or sale of our securities underlying the Rule 10b5-1 Plan (or a modification or change to a written formula or algorithm, or computer program that affects the amount, price, or timing of the purchase or sale of such securities) (any such modification or change, a “**Plan Modification**”) will be deemed to be the same as terminating the existing Rule 10b5-1 Plan and entering into a new Rule 10b5-1 Plan. As a result, the approval process for a Plan Modification is the same as the approval process for initially establishing a Rule 10b5-1 Plan, including being subject to a new Cooling-Off Period. The Company discourages employees, officers or directors from making multiple Plan Modifications, as that may give the appearance that such person is trading on material nonpublic information under the guise of that plan. Plan Modifications can only be made during a trading window and not during any blackout period and only when such person is not in possession of material nonpublic information. For other modifications to a 10b5-1 Plan, the Compliance Officer must be notified of such modification in writing at least two business days prior to the modification and such modification must be approved by the Compliance Officer.
- 4 . **Termination of a Rule 10b5-1 Plan.** Once an approved 10b5-1 Plan is in place, an Insider must notify the Compliance Officer upon termination of such 10b5-1 Plan.
5. **No Obligation to Approve Trades.** The existence of the foregoing approval procedures does not in any way obligate the Compliance Officer to approve any trades requested by Section 16 Parties or Access Persons or to approve any Rule 10b5-1 Plan. The Compliance Officer may reject any trading requests or Rule 10b5-1 Plans at his or her sole reasonable discretion. Approval of a Rule 10b5-1 Plan by the Compliance Officer shall not be considered a determination by the Company or the Compliance Officer that the Rule 10b5-1 Plan satisfies the requirements of Rule 10b5-1.

#### E. EMPLOYEE BENEFIT PLANS

1. **Employee Stock Purchase Plan.** The trading prohibitions and restrictions set forth in this policy do not apply to periodic wage withholding contributions by the Company or employees to the Company's 2021 Employee Stock Purchase Plan that is used to purchase Company securities pursuant to the employees' advance instructions. However, no officers or employees may alter their instructions regarding the level of withholding or purchase by the employee of Company securities under such plan while in the possession of material nonpublic information. Any sale of securities

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acquired under such plan is subject to the prohibitions and restrictions of this policy.

2. **Stock Option Plans.** The trading prohibitions and restrictions set forth in this policy shall not prohibit the exercise of stock options granted under our equity incentive plans for cash or by delivering to the Company previously owned Company stock or through a net exercise of a stock option that is permitted by the Company's equity incentive plans and that does not involve a sale of shares in the open market. The trading prohibitions and restrictions set forth in this policy shall not apply to the payment of taxes in connection with exercising stock options granted under our equity incentive plans pursuant to net withholding arrangements approved by the Company for the payment of taxes upon the exercise of stock options and that does not involve a sale of shares in the open market. However, the sale of any shares issued on the exercise of Company-granted stock options, as well as any cashless exercise of Company-granted stock options in which stock is sold on the open market to pay the exercise price or taxes (i.e., "same-day sales") are subject to trading restrictions under this Policy.
3. **RSUs.** The trading prohibitions and restrictions shall not prohibit the settlement of RSUs pursuant to a net settlement or a "sale to cover" for non-discretionary, automatic tax withholdings initiated and approved by the Company for the payment of taxes upon the vesting of RSUs.

#### F. PRIORITY OF STATUTORY OR REGULATORY TRADING RESTRICTIONS

The trading prohibitions and restrictions set forth in this policy will be superseded by any greater prohibitions or restrictions prescribed by federal or state securities laws and regulations, e.g., contractual restrictions on the sale of securities, short-swing trading by Section 16 Parties or restrictions on the sale of securities subject to Rule 144 under the Securities Act. Any Insider who is uncertain whether other prohibitions or restrictions apply should ask the Compliance Officer.

#### VII. POTENTIAL CIVIL, CRIMINAL AND DISCIPLINARY SANCTIONS

##### A. CIVIL AND CRIMINAL PENALTIES

The consequences of prohibited insider trading or tipping can be severe. Persons violating insider trading or tipping rules may be required to disgorge the profit made or the loss avoided by trading, pay the loss suffered by the persons who purchased securities from or sold securities to the insider tippee, pay civil penalties, pay a criminal penalty and serve a jail term. The Company and/or the supervisors of the person violating the rules may also be

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required to pay major civil or criminal penalties and could under certain circumstances be subject to private lawsuits by contemporaneous traders for damages suffered as a result of illegal insider trading or tipping by persons under the Company's control.

