

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

- ☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended May 31, 2024
OR
☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission File Number: 001-39272

E2open Parent Holdings, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction of
incorporation or organization)
9600 Great Hills Trail, Suite 300E
Austin, TX
(Address of principal executive offices)

86-1874570
(I.R.S. Employer
Identification No.)
78759
(Zip Code)

Registrant's telephone number, including area code: (866) 432-6736

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value \$0.0001 per share	ETWO	New York Stock Exchange
Warrants to purchase one share of Class A Common Stock at an exercise price of \$11.50	ETWO-WT	New York Stock Exchange

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

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

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

As of July 8, 2024, E2open Parent Holdings, Inc. had 307,970,063 shares of Class A common stock outstanding.

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Glossary of Terms

Abbreviation	Term
ASC	Accounting Standards Codification
BluJay	BluJay TopCo Limited, a private limited liability company registered in England and Wales which owns BluJay Solutions, a cloud-based logistics execution platform company
Class A Common Stock	Class A common stock, par value \$0.0001 per share
Class V Common Stock	Class V common stock, par value \$0.0001 per share
Common Units	common units representing limited liability company interests of E2open Holdings, LLC, which are non-voting, economic interests in E2open Holdings, LLC. Every economic common unit is tied to one voting share of Class V Common Stock of E2open Parent Holdings, Inc.
Forward Purchase Agreement	agreement dated as of April 28, 2020, by and between CCNB1 and Neuberger Berman Opportunistic Capital Solutions Master Fund LP
Forward Purchase Warrants	5,000,000 redeemable warrants purchased pursuant to the Forward Purchase Agreement
LIBOR	London Interbank Offered Rate
Logistyx	Logistyx Technologies, LLC, a private limited liability company headquartered in Chicago, Illinois, which connects top retailers, manufacturers and logistics providers to more than 550 in-network carriers with strategic parcel shipping and omni-channel fulfillment technology.
nm	not meaningful
NYSE	New York Stock Exchange
RCU	restricted common units representing Series 2 of E2open Holdings, LLC
SCM	omni-channel and supply chain management
SEC	U.S. Securities and Exchange Commission
SOFR	Secured Overnight Financing Rate
SONIA	Sterling Overnight Index Average
U.S. GAAP	generally accepted accounting principles in the United States
VWAP	daily per share volume-weighted average price of the Class A Common Stock on the NYSE as displayed on the Bloomberg page under the heading Bloomberg VWAP

Forward-Looking Statements

This Quarterly Report on Form 10-Q (Quarterly Report) contains "forward-looking statements" within the meaning of the federal securities law. These forward-looking statements give E2open Parent Holdings, Inc.'s (we, our, us, Company or E2open) current expectations and include projections of results of operations or financial condition or forecasts of future events. Words such as "may," "can," "should," "will," "estimate," "plan," "project," "forecast," "intend," "expect," "anticipate," "believe," "seek," "target" and similar expressions are used to identify forward-looking statements. Without limiting the generality of the foregoing, forward-looking statements contained in this document include our expectations regarding our future growth, operational and financial performance and business prospects and opportunities.

These forward-looking statements are based on information available as of the date of this Quarterly Report and management's current expectations, forecasts and assumptions, and involve a number of judgments, known and unknown risks and uncertainties and other factors, many of which are outside our control and our directors, officers and affiliates. Accordingly, forward-looking statements should not be relied upon as representing our views as of any subsequent date. We do not undertake any obligation to update, add or to otherwise correct any forward-looking statements contained herein to reflect events or circumstances after the date they were made, whether as a result of new information, future events, inaccuracies that become apparent after the date hereof or otherwise, except as may be required under applicable securities laws.

As a result of a number of known and unknown risks and uncertainties, our results or performance may be materially different from those expressed or implied by these forward-looking statements. Some factors that could cause actual results to differ include:

- the effect of the volatile, negative or uncertain macro-economic and political conditions, inflation, fluctuations in foreign currency exchange rates and the potential effects of these factors on our business, our slowing growth rate, results of operations and financial condition as well as our clients' businesses and levels of business activity;
- changes in market interest rates particularly on our variable rate debt, including the recent significant increases in market interest rates experienced in fiscal 2023 and 2024 and that may continue to increase in fiscal year 2025;
- the inability to realize the value of the goodwill and intangible assets, which could result in the incurrence of material charges related to the impairment of those assets;
- the inability to develop and market new product innovations and monetize our network;
- the slowing of our growth rate due to lower than anticipated new bookings and higher than expected churn;
- risks associated with our past acquisitions (including the BluJay and Logistyx acquisitions), including the failure to successfully integrate operations, personnel, systems and products of the acquired companies, adverse tax consequences of acquisitions, greater than expected liabilities of the acquired companies, charges to earnings from acquisitions, the ability of the combined company to grow and manage profitability, maintain relationships with clients and suppliers and retain its management and key employees and the ability to recognize the anticipated benefits of the acquisition;
- the inability to develop and maintain effective internal controls over financial reporting;
- the inability to attract new clients or upsell/cross sell existing clients or the failure to renew existing client subscriptions on terms favorable to us;
- risks associated with our extensive and expanding international operations, including the risks created by geopolitical instability;
- the failure of the market for cloud-based SCM solutions to develop as quickly as we expect or failure to compete successfully in a fragmented and competitive SCM market;
- the diversion of management's attention and consumption of resources as a result of the strategic alternatives process;
- the inability to adequately protect key intellectual property rights or proprietary technology;
- failure to maintain adequate operational and financial resources or raise additional capital or generate sufficient cash flows;
- cyber-attacks and security vulnerabilities; and
- certain other factors discussed elsewhere in this Quarterly Report.

For a further discussion of these and other factors that could impact our future results and performance, see Part I, Item 1A, *Risk Factors* in our Annual Report on Form 10-K for the fiscal year ended February 29, 2024, filed with the SEC on April 29, 2024 (2024 Form 10-K).

PART I—Financial Information

Item 1. Financial Statements.

E2open Parent Holdings, Inc. Condensed Consolidated Balance Sheets

(In thousands, except share and per share amounts)

	May 31, 2024 (Unaudited)	February 29, 2024
Assets		
Cash and cash equivalents	\$ 160,203	\$ 134,478
Restricted cash	15,737	14,560
Accounts receivable, net of allowance of \$6,266 and \$6,587 as of May 31, 2024 and February 29, 2024, respectively	111,359	161,556
Prepaid expenses and other current assets	33,072	28,843
Total current assets	320,371	339,437
Goodwill	1,845,209	1,843,477
Intangible assets, net	796,551	841,031
Property and equipment, net	65,638	67,177
Operating lease right-of-use assets	19,629	21,299
Other noncurrent assets	29,669	29,234
Total assets	<u>\$ 3,077,067</u>	<u>\$ 3,141,655</u>
Liabilities, Redeemable Share-Based Awards and Stockholders' Equity		
Accounts payable and accrued liabilities	\$ 85,112	\$ 90,594
Channel client deposits payable	15,737	14,560
Deferred revenue	187,197	213,138
Current portion of notes payable	11,277	11,272
Current portion of operating lease obligations	6,996	7,378
Current portion of financing lease obligations	1,473	1,448
Income taxes payable	5,748	584
Total current liabilities	313,540	338,974
Long-term deferred revenue	1,615	2,077
Operating lease obligations	15,799	17,372
Financing lease obligations	3,248	3,626
Notes payable	1,036,007	1,037,623
Tax receivable agreement liability	72,394	67,927
Warrant liability	10,952	14,713
Contingent consideration	20,308	18,028
Deferred taxes	49,767	55,586
Other noncurrent liabilities	1,052	602
Total liabilities	1,524,682	1,556,528
Commitments and Contingencies (Note 22)		
Redeemable share-based awards	930	—
Stockholders' Equity		
Class A common stock; \$0.0001 par value, 2,500,000,000 shares authorized; 307,692,652 and 306,237,585 issued and 307,515,998 and 306,060,931 outstanding as of May 31, 2024 and February 29, 2024, respectively	31	31
Class V common stock; \$0.0001 par value; 42,747,890 shares authorized; 30,918,888 and 31,225,604 shares issued and outstanding as of May 31, 2024 and February 29, 2024, respectively	—	—
Series B-1 common stock; \$0.0001 par value; 9,000,000 shares authorized; 94 shares issued and outstanding as of May 31, 2024 and February 29, 2024	—	—
Series B-2 common stock; \$0.0001 par value; 4,000,000 shares authorized; 3,372,184 shares issued and outstanding as of May 31, 2024 and February 29, 2024	—	—
Additional paid-in capital	3,415,627	3,407,694
Accumulated other comprehensive loss	(44,341)	(46,835)
Accumulated deficit	(1,912,565)	(1,873,703)
Treasury stock, at cost: 176,654 shares as of May 31, 2024 and February 29, 2024	(2,473)	(2,473)
Total E2open Parent Holdings, Inc. equity	1,456,279	1,484,714
Noncontrolling interest	95,176	100,413
Total stockholders' equity	1,551,455	1,585,127
Total liabilities, redeemable share-based awards and stockholders' equity	<u>\$ 3,077,067</u>	<u>\$ 3,141,655</u>

See notes to the unaudited condensed consolidated financial statements.

E2open Parent Holdings, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended May 31,			
	2024		2023	
Revenue				
Subscriptions	\$	131,404	\$	134,903
Professional services and other		19,759		25,217
Total revenue		151,163		160,120
Cost of Revenue				
Subscriptions		37,099		36,544
Professional services and other		16,752		19,528
Amortization of acquired intangible assets		24,652		24,630
Total cost of revenue		78,503		80,702
Gross Profit		72,660		79,418
Operating Expenses				
Research and development		24,797		25,866
Sales and marketing		20,996		19,558
General and administrative		23,343		22,125
Acquisition-related expenses		283		389
Amortization of acquired intangible assets		20,086		20,128
Goodwill impairment		—		410,041
Intangible asset impairment		—		4,000
Total operating expenses		89,505		502,107
Loss from operations		(16,845)		(422,689)
Other income (expense)				
Interest and other expense, net		(25,373)		(25,726)
Loss from change in tax receivable agreement liability		(3,974)		(2,460)
Gain from change in fair value of warrant liability		3,761		14,680
(Loss) gain from change in fair value of contingent consideration		(2,280)		9,000
Total other expense		(27,866)		(4,506)
Loss before income tax benefit		(44,711)		(427,195)
Income tax benefit		1,923		66,311
Net loss		(42,788)		(360,884)
Less: Net loss attributable to noncontrolling interest		(3,926)		(35,489)
Net loss attributable to E2open Parent Holdings, Inc.	\$	(38,862)	\$	(325,395)
Weighted average common shares outstanding:				
Basic		306,732		302,502
Diluted		306,732		302,502
Net loss attributable to E2open Parent Holdings, Inc. common shareholders per share:				
Basic	\$	(0.13)	\$	(1.08)
Diluted	\$	(0.13)	\$	(1.08)

See notes to the unaudited condensed consolidated financial statements.

E2open Parent Holdings, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

<i>(In thousands)</i>	Three Months Ended May 31,			
	2024		2023	
Net loss	\$	(42,788)	\$	(360,884)
Other comprehensive (loss) income, net:				
Net foreign currency translation gain, net of tax		2,065		6,535
Net deferred (losses) gains on foreign exchange forward contracts		(27)		474
Net deferred gains on interest rate collars		456		1,161
Total other comprehensive income, net		2,494		8,170
Comprehensive loss		(40,294)		(352,714)
Less: Comprehensive loss attributable to noncontrolling interest		(3,697)		(34,686)
Comprehensive loss attributable to E2open Parent Holdings, Inc.	\$	<u>(36,597)</u>	\$	<u>(318,028)</u>

See notes to the unaudited condensed consolidated financial statements.

E2open Parent Holdings, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(Unaudited)

<i>(In thousands)</i>	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Treasury Stock	Total E2open Equity	Noncontrolling Interest	Total Equity
Balance, February 28, 2023	\$ 30	\$ 3,378,633	\$ (68,603)	\$ (803,679)	\$ (2,473)	\$ 2,503,908	\$ 223,012	\$ 2,726,920
Share-based compensation	—	4,441	—	—	—	4,441	—	4,441
Vesting of restricted stock awards, net of shares withheld for taxes	—	(1,830)	—	—	—	(1,830)	—	(1,830)
Other comprehensive income	—	—	8,170	—	—	8,170	—	8,170
Net loss	—	—	—	(325,395)	—	(325,395)	(35,489)	(360,884)
Balance, May 31, 2023	<u>\$ 30</u>	<u>\$ 3,381,244</u>	<u>\$ (60,433)</u>	<u>\$ (1,129,074)</u>	<u>\$ (2,473)</u>	<u>\$ 2,189,294</u>	<u>\$ 187,523</u>	<u>\$ 2,376,817</u>

<i>(In thousands)</i>	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Treasury Stock	Total E2open Equity	Noncontrolling Interest	Total Equity
Balance, February 29, 2024	\$ 31	\$ 3,407,694	\$ (46,835)	\$ (1,873,703)	\$ (2,473)	\$ 1,484,714	\$ 100,413	\$ 1,585,127
Share-based compensation	—	11,768	—	—	—	11,768	—	11,768
Conversion of Common Units to common stock	—	1,311	—	—	—	1,311	(1,311)	—
Vesting of restricted stock awards, net of shares withheld for taxes	—	(3,873)	—	—	—	(3,873)	—	(3,873)
Impact of Common Unit conversions on Tax Receivable Agreement, net of tax	—	(493)	—	—	—	(493)	—	(493)
Issuance of common stock upon exercise of stock options	—	150	—	—	—	150	—	150
Reclassification of stockholders' equity to redeemable share-based awards	—	(930)	—	—	—	(930)	—	(930)
Other comprehensive income	—	—	2,494	—	—	2,494	—	2,494
Net loss	—	—	—	(38,862)	—	(38,862)	(3,926)	(42,788)
Balance, May 31, 2024	<u>\$ 31</u>	<u>\$ 3,415,627</u>	<u>\$ (44,341)</u>	<u>\$ (1,912,565)</u>	<u>\$ (2,473)</u>	<u>\$ 1,456,279</u>	<u>\$ 95,176</u>	<u>\$ 1,551,455</u>

See notes to the unaudited condensed consolidated financial statements.

