

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

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2023

or

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

For the transition period from

to

Commission File Number **001-33554**



**PROS HOLDINGS, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Delaware**

(State or Other Jurisdiction of  
Incorporation or Organization)

**76-0168604**

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

**3200 Kirby Drive, Suite 600**

**Houston, Texas**

(Address of Principal Executive Offices)

**77098**

(Zip code)

Registrant's telephone number, including area code: **713 335-5151**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class

Trading Symbol

Name of Each Exchange on Which Registered

**Common Stock, \$0.001 par value per share**

**PRO**

**New York Stock Exchange**

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

Large accelerated filer

☒

Accelerated filer

☐

Non-accelerated Filer

☐

Smaller reporting company

☐

Emerging growth company

☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new

or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

☐

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

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

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

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately \$ 1,363,658,912 as of June 30, 2023 based upon the closing price for the registrant's common stock on the New York Stock Exchange. This determination of affiliate status was based on publicly filed documents and is not necessarily a conclusive determination for other purposes.

46,737,830 shares of common stock were issued and outstanding as of February 7, 2024.

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#### DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement relating to its 2024 Annual Stockholders Meeting (the "2024 Proxy Statement"), are incorporated by reference into Part III of this Annual Report on Form 10-K. The 2024 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days of the end of the fiscal year to which this report relates.

**PROS Holdings, Inc.**  
**Annual Report on Form 10-K**  
For the Year Ended December 31, 2023

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The terms "PROS," "we," "us," and "our" refer to PROS Holdings, Inc., a Delaware corporation, and all of its subsidiaries that are consolidated in conformity with the generally accepted accounting principles in the United States of America ("GAAP").

This Annual Report on Form 10-K contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that involve risks and uncertainties. All statements in this report other than historical facts are forward-looking and are based on current estimates, assumptions, trends and projections. Forward looking statements can be identified by words such as "future", "believes," "seeks," "expects," "may," "should," "could," "intends," "likely," "targets," "plans," "anticipates," "estimates," or the negative version of those words and similar expressions. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed or implied by these or other forward-looking statements made by us or on our behalf. You should not rely on forward-looking statements as predictions of future events, as we cannot guarantee that future results, levels of activity, performance or achievements will meet expectations. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Form 10-K under the heading "Risk Factors." The forward-looking statements made herein are only made as of the date hereof. We undertake no obligation to publicly update forward-looking statements for any reason, except as required by law.

## Part I

### Item 1. Business

#### Overview

PROS provides software solutions that optimize shopping and selling experiences. PROS solutions are used by both business-to-business ("B2B") and business-to-consumer ("B2C") companies across industry verticals to help drive profitable growth by leveraging our artificial intelligence ("AI"), self-learning and automation to provide fast, frictionless and personalized transactional experiences for their shoppers across their go-to-market channels. We manage all updates and upgrades of software deployed on the PROS Platform, provide standard configurations of our solutions based on the industries we serve, and offer services to configure our solutions to meet the specific needs of each customer.

#### Our Solutions

Our cloud-based software solutions, built on the PROS Platform, provide companies with AI-based predictive and prescriptive guidance to deliver real time customized offers and prices to help drive profitable growth. We focus primarily on pricing optimization and management, configure price quote ("CPQ"), airline revenue optimization, airline distribution and retail, and digital offer marketing software. We have infused more than three decades of operational data science research to create the machine learning and AI capabilities of our solutions. For example, our dynamic AI, including forecasting, optimization, neural networks, segmentation and reinforcement learning, allows us to leverage our deep science and research expertise in our solutions.

PROS Platform is a unified platform designed to help businesses create offers, optimize offers, create and manage orders, and market available offers through first- and third-party digital channels. Using our unique and proven AI-based capabilities for deep demand and margin forecasting, network optimization, cost modeling and dynamic pricing, sales, and marketing, the PROS Platform powers both day-to-day decision-making and longer-term business strategy. For example, the PROS Platform helps eliminate barriers between internal stakeholders in the selling process to collaborate on a customer offer and drive it to a close while accelerating pricing and selling efficiencies. Our solutions are provided via software-as-a-service ("SaaS"), are designed to achieve high levels of performance, scalability, availability and security, and leverage our decades of data science and AI expertise to help increase visibility, business agility and customer engagement by aligning sales and pricing strategies across go-to-market channels. The PROS Platform is comprised of the following solutions:

*PROS Smart Price Optimization and Management* enables businesses to optimize, personalize and harmonize pricing across the complexity of their go-to-market channels in the context of dynamic market and competitive conditions. Our price management capabilities provide a comprehensive pricing platform that offers a single source of accuracy for price management, coordination and strategy. This solution allows businesses to harmonize pricing across go-to-market channels while simultaneously increasing price discipline and protecting price attainment. Pricing users leverage this solution to deploy formulaic price strategies that can incorporate real-time information or conditional data to ensure that every delivered price is up-to-date with the latest market and competitive conditions. With the performance, power and scalability of PROS Real-Time Pricing Engine, B2B and B2C organizations can replace price lists across commerce channels with dynamic calculations for price requests, ensuring that every delivered price is cognizant of conditions at the time of request. This engine allows

businesses facing volatile price competition and underlying component costs to leverage data science to systematically adjust pricing in real time. Our price optimization capabilities leverage AI-powered algorithms to provide market-relevant price guidance across sales channels that is dynamically refined to adapt to changing market conditions and buyer behavior. This predictive and prescriptive price guidance provides optimized pricing for each unique buying scenario, which is designed to help businesses drive revenue growth, recover margin leakage, accelerate quote turnaround times and increase win-rates. Smart Price Optimization and Management works with traditional eCommerce scenarios where a sales person is not involved, as well as where a salesperson needs negotiation support, and in all cases this solution provides business-relevant analytics to promote explainability of the AI recommendation.

*PROS Smart Configure Price Quote* is designed to improve sales productivity and accelerate deal velocity by automating critical sales tasks at scale. Utilizing a foundation of AI and machine learning algorithms, this solution empowers businesses to tailor every offer for every buyer, across all sales channels, leading to more personalized and engaging customer interactions. Smart Configure Price Quote enables users to find and tailor product recommendations, customize configurations, manage approvals, price optimally and generate professional proposals to increase the probability of winning the sale on the first quote. Smart Configure Price Quote supports all selling scenarios including spot-order purchases, subscription orders and setup, and maintenance of negotiated sales agreements. Businesses can also integrate Smart Configure Price Quote into their eCommerce portals, empowering end users to self-serve quotes with confidence.

*PROS Airline Revenue Optimization* solutions enable airlines to drive revenue- and profit-maximizing business strategies through the application of advanced forecasting, optimization technologies and decision-support capabilities. These solutions are designed to empower airlines to quickly adapt to changing market conditions, differentiate customers by market and sales channel, monitor pricing and revenue management performance, and increase customer loyalty by providing the right products and services to the right customer at the right time. Our Airline Revenue Optimization suite of products includes:

- *PROS Airline Revenue Management* delivers algorithmic forecasting and network optimization for the travel industry. Airlines leverage our forecasting and optimization capabilities to determine optimal capacity levels and manage booking classes inventory to optimize revenue at the flight/network level.
- *PROS Airline Real-Time Dynamic Pricing™* offers accurate booking class availability and seat prices scaled across all channels, while keeping the rules, fares and other data in sync. The solution dynamically applies strategies to compute both booking class availability and seat prices in real time at the time of transaction so that airlines can maximize revenue.
- *PROS Dynamic Ancillary Pricing* provides airlines an AI-based reinforcement learning algorithm to determine optimal prices, based on passengers' willingness to pay and other attributes, for ancillary services such as seat selection, baggage fees and other offered ancillaries.
- *PROS Airline Group Sales Optimizer* is a group revenue and sales optimization solution powered by dynamic pricing science that enables airlines and their travel agent partners to create and manage group bookings, contracts, policies and payments in one location.
- *PROS Corporate Sales* is a solution that enables airlines to create commercial agreements with their corporate customers, that lead to easier and more repeatable bookings for business travel, by allowing businesses to both self-service and interact with airlines in the digital creation of corporate travel agreements.

*PROS Airline Distribution and Retail* solutions enable airlines to become better direct retailers by increasing their control and flexibility over how they sell and distribute offers through scalable shopping, booking and merchandising capabilities to design and distribute offers. The solutions are powered by proprietary algorithms, compliant with industry pricing and distribution standards and are entirely passenger service system independent. Our Airline Distribution and Retail suite of products includes:

- *PROS Dynamic Offers* powers airlines' shopping, pricing and repricing by delivering fast, accurate and comprehensive flight offers to travelers across airlines' sales channels. PROS Dynamic Offers is comprised of several key offer management capabilities including ancillary merchandising, bundling and omni-channel distribution designed to comply with International Air Transport Association ("IATA") New Distribution Capability ("NDC") data transmission standards.
- *PROS Digital Retail* offers a configurable end-to-end solution for airlines to optimize the traveler experience from inspiration to post-trip. With this IATA NDC Level 4 capable solution, airlines can increase conversion rates and upsell opportunities while having the flexibility and control to optimize user interface across their internet booking engine and mobile application.

*PROS Digital Offer Marketing* solutions provide performance content management and search engine marketing tools that enable businesses in the travel industry to drive their customers directly into their direct selling channels, helping create superior brand experiences and foster customer loyalty. These solutions also reduce our customers' dependency and costs associated with transactions routed through third-party intermediaries. PROS Digital Offer Marketing solutions include:

- *airTRFX* allows airlines to launch and manage digital marketing campaigns by generating digital landing pages for every route, origin and destination in an airline's network with relevant fares and a wide range of local languages.
- *airModules* provides airlines flight search displays with relevant fares for digital advertising, including maps, histograms, mosaics, carousels, and maps.
- *airWire* displays dynamic fares and content powered by user-search data independent of third-party intermediaries.
- *airSEM* provides airline specific search engine marketing tools designed to help airlines build, launch and manage ad campaigns with real-time fares in ad copy.

## **Our Industry**

Rapidly changing markets and buyer expectations make it increasingly harder for companies to compete and grow. In response to these pressures, we believe that market forces, including increasingly dynamic and complex business models, the continued growth of eCommerce, inflation, supply and demand volatility, the volume of enterprise and market data will increase demand for software solutions that enable companies to dynamically configure, price and sell their products and services across buyer channels with speed, precision and consistency. We believe the market for solutions using AI and machine learning that can drive profitable revenue growth is large, growing, and spans most major industries.