#### **B. COMPANY DISCIPLINE**

Violation of this policy or federal or state insider trading or tipping laws by any employee, officer or director may subject a director to dismissal proceedings and an officer or employee to disciplinary action by the Company up to and including termination for cause. A violation of the Company's policy is not necessarily the same as a violation of law. In fact, for the reasons indicated above, the Company's policy is intended to be broader than the law. The Company reserves the right to determine, in its own discretion and on the basis of the information available to it, whether its policy has been violated. The Company may determine that specific conduct violates its policy, whether or not the conduct also violates the law. It is not necessary for the Company to await the filing or conclusion of a civil or criminal action against the alleged violator before taking disciplinary action.

#### **C. REPORTING OF VIOLATIONS**

Any employee, officer or director who violates this policy or any federal or state laws governing insider trading or tipping, or knows of any such violation by any other employee, officer or director, must report the violation immediately to the Compliance Officer, Chief Executive Officer or Chief Financial Officer, or through the procedures outlined in the Company's Whistleblower and Complaint Policy. Upon learning of any such violation, the Compliance Officer, Chief Executive Officer and Chief Financial Officer, in consultation with the Company's legal counsel, will determine whether the Company should release any material nonpublic information, or whether the Company should report the violation to the SEC or other appropriate governmental authority.

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## **VIII. INQUIRIES**

Please direct all inquiries regarding any of the provisions or procedures of this policy to the Compliance Officer.

## **IX. CHANGES TO THE POLICY; EFFECTIVE DATE**

### **A. Policy Modifications or Waivers**

The Company's Board of Directors reserves the right in its sole discretion to modify or grant waivers to this policy. Any amendments or waivers may be publicly disclosed if required by applicable laws, rules and regulations. For the avoidance of doubt, unless explicitly stated by the Board of Directors, any waiver, amendment or modification of the policy by the Board of Directors shall not be considered a waiver of the Company's Code of Conduct and Ethics.

### **B. Effective Date**

The effective date of this policy is March 10, 2023. The amendments to this policy will not apply to any existing Rule 10b5-1 Plan that was entered into prior to March 10, 2023.

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## APPENDIX

### **Exceptions to the Multiple, Overlapping 10b5-1 Plan Restriction**

Such exceptions are:

- An eligible “sell-to-cover” Rule 10b5-1 Plan where such plan authorizes an agent to sell only such securities as are necessary to satisfy tax withholding obligations arising exclusively from the vesting of a compensatory award, such as restricted stock or stock appreciation rights, and the Insider does not otherwise exercise control over the timing of such sales. For the avoidance of doubt, this exception does not extend to sales incident to the exercise of option awards.
- A series of separate contracts with different broker-dealers or other agents acting on behalf of the person (other than the Company) to execute trades thereunder may be treated as a single Rule 10b5-1 Plan, provided that the individual constituent contracts with each broker-dealer or other agent, when taken together as a whole, meet all of the applicable conditions of and remain collectively subject to the provisions of Rule 10b5-1, including that a modification of any individual contract acts as modification of the whole 10b5-1 Plan, as defined in Rule 10b5-1(c)(1)(iv). The substitution of a broker-dealer or other agent acting on behalf of the person (other than the Company) for another broker-dealer that is executing trades pursuant to a 10b5-1 Plan shall not be a “Plan Modification” as long as the purchase or sales instructions applicable to the substitute and substituted broker are identical with respect to the prices of securities to be purchased or sold, dates of the purchases or sales to be executed, and amount of securities to be purchased or sold.
- One later-commencing Rule 10b5-1 Plan for purchases or sales of any securities of the Company on the open market under which trading is not authorized to begin until after all trades under the earlier-commencing Rule 10b5-1 Plan are completed or expired without execution. However, the first trade under such later-commencing 10b5-1 Plan must be scheduled after the “Effective Cooling-Off Period,” or the Cooling-Off Period that would be applicable to the later-commencing Rule 10b5-1 Plan if the date of adoption of the later-commencing Rule 10b5-1 Plan were deemed to be the date of termination of the earlier-commencing Rule 10b5-1 Plan.