E2open Parent Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	Three Months Ended May 31,	
	2024	2023
Cash flows from operating activities		
Net loss	\$ (42,788)	\$ (360,884)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation and amortization	53,605	53,319
Amortization of deferred commissions	2,109	1,344
Provision for credit losses	151	69
Amortization of debt issuance costs	1,320	1,320
Amortization of operating lease right-of-use assets	1,722	1,946
Share-based compensation	11,787	4,445
Deferred income taxes	(5,972)	(67,833)
Right-of-use assets impairment charge	—	362
Goodwill impairment charge	—	410,041
Indefinite-lived intangible asset impairment charge	—	4,000
Loss from change in tax receivable agreement liability	3,974	2,460
Gain from change in fair value of warrant liability	(3,761)	(14,680)
Loss (gain) from change in fair value of contingent consideration	2,280	(9,000)
Loss (gain) on disposal of property and equipment	79	(154)
Changes in operating assets and liabilities:		
Accounts receivable	50,047	48,176
Prepaid expenses and other current assets	(3,905)	(1,304)
Other noncurrent assets	(2,544)	(1,772)
Accounts payable and accrued liabilities	(10,702)	(12,228)
Channel client deposits payable	1,177	2,539
Deferred revenue	(26,403)	(23,401)
Changes in other liabilities	3,740	(2,306)
Net cash provided by operating activities	35,916	36,459
Cash flows from investing activities		
Capital expenditures	(6,084)	(6,552)
Net cash used in investing activities	(6,084)	(6,552)
Cash flows from financing activities		
Repayments of indebtedness	(2,808)	(2,741)
Repayments of financing lease obligations	(353)	(223)
Proceeds from exercise of stock options	155	—
Net cash used in financing activities	(3,006)	(2,964)
Effect of exchange rate changes on cash and cash equivalents	76	2,105
Net increase in cash, cash equivalents and restricted cash	26,902	29,048
Cash, cash equivalents and restricted cash at beginning of period	149,038	104,342
Cash, cash equivalents and restricted cash at end of period	<u>\$ 175,940</u>	<u>\$ 133,390</u>
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 160,203	\$ 119,541
Restricted cash	15,737	13,849
Total cash, cash equivalents and restricted cash	<u>\$ 175,940</u>	<u>\$ 133,390</u>

See notes to the unaudited condensed consolidated financial statements.

E2open Parent Holdings, Inc.
Notes to the Unaudited Condensed Consolidated Financial Statements

1. Organization and Basis of Presentation

Organization and Description of Business

CC Neuberger Principal Holdings I (CCNB1) was a blank check company incorporated in the Cayman Islands on January 14, 2020 for the purpose of effecting a merger, share exchange, asset acquisition, share purchase, reorganization or similar business combination with one or more businesses. CCNB1's sponsor was CC Neuberger Principal Holdings I Sponsor LLC, a Delaware limited liability company (Sponsor). CCNB1 became a public company on April 28, 2020 through an initial public offering.

On February 4, 2021 (Closing Date), CCNB1 and E2open Holdings, LLC and its operating subsidiaries (E2open Holdings) completed a business combination (Business Combination) contemplated by the definitive Business Combination Agreement entered into on October 14, 2020 (Business Combination Agreement). The Business Combination was accounted for as a business combination under ASC 805, *Business Combination* (ASC 805), and due to the change in control, was accounted for using the acquisition method with CCNB1 as the accounting acquirer and E2open Holdings as the accounting acquiree.

In connection with the finalization of the Business Combination, CCNB1 changed its name to "E2open Parent Holdings, Inc." and changed its jurisdiction of incorporation from the Cayman Islands to the State of Delaware (Domestication). Immediately following the Domestication, various entities merged with and into E2open, with E2open as the surviving company. Additionally, E2open Holdings became a subsidiary of E2open with the equity interests of E2open Holdings held by E2open and existing owners of E2open Holdings. The existing owners of E2open Holdings are considered noncontrolling interests in the condensed consolidated financial statements.

We are headquartered in Austin, Texas. We are a world class connected supply chain software platform that enables the largest companies to transform the way they make, move and sell goods and services. With the broadest cloud-native global platform purpose-built for the modern supply chains, we connect manufacturing, logistics, channel and distributing partners as one multi-enterprise network. Our software as a service (SaaS) platform anticipates disruptions and opportunities to help companies improve efficiency, reduce waste and operate sustainably.

Basis of Presentation

These unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements. The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. Investments in other companies are carried at cost. All intercompany balances and transactions have been eliminated in consolidation. In the opinion of management, all adjustments (consisting of normal recurring accruals), considered necessary for a fair presentation have been included. The unaudited operating results for interim periods reported are not necessarily indicative of the results for the entire fiscal year. For further information, refer to the consolidated financial statements and notes thereto included in our 2024 Form 10-K.

Fiscal Year

Our fiscal year ends on the last day of February each year.

Use of Estimates

The preparation of our condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the condensed consolidated financial statements and the reported results of operations during the reporting period. Such management estimates include allowance for credit losses, goodwill and other long-lived assets, estimates of standalone selling price of performance obligations for revenue contracts with multiple performance obligations, share-based compensation, valuation allowances for deferred tax assets and uncertain tax positions, tax receivable agreement liability, warrants, contingent consideration and contingencies. These estimates are based on information available as of the date of the condensed consolidated financial statements; therefore, actual results could differ from management's estimates.

Seasonality

Our quarterly operating results have fluctuated in the past and are expected to fluctuate in the future due to a variety of factors, many of which are outside of our control, including seasonality in our business as a result of client budget cycles, with higher sales typically in the third and fourth fiscal quarters. As a result, our past results may not be indicative of our future performance and comparing our operating results on a period-to-period basis may not be meaningful.

2. Accounting Standards

Recent Accounting Standards Not Yet Adopted

In November 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures* to improve reportable segment disclosure requirements through enhanced disclosures about significant segment expenses. ASU 2023-07 expands public entities' segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items and interim disclosures of a reportable segment's profit or loss and assets. All disclosure requirements of ASU 2023-07 are required for entities with a single reportable segment. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods for our fiscal years beginning after December 15, 2024, and should be applied on a retrospective basis to all periods presented. Early adoption is permitted. We are currently evaluating the effect of adopting ASU 2023-07 on our disclosures.

In December 2023, the FASB issued 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures* to enhance income tax information primarily through changes in the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for annual periods beginning after December 15, 2024 on a prospective basis. Early adoption is permitted. We are currently evaluating the impact of this standard on our consolidated statements and related disclosures.

3. Accounts Receivable

Accounts receivable, net consisted of the following:

(\$ in thousands)	May 31, 2024	February 29, 2024
Accounts receivable	\$ 96,492	\$ 144,253
Unbilled receivables	21,133	23,890
Less: Allowance for credit losses	(6,266)	(6,587)
Accounts receivable, net	<u>\$ 111,359</u>	<u>\$ 161,556</u>

Unbilled receivables represent revenue recognized for performance obligations that have been satisfied but for which amounts have not been billed, which we also refer to as contract assets.

Account balances are written off against the allowance for credit losses when we believe that it is probable that the receivable balance will not be recovered.

4. Prepaid and Other Current Assets

Prepaid expenses and other current assets consisted of the following:

(\$ in thousands)	May 31, 2024	February 29, 2024
Prepaid software and hardware license and maintenance fees	\$ 6,584	\$ 9,599
Income and other taxes receivable	8,037	4,759
Prepaid insurance	2,938	1,667
Deferred commissions	7,969	7,421
Prepaid marketing	1,728	1,073
Security deposits	1,261	1,251
Certificates of deposits	504	501
Other prepaid expenses and other current assets	4,051	2,572
Total prepaid expenses and other current assets	<u>\$ 33,072</u>	<u>\$ 28,843</u>

Amortization of software licenses held under financing leases is included in cost of revenue and operating expenses. Prepaid maintenance, services and insurance are expensed over the term of the underlying agreements.

5. Goodwill

We test goodwill for impairment on an annual basis or whenever events or changes occur that would more-likely-than not reduce the fair value of a reporting unit below its carrying value between annual impairment tests. As we have only one reporting unit, any goodwill impairment assessment is performed at the Company level.

During the first and third quarters of fiscal 2024, the market price of our Class A Common Stock and market capitalization declined significantly. We also experienced slowing growth and lowered projections for net sales and net operating margins due to lower than anticipated new bookings, lower revenue from tiered contracts, higher than expected churn and macroeconomic impacts primarily in the technology, freight and transportation sectors. These factors resulted in us determining that triggering events occurred, and goodwill impairment assessments were performed.

The fair value of E2open was calculated using an equally weighted combination of three different methods: discounted cash flow method, guideline public company method and guideline transaction method. The discounted cash flow method was based on the present value of estimated future cash flows which were based on management's estimates of projected net sales, net operating income margins and terminal growth rates, taking into consideration market and industry conditions. The discount rate used was based on the weighted-average cost of capital adjusted for the risk, size premium and business-specific characteristics related to projected cash flows. Under the guideline public company method, the fair value was based on our current and forward-looking earnings multiples using management's estimates of projected net sales and adjusted EBITDA margins with consideration of market premiums. The unobservable inputs used to measure the fair value included projected net sales, forecasted adjusted EBITDA margins, weighted average cost of capital, normalized working capital level, capital expenditures assumptions, profitability projections, determination of appropriate market comparison companies and terminal growth rates. Under the guideline transaction method, the fair value was based on pricing multiples derived from recently sold companies with similar characteristics to E2open taking into consideration management's estimate of projected net sales and net operating income margins.

The three approaches generated similar results and indicated that the fair value of E2open's equity and goodwill was less than its carrying amounts. Therefore, during the fiscal year ended February 29, 2024, we recognized impairment charges of \$1,097.7 million. As part of these impairments, we recognized an impairment charge of \$410.0 million during the three months ended May 31, 2023. We did not recognize an impairment charge during the three months ended May 31, 2024.

The following table presents the changes in goodwill:

(\$ in thousands)	Amount
Balance, February 28, 2023	\$ 2,927,807
Impairment charge	(1,097,741)
Currency translation adjustment	13,411
Balance, February 29, 2024	1,843,477
Currency translation adjustment	1,732
Balance, May 31, 2024	\$ 1,845,209

6. Intangible Assets, Net

We test our indefinite-lived intangible asset for impairment on an annual basis or whenever events or changes occur that would more-likely-than not reduce the fair value of the indefinite-lived intangible asset below its carrying value between annual impairment tests. As we have only one reporting unit, any indefinite-lived intangible asset assessment is performed at the Company level.

During the first quarter of fiscal 2024, the market price of our Class A Common Stock and market capitalization declined significantly. We also lowered our projections for net sales and net operating margins due to lower than anticipated new bookings, lower revenue from tiered contracts, higher than expected churn and macroeconomic impacts primarily in the technology, freight and transportation sectors. These factors resulted in us determining that a triggering event occurred, and an interim indefinite-lived intangible asset impairment assessment was performed.

The fair value of the indefinite-lived intangible asset was calculated using the relief from royalty payments method which is based on management's estimates of projected net sales and terminal growth rates, taking into consideration market and industry conditions. The royalty rate used was based on royalty rates of companies with similar characteristics to E2open. The discount rate used was based on the weighted-average cost of capital adjusted for the risk, size premium and business-specific characteristics related to projected net sales.

The interim assessment indicated that the fair value of our indefinite-lived intangible asset was less than its carrying amount; therefore, during the three months ended May 31, 2023, we recognized an impairment charge of \$4.0 million to intangible assets, net for the indefinite-lived trademark / trade name.

We did not record an indefinite-lived intangible asset impairment charge for the three months ended May 31, 2024.

Intangible assets, net consisted of the following:

May 31, 2024				
(\$ in thousands)	Weighted Average Useful Life	Cost	Accumulated Amortization	Net
Indefinite-lived:				
Trademark / Trade name	Indefinite	\$ 76,000	\$ —	\$ 76,000
Definite-lived:				
Client relationships	13.7	502,987	(212,866)	290,121
Technology	7.3	692,012	(295,040)	396,972
Content library	10.0	50,000	(16,622)	33,378
Trade name	1.0	4,015	(4,015)	—
Backlog	2.5	800	(720)	80
Total definite-lived		1,249,814	(529,263)	720,551
Total intangible assets		<u>\$ 1,325,814</u>	<u>\$ (529,263)</u>	<u>\$ 796,551</u>

February 29, 2024				
(\$ in thousands)	Weighted Average Useful Life	Cost	Accumulated Amortization	Net
Indefinite-lived:				
Trademark / Trade name	Indefinite	\$ 76,000	\$ —	\$ 76,000
Definite-lived:				
Client relationships	13.7	502,722	(194,001)	308,721
Technology	7.3	691,573	(270,051)	421,522
Content library	10.0	50,000	(15,372)	34,628
Trade name	1.0	3,997	(3,997)	—
Backlog	2.5	800	(640)	160
Total definite-lived		1,249,092	(484,061)	765,031
Total intangible assets		<u>\$ 1,325,092</u>	<u>\$ (484,061)</u>	<u>\$ 841,031</u>

The e2open trade name and various trademarks are indefinite-lived. Acquired trade names are definite-lived as over time we rebrand acquired products and services as e2open.

Amortization of intangible assets is recorded in cost of revenue and operating expenses in the Condensed Consolidated Statements of Operations. We recorded amortization expense related to intangible assets of \$44.7 million and \$44.8 million for the three months ended May 31, 2024 and 2023, respectively.