## **Technology**

Our high-performance software architecture supports real-time, high-volume transaction processing and enables us to handle the complex and demanding processing requirements of sophisticated global enterprises, including those who require sub-second response times. We generally provide our cloud services via cloud computing platform partners who offer Infrastructure-as-a-Service ("IaaS") and Platform-as-a-Service ("PaaS"). Using cloud computing platform partners and their globally distributed infrastructure provides us flexibility to service customers around the globe at scale and in compliance with data residency and privacy requirements. We also deliver our solutions from infrastructure designed and operated by us but secured within third-party data center facilities. Our Platform consists of multi-tenant cloud capabilities with an architecture that incorporates customer-specific data privacy and complies with data sovereignty policies.

## **Sales, Marketing and Customer Success**

We sell and market our software solutions on the PROS Platform primarily through our direct global sales force and indirectly through go-to-market partners, resellers and system integrators. Our marketing activities consist of a variety of programs designed to generate sales leads, accelerate sales opportunities and build awareness of our solutions. We host an annual customer conference, Outperform, where our customers and prospects are invited to learn about best practices from thought leaders, executives and other practitioners in using technology to compete in the digital economy, hear about our latest innovations, and network with peers across industries. Our customer success team helps ensure customer satisfaction with our solutions, by working with our customers to ensure that our solutions drive value for them in order to drive customer retention.

## **Professional Services**

We provide software-related professional services, including implementation, configuration, consulting and training services. We offer in-depth expertise, proven best practices and repeatable delivery methodologies based on standardized and tested implementation processes developed through years of experience implementing our software solutions in global enterprises across multiple industries. In addition to our own internal services team, we also work with many third-party system integrators who have been certified to implement our software.

## **Maintenance and Support**

Customers maintaining on-premises licenses that were purchased prior to 2015 are supported through maintenance and support contracts. Revenue from maintenance and support services has continued to decline as a result of existing maintenance customers migrating to our cloud solutions. We notified our legacy on-premises customers that we will be discontinuing maintenance for most of our legacy on-premises software and will continue working with the few remaining on-premises customers to migrate them to our cloud solutions.

## **Customers**

We sell our solutions to customers across many industries, including automotive and industrial manufacturing and distribution, transportation and logistics, chemicals and energy, food and consumables, healthcare, insurance, technology and travel. Our customers are generally large corporate enterprises, many with a global footprint, or medium-sized businesses, although we also have customers that are smaller in scope of operations. In 2023, we had no single customer that accounted for 10% or more of our revenue. Our customers are also geographically diverse, as approximately 65% of our total revenue came from customers outside the U.S. for the year ended December 31, 2023.

## **Competition**

The markets for our solutions are highly competitive, fragmented, rapidly evolving, and subject to changing technology, shifting customer needs, and introductions of new products and services. Due to the breadth of the business problems we solve across our Platform, we compete with a number of companies. These include both larger and smaller competitors, including those providing industry specific software, pricing solutions, CPQ solutions and revenue management solutions, all of which deliver only a part of the functionality of our competing PROS offerings. We also face competition from retail, shopping and merchandising solutions designed for the airline industry. Large enterprise application providers have developed offerings that include functionality that competes against part of our Platform. In addition, we find that custom solutions developed internally by businesses, which generally include some combination of spreadsheets, manual processes, external consultants and internally developed software tools, are often themselves the competition for our Platform.

We believe the principal competitive factors in our markets include:

- breadth and depth of product and service offerings, including functionality, performance, product architecture, data security, reliability and scalability;
- strength of AI and real-time capabilities;
- price, return on investment, total cost of ownership and time-to-value;
- user experience;
- applicability for all current and expected selling channels;
- customer base and reputation;
- breadth and depth of integrations with the software already used by the customer;
- depth of expertise in data and pricing science;
- industry domain expertise and functionality; and
- brand awareness.

We do not believe that any of our competitors provide a competitive level of all the functionality needed to support an organization interested in optimizing sales growth through AI-based omnichannel pricing, selling and revenue management. Our competitors generally compete on price or by bundling their applications with other enterprise applications, and we expect that this will continue in the future. We distinguish ourselves from these vendors through our long history of providing software solutions incorporating AI and/or machine learning, the breadth and depth of the functionality we offer, the robust integration and configuration capabilities of our solutions, our ability to handle large data volumes at scale and our proven ability to provide high-value dynamic science-based optimization software to our global customer base across industries. In the future, we believe our competition will continue to increase as we expand into adjacent market segments.

## Intellectual Property

Our success and ability to compete is dependent, in part, on our ability to develop and maintain the proprietary aspects of our technology and operate without infringing upon the proprietary rights of others. We protect our intellectual property with a combination of trade secrets, confidentiality procedures, contractual provisions, patents, trademarks, copyrights and other similar measures. We believe that reliance upon trade secrets and unpatented proprietary know-how are generally the most advantageous methods for us to protect our proprietary information.

## Research and Development

We believe innovation is the foundation of our business and our ability to compete successfully depends on our continued ability to provide timely and competitive products to our customers as technology continues to advance. We continue to make significant investments in research and development for the enhancement of our existing solutions and the development of new solutions. For example, we believe PROS was the first in the market to use neural network technology to drive hyper-personalized price recommendations. In fiscal 2023 and 2022, we incurred research and development expenses, net of capitalized internal-use software cost, of \$89.4 million and \$93.4 million, respectively, which includes investments in our product management, product development and science and research groups. We conduct research and development activities in various domestic and international locations and also utilize third-party contractors in various countries. We also employ data scientists, many of whom are Ph.D.'s, to advance our innovation and interact with our customers, product development, sales, marketing and services teams to help keep our science efforts relevant to real-world demands. These scientists have specialties including, but not limited to, AI, machine learning, operations research, management science, statistics, econometrics and computational methods.

## Human Capital Resources

We believe we must attract, develop, motivate and retain exceptional employees to maintain our culture and uphold our high ethical standards. We believe that our commitment to innovation begins with our commitment to create an environment where our employees can thrive and reach their full potential. To accomplish this, we offer competitive total rewards, promote diversity, equity, inclusion, belonging, and invest in ongoing employee learning, development, health and welfare. Oversight of our approach to and investment in human capital resources is a key governance matter for our Board of Directors ("Board"). Directly, and through its Compensation and Leadership Development Committee, the Board engages regularly with management on human capital matters. As of December 31, 2023, we had 1,486 full-time personnel, which included 1,335 employees and 151 outsourced personnel. Our team spans 15+ countries, reflecting various backgrounds, ages, gender identities and ethnicities.

**Culture.** At PROS, our values and culture are embedded in everything we do. We proactively look for ways to maintain our collaborative and open company culture and further improve our organizational health, including through regular employee and management communication, periodic team events and frequent employee pulse surveys. We use insights from employee feedback, including through town halls, leader forums and other communication channels, to inform our human capital resources plans. In the last two years, PROS was Certified™ by Great Place to Work® and recognized as a Best Workplace in Texas, Most Loved Workplace and People's 100 Companies that Care, which shows the continued impact of our efforts. We encourage you to visit our website for more detailed information regarding our Human Capital programs and initiatives.

**Total Rewards.** We require a talented workforce to drive innovation, operational excellence and long-term stockholder value. We also believe that employees should be paid fairly for what they do and how they do it, regardless of their gender, race or other personal characteristics, and we constantly strive for pay parity. We define pay parity as ensuring that employees in the same job and location are paid fairly regardless of their gender or ethnicity. To attract and retain a talented workforce, we provide total rewards programs, practices and policies designed to be market-competitive, including by benchmarking and setting pay ranges based on market data and also considering factors such as an employee's role, skills, experience, job location and performance. We have invested in analysis and transparency to demonstrate our commitment to fair compensation and opportunity.

Our human resources management philosophy goes beyond traditional compensation and benefits. We design our total rewards to meet the needs of the whole person, not just the employee, recognizing that life events and circumstances that occur outside of work may impact what happens at work. For example, we provide a trusted time off approach in the U.S. to give employees more flexibility and control over their schedules. Our investments in employee mental health and wellness programs are also cornerstones of this philosophy.

**Diversity and Inclusion.** We believe diversity, equity, inclusion, and belonging ("DEIB") drive innovation and ownership. Our commitment to diversity and inclusion starts at the top with a skilled and diverse Board which provides oversight over our human capital resources efforts, including our DEIB programs and initiatives. As of December 31, 2023, the majority of our Board was comprised of either female and/or ethnically diverse directors, with both female and ethnically diverse representation on our Board for more than 10 years. As of December 31, 2023, women represent 36% of our global employees, and in the U.S., more than 55% of our employees represent minority groups, with underrepresented minorities (defined as those who identify as Black/African American, Hispanic/Latinx, Native American, Pacific Islander and/or two or more races) representing 30% of our U.S. employees.

We strive to maintain a working environment that celebrates diverse perspectives, cultures and experiences and invest in programs to engage our employees, including diversity, inclusion and harassment training. We have a heritage of fostering inclusion and belonging, awareness and education, and social interaction and camaraderie through our employee resource groups. Sponsored and funded by PROS, these employee-led groups are open to any interested employee and create spaces for our people to connect from all walks of life, grow together and build relationships and community. We are proud of what we have accomplished to advance DEIB, but we recognize we still have work to do, including how we approach the future of work. Additional information on our diversity and inclusion strategy, diversity metrics and programs can be found on our website at [pros.com/about-pros/diversity-and-inclusion](https://pros.com/about-pros/diversity-and-inclusion).

**Hybrid Work.** As the pandemic brought systemic changes to historic work habits, we embraced a hybrid work model focusing on cultivating an inclusive employee experience that promotes in-person collaboration to drive innovation and flexibility, including in work location and work schedules, based on a blend of what makes sense for our business, each team and each employee. We take an integrated approach to helping our employees manage work and personal responsibilities, with a strong focus on employee physical and mental health. Recognizing that working in a hybrid environment across our global company remains relatively new, we offer company-wide initiatives to assist our employees, including productivity, mental and physical health programming, and periodic recharge days. Additional information on our hybrid work model and related wellness initiatives will be included in our 2024 Proxy Statement.