### **Exceptions to the Single-Trade Rule 10b5-1 Plan Restriction**

There is an exception for eligible “sell-to-cover” Rule 10b5-1 Plans where the plan authorizes an agent to sell only such securities as are necessary to satisfy tax withholding obligations arising exclusively from the vesting of a compensatory award, such as restricted stock or stock appreciation rights, and the Insider does not otherwise exercise control over the timing of such sales.

**SUBSIDIARIES OF MODEL N, INC.**

Name	Jurisdiction of Incorporation
Model N India Software Private Limited	India
Model N (Switzerland) GmbH / Model N (Switzerland) LLC	Switzerland
Model N UK Limited	United Kingdom
Sapphire Stripe Holdings, Inc.	Delaware, USA
Model N Canada Limited	Canada

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-187388, 333-192758, 333-200358, 333-208158, 333-214705, 333-221583, 333-224051, 333-228439, 333-234740, 333-250864, 333-253893, and 333-270583) of Model N, Inc. of our report dated November 17, 2023 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California  
November 17, 2023

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jason Blessing, certify that:

1. I have reviewed this Annual Report on Form 10-K of Model N, 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 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 (or persons performing the equivalent functions):
  - 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 17, 2023

By: /s/ JASON BLESSING

Jason Blessing

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Ederer, certify that:

1. I have reviewed this Annual Report on Form 10-K of Model N, 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 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 (or persons performing the equivalent functions):
  - 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 17, 2023

By: /s/ JOHN EDERER

John Ederer

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jason Blessing, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report of Model N, Inc. on Form 10-K for the fiscal year ended September 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Model N, Inc.

Date: November 17, 2023

By: /s/ JASON BLESSING  
Jason Blessing  
Chief Executive Officer  
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Ederer, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge, the Annual Report of Model N, Inc. on Form 10-K for the fiscal year ended September 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Model N, Inc.

Date: November 17, 2023

By: /s/ JOHN EDERER  
John Ederer  
Chief Financial Officer  
(Principal Financial Officer)

**MODEL N, INC.**  
**COMPENSATION RECOVERY POLICY**  
**As adopted August 4, 2023**

The Board of Directors (the “**Board**”) of Model N, Inc. (the “**Company**”) has determined that it is in the best interests of the Company and its stockholders to adopt and implement this compensation recovery policy (the “**Policy**”) enabling the Company to recover from specified current and former Company executives certain incentive-based compensation in the event of an accounting restatement resulting from material noncompliance with any financial reporting requirements under the federal securities laws. Capitalized terms are defined in Section 14.

This Policy is designed to comply with Rule 10D-1 of the Exchange Act and shall become effective on the Effective Date and shall apply to Incentive-Based Compensation Received by Covered Persons on or after the Listing Rule Effective Date. On the Effective Date, this Policy will supersede the Company’s Compensation Recoupment and Forfeiture Policy.

### **1. Administration**

This Policy shall be administered by the Administrator. The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate, or advisable for the administration of this Policy. The Administrator may retain, at the Company’s expense, outside legal counsel and such compensation, tax or other consultants as it may determine are advisable for purposes of administering this Policy.

### **2. Covered Persons and Applicable Compensation**

This Policy applies to any Incentive-Based Compensation Received by a person (a) after beginning service as a Covered Person; (b) who served as a Covered Person at any time during the performance period for that Incentive-Based Compensation; and (c) was a Covered Person during the Clawback Period.

However, recovery is not required with respect to:

- i. Incentive-Based Compensation Received prior to an individual becoming a Covered Person, even if the individual served as a Covered Person during the Clawback Period.
- ii. Incentive-Based Compensation Received prior to the Listing Rule Effective Date.
- iii. Incentive-Based Compensation Received prior to the Clawback Period.
- iv. Incentive-Based Compensation Received while the Company did not have a class of listed securities on a national securities exchange or a national securities association, including the Exchange.

The Administrator will not consider the Covered Person’s responsibility or fault or lack thereof in enforcing this Policy with respect to recoupment under the Final Rules.

### **3. Triggering Event**

Subject to and in accordance with the provisions of this Policy, if there is a Triggering Event, the Administrator shall require a Covered Person to reimburse or forfeit to the Company

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the Recoupment Amount applicable to such Covered Person. A Company's obligation to recover the Recoupment Amount is not dependent on if or when the restated financial statements are filed.