Future amortization of intangible assets is as follows as of May 31, 2024:

(\$ in thousands)	Amount
June 2024 - February 2025	\$ 103,454
2026	117,220
2027	117,220
2028	92,301
2029	69,533
Thereafter	220,823
Total future amortization	<u>\$ 720,551</u>

7. Property and Equipment, Net

Property and equipment, net consisted of the following:

(\$ in thousands)	May 31, 2024	February 29, 2024
Computer equipment	\$ 65,748	\$ 63,416
Software	27,162	27,038
Software development costs	58,466	53,613
Furniture and fixtures	2,373	2,719
Leasehold improvements	8,974	9,063
Gross property and equipment	162,723	155,849
Less accumulated depreciation and amortization	(97,085)	(88,672)
Property and equipment, net	<u>\$ 65,638</u>	<u>\$ 67,177</u>

Computer equipment and software include assets held under financing leases. Amortization of assets held under financing leases is included in depreciation expense. See Note 22, *Leases* for additional information regarding our financing leases.

Depreciation expense was \$8.9 million and \$8.6 million for the three months ended May 31, 2024 and 2023, respectively.

We recognized \$2.9 million and \$1.9 million of amortized capitalized software development costs for the three months ended May 31, 2024 and 2023, respectively.

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

(\$ in thousands)	May 31, 2024	February 29, 2024
Accrued compensation	\$ 35,422	\$ 34,982
Trade accounts payable	29,038	29,678
Accrued professional services	5,129	5,712
Client deposits	2,576	2,558
Accrued severance and retention	1,067	1,530
Accrued litigation	1,097	1,399
Tax receivable agreement liability	1,791	1,791
Other	8,992	12,944
Total accounts payable and accrued liabilities	<u>\$ 85,112</u>	<u>\$ 90,594</u>

9. Tax Receivable Agreement

The Tax Receivable Agreement will continue until all such tax benefits have been utilized or expire unless E2open Holdings exercises its right to terminate the Tax Receivable Agreement for an amount representing the present value of anticipated future tax benefits under the Tax Receivable Agreement or certain other accelerated events occur.

Quarterly tax distributions will be paid to the holders of Common Units on a pro rata basis based upon an agreed upon formula related to the taxable income of E2open Holdings allocable to holders of Common Units. Generally, these tax distributions will be computed based on the taxable income of E2open Holdings allocable to each holder of Common Units (based on certain assumptions), multiplied by an assumed tax rate equal to the highest effective marginal combined U.S. federal, state and local income tax rate prescribed for a U.S. corporation organized under the laws of the State of Delaware, taking into account all jurisdictions in which we are required to file income tax returns together with the relevant apportionment information and the character of E2open Holdings' income, subject to various adjustments.

Significant inputs and assumptions were used to estimate the future expected payments including the timing of the realization of the tax benefits, a tax rate of 24.1% and an imputed interest rate of 7% based on our cost of debt plus an incremental premium at the closing of the Business Combination. Changes in any of these or other factors are expected to impact the timing and amount of gross payments. The fair value of these obligations will be accreted to the amount of the gross expected obligation. In addition, if E2open Holdings were to exercise its right to terminate the Tax Receivable Agreement or certain other acceleration events occur, E2open Holdings will be required to make immediate cash payments. Such cash payments would be equal to the present value of the assumed future realized tax benefits based on a set of assumptions and using an agreed upon discount rate, as defined in the Tax Receivable Agreement. The early termination payment may be made significantly in advance of the actual realization, if any, of those future tax benefits. Such payments would be calculated based on certain assumptions, including that E2open Holdings has sufficient taxable income to utilize the full amount of any tax benefits subject to the Tax Receivable Agreement over the period specified therein. The payments that E2open Holdings will be required to make will generally reduce the amount of the overall cash flow that might have otherwise been available, but we expect the cash tax savings it will realize from the utilization of the related tax benefits will exceed the amount of any required payments.

The Tax Receivable Agreement liability was \$74.2 million and \$69.7 million as of May 31, 2024 and February 29, 2024, respectively, which represents the current and long-term portion of the liability. The determination of current and long-term is based on management's estimate of taxable income for the fiscal year and the determination that a Tax Receivable Agreement payment is due and payable within the next twelve months.

The tax rate used in the calculation was 23.7% as of May 31, 2024 and February 29, 2024. The discount rate used for the ASC 805 calculation was 9.0% as of May 31, 2024 and February 29, 2024, based on the cost of debt plus an incremental premium. During the three months ended May 31, 2024 and 2023, a loss of \$4.0 million and \$2.5 million, respectively, was recorded as a change in the tax receivable agreement liability related to the ASC 805 discounted liability. During the three months ended May 31, 2024 and 2023, the Tax Receivable Agreement liability under ASC 450 increased by \$0.5 million and decreased a negligible amount, respectively, related to exchanges of Common Units for Class A Common Stock with a corresponding charge to equity. No payments have been made to any Tax Receivable Agreement holders of E2open Holdings as of May 31, 2024.

10. Notes Payable

Notes payable outstanding were as follows:

(\$ in thousands)	May 31, 2024	February 29, 2024
2021 Term Loan	\$ 1,064,497	\$ 1,067,238
Other notes payable	673	748
Total notes payable	1,065,170	1,067,986
Less unamortized debt issuance costs	(17,886)	(19,091)
Total notes payable, net	1,047,284	1,048,895
Less current portion	(11,277)	(11,272)
Notes payable, less current portion, net	<u>\$ 1,036,007</u>	<u>\$ 1,037,623</u>

2021 Term Loan and Revolving Credit Facility

In February 2021, E2open, LLC, our subsidiary, entered into a credit agreement (Credit Agreement) that provided for \$525.0 million in term loans (2021 Term Loan) and \$75.0 million in commitments for revolving credit loans (2021 Revolving Credit Facility) with a \$15.0 million letter of credit sublimit. In September 2021, the Credit Agreement was amended to include a \$380.0 million incremental term loan, an increase in the letter of credit sublimit from \$15.0 million to \$30.0 million and an increase in the 2021 Revolving Credit Facility from \$75.0 million to \$155.0 million. In April 2022, the Credit Agreement was amended to include a \$190.0 million incremental term loan.

The 2021 Revolving Credit Facility will mature on February 4, 2026. E2open, LLC can request increases in the revolving commitments and additional term loan facilities, in minimum amounts of \$2.0 million for each facility. Principal payments are due on the Credit Agreement the last day of February, May, August and November commencing August 2021. The Credit Agreement is payable in quarterly installments of \$2.7 million. The Credit Agreement is payable in full on February 4, 2028.

The interest rates applicable to borrowings under the Credit Agreement are, at E2open, LLC's option, either (1) a base rate, which is equal to the greater of (a) the Prime rate, (b) the Federal Reserve Bank of New York rate plus 0.5% and (c) the adjusted Eurocurrency Rate for a one month interest period plus 1% or (2) the adjusted Eurocurrency rate equal to the adjusted Eurocurrency rate for the applicable interest period multiplied by the statutory reserve rate, plus in the case of each of clauses (1) and (2), the Applicable Rate. The Applicable Rate (1) for base rate term loans ranges from 2.25% to 2.50% per annum, (2) for base rate revolving loans ranges from 1.50% to 2.00% per annum, (3) for Eurodollar term loans ranges from 3.25% to 3.50% per annum and (4) for Eurodollar revolving loans ranges from 2.50% to 3.00% per annum, in each case, based on the first lien leverage ratio. E2open, LLC will pay a commitment fee during the term of the Credit Agreement ranging from 0.25% to 0.375% per annum of the average daily undrawn portion of the revolving commitments based on the First Lien Leverage Ratio which represents the ratio of the Company's secured consolidated total indebtedness to the Company's consolidated EBITDA as specified in the Credit Agreement.

Beginning July 1, 2023, the Eurocurrency Rate ceased to be applicable and was replaced by the SOFR Rate. The adjusted SOFR Rate shall be the SOFR Rate plus 0.11448% for a one-month interest rate loan, 0.26161% for a three-month interest rate loan and 0.42826% for a six-month interest rate loan. The Applicable Rate for SOFR Rate term loans shall range from 3.25% to 3.50% and revolving loans shall range from 2.50% to 3.00% based on the first lien leverage ratio. We can also borrow using a SONIA Rate. The Applicable Rate for SONIA Rate revolving loans shall range from 2.50% to 3.00%.

The Credit Agreement is guaranteed by E2open Intermediate, LLC, our subsidiary, and certain wholly owned subsidiaries of E2open, LLC, as guarantors, and is supported by a security interest in substantially all of the guarantors' personal property and assets. The Credit Agreement contains certain customary events of default, representations and warranties as well as affirmative and negative covenants.

As of May 31, 2024 and February 29, 2024, there were \$1,064.5 million and \$1,067.2 million outstanding under the 2021 Term Loan, respectively, at an interest rate of 8.94% and 8.95%, respectively. The interest rates on the 2021 Term Loan were based on SOFR plus 350 basis points as of May 31, 2024 and February 29, 2024. There were no outstanding borrowings, no letters of credit and \$155.0 million available borrowing capacity under the 2021 Revolving Credit Facility as of May 31, 2024 and February 29, 2024.

We were in compliance with the First Lien Leverage Ratio for the Credit Agreement as of May 31, 2024 and February 29, 2024.

Beginning in March 2023, we entered into zero-cost interest rate collars in the notional amount of \$300.0 million to hedge our exposure to fluctuations in interest rates on the variable rate debt on a portion of our 2021 Term Loan. See Note 12, *Financial Instruments* for additional information.

11. Contingent Consideration

Business Combination

The contingent consideration liability is due to the issuance of Series B-2 common stock and Series 2 RCUs of E2open Holdings as part of the Business Combination. These shares and units were issued on a proportional basis to each holder of Class A shares in CCNB1 and Common Units of E2open Holdings. These restricted shares and Common Units are treated as a contingent consideration liability under ASC 805 and valued at fair market value. The contingent consideration liability was recorded at fair value on the acquisition date and is remeasured at each reporting date and adjusted if necessary. Any gain or loss recognized from the remeasurement is recorded in gain (loss) from the change in fair value of contingent consideration on the Condensed Consolidated Statements of Operations as nonoperating income (expense) as the change in fair value is not part of our core operating activities.

The contingent consideration liability was \$20.3 million and \$18.0 million as of May 31, 2024 and February 29, 2024, respectively. The fair value remeasurements resulted in a loss of \$2.3 million and a gain of \$9.0 million for the three months ended May 31, 2024 and 2023, respectively.

There were 3,372,184 shares of Series B-2 common stock outstanding as of May 31, 2024 and February 29, 2024. The Series B-2 common stock will automatically convert into Class A Common Stock on a one-to-one basis upon the occurrence of the first day on which the 20-day VWAP is equal to at least \$15.00 per share; provided, however, that the reference to \$15.00 per share shall be decreased by the aggregate per share amount of dividends actually paid in respect of a share of Class A Common Stock following the closing of the Business Combination. If any of the Series B-2 common stock does not vest on or before the 10-year anniversary of the Closing Date, such common stock will be canceled for no consideration.

There were 2,627,724 shares of Series 2 RCUs outstanding as of May 31, 2024 and February 29, 2024. Similar to the Series B-2 common stock, the Series 2 RCUs will vest (a) at such time as the 20-day VWAP of the Class A Common Stock is at least \$15.00 per share; however, the \$15.00 per share threshold will be decreased by the aggregate amount of dividends per share paid following the closing of the Business Combination; (b) upon the consummation of a qualifying change of control of us or the Sponsor or (c) upon the qualifying liquidation defined in the limited liability company agreement.

Upon the conversion of an RCU, the holder of such RCU will be entitled to receive a payment equal to the amount of ordinary distributions paid on an E2open Holdings unit from the Closing Date through (but not including) the date such RCU converts into an E2open Holdings unit. If any of the RCUs do not vest on or before the 10-year anniversary of the Closing Date, such units will be canceled for no consideration, and will not be entitled to receive any Catch-Up Payments.

We have not paid any dividends to date and do not expect to in the future.

12. Fair Value Measurement

Our financial instruments include cash and cash equivalents; investments; accounts receivable, net; accounts payable; notes payable; and financing lease obligations. Accounts receivable, net and accounts payable are stated at their carrying value, which approximates fair value, due to their short maturity. We measure our cash equivalents and investments at fair value, based on an exchange or exit price which represents the amount that would be received for an asset sale or an exit price, or paid to transfer a liability in an orderly transaction between knowledgeable and willing market participants. Certificates of deposit are valued at original cost plus accrued interest, which approximates fair value. We estimate the fair value for notes payable and financing lease obligations by discounting the future cash flows of the related note and lease payments. As of May 31, 2024 and February 29, 2024, the fair value of the cash and cash equivalents, restricted cash, certificates of deposit, notes payable and financing lease obligations approximates their recorded values.

The following tables set forth details about our investments:

(\$ in thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
May 31, 2024				
Asset-backed securities	\$ 162	\$ 46	\$ —	\$ 208
February 29, 2024				
Asset-backed securities	\$ 162	\$ 45	\$ —	\$ 207

The asset-backed securities are included in other noncurrent assets on the Condensed Consolidated Balance Sheets.