**Learning and Development.** We believe that continuous learning cultivates innovation and that the development of our most important assets, our people, is foundational to fulfill our mission. We regularly invest in our employees' career growth and provide our employees opportunities for training on a wide range of skills designed to help them be more effective in their current and future roles. In 2023, all our employees participated in learning and development activities, and we introduced a new PROS University, giving employees access to thousands of courses across a broad range of categories, including leadership, inclusion and diversity, professional skills, technical and compliance. Because the development of our employees and next generation of leaders is critical to our long-term success, we annually engage in a comprehensive talent evaluation and succession planning process, including manager evaluations of all employees and detailed succession planning for all director and above roles with Board oversight over succession planning for senior management and other key roles.

## Corporate Information

We were incorporated in Texas in 1985. We reincorporated as a Delaware corporation in 1998. In 2002, we reorganized as a holding company in Delaware. Our principal executive offices are located at 3200 Kirby Drive, Suite 600, Houston, Texas 77098. Our telephone number is (713) 335-5151. Our website is [www.pros.com](https://www.pros.com). Our website and any other websites referenced herein, and the information that can be accessed through such websites, are not part of this report nor incorporated by reference into this filing. Further, our references to website URLs are intended to be inactive textual references only.

## Available Information

We make available, free of charge through our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, including exhibits thereto, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. Our reports that are filed with, or furnished to, the SEC are also available at the SEC's website at [www.sec.gov](https://www.sec.gov).

## Annual CEO Certification

Pursuant to Section 303A.12(a) of the New York Stock Exchange ("NYSE") Listed Company Manual, on May 22, 2023, we submitted to the NYSE an annual certification signed by our Chief Executive Officer ("CEO") certifying that he was not aware of any violation by us of NYSE corporate governance listing standards.

## Item 1A. Risk Factors

Our business, operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows and the trading price of our common stock. The following material factors, among others, could cause our actual results to differ materially from historical results and those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors and oral statements. The order of these risk factors does not reflect their relative importance or likelihood of occurrence.

### Strategic, Commercial and Operational Risks

***Our IT systems are regularly under attack. If our security measures are breached and unauthorized access is obtained to a customer's data, our data or our IT systems, our and our customers' operations may be disrupted, our reputation may be harmed, our solutions may be perceived as not being secure, customers may limit or stop using our solutions and we may incur significant legal and financial exposure and liabilities.***

We have been and will continue to be a target for cybersecurity attacks because we store, process and transmit confidential, proprietary and other sensitive information for both our customers and our own business operations. Despite our implementation of security measures and controls designed to prevent, mitigate, eliminate or alleviate known security vulnerabilities, our systems and those of third parties upon whom we rely are vulnerable to attack from numerous threat actors, including sophisticated nation-state actors, as well as events which may arise from human error, fraud or malice on the part of employees, contractors or other third parties. Cybersecurity incidents include, among others, data theft, data corruption, data loss, unauthorized access, mishandling of customer, employee and other confidential data, computer viruses, ransomware or malicious software programs or code, cyber attacks, including advanced persistent threat intrusions by inside actors or third parties, social engineering attacks ("phishing") targeting our employees, web application and infrastructure attacks, denial of service and similar disruptive events (each a "Security Incident"). We use third-party and public-cloud infrastructure providers, such as Microsoft Azure, IBM, Amazon Web Services ("AWS"), and other third-party service providers, and we are dependent on the security measures of those third parties to protect against Security Incidents. We may experience Security Incidents introduced through the tools and services we use. Our ability to monitor third-party service providers' data security is necessarily limited, and in any event, attackers may be able to circumvent our third-party service providers' data security measures. There have been and may continue to be significant attacks on certain third-party providers, and we cannot guarantee that our or our third-party providers' systems and networks have not been breached, or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our Platform. The security measures implemented by us and by our third-party service providers cannot provide absolute security, and there can be no assurance that such security measures will be effective against current or future security threats.

In the normal course of our business, we experience Security Incidents that, to date, we believe have been typical for a SaaS company of our size. However, despite implementing security measures, there is no guarantee of preventing or mitigating a Security Incident. Cyber attacks have in the past, and may again in the future, impede the performance of our products, penetrate the security of our network, cloud platform and other internal systems, or that of our customers, misappropriate proprietary information or cause interruptions to our services. Given the novel and sophisticated ways that cyber criminals engage in cyber attacks, it is reasonable to expect that despite the implementation of security measures, our security measures and the security measures of third-party providers on which we rely would not be sufficient to prevent our systems from being compromised.

The scale and number of cyber attacks continue to grow and the methods and techniques used by threat actors to compromise systems change frequently, continue to evolve at a rapid pace, and may not be recognized until launched or for an extended period of time thereafter. These threats continue to evolve in sophistication and volume and are difficult to detect and predict due to advances in electronic warfare techniques and AI, new discoveries in the field of cryptography and new and sophisticated methods used by criminals including phishing, social engineering or other illicit acts. Cyber attacks have become more prevalent against SaaS companies generally, have increased as more individuals work remotely, and have increased due to political uncertainty and geopolitical and regional conflicts, including the Russia-Ukraine and Middle East conflicts. As a result, we and our third-party service providers are subject to heightened risks of Security Incidents from nation-state actors or other third parties leveraging tools originating from nation-state actors, and potentially expose us to new complex threats. We may be unable to anticipate these techniques or implement adequate preventative or remediation measures in a timely manner, if at all, even when a vulnerability is known. We and our third-party providers may not be able to address such vulnerability prior to experiencing a Security Incident.

We may incur significant costs and liability in the event of a breach. We may also be required to, or find it appropriate to, expend substantial capital and other resources to remediate or otherwise respond to problems caused by any actual or perceived breaches or Security Incidents. Security Incidents impacting us or our service providers could result in interruptions, delays, cessation of service and loss of existing or potential customers, as well as loss of confidence in the security of our solutions and services, damage to our reputation, negative impact to our future sales, disruption of our business, increases to our information security costs, unauthorized access to, and theft, loss or disclosure of, our and our customers' proprietary and confidential information, including personal information, litigation, governmental investigations and enforcement actions, including fines or other actions, increased stock price volatility, significant costs related to indemnity obligations, legal liability and other expenses, and material harm to our business, financial condition, cash flows and results of operations. For example, in the event of a ransomware attack, it could be difficult to recover services that are the subject of the ransomware attack and there can be no guarantee as to the timing or completeness of any such recovery. These costs may include liability for stolen assets or information and repair of system damage that may have been caused, incentives offered to customers or other business partners in an effort to maintain business relationships after a breach, and other costs, expenses and liabilities. We cannot ensure that our commercial insurance will be available or sufficient to compensate us for all costs we may incur as a result of a Security Incident, and if we made significant insurance claims, our ability to obtain comparable insurance in the future may be impaired or only available at significantly increased cost.

There can be no assurance that future Security Incidents will not be material to our business operations, financial condition, cash flows, and results of operations.

***Current and future economic and geopolitical uncertainty and other unfavorable conditions in the global economy or the industries we serve could limit our ability to grow our business and negatively affect our operating results.***

Our operating results may vary based on the impact of changes in the global economy or conditions in the industries we serve. General macroeconomic conditions impacted by inflation, increased cost of capital, supply chain disruptions, fluctuations in currency exchange rates, and recession risks in major economies, and geopolitics, including armed conflicts, affect the business climate in which we operate. Inflation has resulted in, and may continue to result in, higher interest rates and capital costs, shipping costs, supply shortages, increased costs of labor, weakening exchange rates and other similar effects. Deterioration in the economy, regardless of causes, can negatively impact demand for our solutions and make it difficult to accurately forecast and plan our future business activities. Geopolitical tension and armed conflicts, including the Russia-Ukraine conflict and conflicts in the Middle East, have had, and continue to have, an adverse impact on the global economy, including supply chain disruptions, inflation and capital and commodity markets volatility. All of these risks and conditions could harm our future sales, business and operating results. Our business and operations could also be harmed and our costs could increase if our or our customers' or other partners' manufacturing, logistics or other operations, costs or financial performance are disrupted or adversely affected. While the ultimate scope and broader impact of the ongoing Russia-Ukraine and Middle East conflicts cannot be predicted with certainty, they have not had a material impact to date on our business or ability to operate. However, if any of these conflicts, or other geopolitical tensions, spark additional regional or wider conflicts, then additional risks may manifest themselves, including general geopolitical unrest, broader economic uncertainty, turmoil in certain financial markets, instability in the financial system, disruption to domestic and international travel, displacement of persons, disruption of supply chains and routes, including energy supplies, commodity and other price inflation, increased cybersecurity threats and attacks, the possibility of military activity or risk of wider war.

Weakening economic conditions, regardless of the causes, could adversely impact our prospects' and customers' rate of information technology spending, delay their purchasing decisions, impact their ability or willingness to purchase or continue to use our solutions, reduce the value, scope or duration of subscription contracts, or limit their ability to pay amounts owed, all of which would adversely affect our operating results. For example, we experienced such an impact as a result of the COVID-19 pandemic, when customers, particularly in the travel industry, delayed and deferred purchasing decisions and requested concessions. Prolonged economic uncertainties relating to macroeconomic trends could limit our ability to grow our business and negatively affect our operating results. Unfavorable trends in the U.S. or global economy, such as rising interest rates, and conditions resulting from financial and credit market fluctuations may cause our customers and prospective customers to decrease their information technology budgets, which would limit our ability to grow our business and negatively affect our operating results.

We have experienced, and may continue to experience, operational cost and cost of capital increases as a result of inflation. While the rate of inflation moderated in the second half of 2023, the U.S. Federal Reserve and other central banks raised, and may continue to raise, interest rates in response to concerns over the inflation rate. Market interest rates have increased, and may continue to increase, as well. Inflation will continue to have an impact on our business if we are unable to achieve commensurate increases in the prices we charge our customers or if increased prices lead to decreased spending by our customers. Although we have taken measures to mitigate the impact of inflation and increased interest rates, if these measures

are not effective, our business, financial condition, results of operations, cash flow, and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when these beneficial actions impact our results of operations and when the cost of inflation is incurred.

***Failure to increase business from our customers, sustain our historical renewal rates and/or capture customer IT spend could adversely affect our future revenue and operating results.***

Many of our customers initially purchase one of our software solutions for a specific business segment, geographic location, or user group within their organization, and later purchase additional solutions and/or add business segments, other geographic locations and seats for additional users. Our subscription agreements are typically for an initial term of one to five years. These customers might not choose to renew, expand the scope of use for their existing software solutions or purchase additional software solutions for a variety of reasons, including, among others, elongated time to value, changed priorities and competing solutions. In addition, when we deploy new applications and features for our software solutions or introduce new software solutions, our customers may not purchase these new offerings. If we fail to generate additional business from our existing customers, our revenue could grow at a slower rate or even decrease.