If the Administrator determines that the Covered Person engaged in any fraud or intentional misconduct that materially contributes to or causes economic loss to the Company, this may be independently considered a Triggering Event, as determined by the Administrator in its sole discretion. In such case, the Company will use reasonable efforts to recover from such Covered Person up to 100% (as determined by the Administrator in its sole discretion to be appropriate based on the conduct involved) of the Incentive-Based Compensation, not just the Recoupment Amount.

#### **4. Calculation of Recoupment Amount**

The Recoupment Amount will be calculated in accordance with the Final Rules, as provided in the Calculation Guidelines attached hereto as Exhibit B.

#### **5. Method of Recoupment**

Subject to compliance with the Final Rules and applicable law, the Administrator will determine, in its sole discretion, the method for recouping the Recoupment Amount hereunder which may include, without limitation:

- i. Requiring reimbursement or forfeiture of the pre-tax amount of cash Incentive-Based Compensation previously paid;
- ii. Offsetting the Recoupment Amount from any compensation otherwise owed by the Company to the Covered Person, including without limitation, any prior cash incentive payments, executive retirement benefits, wages, equity grants or other amounts payable by the Company to the Covered Person in the future;
- iii. Seeking recovery of any gain realized on the vesting, exercise, settlement, cash sale, transfer, or other disposition of any equity-based awards; and/or
- iv. Taking any other remedial and recovery action permitted by law, as determined by the Administrator.

#### **6. Arbitration**

To the fullest extent permitted by law, any disputes under this Policy shall be submitted to mandatory binding arbitration (the "**Arbitrable Claims**"), governed by the Federal Arbitration Act (the "**FAA**"). Further, to the fullest extent permitted by law, no class or collective actions can be asserted in arbitration or otherwise. All claims, whether in arbitration or otherwise, must be brought solely in the Covered Person's individual capacity, and not as a plaintiff or class member in any purported class or collective proceeding.

SUBJECT TO THE ABOVE PROVISO, ANY RIGHTS THAT A COVERED PERSON MAY HAVE TO TRIAL BY JURY IN REGARD TO ARBITRABLE CLAIMS ARE WAIVED. ANY RIGHTS THAT A COVERED PERSON MAY HAVE TO PURSUE OR PARTICIPATE IN A CLASS OR COLLECTIVE ACTION PERTAINING TO ANY CLAIMS BETWEEN A COVERED PERSON AND THE COMPANY ARE WAIVED.

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The Covered Person is not restricted from filing administrative claims that may be brought before any government agency where, as a matter of law, the Covered Person's ability to file such claims may not be restricted. However, to the fullest extent permitted by law, arbitration shall be the exclusive remedy for the subject matter of such administrative claims. The arbitration shall be conducted in Santa Clara County, California through JAMS before a single neutral arbitrator, in accordance with the JAMS Comprehensive Arbitration Rules and Procedures then in effect, provided however, that the FAA, including its procedural provisions for compelling arbitration, shall govern and apply to this Arbitration provision. The arbitrator shall issue a written decision that contains the essential findings and conclusions on which the decision is based. If, for any reason, any term of this Arbitration provision is held to be invalid or unenforceable, all other valid terms and conditions herein shall be severable in nature and remain fully enforceable.

## **7. Recovery Process; Impracticability**

Actions by the Administrator to recover the Recoupment Amount will be reasonably prompt.

The Administrator must cause the Company to recover the Recoupment Amount unless the Administrator shall have previously determined that recovery is impracticable and one of the following conditions is met:

- i. The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; before concluding that it would be impracticable to recover any amount of erroneously awarded Incentive-Based Compensation based on expense of enforcement, the Company must make a reasonable attempt to recover such erroneously awarded Incentive-Based Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Exchange;
- ii. Recovery would violate home country law where that law was adopted prior to November 28, 2022; before concluding that it would be impracticable to recover any amount of erroneously awarded Incentive-Based Compensation based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to the Exchange, that recovery would result in such a violation, and must provide such opinion to the Exchange; or
- iii. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

## **8. Non-Exclusivity**

The Administrator intends that this Policy will be applied to the fullest extent of the law. Without limitation to any broader or alternate clawback authorized in any written document with a Covered Person, (i) the Administrator may require that any employment agreement, equity award agreement, or similar agreement entered into on or after the Effective Date shall, as a condition to the grant of any benefit thereunder, require a Covered Person to agree to abide by the terms of this Policy, and (ii) this Policy will nonetheless apply to Incentive-Based Compensation as required by the Final Rules, whether or not specifically referenced in those arrangements. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company pursuant to the terms of any other clawback policy of the Company as then in effect, or any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies or regulations available or applicable to the Company (including SOX 304). If recovery is required under both SOX 304 and this Policy, any amounts recovered pursuant to

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SOX 304 may, in the Administrator's discretion, be credited toward the amount recovered under this Policy, or vice versa.