Observable inputs are based on market data obtained from independent sources. Unobservable inputs reflect our assessment of the assumptions market participants would use to value certain financial instruments. This hierarchy requires us to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

Our assets and liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy are summarized as follows:

(\$ in thousands)	May 31, 2024				
	Level 1	Level 2	Level 3		Total
Assets:					
Investments:					
Asset-backed securities	\$ —	\$ 208	\$ —		\$ 208
Total investments	—	208	—		208
Other assets:					
Forward currency contracts	\$ —	\$ 20	\$ —		\$ 20
Interest rate collar agreements	—	2,286	—		2,286
Total other assets	—	2,306	—		2,306
Total assets	\$ —	\$ 2,514	\$ —		\$ 2,514
Liabilities:					
Cash-settled restricted stock units	\$ 55	\$ —	\$ —		\$ 55
Tax receivable agreement liability	—	—	54,938		54,938
Warrant liability	6,943	—	4,009		10,952
Contingent consideration	—	—	20,308		20,308
Total liabilities	\$ 6,998	\$ —	\$ 79,255		\$ 86,253

(\$ in thousands)	February 29, 2024			
	Level 1	Level 2	Level 3	Total
Assets:				
Investments:				
Asset-backed securities	\$ —	\$ 207	\$ —	\$ 207
Total investments	—	207	—	207
Other assets:				
Forward currency contracts	\$ —	\$ 46	\$ —	\$ 46
Interest rate collar agreements	—	1,830	—	1,830
Total other assets	—	1,876	—	1,876
Total assets	<u>\$ —</u>	<u>\$ 2,083</u>	<u>\$ —</u>	<u>\$ 2,083</u>
Liabilities:				
Cash-settled stock units	\$ 34	\$ —	\$ —	\$ 34
Tax receivable agreement liability	—	—	50,964	50,964
Warrant liability	11,012	—	3,701	14,713
Contingent consideration	—	—	18,028	18,028
Total liabilities	\$ 11,046	\$ —	\$ 72,693	\$ 83,739

Cash-Settled Restricted Stock Units

Cash-settled restricted stock units (RSUs) form part of our compensation program. The fair value of these awards is determined using the closing stock price of our Class A Common Stock on the last day of each balance sheet date which is considered an observable quoted market price in active markets (Level 1).

Contingent Consideration

The following table provides a reconciliation of the beginning and ending balances of the contingent consideration using significant unobservable inputs (Level 3):

(\$ in thousands)		May 31, 2024	February 29, 2024
Beginning of period		\$ 18,028	\$ 29,548
Loss (gain) from fair value of contingent consideration		2,280	(11,520)
End of period		\$ 20,308	\$ 18,028

The change in the fair value of the contingent consideration is recorded in gain (loss) from change in fair value of contingent consideration in the Condensed Consolidated Statements of Operations.

Tax Receivable Agreement

Our Tax Receivable Agreement liability is measured under both ASC 805 at fair value on a recurring basis using significant unobservable inputs (Level 3) and ASC 450 at book value. The following table provides a reconciliation of the portion of the tax receivable agreement liability measured at fair value under Level 3:

(\$ in thousands)	May 31, 2024	February 29, 2024
Beginning of period	\$ 50,964	\$ 53,154
Loss (gain) from fair value of tax receivable agreement liability	3,974	(2,190)
End of period	<u>\$ 54,938</u>	<u>\$ 50,964</u>

The change in the fair value of the Tax Receivable Agreement liability is recorded in gain (loss) from change in tax receivable agreement liability in the Condensed Consolidated Statements of Operations.

Warrants

Our warrant liability is measured at fair value on a recurring basis using active market quoted prices (Level 1) and significant unobservable inputs (Level 3). The following table provides a reconciliation of the warrant liability:

(\$ in thousands)	May 31, 2024	February 29, 2024
Beginning of period	\$ 14,713	\$ 29,616
Gain from fair value of warrant liability	(3,761)	(14,903)
End of period	<u>\$ 10,952</u>	<u>\$ 14,713</u>

The change in the fair value of the warrant liability is recorded in gain from change in fair value of warrant liability in the Condensed Consolidated Statements of Operations.

The fair values of our Level 1 financial instruments, which are traded in active markets, are based on quoted market prices for identical instruments. The fair values of our Level 2 financial instruments are based on daily market foreign currency rates, interest rate curves and quoted market prices for comparable instruments or model-driven valuations using observable market data or inputs corroborated by observable market data.

Our contingent consideration is valued using a Monte Carlo simulation model. The assumptions used in preparing this model include estimates such as volatility, contractual terms, discount rates, dividend yield and risk-free interest rates. This valuation model uses unobservable market input, and therefore the liability is classified as Level 3.

Our public warrants are valued using active market quoted prices, which are Level 1 inputs. The private placement warrants are valued using a binomial pricing model when the warrants are subject to the make-whole table, or otherwise are valued using a Black-Scholes pricing model. The 5,000,000 redeemable warrants purchased pursuant to the Forward Purchase Agreement are valued utilizing observable market prices for public shares and warrants, relative to the present value of contractual cash proceeds. The assumptions used in preparing these models include estimates such as volatility, contractual terms, discount rates, dividend yield, expiration dates and risk-free interest rates. These valuation models use unobservable market input, and therefore the liability is classified as both Level 1 and Level 3.

There were no transfers of financial instruments between the levels of the fair value hierarchy during the three months ended May 31, 2024 and 2023.

13. Revenue

We primarily generate revenue from the sale of subscriptions and professional services. We recognize revenue when the client contract and associated performance obligations have been identified, transaction price has been determined and allocated to the performance obligations in the contract, and performance obligations have been satisfied. We recognize revenue net of any taxes collected from clients, which are subsequently remitted to governmental authorities. Other revenue is recognized when the service is delivered to the client.

Total Revenue by Geographic Locations

Revenue by geographic regions consisted of the following:

(\$ in thousands)	Three Months Ended May 31,			
	2024		2023 ⁽¹⁾	
Americas	\$	128,638	\$	135,468
Europe		17,951		19,255
Asia Pacific		4,574		5,397
Total revenue	\$	<u>151,163</u>	\$	<u>160,120</u>

(1) These amounts have been adjusted to reflect a reclassification of \$5.0 million from Asia Pacific to Europe for a misclassification in the amounts reported in the Form 10-Q for the three months ended May 31, 2023 as filed with the SEC on July 10, 2023. This reclassification was reported in the Form 10-Q for the six months ended August 31, 2023 as filed with the SEC on October 10, 2023.

Revenues by geography are determined based on the region of our contracting entity, which may be different than the region of the client. Americas revenue attributed to the United States was 84% and 83% during the three months ended May 31, 2024 and 2023, respectively. No other country represented more than 10% of total revenue during these periods.

Remaining Performance Obligations

Revenue allocated to remaining performance obligations represents the transaction price allocated to the performance obligations that are unsatisfied, or partially unsatisfied. It includes unearned revenue and amounts that will be invoiced and recognized as revenue in future periods and does not include contracts where the client is not committed. The client is not considered committed when they are able to terminate for convenience without payment of a substantive penalty under the contract. Additionally, as a practical expedient of ASC 606, *Revenue from Contracts with Customers*, we have not disclosed the value of unsatisfied performance obligations for contracts with an original expected length of one year or less. As of May 31, 2024 and February 29, 2024, approximately \$869.6 million and \$863.1 million of revenue was expected to be recognized from remaining performance obligations, respectively. These amounts are expected to be recognized within the next five years.

Contract Assets and Liabilities

Contract assets primarily represent revenues recognized for performance obligations that have been satisfied but for which amounts have not been billed. Contract assets were \$21.1 million and \$23.9 million as of May 31, 2024 and February 29, 2024, respectively. Contract liabilities consist of deferred revenue which includes billings in excess of revenue recognized related to subscription contracts and professional services. Deferred revenue is recognized as revenue when we perform under the contract. Deferred revenue was \$188.8 million and \$215.2 million as of May 31, 2024 and February 29, 2024, respectively. Revenue recognized during the three months ended May 31, 2024, included in deferred revenue on the Condensed Consolidated Balance Sheets as of February 29, 2024, was \$90.9 million.

Sales Commissions

With the adoption of ASC 606 and ASC 340-40, *Contracts with Customers*, in March 2019, we began deferring and amortizing sales commissions that are incremental and directly related to obtaining client contracts. Amortization expense of \$2.1 million and \$1.3 million was recorded in sales and marketing expenses in the Condensed Consolidated Statements of Operations for the three months ended May 31, 2024 and 2023, respectively. Certain sales commissions that would have an amortization period of less than one year are expensed as incurred in sales and marketing expenses. As of May 31, 2024 and February 29, 2024, we had a total of \$22.5 million and \$21.4 million of capitalized sales commissions included in prepaid expenses and other current assets and other noncurrent assets in the Condensed Consolidated Balance Sheets, respectively.

14. Warrants

As of May 31, 2024 and February 29, 2024, there were an aggregate of 29,079,872 warrants outstanding. Each warrant entitles its holders to purchase one share of Class A Common Stock at an exercise price of \$11.50 per share. The warrants expire five years after the Closing Date, or earlier upon redemption or liquidation. The warrants are currently exercisable and redeemable when various conditions are met, such as specific stock prices, as detailed in the specific warrant agreements. However, the 10,280,000 private placement warrants are nonredeemable so long as they are held by our Sponsor or its permitted transferees. The warrants are recorded as a liability in warrant liability on the Condensed Consolidated Balance Sheets with a balance of \$11.0 million and \$14.7 million as of May 31, 2024 and February 29, 2024, respectively. During the three months ended May 31, 2024 and 2023, a gain of \$3.8 million and \$14.7 million was recognized in gain from change in fair value of the warrant liability in the Condensed Consolidated Statements of Operations, respectively.

15. Stockholders' Equity

Class A Common Stock

We are authorized to issue 2,500,000,000 Class A common stock with a par value of \$0.0001 per share. Holders of our Class A Common Stock are entitled to one vote for each share. As of May 31, 2024 and February 29, 2024, there were 307,692,652 and 306,237,585 shares of Class A Common Stock issued, respectively, and 307,515,998 and 306,060,931 shares of Class A Common Stock outstanding, respectively.

Class V Common Stock

We are authorized to issue 42,747,890 Class V common stock with a par value of \$0.0001 per share. These shares have no economic value but entitle the holder to one vote per share. As of May 31, 2024 and February 29, 2024, there were 30,918,888 and 31,225,604 shares of Class V Common Stock issued and outstanding, respectively, and 11,829,002 and 11,522,286 shares of Class V Common Stock held in treasury, respectively.

The holders of Common Units participate in net income or loss allocations and distributions of E2open Holdings. They are also entitled to Class V Common Stock on a one-for-one basis to their Common Units which in essence allows each holder one vote per Common Unit.

The following table reflects the changes in our outstanding stock:

	Class A	Class V	Series B-1	Series B-2
Balance, February 29, 2024	306,060,931	31,225,604	94	3,372,184
Conversion of Common Units ⁽¹⁾	306,716	(306,716)	—	—
Issuance of common stock upon exercise of options	32,391	—	—	—
Vesting of restricted awards, net of shares withheld for taxes ⁽²⁾	1,115,960	—	—	—
Balance, May 31, 2024	<u>307,515,998</u>	<u>30,918,888</u>	<u>94</u>	<u>3,372,184</u>

(1) Class A Common Stock issued for the conversion of Common Units settled in stock. Class V Common Stock are retired on a one-for-one basis when Common Units are converted into Class A Common Stock or settled in cash.

(2) The Class A Common Stock withheld for taxes revert back to the 2021 Incentive Plan, as defined below, and are used for future grants.

16. Noncontrolling Interest

Noncontrolling interest represents the portion of E2open Holdings that we control and consolidate but do not own. As of May 31, 2024 and February 29, 2024, the noncontrolling interest represents a 9.1% and 9.3% ownership in E2open Holdings, respectively. As part of the Business Combination, E2open Parent Holdings, Inc. became the owner of E2open Holdings along with the existing owners of E2open Holdings through Common Unit ownership. The existing owners of E2open Holdings are shown as noncontrolling interest on the Condensed Consolidated Balance Sheets and their portion of the net income (loss) of E2open Holdings is shown as net income (loss) attributable to noncontrolling interest on the Condensed Consolidated Statements of Operations.

Generally, Common Units participate in net income or loss allocations and distributions and entitle their holder to the right, subject to the terms set forth in the Third Amended and Restated Limited Liability Company Agreement of E2open, LLC (Third Company Agreement), to require E2open Holdings to redeem all or a portion of the Common Units held by such participant. At our option, we may satisfy this redemption with cash or by exchanging Class V Common Stock for Class A Common Stock on a one-for-one basis.

During the three months ended May 31, 2024, there were 306,716 Common Units converted into Class A Common Stock with a value of \$1.3 million based off the 5-day VWAP. This activity resulted in a decrease to noncontrolling interests of \$1.3 million during the three months ended May 31, 2024.

During the three months ended May 31, 2023, there were no Common Units converted into Class A Common Stock.

As of May 31, 2024 and February 29, 2024, there were a total of 30.9 million and 31.2 million Common Units held by participants of E2open Holdings.

We follow the guidance issued by the FASB regarding the classification and measurement of redeemable securities. Accordingly, we have determined that the Common Units meet the requirements to be classified as permanent equity.

17. Other Comprehensive Loss

Accumulated other comprehensive loss in the equity section of our Condensed Consolidated Balance Sheets includes:

(\$ in thousands)	Foreign Currency Translation Adjustment	Unrealized Holding (Losses) Gains on Foreign Exchange Forward Contracts	Unrealized Holding Gains on Interest Rate Collar Agreements	Total
Balance, February 29, 2024	\$ (48,711)	\$ 46	\$ 1,830	\$ (46,835)
Other comprehensive gain (loss)	2,065	(27)	456	2,494
Tax effects	—	—	—	—
Other comprehensive gain (loss)	2,065	(27)	456	2,494
Balance, May 31, 2024	<u>\$ (46,646)</u>	<u>\$ 19</u>	<u>\$ 2,286</u>	<u>\$ (44,341)</u>

There were no income taxes recorded to other comprehensive loss during the three months ended May 31, 2024.

The effect of amounts reclassified out of unrealized holding losses on derivatives into net loss was as follows:

(\$ in thousands)	Three Months Ended May 31,	
	2024	2023
Reclassifications:		
Cost of revenue	\$ 5	\$ 61
Research and development	5	55
Sales and marketing	—	3
General and administrative	2	24
Total	<u>\$ 12</u>	<u>\$ 143</u>

The effect of amounts reclassified out of unrealized gains for interest rate collars as an offset to interest expense was as follows:

(\$ in thousands)	Three Months Ended May 31,	
	2024	2023
Reclassifications:		
\$100 million notional interest rate collar	\$ (210)	\$ (71)
\$200 million notional interest rate collar	(293)	(64)
Total	<u>\$ (503)</u>	<u>\$ (135)</u>

Accumulated foreign currency translation adjustments are reclassified to net loss when realized upon sale or upon complete, or substantially complete, liquidation of the investment in the foreign entity.