We may not accurately predict future customer renewal rates, which can decline or fluctuate as a result of a number of factors, including customers' level of satisfaction with our services, perceived and actual time to value, changed customer priorities and budget cuts, our ability to continue to regularly add functionality, the reliability (including uptime) of our subscription services, the prices of our services, the actual or perceived information security of our systems and services, mergers and acquisitions of our customers, reductions in our customers' spending levels, or declines in customer activity as a result of customer bankruptcies, general economic downturns or uncertainty in financial markets. If our customers choose not to renew their subscription agreements with us on favorable terms or at all, our business, operating results, cash flows, and financial condition could be harmed.

We continually improve our Platform and often seek appropriate price increases at subscription renewal. In an inflationary environment, our ability to earn and negotiate appropriate price increases from our customers is important to maintain and grow our operating margins. If we are unable to successfully capture price increases over time, our business, operating results, cash flows, and financial condition could be harmed.

***If we fail to manage our profitable growth objective effectively, our business, cash flow and results of operations will be adversely affected.***

Over the past several years, we have experienced, and expect to continue experiencing, growth in our customers and operations. Our success will depend in part on our ability to effectively manage this growth profitably while continuing to scale our operations. We will need to manage our cost structure while investing for growth and continually improving our operational and financial efficiency. Failure to effectively manage growth efficiently could adversely impact our business performance and operating results.

***We depend on third-party data centers, software, data and other unrelated service providers and any disruption from such third-party providers could impair the delivery of our service and negatively affect our business.***

Our cloud products are dependent upon third-party hardware, software and cloud hosting vendors, including Microsoft Azure, IBM Softlayer and AWS, all of which must interoperate for end users to achieve their computing goals. We utilize third-party data center hosting facilities, cloud platform providers and other service providers to host and deliver our subscription services as well as for our own business operations. We host our cloud products from data centers in a variety of countries. While we control and generally have exclusive access to our servers and all of the components of our network that are located in our external data centers, we do not control the operation of these facilities and they are vulnerable to damage or interruption from hurricanes, earthquakes, floods, fires, power loss, telecommunications and human failures and similar events. They may also be subject to Security Incidents, break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite our failover capabilities, standard protocols and other precautions, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service. In addition, disruptions to the hardware supply chain necessary to maintain these third-party systems or to run our business could impact our service availability and performance. These providers have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms or at all, or if one of our data center operators is acquired, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

Certain of our applications are essential to our customers' ability to quote, price, and/or sell their products and services. Interruption in our service may affect the availability, accuracy or timeliness of quotes, pricing or other information and could require us to issue service credits to our customers, damage our reputation, cause our customers to terminate their use of our solutions, require us to indemnify our customers against certain losses, and prevent us from gaining additional business from current or future customers. In addition, certain of our applications require access to our customers' data which may be held by third parties, some of whom are, or may become, our competitors. For example, many of our travel industry products rely upon access to airline data held by large airline IT providers which compete against certain of our airline products. Certain of these competitors have in the past, and may again in the future, make it difficult for our airline customers to access their data in a timely and/or cost-effective manner.

Any disruption from our third-party data center, software, data or other service providers could impair the delivery of our service and negatively affect our business, damage our reputation, negatively impact our future sales and/or cash flows and lead to legal liability and other costs.

***Implementation projects involve risks which can negatively impact the effectiveness of our software, resulting in harm to our reputation, business and financial performance.***

The implementation of certain of our software solutions involve complex, large-scale projects that require substantial support operations, significant resources and reliance on factors beyond our control. For example, the success of certain of our implementation projects is dependent upon the quality of data used by our software solutions and the commitment of customers' resources and personnel to the projects. We may not be able to correct or compensate for weaknesses or problems in data, or any lack of our customers' commitment and investment in personnel and resources. Further, various factors, including our customers' business, integration, migration and security requirements, or errors by us, our partners, or our customers, may cause implementations to be delayed, inefficient or otherwise unsuccessful. For example, changes in customer requirements, delays, unilateral delay of "go live", or deviations from our recommended best practices occur during implementation projects. As a result, we may incur significant costs in connection with the implementation of our products and/or delay revenue recognition of software subscription revenue. Further, some implementations of our projects are carried out by third-party service providers, and we do not have control of such implementations. If we, or a third-party service provider providing the implementation, are unable to successfully manage the implementation of our software solutions, and as a result those products or implementations do not meet customer needs, expectations or timeline, disputes with our customers can occur, our ability to sell additional products or secure a renewal of the customer's subscription is impacted, and our business reputation and financial performance may be significantly harmed. If an implementation project for a large customer or a number of customers is substantially delayed or canceled, our ability to recognize the associated revenue and our operating results could be adversely affected.

***If we fail to manage our cloud operations, we may be subject to liabilities and our reputation and operating results may be adversely affected.***

We have experienced substantial growth in the number of customers and data volumes serviced by our cloud infrastructure in recent years. While we have designed our cloud infrastructure to meet the current and anticipated future performance and accessibility needs of our customers, we must manage our cloud operations to handle changes in hardware and software parameters, spikes in customer usage and new versions of our software. We have experienced, and may experience in the future, system disruptions, outages and other cloud infrastructure performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks (internal or external), fraud, spikes in customer usage, denial of service issues and other Security Incidents. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Our customer agreements typically provide service level commitments on a monthly basis, and for certain of our products, we also offer response time commitments. If we are unable to meet the stated service level or response time commitments, or if we suffer extended periods of unavailability for our solutions, we may be contractually obligated to issue service credits or refunds to customers for prepaid and unused subscription services, or customers may choose to terminate or not renew contracts. Any extended service outages or other performance problems could also result in damage to our reputation or our customers' businesses, cause our customers to elect not to renew or to delay or withhold payment to us, loss of future sales, lead to customers making other claims against us that could harm our subscription revenue, result in an increase in our provision for credit losses, increase collection cycles for our accounts receivable or lead to the expense and risk of litigation.

***If we fail to protect our intellectual property adequately, our business may be harmed.***

Our success and ability to compete depends, in part, on our ability to protect our intellectual property. We rely upon a combination of trade secrets, confidentiality policies, nondisclosure and other contractual arrangements, and patent, copyright and trademark laws to protect our intellectual property rights. We cannot, however, be certain that steps we take to protect our intellectual property are adequate. The rapid adoption of generative AI brings additional risks to intellectual property, particularly copyrighted material. The rate and pace of development and use of AI tools may outpace our ability to identify misappropriation and protect our intellectual property. Further, in early 2023, the U.S. Federal Trade Commission ("FTC") proposed a sweeping ban on employee non-competition agreements which we have historically utilized with a significant percentage of our employees to enhance the protection of our intellectual property. If the FTC's proposal is issued and upheld, a ban on non-competition agreements would make it more challenging for us to protect our intellectual property and could have a material adverse effect on our business. In addition, laws in certain jurisdictions, including certain U.S. states in which we have employees, ban or limit non-competition agreements. As we have expanded our workforce footprint and jurisdictions have changed their laws to ban or limit non-competition agreements, our ability to fully protect our intellectual property has been reduced.

We may be required to spend significant resources to protect our intellectual property rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. The procurement and enforcement of certain intellectual property rights involves complex legal and factual considerations, and the associated legal standards are not always applied predictably or uniformly, can change, and may not provide adequate remedies. As a result, we may not be able to obtain or adequately enforce our intellectual property rights, and other companies may be better able to develop products that compete with ours. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand, competitive business position, business prospects, operating results, cash flows and financial condition.

***Our use of third-party software creates dependencies outside of our control.***

We use third-party software in our software solutions. If our relations with any of these third parties are impaired, or if we are unable to obtain or develop a replacement for the software, our business could be harmed. The operation of our solutions could be impaired if errors occur in the third-party software that we utilize. It may be more difficult for us to correct any defects in third-party software because the software is not within our control. Accordingly, our business could be adversely affected in the event of any errors in this software. There can be no assurance that these third parties continue to invest the appropriate levels of resources in their products and services to maintain and enhance the capabilities of their software.

***We may enter into acquisitions that may be difficult to integrate, fail to achieve our strategic objectives, disrupt our business, dilute stockholder value or divert management attention.***

We have completed five acquisitions since 2013, and we plan to continue to acquire other businesses, technologies and products to complement or enhance our existing business, solutions, services and technologies. We cannot provide assurance that the acquisitions we have made or may make in the future will provide us with the benefits or achieve the results we anticipated when entering into the transaction(s). Acquisitions are typically accompanied by a number of risks, including:

- difficulties in integrating the operations and personnel of the acquired companies;
- difficulties in maintaining acceptable standards, controls, procedures and policies, including integrating financial reporting and operating systems, particularly with respect to foreign and/or public subsidiaries;
- disruption of ongoing business and distraction of management;
- inability to maintain relationships with customers and retain employees of the acquired businesses;
- impairment of relationships with employees and customers as a result of any integration of new management and other personnel;
- difficulties in incorporating acquired technology and rights into our solutions and services;
- unexpected expenses resulting from the acquisitions; and
- potential unknown liabilities associated with the acquisitions.

We have experienced, and may experience in the future, acquisition integration challenges, including, but not limited to, the issues listed in the bullets above. In addition, we may incur debt, acquisition-related costs and expenses, restructuring charges and write-offs as a result of acquisitions. Acquisitions may also result in goodwill and other intangible assets that are subject to impairment tests, which could result in future impairment charges. In addition, we have in the past, and may in the future, enter into negotiations for acquisitions that are not ultimately consummated. Those negotiations could result in diversion of management time and significant out-of-pocket costs. If we fail to evaluate and execute acquisitions successfully, we may not be able to achieve our anticipated level of growth or profitability, and our business and operating results could be adversely affected.

***Catastrophic events may disrupt our operations.***

We are a global company headquartered in Houston, Texas with significant operations in Sofia, Bulgaria and operations and personnel located in numerous other U.S. and international locations. We rely on our network and third-party infrastructure and enterprise applications for our sales, marketing, development, services, operational support and hosted services. A disruption, infiltration or failure of our infrastructure, systems or third-party hosted services in the event of a major hurricane, earthquake, fire, flood or other weather event, power loss, telecommunications failure, software or hardware malfunctions, pandemics, war, terrorist attack or other catastrophic event that our business continuity and disaster recovery plans do not adequately address, could cause, among other impacts, system interruptions, reputational harm, loss of intellectual property, delays in our product development, lengthy interruptions in our services, breaches of data security and loss of critical data. Any of these events could prevent us from fulfilling our customer obligations or could negatively impact a country or region in which we sell our products, which could in turn decrease that country's or region's demand for our products. Even though we carry business interruption insurance and typically have provisions in our contracts that protect us in certain events, we might suffer losses from business interruptions that exceed the coverage under our insurance policies or for which we do not have coverage. Any natural disaster or other catastrophic event could create a negative perception in the marketplace, delay our product innovations, or lead to lengthy interruptions in our services, breaches of data security and losses of critical data, all of which could have an adverse effect on our operating results.