## **9. No Indemnification**

The Company shall not indemnify any Covered Persons against (i) the loss of erroneously awarded Incentive-Based Compensation or any adverse tax consequences associated with any incorrectly awarded Incentive-Based Compensation or any recoupment hereunder, or (ii) any claims relating to the Company enforcement of its rights under this Policy. For the avoidance of doubt, this prohibition on indemnification will also prohibit the Company from reimbursing or paying any premium or payment of any third-party insurance policy to fund potential recovery obligations obtained by the Covered Person directly. No Covered Person will seek or retain any such prohibited indemnification or reimbursement.

Further, the Company shall not enter into any agreement that exempts any Incentive-Based Compensation from the application of this Policy or that waives the Company's right to recovery of any erroneously awarded Incentive-Based Compensation and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date).

## **10. Covered Person Acknowledgement and Agreement**

All Covered Persons subject to this Policy must acknowledge their understanding of, and agreement to comply with, the Policy by executing the certification attached hereto as Exhibit A. Notwithstanding the foregoing, this Policy will apply to Covered Persons whether or not they execute such certification.

## **11. Successors**

This Policy shall be binding and enforceable against all Covered Persons and their beneficiaries, heirs, executors, administrators or other legal representatives and shall inure to the benefit of any successor to the Company.

## **12. Interpretation of Policy**

To the extent there is any ambiguity between this Policy and the Final Rules, this Policy shall be interpreted so that it complies with the Final Rules. If any provision of this Policy, or the application of such provision to any Covered Person or circumstance, shall be held invalid, the remainder of this Policy, or the application of such provision to Covered Persons or circumstances other than those as to which it is held invalid, shall not be affected thereby.

In the event any provision of this Policy is inconsistent with any requirement of any Final Rules, the Administrator, in its sole discretion, shall amend and administer this Policy and bring it into compliance with such rules.

Any determination under this Policy by the Administrator shall be conclusive and binding on the applicable Covered Person. Determinations of the Administrator need not be uniform with respect to Covered Persons or from one payment or grant to another.

## **13. Amendments; Termination**

The Administrator may make any amendments to this Policy as required under applicable law, rules and regulations, or as otherwise determined by the Administrator in its sole discretion.

The Administrator may terminate this Policy at any time.

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## 14. Definitions

**"Administrator"** means the Compensation Committee of the Board, or in the absence of a committee of independent directors responsible for executive compensation decisions, a majority of the independent directors serving on the Board.

**"Board"** means the Board of Directors of the Company.

**"Clawback Measurement Date"** is the earlier to occur of:

- i. The date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an accounting restatement as described in this Policy; or
- ii. The date a court, regulator, or other legally authorized body directs the Company to prepare an accounting restatement as described in this Policy.

**"Clawback Period"** means the three (3) completed fiscal years immediately prior to the Clawback Measurement Date and any transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year (that results from a change in the Company's fiscal year) within or immediately following such three (3)-year period; provided that any transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of 9 to 12 months will be deemed a completed fiscal year.

**"Company"** means Model N, Inc., a Delaware corporation, or any successor corporation.

**"Covered Person"** means any Executive Officer (as defined in the Final Rules), including, but not limited to those persons who are or have been determined to be "officers" of the Company within the meaning of Section 16 of Rule 16a-1(f) of the rules promulgated under the Exchange Act, and "executive officers" of the Company within the meaning of Item 401(b) of Regulation S-K, Rule 3b-7 promulgated under the Exchange Act, and Rule 405 promulgated under the Securities Act of 1933, as amended; provided that the Administrator may identify additional employees who shall be treated as Covered Persons for the purposes of this Policy with prospective effect, in accordance with the Final Rules.

**"Effective Date"** means August 4, 2023, the date the Policy was adopted by the Board of Directors.

**"Exchange"** means the New York Stock Exchange or any other national securities exchange or national securities association in the United States on which the Company has listed its securities for trading.