See Note 12, *Financial Instruments* for additional information related to our derivative instruments.

18. Earnings Per Share

Basic earnings per share is calculated as net loss available to common stockholders divided by the weighted average number of shares of common stock outstanding during the applicable period. Diluted earnings per share is computed by using the basic earnings per share plus any dilutive securities outstanding during the period using the if-converted method, except when the effect is anti-dilutive. The following is a reconciliation of the denominators of the basic and diluted per share computations for net loss:

(in thousands, except per share data)	Three Months Ended May 31,	
	2024	2023
Net loss per share:		
Numerator - basic:		
Net loss	\$ (42,788)	\$ (360,884)
Less: Net loss attributable to noncontrolling interest	(3,926)	(35,489)
Net loss attributable to E2open Parent Holdings, Inc. - basic	<u>\$ (38,862)</u>	<u>\$ (325,395)</u>
Numerator - diluted:		
Net loss attributable to E2open Parent Holdings, Inc. - basic	\$ (38,862)	\$ (325,395)
Net loss attributable to E2open Parent Holdings, Inc. - diluted	<u>\$ (38,862)</u>	<u>\$ (325,395)</u>
Denominator - basic:		
Weighted average shares outstanding - basic	306,732	302,502
Net loss per share - basic	<u>\$ (0.13)</u>	<u>\$ (1.08)</u>
Denominator - diluted:		
Weighted average shares outstanding - basic	306,732	302,502
Weighted average shares outstanding - diluted	306,732	302,502
Diluted net loss per common share	<u>\$ (0.13)</u>	<u>\$ (1.08)</u>

Potential common shares are shares that would be issued upon exercise or conversion of shares under our share-based compensation plans and upon exercise of warrants that are excluded from the computation of diluted earnings per common share when the effect would be anti-dilutive. All potential common shares are anti-dilutive in periods of net loss available to common stockholders.

The following table summarizes the potential common shares excluded from the calculation of diluted loss per common share as their effect would be anti-dilutive:

	Three Months Ended May 31,	
	2024	2023
Series B-1 common stock	94	94
Series B-2 common stock	3,372,184	3,372,184
Restricted common units Series 2	2,627,724	2,627,724
Warrants	29,079,872	29,079,872
Common Units	30,918,888	32,992,007
Performance-based options	3,922,079	1,924,761
Time-based options	2,399,792	330,337
Performance-based restricted stock units	3,981,526	2,047,642
Time-based restricted stock units	12,798,023	5,240,581
Units/Shares excluded from the dilution computation	<u>89,100,182</u>	<u>77,615,202</u>

19. Share-Based Compensation

2021 Incentive Plan

The E2open Parent Holdings, Inc. 2021 Omnibus Incentive Plan, as Amended and Restated (2021 Incentive Plan), allows us to make equity and equity-based incentive awards to officers, employees, directors and consultants. There were 15,000,000 shares of Class A Common Stock reserved for issuance under the 2021 Incentive Plan as of February 28, 2022. The "evergreen" provision of the 2021 Incentive Plan provides for an annual automatic increase to the number of shares of Class A Common Stock available under the plan. As of March 1, 2022, 2023 and 2024, an additional 4,849,684, 7,304,646 and 12,301,706 shares were reserved for issuance under the "evergreen" provision, respectively. Shares issued under the 2021 Incentive Plan can be granted as stock options, restricted stock awards, restricted stock units, performance stock awards, cash awards and other equity-based awards. No award may vest earlier than the first anniversary of the date of grant, except under limited conditions.

The following table presents the awards granted for Class A Common Stock:

	Three Months Ended May 31,	
	2024	2023
Awards granted		
Options	1,811	1,169
RSUs	5,330	5,526
Total awards granted	<u>7,141</u>	<u>6,695</u>

Options

Options are either performance-based or time-based and granted to our executive officers and senior management. These awards are recorded as equity awards within the Condensed Consolidated Statements of Stockholders' Equity. When performance-based grants are awarded, the performance target is set at 100% at the grant date, and the probability of meeting the performance target is reassessed each quarter over the performance period and adjusted if needed. The fiscal 2024 options were time-based with one-third of the options vesting at the end of the first year with the remaining options vesting ratably each quarter over the remaining two-years.

During the three months ended May 31, 2024, we issued 32,391 shares of Class A Common Stock resulting from the exercise of stock options with a total intrinsic value of \$0.2 million based on the market value on the date of exercise.

As of May 31, 2024, there were 3,922,079 unvested performance-based options and 2,399,792 unvested time-based options with an unrecognized compensation cost of \$10.6 million.

RSUs

The RSUs are either performance-based or time-based. These awards are recorded as equity awards within the Condensed Consolidated Statements of Stockholders' Equity. The fiscal 2024 performance-based RSUs were measured based on obtaining organic subscription revenue growth, constant currency adjusted EBITDA and net bookings target over a one-year period. The performance target for these awards was finalized in April 2024 with actual results below 100%. The fiscal 2025 performance-based RSUs are measured based on obtaining an organic subscription revenue growth and constant currency adjusted EBITDA target over a one-year period. For the fiscal year 2024 and 2025 performance-based RSUs, a quarter of the RSUs that have obtained the performance metric will vest at the end of the performance period and then the remaining shares will vest equally over the following three years.

The time-based RSUs for executive officers, senior management and employees granted during fiscal 2022 and 2023 vest ratably over a three-year period. Beginning in fiscal 2024, the time-based RSUs for executive officers, senior management and employees vest one-third at the end of the first year and then ratably each quarter over the remaining two years. The time-based RSUs for non-employee directors of our board of directors have a one-year vesting period.

As of May 31, 2024, there were 3,981,528 performance-based RSUs and 12,798,023 time-based RSUs unvested and expected to vest with an unrecognized compensation cost of \$68.1 million.

Redeemable Share-Based Awards

Mr. Andrew Appel, Chief Executive Officer (CEO), was awarded performance-based RSUs with a market condition based on the closing price of our stock for 20 days out of 30 consecutive trading days during the performance period. The stock hurdles range from \$3.50 to \$15.00 with \$3.50 generating 8% attainment and \$15.00 producing 200% attainment. The performance period will be for the three-years of the grant and be measured at each vesting date. The performance-based options will time vest up to one-third after the first year and up to one-twelfth each of the following seven quarters with the remaining earned shares vesting on the third anniversary of the grant.

If there is a change in control, the award will immediately vest under the performance condition based upon the appropriate stock hurdle and automatically time-vest. The vested RSU will be paid in the form of cash and/or equity in a ratio substantially similar to the ratio received by the other shareholders in connection with the change in control. Additionally, the cash portion of the award will be equal to at least 50%. As this award has a redemption feature for the change in control and cash value component, it is recorded as redeemable share-based awards on the Condensed Consolidated Balance Sheets.

Mr. Appel was also awarded time-based RSUs that vest one-third after the first year and vest ratably each quarter over the remaining two-years. If there is a change in control, the award will immediately vest and be paid in the form of cash and/or equity in a ratio substantially similar to the ratio received by the other shareholders in connection with the change in control. Additionally, the cash portion of the award will be equal to at least 50%. As this award has a redemption feature for the change in control and cash value component, it is recorded as redeemable share-based awards on the Condensed Consolidated Balance Sheets.

The amount presented in the mezzanine as redeemable share-based awards will be the redemption amount as of the grant date, multiplied by the portion of the requisite service period that has elapsed. The redemption amount is based on the number of shares that would vest if a change in control occurred at the grant date multiplied by the grant date stock price. Once the RSUs have vested, the associated redemption value will be reclassified from the redeemable share-based award to additional paid-in capital on the Condensed Consolidated Balance Sheets.

Restricted Stock Awards

The restricted stock awards (RSAs) are time-based and granted to participants with the associated Class A Common Stock issued on the day of grant. The Class A Common Stock are issued subject to various restrictions, but carry voting rights. When the applicable vesting terms have been met, the restrictions are removed from the Class A Common Stock.

As part of Mr. Andrew Appel's compensation as interim Chief Executive Officer, he received an initial RSA grant valued at \$0.7 million, or 275,101 shares, under our 2021 Incentive Plan which vested after six months of issuance, or April 12, 2024.

Mr. Appel's Chief of Staff, Mr. McIndoe, was awarded an RSA grant in November 2023 valued at \$0.4 million, or 133,780 shares, under our 2021 Incentive Plan which vested after five months of issuance, or April 12, 2024.

As of May 31, 2024, all of the RSAs are fully vested.

As of May 31, 2024, there were 12,576,663 shares of Class A Common Stock available for grant under the 2021 Incentive Plan.

Liability Awards

For employees based in China, they are awarded cash-settled RSUs which vest ratably over a three-year period. The cash-settled RSUs must be settled in cash and are accounted for as liability-type awards. The fair value of these cash-settled RSUs equals the value of our Class A Common Stock on the date of grant and is remeasured at the end of each reporting period at fair value. The change in fair value is recorded in share-based compensation expense in the Condensed Consolidated Statements of Operations. The liability for the cash-settled RSUs was negligible as of May 31, 2024 and February 29, 2024 and is included in accounts payable and accrued liabilities in the Condensed Consolidated Balance Sheets. As of May 31, 2024 and February 29, 2024, there were 37,479 unvested cash-settled RSUs with unrecognized compensation cost of \$0.1 million.

With the departure of our Executive Vice President and General Counsel, a Separation and Release Agreement was entered into under which the General Counsel provided transition services through May 31, 2024. As a result of the General Counsel's departure, a portion of her options, time-based RSUs and performance-based RSUs were accelerated to June 10, 2024 resulting in 9,121 options and 204,511 time-based and performance-based RSUs vesting as of June 10, 2024.

The table below sets forth the functional classification in the Condensed Consolidated Statements of Operations of our equity-based compensation expense:

(\$ in thousands)	Three Months Ended May 31,			
	2024		2023	
Cost of revenue	\$	1,205	\$	617
Research and development		1,927		960
Sales and marketing		1,557		478
General and administrative		7,098		2,390
Total share-based compensation	\$	<u>11,787</u>	\$	<u>4,445</u>

20. Leases

We account for leases in accordance with ASC 842, *Leases*, which requires lessees to recognize lease liabilities and right-of-use (ROU) assets on the balance sheet for most operating leases.

Real Estate Leases

We lease our primary office space under non-cancelable operating leases with various expiration dates through September 2031. Many of our leases have an option to be extended from two to five years, and several of the leases give us the right to early cancellation with proper notification. Additionally, we have five subleases of our office leases as of May 31, 2024.

Several of the operating lease agreements require us to provide security deposits. As of May 31, 2024 and February 29, 2024, lease deposits were \$3.4 million. The deposits are generally refundable at the expiration of the lease, assuming all obligations under the lease agreement have been met. Deposits are included in prepaid and other current assets and other noncurrent assets in the Condensed Consolidated Balance Sheets.

During the three months ended May 31, 2023, we incurred a \$0.4 million impairment on our operating lease ROU assets and leasehold improvements due to vacating two locations with the intent to sublease them. The impairments were recorded in general and administrative expenses in the Condensed Consolidated Statements of Operations. During the three months ended May 31, 2024, we did not incur an impairment on our operating lease ROU assets and leasehold improvements.

Vehicle Leases

We lease vehicles under non-cancelable operating lease arrangements which have various expiration dates through April 2028. We do not have the right to purchase the vehicles at the end of the lease term.

Equipment Leases

We purchase certain equipment under non-cancelable financing lease arrangements related to software and computer equipment and which have various expiration dates through November 2028. We have the right to purchase the software and computer equipment anytime during the lease or upon lease completion.

Balance Sheet Presentation

The following tables present the amounts and classifications of our estimated ROU assets, net and lease liabilities:

(\$ in thousands)	Balance Sheet Location	May 31, 2024	February 29, 2024
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ 19,629	\$ 21,299
Finance lease right-of-use asset	Property and equipment, net	4,798	5,150
Total right-of-use assets		<u>\$ 24,427</u>	<u>\$ 26,449</u>

(\$ in thousands)	Balance Sheet Location	May 31, 2024	February 29, 2024
Operating lease liability - current	Current portion of operating lease obligations	\$ 6,996	\$ 7,378
Operating lease liability	Operating lease obligations	15,799	17,372
Finance lease liability - current	Current portion of finance lease obligations	1,473	1,448
Finance lease liability	Finance lease obligations	3,248	3,626
Total lease liabilities		<u>\$ 27,516</u>	<u>\$ 29,824</u>

Lease Cost and Cash Flows

The following table summarizes our total lease cost:

(\$ in thousands)	Three Months Ended May 31,	
	2024	2023
Finance lease cost:		
Amortization of right-of-use asset	\$ 352	\$ 608
Interest on lease liability	90	57
Finance lease cost	442	665
Operating lease cost:		
Operating lease cost	2,107	1,862
Variable lease cost	513	1,085
Sublease income	(211)	(80)
Operating net lease cost	2,409	2,867
Total net lease cost	<u>\$ 2,851</u>	<u>\$ 3,532</u>

Supplemental cash flow information related to leases was as follows:

(\$ in thousands)	Three Months Ended May 31,	
	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	\$ 2,018	\$ 2,372

The following table presents the weighted-average remaining lease terms and discount rates of our leases:

	Three Months Ended May 31,	
	2024	2023
Weighted-average remaining lease term (in years):		
Finance lease	3.53	1.21
Operating lease	3.68	3.73
Weighted-average discount rate:		
Finance lease	7.33%	8.06%
Operating lease	7.02%	6.32%

Lease Liability Maturity Analysis

The following table reflects the undiscounted future cash flows utilized in the calculation of the lease liabilities as of May 31, 2024:

(\$ in thousands)		
	Operating Leases	Finance Leases
June 2024 - February 2025	\$ 6,502	\$ 1,328
2027	7,078	1,669
2028	5,856	1,092
2029	3,566	748
2030	1,585	561
Thereafter	1,454	—
Total	26,041	5,398
Less: Present value discount	(3,246)	(677)
Lease liabilities	<u>\$ 22,795</u>	<u>\$ 4,721</u>

21. Income Taxes

We calculate the provision for income taxes during interim periods by applying an estimate of the forecasted annual effective tax rate for the full fiscal year to ordinary income or loss (pretax income or loss excluding discrete items) for the reporting period. Our provision for income taxes was a benefit of \$1.9 million, or 4.3%, for the three months ended May 31, 2024 compared to \$66.3 million, or 15.5%, for the three months ended May 31, 2023.