***We are a multinational corporation exposed to risks inherent in international operations.***

The majority of our revenues are derived from our customers outside the U.S. While the majority of our sales are denominated in U.S. dollars, the majority of our international operations expenses are denominated in local currencies. To date, we have not used risk management techniques or "hedged" the risks associated with fluctuations in foreign currency exchange rates. Consequently, our results of operations, cash flows, and financial condition, including our revenue and operating margins, can be subject to losses from fluctuations in foreign currency exchange rates, as well as regulatory, political, social and economic developments or instability in the foreign jurisdictions in which we operate. *For additional financial information about geographic areas, see [Note 19](#) of the Notes to the Consolidated Financial Statements.*

Our operations outside the U.S. are subject to risks inherent in doing business internationally, requiring resources and management attention, and may subject us to new or larger levels of operational, regulatory, economic, foreign currency exchange, tax and political risks. In addition to our operations in the U.S., we have employees and operations in numerous international locales, including in Europe, the Middle East, Latin America and Asia/Australia. We expect our international operations and the geographic footprint of our workforce to continue to grow. We face a wide variety of risks with respect to our international operations, including:

- geopolitical and economic conditions in various parts of the world, including conflicts impacting travel and regional stability, supply chain and labor market disruptions, inflation, currency exchange and interest rate fluctuations and recession;
- sustained disruption to domestic or international travel for any reason, including conflicts, outbreaks of contagious disease such as the COVID-19 pandemic and variations or mutations thereof, as well as any other disrupting events;
- the difficulty of managing and staffing our international operations and the increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- operational and organizational challenges with a more geographically dispersed workforce, including communication and remote management challenges, coordination and collaboration issues, cultural differences, knowledge management and transfer gaps, and other unforeseen costs;

- differing labor and employment regulations, especially where labor laws are generally more advantageous to employees as compared to the U.S.;
- compliance with multiple, conflicting, ambiguous, complex or evolving governmental laws and regulations, including privacy, data security, anti-corruption, import/export, antitrust and industry-specific laws and regulations and our ability to identify and respond timely to compliance issues when they occur;
- vetting and monitoring our third-party business partners in new and evolving markets to confirm they maintain standards consistent with our brand and reputation;
- less favorable intellectual property laws;
- availability of sufficient network connectivity required for certain of our products; and
- difficulties in enforcing contracts and collecting accounts receivable, especially in developing countries.

As we continue to expand our business globally, our success depends, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Our failure to manage any of these risks successfully could harm our international operations and reduce our international sales, adversely affecting our business, operating results, financial condition and cash flows.

## **Market and Competition Risks**

### ***Any downturn in sales to our target markets could adversely affect our operating results.***

Our success is highly dependent upon our ability to sell our software solutions to customers in our target industries, including automotive and industrial manufacturing, transportation and logistics, chemicals and energy, food and beverage, healthcare, high tech and travel. If we are unable to sell our software solutions effectively to customers in these industries, we may not be able to grow our business. For example, while the travel industry has made significant recovery from the depths of the COVID-19 pandemic, the airline and rental car industries which we serve continue to face various operational challenges which can limit their ability to engage with us on our solutions.

### ***We have historically been subject to lengthy sales cycles, and delays or failures to complete sales may harm our business and cause our revenue, operating income, and cash flows to decline in the future.***

Our sales cycles may take a month to over a year for large enterprise customers. A large enterprise customer's decision to use our solutions typically involves a number of internal approvals, and sales to those prospective customers generally require us to provide greater levels of education about the benefits and features of our solutions. We expend substantial resources during our sales cycles with no assurance that a sale may ultimately result. The length of each individual sales cycle depends on many factors, a number of which we cannot control, including the prospective customer's internal evaluation and approval process requirements, as well as the prospective customer's budget and/or resource constraints. Any unexpected lengthening of the sales cycle or failure to secure anticipated orders could negatively affect our revenue. Any significant failure to generate sales after incurring costs related to our sales process could also have a material adverse effect on our business, financial condition, cash flows and results of operations.

### ***If we fail to develop or acquire new functionality and software solutions, we may not be able to grow our business and it could be harmed.***

If we are unable to provide enhancements and new features for our existing software solutions or new solutions that achieve market acceptance or to integrate technology, products and services that we acquire into our Platform, our business, revenues and other operating results could be significantly adversely affected. The success of enhancements, new features and modules depends on several factors, including the timely completion, introduction and market acceptance of the enhancements or new features or modules. We have experienced, and may experience in the future, delays in the planned release dates of enhancements to our Platform, and we have discovered, and may discover in the future, errors in new releases after their introduction. Either situation could result in adverse publicity, loss of sales, delay in market acceptance of our Platform, or customer claims, including, among other things, warranty claims against us, any of which could cause us to lose existing customers or affect our ability to attract new customers. Furthermore, because our software solutions are intended to interoperate with a variety of third-party enterprise software solutions, we must continue to modify and enhance our software to keep pace with changes in such solutions. Any inability of our software to operate effectively with third-party software

necessary to provide effective solutions to our customers could reduce the demand for our software solutions, result in customer dissatisfaction and limit our financial performance.

***The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be harmed.***

The markets for enterprise software applications for pricing optimization and management, CPQ, airline revenue optimization, airline distribution and retail, and digital offer marketing are competitive, fragmented and rapidly evolving. We expect additional competition from other established and emerging companies as the markets in which we compete continue to develop and expand, as well as through industry consolidation, including through a merger or partnership of two or more of our competitors or the acquisition of a competitor by a larger company. For example, the introduction of new AI platforms and applications by competitors or the development of entirely new technologies to replace existing software offerings could negatively impact demand for our Platform. Some of our current and potential competitors may have larger installed bases of users, longer operating histories, broader distribution, greater name recognition, a broader suite of product offerings, and have significantly greater resources than we have. As a result, these companies may be able to respond more quickly to new or emerging technologies and changes in customer demands, and devote greater resources to the development, promotion and sale of their products.

Competition could seriously impede our ability to sell our software solutions and services on terms favorable to us or at all. Our current and potential competitors may develop and market new technologies that render our existing or future solutions obsolete, unmarketable or less competitive. In addition, if these competitors develop solutions with similar or superior functionality to our solutions, or if they offer solutions with similar functionality at substantially lower prices than our solutions, we may need to decrease the prices for our solutions in order to remain competitive. In addition, our competitors have and may in the future, offer their products and services at a lower price, or offer price concessions, delayed payment terms, or provide financing or other terms and conditions that are more enticing to potential customers. For example, technology advancements in AI that drive material improvements in operating efficiency may allow competitors to further compete with us on price. If we are unable to maintain our current pricing due to competitive pressures, our margins could be reduced and our operating results could be adversely affected. If we do not compete successfully against current or future competitors, competitive pressures could materially and adversely affect our business, financial condition, cash flows and operating results.

***We focus primarily on pricing optimization and management, CPQ, airline revenue optimization, airline distribution and retail, and digital offer marketing software and if the markets for these software solutions develop more slowly than we expect or if we fail to capitalize on the market opportunity, our business could be harmed.***

We derive most of our revenue from providing our software solutions for pricing optimization and management, CPQ, airline revenue optimization, airline distribution and retail, and digital offer marketing, as well as providing implementation services and ongoing customer support. These markets are evolving rapidly, and it is uncertain whether software for these markets will achieve and sustain high levels of demand. Our success depends on the willingness of businesses in our target markets to use the types of solutions we offer and our ability to capture share in these markets. Some businesses may be reluctant or unwilling to implement such software for a number of reasons, including failure to understand the potential returns of improving their processes, lack of knowledge about the potential benefits that such software may provide, or reluctance to change existing internal processes. Some businesses may elect to improve their pricing and sales processes through solutions obtained from their existing enterprise software providers, whose solutions are designed principally to address functional areas other than what our solutions provide. If businesses do not embrace the benefits of vendor software solutions in the areas in which we focus, then these markets may not continue to develop or may develop more slowly than we expect, either of which would significantly and adversely affect our revenue, operating results, and cash flows.

## **Human Capital Risks**

***If we cannot maintain our corporate culture, we could lose the innovation, teamwork and passion that we believe contribute to our success, and our business may be harmed.***

We believe that a critical component of our success has been our corporate culture, and we invest substantial time and resources in building and maintaining our culture and developing our personnel; however, as we continue to scale our business both organically and through potential acquisitions, it may be increasingly difficult to maintain our culture. Moreover, our shift to both a hybrid work environment and a more geographically dispersed workforce requires significant action to preserve our culture. While we have implemented many wellness, development and supportive programs for our workforce, the shift to a hybrid work environment and the expansion of our workforce footprint presents risks to our culture. Any failure to preserve our

culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively pursue our strategic objectives.

***If we lose key members of our management team or sales, development or operations personnel, or are unable to attract and retain employees, our business could be harmed.***

Our future success depends upon the performance and service of our executive officers and other key personnel. From time to time, there may be changes in our executive management team and to other key employee roles resulting from organizational changes or the hiring or departure of executives or other employees, which could have a serious adverse effect on our business and operating results. If key personnel leave our company or are unable to perform their duties, we may not be able to manage our business effectively and, as a result, our business and operating results could be harmed.

Our future success depends on our ability to continue to timely identify, attract and retain highly qualified personnel, including data scientists, software developers and implementation personnel, and there can be no assurance that we will be able to do so. Competition for qualified personnel is intense, particularly for technical talent in certain markets, and is exacerbated by tight labor market conditions. We compete for talent with other companies that have greater resources, in large part, based on our culture and overall employee experience. With the wide market acceptance of and increase in remote work, we have experienced increased direct competition for talent, often from larger companies taking advantage of lower cost talent markets. Employee turnover creates a variety of risks including time, costs and resources required to recruit and train new employees to learn our business. The flexibility of our hybrid work approach provides us with access to greater talent pools and contributes to our hiring and retaining competitiveness but also brings costs and risks, including employment, tax, insurance and compliance risks. If we are unable to attract and retain our key employees, we may not be able to achieve our objectives, and our business could be harmed.