**"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

**"Final Rules"** means the final rules promulgated by the SEC under Section 954 of the Dodd-Frank Act, Rule 10D-1 and Exchange listing standards, as may be amended from time to time.

**"Financial Reporting Measure"** are measures that are determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures that are derived wholly or in part from such measures. Stock price and TSR

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are also financial reporting measures. A financial reporting measure need not be presented within the financial statements or included in a filing with the SEC.

**"Incentive-Based Compensation"** means compensation that is granted, earned or vested based wholly or in part on the attainment of any Financial Reporting Measure.

**"Listing Rule Effective Date"** means the effective date of the listing standards of the Exchange on which the Company's securities are listed.

**"Policy"** means this Compensation Recovery Policy.

Incentive-Based Compensation is deemed **"Received"** in the Company's fiscal period during which the relevant Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, irrespective of whether the payment or grant occurs on a later date or if there are additional vesting or payment requirements, such as time-based vesting or certification or approval by the Compensation Committee or Board, that have not yet been satisfied.

**"Recoupment Amount"** means the amount of Incentive-Based Compensation Received by the Covered Person based on the financial statements prior to the restatement that exceeds the amount such Covered Person would have received had the Incentive-Based Compensation been determined based on the financial restatement, computed without regard to any taxes paid (i.e., gross of taxes withheld).

**"SARs"** means stock appreciation rights.

**"SEC"** means the U.S. Securities and Exchange Commission.

**"SOX 304"** means Section 304 of the Sarbanes-Oxley Act of 2002.

**"Triggering Event"** means any event in which the Company is required to prepare an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

**"TSR"** means total stockholder return.

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## EXHIBIT A

### Certification

I certify that:

1. I have read and understand the Company's Compensation Recovery Policy (the '**Policy**'). I understand that the Company's Chief Legal Officer is available to answer any questions I have regarding the Policy.
2. I understand that the Policy applies to all of my existing and future compensation-related agreements with the Company, whether or not explicitly stated therein.
3. I agree that notwithstanding the Company's certificate of incorporation, bylaws, and any agreement I have with the Company, including any indemnity agreement I have with the Company, I will not be entitled to, and will not seek indemnification from the Company for, any amounts recovered or recoverable by the Company in accordance with the Policy.
4. I understand and agree that in the event of a conflict between the Policy and the foregoing agreements and understandings on the one hand, and any prior, existing or future agreement, arrangement or understanding, whether oral or written, with respect to the subject matter of the Policy and this Certification, on the other hand, the terms of the Policy and this Certification shall control, and the terms of this Certification shall supersede any provision of such an agreement, arrangement or understanding to the extent of such conflict with respect to the subject matter of the Policy and this Certification; provided that, in accordance with Section 8 of the Policy, nothing herein limits any other remedies or rights of recoupment that may be available to the Company.
5. I agree to abide by the terms of the Policy, including, without limitation, by returning any erroneously awarded Incentive-Based Compensation to the Company to the extent required by, and in a manner permitted by, the Policy.

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

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## **EXHIBIT B**

### **Calculation Guidelines**

For purposes of calculating the Recoupment Amount:

- i. For cash awards not paid from bonus pools, the erroneously awarded compensation is the difference between the amount of the cash award (whether payable as a lump sum or over time) that was received and the amount that should have been received applying the restated Financial Reporting Measure.
- ii. For cash awards paid from bonus pools, the erroneously awarded compensation is the pro rata portion of any deficiency that results from the aggregate bonus pool that is reduced based on applying the restated Financial Reporting Measure.
- iii. For equity awards, if the shares, options, restricted stock units, or SARs are still held at the time of recovery, the erroneously awarded compensation is the number of such securities received in excess of the number that should have been received applying the restated Financial Reporting Measure (or the value of that excess number). If the options or SARs have been exercised, but the underlying shares have not been sold, the erroneously awarded compensation is the number of shares underlying the excess options or SARs (or the value thereof). If the underlying shares have been sold, the Company may recoup proceeds received from the sale of shares.
- iv. For Incentive-Based Compensation based on stock price or TSR, where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement:
  - a. The amount must be based on a reasonable estimate of the effect of the accounting restatement on the stock price or TSR upon which the Incentive-Based Compensation was Received; and
  - b. The Company must maintain documentation of the determination of that reasonable estimate and the Company must provide such documentation to the Exchange in all cases.