The loss before income taxes of \$44.7 million and \$427.2 million resulted in a \$1.9 million and \$66.3 million income tax benefit for the three months ended May 31, 2024 and 2023, respectively. For the three months ended May 31, 2024, the expected benefit at the U.S. federal statutory rate was reduced due to increased deferred tax assets on entities that carry a valuation allowance partially offset by the benefit of state income taxes. The discrete impact of the goodwill impairment taken in the first quarter of fiscal 2024 resulted in a \$64.7 million income tax benefit, net of a valuation allowance of \$24.6 million, for the three months ended May 31, 2023.

As of May 31, 2024 and February 29, 2024, total gross unrecognized tax benefits were \$2.5 million. We recognize interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of May 31, 2024 and February 29, 2024, the total amount of gross interest and penalties accrued was \$0.2 million and less than \$0.1 million, respectively, which is classified as other noncurrent liabilities in the Condensed Consolidated Balance Sheets.

22. Commitments and Contingencies

From time to time, we have exposure and are subject to contingencies that arise in the ordinary course of business for a variety of claims. We record an accrual for a contingency when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We do not currently believe the resolution of any other such contingencies will have a material adverse effect upon our Condensed Consolidated Balance Sheets, Statements of Operations or Statements of Cash Flows.

23. Supplemental Cash Flow Information

Supplemental cash flow information and non-cash investing and financing activities are as follows:

(In thousands)	Three Months Ended May 31,	
	2024	2023
Supplemental cash flow information - Cash paid for:		
Interest	\$ 24,379	\$ 25,381
Income taxes	1,462	2,483
Non-cash investing and financing activities:		
Capital expenditures included in accounts payable and accrued liabilities	1,467	3,276
Right-of-use assets obtained in exchange for operating lease obligations	53	4,216
Shares withheld for taxes on vesting of restricted stock	3,873	1,830
Conversion of Common Units to Class A Common Stock	1,311	—
Redeemable share-based awards	930	—

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

This item contains a discussion of our business, including a general overview of our business, results of operations, liquidity and capital resources as well as quantitative and qualitative disclosures about market risk.

The following discussion should be read in conjunction with Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* of our 2024 Form 10-K and the unaudited condensed financial statements and related notes beginning on page 5. This Item 2 contains "forward-looking" statements that involve risks and uncertainties. See Forward-Looking Statements at the beginning of this Quarterly Report.

Overview

We are a world class end-to-end supply chain software platform that enables the world's largest companies to transform the way they make, move and sell goods and services. Our SaaS platform spans many key strategic and operational areas including channel, planning, global trade, logistics and supply. With the broadest cloud-native global SaaS platform purpose-built for modern supply chains, we connect manufacturing, logistics, channel and distributing partners as one multi-enterprise network. Our SaaS platform anticipates disruptions and opportunities to help companies improve efficiency, reduce waste and operate sustainably. In aggregate, we serve clients in all major countries in the world across a wide range of end-markets, including consumer goods, food and beverage, manufacturing, retail, industrial and automotive, aerospace and defense, technology and transportation, among others.

We operate in what we believe is an attractive industry with strong secular tailwinds and a total addressable market which includes significant whitespace within our current client base. This upsell opportunity within our existing client base is largely driven by their current technology solution which is often a combination of legacy point solutions and home-grown applications which could be a combination of manual processes and spreadsheets. As manufacturing continues to evolve, supply chains have grown more complex creating the need for a modern cloud-based solution. We believe our cloud-based, end-to-end software platform offers a differentiated and more connected solution for clients that provides all the mechanisms needed to run a fully integrated supply chain solution with visibility at every point. If our clients initially purchase portions of our software, they can add on additional modules as the need arises.

Results of Operations

The following table is our Unaudited Condensed Consolidated Statements of Operations for the periods indicated:

(\$ in thousands, except per share amounts)	Three Months Ended May 31,	
	2024	2023
Revenue	\$ 151,163	\$ 160,120
Cost of revenue	(78,503)	(80,702)
Total gross profit	72,660	79,418
Operating Expenses		
Research and development	24,797	25,866
Sales and marketing	20,996	19,558
General and administrative	23,343	22,125
Acquisition-related expenses	283	389
Amortization of acquired intangible assets	20,086	20,128
Goodwill impairment	—	410,041
Intangible asset impairment	—	4,000
Total operating expenses	89,505	502,107
Loss from operations	(16,845)	(422,689)
Interest and other expense, net	(25,373)	(25,726)
Loss from change in tax receivable agreement liability	(3,974)	(2,460)
Gain from change in fair value of warrant liability	3,761	14,680
(Loss) gain from change in fair value of contingent consideration	(2,280)	9,000
Total other expense	(27,866)	(4,506)
Loss before income tax benefit	(44,711)	(427,195)
Income tax benefit	1,923	66,311
Net loss	(42,788)	(360,884)
Less: Net loss attributable to noncontrolling interest	(3,926)	(35,489)
Net loss attributable to E2open Parent Holdings, Inc.	\$ (38,862)	\$ (325,395)
Net loss attributable to E2open Parent Holdings, Inc.		
Class A common stockholders per share:		
Basic	\$ (0.13)	\$ (1.08)
Diluted	\$ (0.13)	\$ (1.08)
Weighted-average common shares outstanding:		
Basic	306,732	302,502
Diluted	306,732	302,502

Three Months Ended May 31, 2024 compared to Three Months Ended May 31, 2023

Revenue

(\$ in thousands)	Three Months Ended May 31,			
	2024	2023	\$ Change	% Change
Revenue:				
Subscriptions	\$ 131,404	\$ 134,903	\$ (3,499)	-3 %
Professional services and other	19,759	25,217	(5,458)	-22 %
Total revenue	\$ 151,163	\$ 160,120	\$ (8,957)	-6 %
Percentage of revenue:				
Subscriptions	87 %	84 %		
Professional services and other	13 %	16 %		
Total	100 %	100 %		

Subscriptions revenue was \$131.4 million for the three months ended May 31, 2024, a \$3.5 million, or 3%, decrease compared to subscriptions revenue of \$134.9 million for the three months ended May 31, 2023. The decrease in subscriptions revenue was primarily due to lower new bookings, higher churn and lower revenue from tiered contracts.

Professional services and other revenue were \$19.8 million for the three months ended May 31, 2024, a \$5.5 million, or 22%, decrease compared to \$25.2 million for the three months ended May 31, 2023. The decrease in professional services and other revenue was due to lower billable hours and delayed conversion of existing backlog primarily driven by higher focus of internal resources on churn and customer satisfaction.

Our subscriptions revenue as a percentage of total revenue increased to 87% for the first quarter of fiscal 2025 compared to 84% for the first quarter of fiscal 2024. This increase is primarily due to a decline in professional services revenue. Our professional services and other revenue as a percentage of total revenue decreased to 13% for the first quarter of fiscal 2025 compared to 16% for the first quarter of fiscal 2024 as professional services and other revenue declined.

Cost of Revenue, Gross Profit and Gross Margin

(\$ in thousands)	Three Months Ended May 31,			
	2024	2023	\$ Change	% Change
Cost of revenue:				
Subscriptions	\$ 37,099	\$ 36,544	\$ 555	2 %
Professional services and other	16,752	19,528	(2,776)	-14 %
Amortization of acquired intangible assets	24,652	24,630	22	0 %
Total cost of revenue	\$ 78,503	\$ 80,702	\$ (2,199)	-3 %
Gross profit:				
Subscriptions	\$ 69,653	\$ 73,728	\$ (4,075)	-6 %
Professional services and other	3,007	5,690	(2,683)	-47 %
Total gross profit	\$ 72,660	\$ 79,418	\$ (6,758)	-9 %
Gross margin:				
Subscriptions	53 %	55 %		
Professional services and other	15 %	23 %		
Total gross margin	48 %	50 %		

Cost of subscriptions was \$37.1 million for the three months ended May 31, 2024, a \$0.6 million, or 2%, increase compared to \$36.5 million for the three months ended May 31, 2023. This increase was primarily driven by a \$2.1 million increase in software and hosting costs partially offset by a \$1.7 million decrease in personnel costs when compared to the prior year.

Cost of professional services and other revenue was \$16.8 million for the three months ended May 31, 2024, a \$2.8 million, or 14%, decrease compared to \$19.5 million for the three months ended May 31, 2023. The decrease was mainly due to a \$1.9 million decrease in personnel costs when compared to the prior year.

Amortization of acquired intangible assets was \$24.7 million for the three months ended May 31, 2024 compared to \$24.6 million for the three months ended May 31, 2023.

Our subscriptions gross margin decreased to 53% in the first quarter of fiscal 2025 compared to 55% in the first quarter of fiscal 2024.

Our professional services gross margin decreased in the first quarter of fiscal 2025 to 15% compared to 23% in the first quarter of fiscal 2024 primarily driven by our lower revenue in the first quarter of fiscal 2025.

Research and Development

(\$ in thousands)	Three Months Ended May 31,				\$ Change	% Change
	2024	2023				
Research and development	\$	24,797	\$	25,866	\$ (1,069)	-4 %
Percentage of revenue		16 %		16 %		

Research and development expenses were \$24.8 million for the three months ended May 31, 2024, a \$1.1 million, or 4%, decrease compared to \$25.9 million for the three months ended May 31, 2023. The decrease was mainly due to \$2.5 million decrease in personnel costs due to higher research and development software capitalization and increase in offshore resources partially offset by a \$1.0 million increase in share-based compensation expense as compared to the prior year period.

Sales and Marketing

(\$ in thousands)	Three Months Ended May 31,				\$ Change	% Change
	2024	2023				
Sales and marketing	\$	20,996	\$	19,558	\$ 1,438	7 %
Percentage of revenue		14 %		12 %		

Sales and marketing expenses were \$21.0 million for the three months ended May 31, 2024, a \$1.4 million, or 7%, increase compared to \$19.6 million in the prior year. The increase was driven by \$1.5 million in personnel costs and \$1.1 million of share-based compensation expenses when compared to the prior year. This increase was partially offset by \$1.0 million in reduced marketing expenses.

General and Administrative

(\$ in thousands)	Three Months Ended May 31,				\$ Change	% Change
	2024	2023				
General and administrative	\$	23,343	\$	22,125	\$ 1,218	6 %
Percentage of revenue		15 %		14 %		

General and administrative expenses were \$23.3 million for the three months ended May 31, 2024, a \$1.2 million, or 6%, increase compared to \$22.1 million in the prior year. The increase was mainly a result of \$4.7 million of higher share-based compensation expense with the majority of the increase related to awards for onboarding our new Chief Executive Officer. This increase was partially offset by lower spend for consulting of \$0.8 million and facilities of \$1.0 million for such items as rent and building maintenance.

Other Operating Expenses

(\$ in thousands)	Three Months Ended May 31,				\$ Change	% Change
	2024	2023				
Acquisition and other related expenses	\$	283	\$	389	\$ (106)	-27 %
Amortization of acquired intangible assets		20,086		20,128	(42)	0 %
Total other operating expenses	<u>\$</u>	<u>20,369</u>	<u>\$</u>	<u>20,517</u>	<u>\$ (148)</u>	<u>-1 %</u>

Acquisition and other related expenses were \$0.3 million and \$0.4 million for the three months ended May 31, 2024 and 2023, respectively.

Amortization of acquired intangible assets was \$20.1 million for the first quarter of fiscal 2025 and 2024.

Goodwill Impairment

(\$ in thousands)	Three Months Ended May 31,					
	2024		2023	\$ Change	% Change	
Goodwill impairment	\$	—	\$ 410,041	\$ (410,041)	-100%	

During the first quarter of fiscal 2024, the market price of our Class A Common Stock and market capitalization declined significantly. This decline resulted in us determining that a triggering event occurred, and an interim goodwill impairment assessment was performed. The result of the impairment assessment was the realization of a \$410.0 million impairment charge. We did not have an impairment charge in the first quarter of fiscal 2025.

Intangible Asset Impairment

(\$ in thousands)	Three Months Ended May 31,					
	2024		2023	\$ Change	% Change	
Intangible asset impairment	\$	—	\$ 4,000	\$ (4,000)	-100%	

The decline in our stock price and market capitalization during the first quarter of fiscal 2024 was also a triggering event which resulted in an interim indefinite-lived intangible asset impairment assessment. The result of the impairment assessment was the realization of a \$4.0 million impairment charge. We did not have an impairment charge in the first quarter of fiscal 2025.

Interest and Other Expense, Net

(\$ in thousands)	Three Months Ended May 31,					
	2024		2023	\$ Change	% Change	
Interest and other expense, net	\$	(25,373)	\$ (25,726)	\$ 353	-1%	

Interest and other expense, net was \$25.4 million for the three months ended May 31, 2024, a \$0.4 million, or 1%, decrease compared to \$25.7 million in the prior year. The decrease was driven by lower realized exchange losses and additional interest income from money market funds partially offset by higher interest expense on our debt due to higher interest rates in fiscal 2025 compared to fiscal 2024.