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

To date, substantially all of our revenue has been attributable to the efforts of our direct sales force. We believe that our future growth will depend, to a significant extent, on the continued development of our direct sales force, and our sales team's ability to manage and retain our existing customer base, expand our sales to existing customers and obtain new customers. Our ability to achieve significant revenue growth in the future will depend, in large part, on our success in recruiting, training and retaining a sufficient number of direct sales personnel. We manage the staffing levels of our direct sales force against a number of factors, including performance management, natural attrition, quality of our enablement and training program as well as competition for talent. New sales hires require significant training and often take a number of months before becoming fully productive, if at all. If we are unable to continuously recruit, develop or retain sufficient numbers of productive direct sales personnel, our growth may be impeded.

In addition to our direct sales force, we have developed, and expect to expand, our indirect sales force via channel partners, such as management consulting firms, systems integrators and other resellers, to market, sell and/or implement our solutions. While we have invested to establish channel partners to drive sales growth, to date substantially all of our revenue generation has been attributable to our direct sales force. If we are unable to establish and maintain productive partner relationships, or otherwise develop and expand our indirect distribution channel, our sales growth rates may be limited.

## **Regulatory, Compliance and Litigation Risks**

***Complex and evolving global laws and regulations expose us to potential liability, increased costs and other adverse impacts on our business.***

We provide our cloud software solutions globally and our operations are subject to complex and evolving laws and regulations, including laws on data privacy, data localization, data security, labor and employment, import/export and AI. Compliance with these laws and regulations is onerous and expensive. In addition, these laws and regulations may be inconsistent across jurisdictions and are subject to differing, and sometimes conflicting, interpretations. Although we have implemented policies, procedures and controls designed to ensure compliance with applicable laws, there can be no assurance that our employees, contractors or agents will not violate such laws and regulations or our policies and procedures. If we are found to have violated laws and regulations, it could materially adversely affect our business, reputation, results of operations, cash flow, and financial condition. Regulatory changes have in the past, and may in the future be announced with little or no advance notice and we may not be able to effectively mitigate all adverse impacts from such measures.

Our cloud software solutions process data on behalf of our customers, and if our customers fail to comply with contractual obligations or applicable laws and regulations, such non-compliance could result in litigation or reputational harm to

us. Any perceived inability to adequately address privacy, data localization or cybersecurity compliance or to comply with more complex and numerous laws and regulations, even if unfounded, could result in liability to us and indemnification obligations, damage our reputation, inhibit sales of our solutions or harm our business, financial condition, results of operations and cash flows.

Evolving laws and changing interpretations of existing laws by regulators and courts, have in the past, and may continue to create new compliance obligations, increase our costs to provide our products and services, adversely affect our sales cycles, affect our ability to implement business models effectively, limit us from offering certain solutions in certain jurisdictions or circumstances, and expand the scope of potential liability, either jointly or severally with our customers, partners and suppliers. For example, evolving laws and regulations that dictate whether, how, and under what circumstances we can transfer, process and receive personal data have in the past, and may in the future increase our costs and operational risks. While AI regulation is in the nascent stages of development globally, the evolving AI regulatory environment may adversely impact our sales cycle times, increase our research and development costs, and increase our liability related to the use of AI that are beyond our control or result in inconsistencies in evolving legal frameworks across jurisdictions. While we believe we have taken a responsible approach to the development and use of AI in our solutions, there can be no guarantee that future AI regulations will not adversely impact us or conflict with our approach to AI, including affecting our ability to make our solutions available without costly changes, requiring us to change our AI development practices, business strategies and/or indemnity protections and subjecting us to additional compliance requirements, regulatory action, competitive harm or legal liability. If jurisdictions implement more restrictive or onerous regulations, such developments could adversely impact our business, financial condition, cash flows, and results of operations.

***Any unauthorized, and potentially improper, actions of our personnel could adversely affect our business, operating results, cash flows, and financial condition.***

The recognition of our revenue depends on, among other things, the terms negotiated in our contracts with our customers. Our personnel may act outside of their authority and negotiate additional terms without our knowledge. We have implemented policies to help prevent and discourage such conduct, but there can be no assurance that such policies will be followed. For instance, in the event that our sales personnel negotiate terms that do not appear in the contract and of which we are unaware, whether such additional terms are written or verbal, we could be prevented from recognizing revenue in accordance with our plans. Furthermore, depending on when we learn of unauthorized actions and the size of the transactions involved, we may have to restate revenue for a previously reported period, which could seriously harm our business, operating results, cash flows, financial condition and reputation with current and potential customers and investors.

***Intellectual property litigation and infringement claims may cause us to incur significant expense or prevent us from selling our software solutions.***

Our industry is characterized by the existence of a large number of patents, trademarks and copyrights, and by litigation based on allegations of infringement or other violations of intellectual property rights. A third-party may assert that our technology violates its intellectual property rights, or we may become the subject of a material intellectual property dispute. Selling improvement (including CPQ), pricing, airline revenue optimization (including revenue management) and airline eCommerce (including shopping, merchandising and retail, and digital offer marketing) solutions may become increasingly subject to infringement claims as the number of such commercially available solutions increases and the functionality of these solutions overlaps. In addition, changes in patent laws in the U.S. may affect the scope, strength and enforceability of our patent rights or the nature of proceedings which may be brought by us related to our patent rights. Future litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our own potential patents may therefore provide little or no deterrence. Regardless of the merit of any particular claim that our technology violates the intellectual property rights of others, responding to such claims may require us to:

- incur substantial expenses and expend significant management efforts to defend such claims;
- pay damages, potentially including treble damages, if we are found to have willfully infringed such parties' patents or copyrights;
- cease making, selling or using products that are alleged to incorporate the intellectual property of others;
- distract management and other key personnel from performing their duties for us;
- enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies; and

- expend additional development resources to redesign our solutions.

Any licenses required as a result of litigation under any patent may not be made available on commercially acceptable terms, if at all. In addition, some licenses may be nonexclusive, and therefore our competitors may have access to the same technology licensed to us. If we fail to obtain a required license or are unable to design around a patent, we may be unable to effectively develop or market our solutions, which could limit our ability to generate revenue or maintain profitability.

Our contract terms generally obligate us to indemnify and hold our customers harmless from certain costs arising from third-party claims brought against our customers alleging that the use of our solutions infringe intellectual property rights of others. If we are unable to resolve our legal obligations by settling or paying an infringement claim, we may be required to compensate our customers.

***Our use of open source software may subject our software solutions to general release or re-engineering.***

We use open source software in our solutions. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. If we combine our proprietary software solutions with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software solutions. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. In addition, open source license terms may be ambiguous and many of the risks associated with usage of open source cannot be eliminated, and could, if not properly addressed, negatively affect our business. If we were found to have inappropriately used open source software, we may be required to seek licenses from third parties in order to continue offering our software, to re-engineer our solutions, to discontinue the sale of our solutions in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, operating results, cash flows, and financial condition.

***Defects or errors in our software solutions could harm our reputation, impair our ability to sell our solutions and result in significant costs to us.***

Our software solutions are complex and may contain undetected defects or errors. Several of our solutions have recently been developed and may therefore be more likely to contain undetected defects or errors. In addition, we frequently develop enhancements to our software solutions that may contain defects. We have not suffered significant harm from any defects or errors to date. We have in the past issued, and may in the future need to issue, corrective releases of our solutions to correct defects or errors. The occurrence of any defects or errors could result in:

- delayed market acceptance and lost sales of our software solutions;
- delays in payment to us by customers;
- damage to our reputation;
- diversion of our resources;
- legal claims, including product liability claims, against us;
- increased maintenance and support expenses; and
- increased insurance costs.

Our agreements with our customers typically contain provisions designed to limit our liability for defects and errors in our software solutions and damages relating to such defects and errors, but these provisions may not be enforced by a court or otherwise effectively protect us from legal claims. Our liability insurance may not be adequate to cover all of the costs resulting from these legal claims. Moreover, we cannot provide assurance that our current liability insurance coverage would continue to be available on acceptable terms or at all. In addition, the insurer may deny coverage on any future claims. The successful

assertion against us of one or more large claims that exceeds available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business and operating results. Furthermore, even if we prevail in any litigation, we are likely to incur substantial costs and our management's attention may be diverted from our operations.

## **Business Model and Capital Structure Risks**

***We have experienced losses since we transitioned to a cloud strategy, and we may continue to incur losses for longer than we expect.***

We expect our expenses to continue to exceed our revenues in the near term as we continue to make investments as part of our cloud strategy, particularly in new product development, sales, marketing, security, privacy and cloud operations. While we delivered significant free cash flow in 2023 and profitable operations on an adjusted EBITDA basis, our ability to return to profitability depends on our ability to: continue to drive subscription sales, enhance our existing products and develop new products, scale our sales and marketing and product development organizations, successfully execute our marketing and sales strategies, renew our subscription agreements with existing customers, and manage our expenses. If we are not able to execute on these actions, our business may not grow as we anticipate, our operating results could be adversely affected and we will continue to incur net losses in the future. Additionally, our new initiatives may not generate sufficient revenue and cash flows to recoup our investments in them. If any of these events were to occur, it could adversely affect our business, results of operations, financial condition and cash flows.

***We incurred indebtedness by issuing convertible notes, and we may borrow under our Credit Agreement. Our debt repayment obligations may adversely affect our financial condition and cash flows in the future.***

In September 2020, we issued \$150.0 million principal amount of 2.25% convertible senior notes ("2027 Notes") due September 15, 2027, unless earlier redeemed, purchased or converted in accordance with their terms prior to such date. Interest is payable semi-annually in arrears on March 15 and September 15 of each year. In October 2023, following the completion of the Exchange described in Note 16 to the Consolidated Financial Statements, we issued an additional \$116.8 million of principal amount of 2027 Notes. As of December 31, 2023, \$266.8 million of aggregate principal amount of the 2027 Notes are outstanding.

In May 2019, we issued \$143.8 million principal amount of 1.0% convertible senior notes ("2024 Notes" and together with the 2027 Notes, the "Notes") due May 15, 2024, unless earlier redeemed, purchased or converted in accordance with their terms prior to such date. Interest is payable semi-annually in arrears on May 15 and November 15 of each year. Following the completion of the Exchange, as of December 31, 2023, \$21.7 million of aggregate principal amount of the 2024 Notes are outstanding.

Our Credit Agreement provides for a \$50.0 million revolving line of credit, none of which was drawn as of December 31, 2023. The Credit Agreement contains affirmative and negative covenants, including covenants which restrict our ability to, among other things, create liens, incur additional indebtedness and engage in certain other transactions, in each case subject to certain exclusions. In addition, the Credit Agreement contains certain financial covenants which become effective in the event our liquidity (as defined in the Credit Agreement) falls below a certain level. The Credit Agreement contains customary events of default relating to, among other things, payment defaults, breach of covenants, cross acceleration to material indebtedness, bankruptcy-related defaults, judgment defaults, and the occurrence of certain change of control events. The occurrence of an event of default may result in the termination of the Credit Agreement and acceleration of repayment obligations with respect to any outstanding principal amounts.

Our indebtedness could have important consequences because it may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and general corporate or other purposes. Our ability to meet our debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. We cannot control many of these factors. Our future operations may not generate sufficient cash to enable us to repay our debt. If we fail to comply with any covenants contained in the agreements governing any of our debt, or make a payment on any of our debt when due, we could be in default on such debt, which could, in turn, result in such debt and our other indebtedness becoming immediately payable in full. If we are at any time unable to pay our indebtedness when due, we may be required to renegotiate the terms of the indebtedness, seek to refinance all or a portion of the indebtedness, and/or obtain additional financing. There can be no assurance that, in the future, we will be able to successfully renegotiate such terms, that any such refinancing would be possible or that any additional financing could be obtained on terms that are favorable or acceptable to us.

***Our quarterly results may vary and may not fully reflect the performance of our business.***

We generally recognize revenue from customers ratably over the terms of their subscription agreements. As a result, most of the revenue we report in each quarter is the result of agreements entered into during prior quarters. The time between entering into a contract and recognizing subscription revenue can be extended for certain contracts and products, including certain of our travel products, for a number of reasons such as extended implementation planning and delayed "go live." Consequently, any declines, or increases, in new or renewed subscriptions in any quarter are not fully reflected in our revenue for that quarter, but negatively, or positively, affect our subscription revenue in future quarters. Accordingly, the effect of significant downturns in sales, our failure to achieve our internal sales targets, a decline in the market demand of our services or decreases in our retention rate are not fully reflected in our operating results until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as subscription revenue from additional sales must be recognized over the applicable subscription term. We may be unable to timely adjust our cost structure to reflect changes in revenues. In addition, a significant majority of our costs are expensed as incurred, while subscription revenues are recognized over the term of the customer agreement. As a result, increased sales growth results in our recognition of more costs than revenues in the earlier periods of the terms of our agreements. In addition, we expect to continue to experience some seasonal variations in our cash flows from operating activities, including, as a result of the timing of payment of payroll taxes, performance bonuses to our employees and costs associated with annual company-wide events, each of which have historically been highest in our first fiscal quarter. Therefore, the results of any prior quarterly periods should not be relied upon as an indication of our future operating performance.

***If we fail to migrate our remaining customers with on-premises software licenses to our latest cloud software solutions, our future revenue and our costs to provide support to those customers may be negatively impacted.***

We notified our customers of our legacy on-premises software products that we will be discontinuing maintenance for most of our legacy on-premises software. These customers will need to migrate to our current cloud solutions to continue to be supported and take advantage of our latest features, functionality and security which are only available via the PROS cloud. When considering whether to migrate, these customers may evaluate alternative solutions due to the additional change in management and implementation costs associated with migrating to cloud-based applications. When on-premises software customers delay or decline to migrate to our cloud solutions, our internal development and customer support teams find it increasingly difficult and costly to support a declining number of on-premises customers. In addition, if our legacy on-premises license customers delay or decline to migrate to our cloud solutions, choose alternative solutions or otherwise choose to not continue doing business with us by, for example, canceling maintenance, our future revenue will be affected.

***If our goodwill or amortizable intangible assets become impaired, we could be required to record a significant charge to earnings.***

Under GAAP, we review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. GAAP requires us to test for goodwill impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include declines in stock price, market capitalization or cash flows and slower growth rates in our industry. We could be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets were determined, negatively impacting our results of operations and financial condition.

**Risks Relating to Ownership of our Common Stock**

***Market volatility may affect our stock price and the value of your investment.***

The market price for our common stock, and the software industry generally, has been and is likely to continue to be volatile. Volatility could make it difficult to trade shares of our common stock at predictable prices or times. A wide variety of factors have caused historic volatility and may cause the market price of our common stock to be volatile in the future, including the following:

- U.S. and global economic and geopolitical conditions and events, including global crises such as the COVID-19 pandemic;
- variations in our quarterly or annual operating results;
- decreases in market valuations of comparable companies;

- fluctuations in stock market prices and volumes;
- decreases in financial estimates by equity research analysts;
- announcements by our competitors of significant contracts, new solutions or enhancements, acquisitions, distribution partnerships, joint ventures or capital commitments;
- departure of key personnel;
- changes in governmental regulations and standards affecting the software industry and our software solutions;
- conversion of convertible notes into equity or sales of common stock or other securities by us;
- damages, settlements, legal fees and other costs related to litigation, claims and other contingencies; and
- other risks described elsewhere in this section.

In the past, securities class action litigation often has been initiated against a company following a period of volatility in the market price of the company's securities. If class action litigation is initiated against us, we may incur substantial costs and our management's attention could be diverted from our operations. All of these factors could cause the market price of our stock to decline, and you may lose some or all of your investment.

***Anti-takeover provisions in our Certificate of Incorporation and Bylaws and under Delaware law could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our current management.***

Our Certificate of Incorporation and Bylaws and Section 203 of the Delaware General Corporation Law contain provisions that might enable our management to resist a takeover of our company. These provisions include the following:

- the division of our board of directors into three classes to be elected on a staggered basis, one class each year;
- a prohibition on actions by written consent of our stockholders;
- the elimination of the right of stockholders to call a special meeting of stockholders;
- a requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders;
- a requirement that a super majority vote be obtained to amend or repeal certain provisions of our certificate of incorporation; and
- the ability of our board of directors to issue preferred stock without stockholder approval.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us. Although we believe these provisions collectively provide for an opportunity to obtain higher bids by requiring potential acquirers to negotiate with our board of directors, they would apply even if an offer were considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

***We do not intend to pay dividends for the foreseeable future.***

We do not currently anticipate paying any cash dividends on our common stock in the foreseeable future. We currently anticipate that we will retain all of our available cash, if any, for use as working capital, repayment of debt and for other general corporate purposes. Consequently, stockholders must rely on sales of their common stock after price appreciation as the only way to realize any future gains on their investment.

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

None.

## **Item 1C. Cybersecurity**

Our Board recognizes the critical importance of maintaining the trust and confidence of our customers, business partners and employees. Our Board is actively involved in oversight of our risk management program, and cybersecurity represents an important component of our overall approach to enterprise risk management ("ERM"). Our cybersecurity policies, standards, processes and practices are integrated into our ERM program and are based on recognized frameworks established by the National Institute of Standards and Technology, the International Organization for Standardization and other applicable industry standards. In general, we seek to address cybersecurity risks through a cross-functional approach that is focused on preserving the confidentiality, integrity and availability of the information that we collect and store by identifying, preventing and mitigating cybersecurity threats and responding to cybersecurity incidents when they occur.

### **Risk Management and Strategy**

As one of the critical elements of our overall ERM approach, our cybersecurity program is focused on the following key areas:

**Governance.** As discussed in more detail under the heading "Governance" below, our Board and management devote significant time to cybersecurity risk oversight. The Board annually reviews our overall cybersecurity risk profile to help ensure that sensitive data remains secure in an ever-changing threat landscape, including risk preparedness and mitigation strategies. This assessment considers a range of factors, including our business objectives, the threat landscape, industry trends and regulatory requirements. The Audit Committee of the Board ("Audit Committee") spearheads the oversight of our cybersecurity risk management and regularly meets, not less than quarterly, with our Chief Information Security Officer ("CISO") and other members of management, including those with significant roles in our cybersecurity efforts. Our Executive Steering Committee, described below, provides senior management oversight to our cybersecurity program.

**Collaborative Approach.** We have implemented a cross-functional approach to identifying, preventing and mitigating cybersecurity threats and incidents, while also implementing controls and procedures for the prompt escalation of certain cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner.

**Technical Safeguards.** We deploy technical safeguards designed to protect our information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, anti-malware functionality and access controls, which are evaluated and improved through vulnerability assessments and cybersecurity threat intelligence.

**Incident Response and Recovery Planning.** We have established and maintain incident response and recovery plans that address our response to a cybersecurity incident, and such plans are tested and evaluated on a regular basis.

**Third-Party Risk Management.** We maintain a risk-based approach to identifying and overseeing cybersecurity risks presented by third parties, including vendors, service providers and other external users of our systems, as well as the systems of third parties that could adversely impact our business in the event of a cybersecurity incident affecting those third-party systems.

**Education and Awareness.** We provide regular, mandatory training for our employees regarding cybersecurity threats and our security policies to equip our employees with tools to address cybersecurity threats, and to communicate our evolving information security policies, standards, processes and practices.

We regularly assess and test our cybersecurity policies, standards, processes and practices. These efforts include a wide range of activities, including audits, assessments, tabletop exercises, threat modeling, vulnerability testing and other exercises focused on evaluating the effectiveness of our cybersecurity measures and planning. We regularly engage recognized third-party experts to perform assessments on our cybersecurity measures, including information security maturity assessments, audits and independent reviews of our information security control environment and operating effectiveness. We adjust our cybersecurity policies, standards, processes and practices as necessary based on the information provided by these assessments, audits and reviews.

## **Governance**

Our Board, in coordination with the Audit Committee, oversees our ERM process, including the management of risks from cybersecurity threats. The Board and the Audit Committee receive regular presentations and reports on cybersecurity risks from our CISO, which address a wide range of topics including recent developments, evolving standards, security effectiveness, vulnerability assessments, third-party and independent reviews, the threat environment, incident response planning, remediation efforts, employee training and awareness (including the results of our annual cybersecurity training), technological trends and information security considerations arising with respect to our peers and third parties. On a quarterly basis, our Audit Committee discusses our approach to cybersecurity risk management with our CISO and other members of management, including planned initiatives to help the Board evaluate the effectiveness of our cybersecurity program. One of our independent directors, Ms. Hammoud, a seasoned software executive, participates in Audit Committee meetings during cybersecurity sessions and provides direct guidance to our CISO outside of regularly scheduled Board meetings on cybersecurity matters.