Loss from Change in Tax Receivable Agreement

(\$ in thousands)	Three Months Ended May 31,					
	2024		2023	\$ Change	% Change	
Loss from change in tax receivable agreement liability	\$	(3,974)	\$ (2,460)	\$ (1,514)	62%	

During the three months ended May 31, 2024, we recorded a loss of \$4.0 million related to the change in the fair value of the tax receivable agreement liability, including interest, compared to \$2.5 million during the three months ended May 31, 2023. We have calculated the fair value of the tax receivable agreement payments and identified the timing of the utilization of the tax attributes. The tax receivable agreement liability, related to exchanges as of the Business Combination date, is revalued at the end of each reporting period with the gain or loss as well as the associated interest reflected in gain (loss) from change in tax receivable agreement liability in the Unaudited Condensed Consolidated Statements of Operations in the period in which the change occurred.

In addition, under ASC 450, transactions with partnership unit holders after the acquisition date will result in additional Tax Receivable Agreement liabilities that are recorded on a gross undiscounted basis. During the three months ended May 31, 2024 and 2023, the Tax Receivable Agreement applicable to this guidance increased by \$0.5 million and a negligible amount, respectively.

Gain from Change in Fair Value of Warrant Liability

(\$ in thousands)	Three Months Ended May 31,					
	2024		2023	\$ Change	% Change	
Gain from change in fair value of warrant liability	\$	3,761	\$ 14,680	\$ (10,919)	-74%	

We recorded a gain of \$3.8 million during the three months ended May 31, 2024, a \$10.9 million decrease compared to a gain of \$14.7 million in the prior year for the change in fair value on the revaluation of our warrant liability associated with our warrants. We are required to revalue the warrants at the end of each reporting period and reflect in the Unaudited Condensed Consolidated Statements of Operations a gain or loss from the change in fair value of the warrant liability in the period in which the change occurred.

Gain from Change in Fair Value of Contingent Consideration

(\$ in thousands)	Three Months Ended May 31,		\$ Change	% Change
	2024	2023		
(Loss) gain from change in fair value of contingent consideration	\$ (2,280)	\$ 9,000	\$ (11,280)	nm

We recorded a loss of \$2.3 million during the three months ended May 31, 2024, an \$11.3 million decrease compared to a gain of \$9.0 million in the prior year for the change in fair value on the revaluation of our contingent consideration associated with our restricted B-2 common stock and Series 2 RCUs. We are required to revalue the contingent consideration at the end of each reporting period or upon conversion and reflect in the Unaudited Condensed Consolidated Statements of Operations a gain or loss from the change in fair value of the contingent consideration in the period in which the change occurred.

Income Tax Benefit

(\$ in thousands)	Three Months Ended May 31,		\$ Change	% Change
	2024	2023		
Loss before income taxes	\$ (44,711)	\$ (427,195)	\$ 382,484	-90 %
Income tax benefit	1,923	66,311	(64,388)	-97 %

Income tax benefit was \$1.9 million, or 4.3%, for the three months ended May 31, 2024 compared to \$66.3 million, or 15.5%, for the three months ended May 31, 2023. The change in the income tax benefit between periods was primarily due to the goodwill and indefinite-lived intangible impairment charges in the first quarter of fiscal 2024.

Non-GAAP Financial Measures

This document includes Non-GAAP gross profit, Non-GAAP gross margin, EBITDA and Adjusted EBITDA, which are non-GAAP performance measures that we use to supplement our results presented in accordance with U.S. GAAP. We believe these non-GAAP measures are useful in evaluating our operating performance, as they are similar to measures reported by our public competitors and are regularly used by security analysts, institutional investors and other interested parties in analyzing operating performance and prospects. These non-GAAP measures are not intended to be a substitute for any U.S. GAAP financial measure and, as calculated, may not be comparable to other similarly titled measures of performance of other companies in other industries or within the same industry.

We calculate and define Non-GAAP gross profit as gross profit excluding depreciation and amortization, share-based compensation and certain other non-cash and non-recurring items. We define and calculate EBITDA as net income or losses excluding interest income or expense, income tax expense or benefit, depreciation and amortization and Adjusted EBITDA as further adjusted for the following items: goodwill impairment charge, indefinite-lived intangible asset impairment charge, right-of-use assets impairment charge, transaction-related costs, gain (loss) from change in the tax receivable agreement liability, (gain) loss from changes in the fair value of the warrant liability and contingent consideration, share-based compensation and certain other non-cash and non-recurring items as described in the reconciliation below. We also report Non-GAAP gross profit and Adjusted EBITDA as a percentage of Non-GAAP revenue as additional measures to evaluate financial performance.

We include these non-GAAP financial measures because they are used by management to evaluate our core operating performance and trends and to make strategic decisions regarding the allocation of capital and new investments. These non-GAAP measures exclude certain expenses that are required in accordance with U.S. GAAP because they are non-recurring (for example, in the case of transaction-related costs, litigation settlements, goodwill impairment charge, indefinite-lived intangible asset impairment charge and right-of-use assets impairment charge), non-cash (for example, in the case of depreciation, amortization, gain (loss) from change in the tax receivable agreement liability, (gain) loss from changes in the fair value of the warrant liability and contingent consideration and share-based compensation) or are not related to our underlying business performance (for example, in the case of interest income and expense). There are limitations to non-GAAP financial measures because they exclude charges and credits that are required to be included in the U.S. GAAP financial presentation. The items excluded from U.S. GAAP financial measures such as net income or loss to arrive at non-GAAP financial measures are significant components for understanding and assessing our financial performance. As a result, non-GAAP financial measures should be considered together with, and not alternatives to, financial measures prepared in accordance with U.S. GAAP.

The table below presents our Non-GAAP gross profit reconciled to our reported gross profit, the closest U.S. GAAP measure, for the periods indicated:

(\$ in thousands)	Three Months Ended May 31,	
	2024	2023
Gross profit		
Reported gross profit	\$ 72,660	\$ 79,418
Depreciation and amortization	28,484	28,621
Non-recurring/non-operating costs ⁽¹⁾	204	1,742
Share-based compensation ⁽²⁾	1,205	625
Non-GAAP gross profit	<u>\$ 102,553</u>	<u>\$ 110,406</u>
Gross margin	48.1 %	49.6 %
Non-GAAP gross margin	67.8 %	69.0 %

(1) Primarily includes other non-recurring expenses such as non-acquisition severance, systems integrations, consulting and advisory fees.

(2) Reflects non-cash, long-term share-based compensation expense.

The table below presents our Adjusted EBITDA reconciled to our net loss, the closest U.S. GAAP measure, for the periods indicated:

(\$ in thousands)	Three Months Ended May 31,	
	2024	2023
Net loss	\$ (42,788)	\$ (360,884)
Adjustments:		
Interest expense, net	24,711	24,279
Income tax benefit	(1,923)	(66,311)
Depreciation and amortization	53,605	53,319
EBITDA	33,605	(349,597)
EBITDA Margin	22.2 %	-218.3 %
Goodwill impairment charge ⁽¹⁾	—	410,041
Intangible asset impairment charge ⁽²⁾	—	4,000
Right-of-use assets impairment charge ⁽³⁾	—	362
Acquisition-related adjustments ⁽⁴⁾	283	389
Loss from change in tax receivable agreement liability ⁽⁵⁾	3,974	2,460
Gain from change in fair value of warrant liability ⁽⁶⁾	(3,761)	(14,680)
Loss (gain) from change in fair value of contingent consideration ⁽⁷⁾	2,280	(9,000)
Non-recurring/non-operating costs ⁽⁸⁾	2,557	5,326
Share-based compensation ⁽⁹⁾	11,787	4,460
Adjusted EBITDA	<u>\$ 50,725</u>	<u>\$ 53,761</u>
Adjusted EBITDA Margin	33.6 %	33.6 %

(1) Represents the goodwill impairment taken in the first quarter of fiscal 2024.

(2) Represents the indefinite-lived tradename / trade name impairment taken in the first quarter of fiscal 2024.

(3) Represents the impairment of our operating lease ROU assets and leasehold improvements due to vacating certain facilities.

(4)Primarily includes advisory, consulting, accounting and legal expenses and severance incurred in connection with mergers and acquisitions activities and the strategic review.

(5)Represents the fair value adjustment at each balance sheet date for the Tax Receivable Agreement along with the associated interest.

(6)Represents the fair value adjustment at each balance sheet date of the warrant liability related to the public, private placement and forward purchase warrants.

(7)Represents the fair value adjustment at each balance sheet date of the contingent consideration liability related to the restricted B-2 common stock and Series 2 RCUs.

(8)Primarily includes non-recurring expenses such as non-acquisition related severance, foreign currency transaction gains and losses, systems integrations, legal entity rationalization and non-recurring consulting and advisory fees.

(9)Reflects non-cash, long-term share-based compensation expense.

Three Months Ended May 31, 2024 compared to Three Months Ended May 31, 2023

Gross Profit

(\$ in thousands)	Three Months Ended May 31,					
	2024	2023	\$ Change	% Change		
Gross profit	\$ 72,660	\$ 79,418	\$ (6,758)	-9%		
Gross margin	48.1%	49.6%				

Gross profit was \$72.7 million for the three months ended May 31, 2024, a \$6.8 million, or 9%, decrease compared to \$79.4 million for three months ended May 31, 2023. Subscriptions gross profit was down 6% while professional services and other gross profit was down 47%. Gross margin was 48% for the first quarter of fiscal 2025 compared to 50% for the first quarter of fiscal 2024.

Non-GAAP Gross Profit

(\$ in thousands)	Three Months Ended May 31,					
	2024	2023	\$ Change	% Change		
Non-GAAP gross profit	\$ 102,553	\$ 110,406	\$ (7,853)	-7%		
Non-GAAP gross margin	67.8%	69.0%				

Non-GAAP gross profit was \$102.6 million for the three months ended May 31, 2024, an \$7.9 million, or 7%, decrease compared to \$110.4 million for the three months ended May 31, 2023. The decrease in Non-GAAP gross profit was primarily due to a decrease in total revenue and \$1.9 million in higher software and hosting costs in subscription costs of revenue partially offset by \$3.1 million in lower personnel costs. The Non-GAAP gross margin decreased in the first quarter of fiscal 2025 to 68% compared to 69% in the first quarter of fiscal 2024.

EBITDA

(\$ in thousands)	Three Months Ended May 31,					
	2024	2023	\$ Change	% Change		
EBITDA	\$ 33,605	\$ (349,597)	\$ 383,202	nm		
EBITDA margin	22.2%	-218.3%				

EBITDA was \$33.6 million for the three months ended May 31, 2024, a \$383.2 million increase compared to a negative \$349.6 million EBITDA for three months ended May 31, 2023. EBITDA margin was 22% for the first quarter of fiscal 2025 compared to a negative 218% in the prior year. The increase in EBITDA and EBITDA margin was primarily related to the \$410.0 million impairment on goodwill and \$4.0 million indefinite-lived intangible asset charge taken in fiscal 2024. These increases were partially offset by the \$10.9 million decrease in the gain for the fair value adjustment for the warrant liability and a \$11.3 million decrease in the gain associated with the fair value adjustment for the contingent consideration liability related to the restricted Series B-2 common stock as compared to prior periods.

Adjusted EBITDA

(\$ in thousands)	Three Months Ended May 31,				\$ Change	% Change
	2024	2023				
Adjusted EBITDA	\$	50,725	\$	53,761	\$ (3,036)	-6 %
Adjusted EBITDA margin		33.6 %		33.6 %		

Adjusted EBITDA was \$50.7 million for the three months ended May 31, 2024, a \$3.0 million, or 6%, decrease compared to \$53.8 million for the three months ended May 31, 2023. Adjusted EBITDA margin was 34% for the first quarter of fiscal 2025 and 2024. The decrease in Adjusted EBITDA was primarily a result of lower revenue and gross profit, partially offset by lower operating expenses compared to prior periods.

Liquidity and Capital Resources

We measure liquidity in terms of our ability to fund the cash requirements of our business operations, including working capital, capital expenditure needs, contractual obligations and other commitments, with cash flows from operations and other sources of funding. Current working capital needs relate mainly to employee compensation and benefits, as well as interest and debt. Our ability to expand and grow our business will depend on many factors, including working capital needs and the evolution of our operating cash flows.

We had \$160.2 million in cash and cash equivalents and \$155.0 million of unused borrowing capacity under our 2021 Revolving Credit Facility as of May 31, 2024. See Note 10, *Notes Payable* to the Notes to the Unaudited Condensed Consolidated Financial Statements. We believe our existing cash and cash equivalents, cash provided by operating activities and, if necessary, the borrowing capacity under our 2021 Revolving Credit Facility will be sufficient to meet our working capital, debt repayment and capital expenditure requirements for at least the next twelve months.

In the future, we may enter into arrangements to acquire or invest in complementary businesses. To facilitate these acquisitions or investments, we may seek additional equity or debt financing.

Debt

2021 Term Loan and Revolving Credit Facility

In February 2021, E2open, LLC, our subsidiary, entered into the Credit Agreement which provided for the 2021 Term Loan in the amount of \$525.0 million and the 2021 Revolving Credit Facility for \$75.0 million. In September 2021, the Credit Agreement was amended to include a \$380.0 million incremental term loan, an increase in the letter of credit sublimit from \$15.0 million to \$30.0 million and an increase in the 2021 Revolving Credit Facility from \$75.0 million to \$155.0 million. In April 2022, the Credit Agreement was amended to include a \$190.0 million incremental term loan bringing our total borrowing under the term loans to \$1,095.0 million.

The 2021 Revolving Credit Facility will mature on February 4, 2026. E2open, LLC can request increases in the revolving commitments and additional term loan facilities, in minimum amounts of \$2.0 million for each facility. Principal payments are due on the Credit Agreement the last day of February, May, August and November commencing August 2021. The Credit Agreement is payable in quarterly installments of \$2.7 million. The Credit Agreement is payable in full on February 4, 2028.

The 2021 Term Loan has a variable interest rate resulting in an interest rate of 8.94% and 8.95% as of May 31, 2024 and February 29, 2024, respectively, which was based on SOFR plus 350 basis points, respectively. As of May 31, 2024 and February 29, 2024, the 2021 Term Loan had a principal balance outstanding of \$1,064.5 million and \$1,067.2 million, respectively. There were no outstanding borrowings, no letters of credit and \$155.0 million available borrowing capacity under the 2021 Revolving Credit Facility as of May 31, 2024 and February 29, 2024.

Beginning in March 2023, we entered into zero-cost interest rate collars to reduce our exposure to the variability of our interest rate associated with our outstanding debt. By keeping interest rates within the executed bands, or caps and floors, of the collars, we are able to reduce exposure to the interest rate risk. Effective March 31, 2023, we entered into an interest rate collar with a notional amount of \$200.0 million and a maturity date of March 31, 2026. The executed cap was 4.75% and the floor was 2.57%. Effective April 6, 2023, an additional interest rate collar was executed with a notional amount of \$100.0 million and a maturity date of March 31, 2026. The executed cap was 4.50% and the floor was 2.56%.

Cash Flows

The following table presents net cash from operating, investing and financing activities:

(\$ in thousands)	Three Months Ended May 31,	
	2024	2023
Net cash provided by operating activities	\$ 35,916	\$ 36,459
Net cash used in investing activities	(6,084)	(6,552)
Net cash used in financing activities	(3,006)	(2,964)
Effect of exchange rate changes on cash and cash equivalents	76	2,105
Net increase in cash, cash equivalents and restricted cash	26,902	29,048
Cash, cash equivalents and restricted cash at beginning of period	149,038	104,342
Cash, cash equivalents and restricted cash at end of period	<u>\$ 175,940</u>	<u>\$ 133,390</u>

Three Months Ended May 31, 2024 compared to Three Months Ended May 31, 2023

As of May 31, 2024, our consolidated cash, cash equivalents and restricted cash was \$175.9 million, a \$26.9 million increase from our balance of \$149.0 million as of February 29, 2024.

Net cash provided by operating activities for the three months ended May 31, 2024 was \$35.9 million compared to \$36.5 million for the three months ended May 31, 2023. The \$0.5 million decrease in cash was primarily driven by less cash provided by working capital items in fiscal 2025.

Net cash used in investing activities was \$6.1 million and \$6.6 million for the three months ended May 31, 2024 and 2023, respectively, which represented cash used for the acquisition of software and property related to our data centers.

Net cash used in financing activities was \$3.0 million for the three months ended May 31, 2024 and 2023, which was mainly the result of the repayments under the 2021 Term Loan.

Tax Receivable Agreement

Concurrently with the completion of the Business Combination, we entered into the Tax Receivable Agreement with certain selling equity holders of E2open Holdings. The Tax Receivable Agreement provides for the payment by the Company of 85% of certain tax benefits that are realized or deemed realized as a result of increases in tax, utilization of pre-existing tax attributes of certain sellers and realization of additional tax benefits attributable to payments under the Tax Receivable Agreement. The term of the Tax Receivable Agreement will continue until all such tax benefits have been utilized or expired unless we exercise our right to terminate the Tax Receivable Agreement for an amount representing the present value of anticipated future tax benefits under the Tax Receivable Agreement or certain other acceleration events occur. We will retain the benefit of the remaining 15% of these cash savings.

Amounts payable under the Tax Receivable Agreement will be contingent upon, among other things, our generation of taxable income over the term of the Tax Receivable Agreement. If we do not generate sufficient taxable income in the aggregate over the term of the Tax Receivable Agreement to utilize the tax benefits subject to the Tax Receivable Agreement, we would not be required to make the related payments under the Tax Receivable Agreement. Although the amount of any payments required to be made under the Tax Receivable Agreement may be significant, the timing of these payments will vary and will generally be limited to one payment per member per year. We have not made any Tax Receivable Agreement payments to any Tax Receivable Agreement holders of E2open Holdings as of May 31, 2024.

The liability related to the Tax Receivable Agreement was \$74.2 million and \$69.7 million as of May 31, 2024 and February 29, 2024, respectively, assuming (1) a corporate tax rate of 23.7% as of May 31, 2024 and February 29, 2024, (2) no dispositions of corporate subsidiaries, (3) no material changes in tax law and (4) we do not elect an early termination of the Tax Receivable Agreement. However, due to the uncertainty of various factors, including: (a) the timing and value of future exchanges, (b) the amount and timing of our future taxable income, (c) changes in our tax rate, (d) no future dispositions of any corporate stock, (e) changes in the tax law and (f) changes in the discount rate, the likely tax savings we will realize and the resulting amounts we are likely to pay to the selling equity holders of E2open Holdings pursuant to the Tax Receivable Agreement are uncertain. Interest accrued on the portion of the Tax Receivable Agreement liability recorded under ASC 805 at a rate of LIBOR plus 100 basis points through June 30, 2023. Beginning July 1, 2023, interest will accrue at SOFR plus the applicable spread for the quarter. The portion of the Tax Receivable Agreement liability under ASC 450 is recorded on a gross undiscounted basis. These transactions, such as a conversion of Common Units to Class A Common Stock, result in a change in the Tax Receivable Agreement liability and a charge to equity.

The liability recorded on the balance sheet does not include an estimate of the amount of payments to be made if certain sellers exchanged their remaining interests in E2open Holdings for our common stock, as this amount is dependent on several future variables, including timing of future exchanges, stock price at date of exchange, tax attributes of the individual parties to the exchange and changes in future applicable federal and state tax rates.

In addition, if we exercise our right to terminate the Tax Receivable Agreement or certain other acceleration events occur, we will be required to make immediate cash payments. Such cash payments will be equal to the present value of the assumed future realized tax benefits based on a set of assumptions and using an agreed upon discount rate, as defined in the Tax Receivable Agreement. The early termination payment may be made significantly in advance of the actual realization, if any, of those future tax benefits. Such payments will be calculated based on certain assumptions, including that we have sufficient taxable income to utilize the full amount of any tax benefits subject to the Tax Receivable Agreement over the period specified therein. The payments that we would be required to make will generally reduce the amount of the overall cash flow that might have otherwise been available to us, but we expect the cash tax savings we will realize from the utilization of the related tax benefits will exceed the amount of any required payments.

As of May 31, 2024 and February 29, 2024, we had a current Tax Receivable Agreement liability of \$1.8 million which was recorded in accounts payable and accrued liabilities on the Condensed Consolidated Balance Sheets. The determination of current and long-term is based on management's estimate of taxable income for the fiscal year and the determination that a Tax Receivable Agreement liability payment is due and payable within the next twelve months. To the extent the estimate differs from actual results, a reclass may be required for portions of the Tax Receivable Agreement liability between current and long-term.

We are entitled to receive quarterly tax distributions from E2open Holdings, subject to limitations imposed by applicable law and contractual restrictions. The cash received from such tax distributions will first be used to satisfy any tax liability and then make any payments required under the Tax Receivable Agreement. We expect that such tax distributions will be sufficient to fund both our tax liability and the required payments under the Tax Receivable Agreement.

Warrant Liability

As of May 31, 2024 and February 29, 2024, there were an aggregate of 29,079,872 warrants outstanding. Each warrant entitles its holder to purchase one share of our Class A Common Stock at an exercise price of \$11.50 per share. The warrants are recorded as a liability in warrant liability on the Condensed Consolidated Balance Sheets with a balance of \$11.0 million and \$14.7 million as of May 31, 2024 and February 29, 2024, respectively. During the three months ended May 31, 2024 and 2023, a gain of \$3.8 million and \$14.7 million was recognized in gain (loss) from change in fair value of the warrant liability in the Unaudited Condensed Consolidated Statements of Operations, respectively.

Contingent Consideration

The contingent consideration liability was \$20.3 million and \$18.0 million as of May 31, 2024 and February 29, 2024, respectively. The fair value remeasurements resulted in a loss of \$2.3 million and a gain of \$9.0 million for the three months ended May 31, 2024 and 2023, respectively. The contingent liability represents the Series B-2 common stock and Series 2 RCUs.

Leases

We account for leases in accordance with ASC 842, *Leases*, which requires lessees to recognize lease liabilities and ROU assets on the balance sheet for contracts that provide lessees with the right to control the use of identified assets for periods of greater than 12 months.

Our non-cancelable operating leases for our office spaces and vehicles have various expiration dates through September 2031. Under these leases, our undiscounted future cash flows utilized in the calculation of the lease liabilities as of May 31, 2024 were: \$6.5 million for June 1, 2024 through February 28, 2025, \$7.1 million for fiscal 2026, \$5.9 million for fiscal 2027, \$3.6 million for fiscal 2028, \$1.6 million for fiscal 2029 and \$1.5 million thereafter. These numbers include interest of \$3.2 million.

Our non-cancelable financing lease arrangements relate to software and computer equipment and have various expiration dates through November 2028. We have the right to purchase the software and computer equipment anytime during the lease or upon lease completion. Under these leases, our undiscounted future cash flows utilized in the calculation of the lease liabilities as of May 31, 2024 were: \$1.3 million for June 1, 2024 through February 28, 2025, \$1.7 million for fiscal 2026, \$1.1 million for fiscal 2027, \$0.7 million for fiscal 2028 and \$0.6 million for fiscal 2029. These numbers include interest of \$0.7 million.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements have been prepared in accordance with U.S. GAAP. Preparation of the financial statements requires management to make judgments, estimates and assumptions that impact the reported amount of revenue and expenses, assets and liabilities and the disclosure of contingent assets and liabilities. We consider an accounting judgment, estimate or assumption to be critical when (1) the estimate or assumption is complex in nature or requires a high degree of judgment and (2) the use of different judgments, estimates and assumptions could have a material impact on our condensed consolidated financial statements. Our significant accounting policies are described in Note 2, *Summary of Significant Accounting Policies* to the Notes to the Consolidated Financial Statements in our 2024 Form 10-K.

There have been no changes to our critical accounting policies and estimates during the three months ended May 31, 2024 from those previously disclosed in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our 2024 Form 10-K.

Recent Accounting Pronouncements

Recently issued and adopted accounting pronouncements are described in Note 2, *Accounting Standards* to the Notes to the Unaudited Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in the market risks during the three months ended May 31, 2024 from those previously disclosed in Part II, Item 7A, *Quantitative and Qualitative Disclosures About Market Risk* of our 2024 Form 10-K.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We have disclosure controls and procedures in place to ensure that information required to be disclosed in our reports filed or submitted under the Securities and Exchange Act of 1934, as amended (Exchange Act) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These controls and procedures are accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by the Quarterly Report. In designing and evaluating these disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

There have not been any changes in our internal controls over financial reporting during the quarter ended May 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We review our disclosure controls and procedures, which may include internal controls over financial reporting, on an ongoing basis. From time to time, management makes changes to enhance the effectiveness of these controls and ensure that they continue to meet the needs of our business over time.

PART II—Other Information

Item 1. Legal Proceedings.

From time to time, we have exposure and are subject to contingencies that arise in the ordinary course of business for a variety of claims. We record an accrual for a contingency when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. We do not currently believe the resolution of any other such contingencies will have a material adverse effect upon our Unaudited Condensed Consolidated Balance Sheets, Statements of Operations or Statements of Cash Flows.

Item 1A. Risk Factors.

There have been no material changes in our risk factors during the three months ended May 31, 2024 from those previously disclosed in Part I, Item 1A, *Risk Factors* of our 2024 Form 10-K. You should carefully consider the risk factors discussed in our 2024 Form 10-K, which could materially affect our business, financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition or future results.

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

None.

Item 5. Other Information

None.

Item 6. Exhibits.

Furnish the exhibits required by Item 601 of Regulation S-K (§ 229.601 of this chapter).

Exhibit Number	Description
3.1	Certificate of Incorporation of the E2open Parent Holdings, Inc. (incorporated by reference to Exhibit 3.2 of E2open Parent Holdings, Inc.'s Form 8-K (File No. 001-39272) filed with the SEC on February 10, 2021).
3.2	Amendment to the Certificate of Incorporation of E2open Parent Holdings, Inc. (incorporated by reference to Exhibit 3.3 of E2open Parent Holdings, Inc.'s Form S-1 (File No. 333-259562) filed with the SEC on September 15, 2021).
3.3	Bylaws of the E2open Parent Holdings, Inc. (incorporated by reference to Exhibit 3.3 of E2open Parent Holdings, Inc.'s Form 8-K (File 001-39272) filed with the SEC on February 10, 2021).
4.1	Form of Warrant Certificate of CC Neuberger Principal Holdings I (incorporated by reference to Exhibit 4.3 of CCBN1's Form S-1/A (File No. 333-236974), filed with the SEC on April 17, 2020).
4.2	Warrant Agreement, dated April 28, 2020, between Continental Stock Transfer & Trust Company and CC Neuberger Principal Holdings I (incorporated by reference to Exhibit 4.1 of CCBN1's Form 8-K (File No. 001-39272), filed with the SEC on April 28, 2020).
4.3	Description of the Registrant's Securities Registered under Section 12 of the Exchange Act (incorporated by reference to Exhibit 4.3 to Form 10-K, filed with the SEC on May 1, 2023).
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document and contained in Exhibit 101)

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

E2open Parent Holdings, Inc.

Date: July 10, 2024

By: /s/ Andrew M. Appel
Andrew M. Appel

Chief Executive Officer

Date: July 10, 2024

By: /s/ Marje Armstrong
Marje Armstrong
Chief Financial Officer

**CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Andrew Appel, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of E2open Parent Holdings, 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)) 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: July 10, 2024

By: /s/ Andrew M. Appel
Name: Andrew M. Appel
Title: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED**

I, Marje Armstrong, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of E2open Parent Holdings, 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: July 10, 2024

By: /s/ Marje Armstrong
Name: Marje Armstrong
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report of E2open Parent Holdings, Inc. (the "Company") on Form 10-Q for the period ending May 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: July 10, 2024

By: /s/ Andrew M. Appel
Name: Andrew M. Appel
Title: Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
(SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002)**

In connection with the Quarterly Report of E2open Parent Holdings, Inc. (the "Company") on Form 10-Q for the period ending May 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: July 10, 2024

By: /s/ Marje Armstrong
Name: Marje Armstrong
Title: Chief Financial Officer
(Principal Financial and Accounting Officer)