Our CISO, in coordination with our Executive Steering Committee, including our CEO, our Chief Financial Officer ("CFO"), our Executive Vice President, Engineering, our Director of IT and our General Counsel, works collaboratively across the Company to implement a program intended to protect our information systems from cybersecurity threats and to promptly respond to any cybersecurity incidents in accordance with our incident response and recovery plans. To facilitate the success of our cybersecurity risk management program, multidisciplinary teams throughout the Company are deployed to provide governance over cybersecurity issues, address cybersecurity threats and to respond to cybersecurity incidents. Through ongoing communications with these teams, our CISO and management monitor the prevention, detection, mitigation and remediation of cybersecurity threats and incidents in real time and report such threats and incidents to the Audit Committee, and in certain incidents to the Board, when appropriate.

Our CISO has served in various roles in risk management and enterprise and cybersecurity for over 20 years, including serving as Deputy CISO at a global cybersecurity software company. Our CISO has attained numerous professional certifications, including Certified Information Systems Security Professional, Certified in Risk and Information Systems Control, Certified Information Security Manager, Certified Information Systems Auditor, and GIAC Security Operations Manager. Our CEO, who has decades of software engineering experience, has served as our CEO and as a member of our Board for thirteen years, during which time he has overseen our ERM program, including risks arising from cybersecurity threats. Our CFO and General Counsel each have more than 20 years of experience managing risks, including both at the Company and with other public companies. The other members of our Executive Steering Committee are all experienced leaders in their respective areas of management with extensive SaaS operational experience.

In 2023, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, cash flows, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced undetected cybersecurity incidents. For additional information about these risks, see Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K.

### **Item 2. *Properties***

Our headquarters is located in Houston, Texas, where we lease approximately 118,000 square feet of office space. We also lease a number of smaller regional offices. We believe our existing facilities are sufficient for our current needs, particularly as we have pivoted to a hybrid workforce.

### **Item 3. *Legal Proceedings***

In the ordinary course of our business, we may be involved in various legal proceedings and claims. The outcomes of these matters are inherently unpredictable. We are not currently involved in any outstanding litigation that we believe, individually or in the aggregate, will have a material adverse effect on our business, results of operations or financial condition.

### **Item 4. *Mine Safety Disclosures***

Not applicable.

## Part II

### Item 5. Market for Registrant's Common Equity, Related Stockholders Matters and Issuer Purchases of Equity Securities

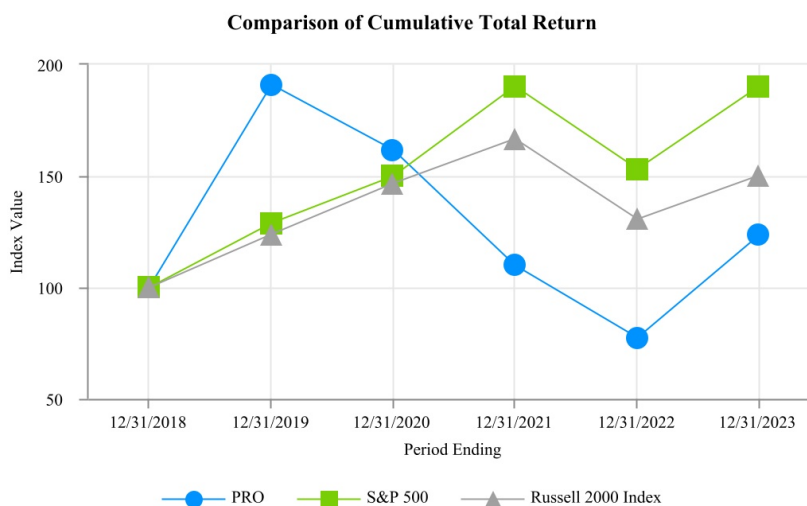
#### Market Information, Holders and Dividends

Our common stock is listed on the NYSE under the symbol "PRO". On February 7, 2024 there were 34 stockholders of record of our common stock. Since 2007, we have not declared or paid any dividends on our common stock. We currently expect to retain all remaining available funds and any future earnings for use in the operation and development of our business. Accordingly, we do not anticipate declaring or paying cash dividends on our common stock in the foreseeable future.

#### Performance Graph

The following shall not be deemed "soliciting material" or "filed" with the SEC, or incorporated by reference into any future filing under the Securities Act or Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

The graph below presents a five-year comparison of the relative investment performance of our common stock, the Standard & Poor's 500 Stock Index ("S&P 500"), and the Russell 2000 Index for the period commencing on December 31, 2018, and ending December 31, 2023. The graph is not meant to be an indication of our future performance.



- (1) The graph assumes that \$100 was invested on December 31, 2018 in our common stock, the S&P 500 and the Russell 2000 Index and further assumes all dividends were reinvested. No cash dividends have been paid on our common stock for the periods presented above.

| Company/Index      | 12/31/2018 | 12/31/2019 | 12/31/2020 | 12/31/2021 | 12/31/2022 | 12/31/2023 |
|--------------------|------------|------------|------------|------------|------------|------------|
| PRO                | \$ 100.00  | \$ 190.83  | \$ 161.69  | \$ 109.84  | \$ 77.26   | \$ 123.54  |
| S&P 500            | \$ 100.00  | \$ 128.88  | \$ 149.83  | \$ 190.13  | \$ 153.16  | \$ 190.27  |
| Russell 2000 Index | \$ 100.00  | \$ 123.72  | \$ 146.44  | \$ 166.50  | \$ 130.60  | \$ 150.31  |

#### Issuer Purchase of Equity Securities

On August 25, 2008, we announced that the Board of Directors authorized a stock repurchase program for the purchase of up to \$15.0 million of our common stock. Under the Board-approved repurchase program, share purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors, and such purchases, if any, will be made in accordance with applicable insider trading and other securities laws and regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice.

During 2023, we did not make any purchases of our common stock under this program. As of December 31, 2023, \$10.0 million remains available under the stock repurchase program.

#### **Recent Sales of Unregistered Securities**

There were no unregistered sales of equity securities for the year ended December 31, 2023.

#### **Item 6. Reserved**

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

##### ***Executive Summary***

In 2023, we continued to grow our subscription revenue by enabling our customers to leverage our AI-driven solutions on the PROS Platform, while also generating positive net operating cash flows of \$9.9 million during a challenging macroeconomic environment. Other notable items for 2023 include:

- increased subscription revenue by 15% and total revenue by 10% as compared to prior year;
- gross revenue retention rates remained above 93% during the trailing twelve months ended December 31, 2023;
- recurring revenue, which consists of subscription and maintenance and support revenue, accounted for 84% of our total revenue; and
- extended the maturity of most of PROS debt to 2027 by exchanging approximately 85% of PROS outstanding convertible notes due in May 2024 for newly issued convertible notes due in September 2027.

##### ***Key Performance Metrics***

We regularly review the following key performance metrics to assess the health and trajectory of our business:

**Subscription ARR.** Subscription annual recurring revenue ("Subscription ARR"), a non-GAAP financial measure, is defined, as of a specific date, as contracted subscription revenue, including contracts with a future start date, together with annualized overage fees incurred above contracted minimum transactions. Subscription ARR should be viewed independently of subscription revenue, deferred revenue and other GAAP measures, and is not intended to be combined with any of these items. We adjust our reported subscription ARR on an annual basis to reflect exchange rate changes. Our constant currency subscription ARR is based on the actual currency rates set at the beginning of the year. The same rates are used to measure both 2023 and 2022 ARR. Subscription ARR on a constant currency basis as of December 31, 2023 was \$257.9 million, up from \$227.0 million as of December 31, 2022, an increase of 14%. Subscription ARR on an as reported basis as of December 31, 2023 was \$259.0 million, approximately \$1.2 million higher than our constant currency subscription ARR.

**Net Cash Provided By (Used In) Operating Activities.** Net cash provided by operating activities was \$9.9 million for the year ended December 31, 2023, as compared to net cash used in operating activities of \$23.9 million for the year ended December 31, 2022. The improvement year over year was primarily due to increases in sales and the related cash collections, an increase in interest income and a decrease in cash operating expenses.

**Free Cash Flow.** We define free cash flow, a non-GAAP financial measure, as net cash provided by (used in) operating activities, excluding severance payments, less capital expenditures and capitalized internal-use software development costs. We believe free cash flow may be useful to investors and other users of our financial information in evaluating the amount of cash generated by our business operations. Free cash flow for the year ended December 31, 2023 was \$11.4 million, compared to free cash flow used of \$21.7 million for the year ended December 31, 2022, an improvement of approximately \$33 million. The following is a reconciliation of free cash flow to the most comparable GAAP measure, net cash used in operating activities:

|                                                     | Year Ended December 31, |             |
|-----------------------------------------------------|-------------------------|-------------|
|                                                     | 2023                    | 2022        |
| Net cash provided by (used in) operating activities | \$ 9,877                | \$ (23,906) |
| Severance                                           | 4,081                   | 3,058       |
| Purchase of property and equipment                  | (2,543)                 | (861)       |
| Capitalized internal-use software development costs | (48)                    | —           |
| Free cash flow                                      | \$ 11,367               | \$ (21,709) |

### Factors Affecting Our Performance

Key factors and trends that have affected and we believe will continue to affect our operating results include:

- Macroeconomic and Geopolitical Environment.** The companies we serve continue to navigate a complex macroeconomic environment impacted by inflation, higher interest rates, volatile capital and financial markets, supply chain disruptions, tight labor markets, pricing volatility, geopolitical conflicts, including the Russia-Ukraine and Middle East conflicts, and other local and regional macroeconomic conditions. Uncertain macroeconomic and industry conditions in countries and regions in which we operate create a continued challenging selling environment for large enterprise technology deployments. Despite this environment, we remain confident in our ability to help our customers drive profitable growth by optimizing their shopping and selling experiences. For example, pricing volatility and inflation are catalysts for demand for our AI-driven price optimization and management solutions. Partly, as a result, we grew both subscription revenue and total revenue by double digits in 2023. We believe in the near term that new customers will emphasize smaller scope initial purchases and fast return on their investments. We believe this emphasis will require solid execution by our teams to capitalize on these demand drivers.
- Profitable Growth as a Priority.** We continue to focus on profitability by investing in a disciplined manner to drive revenue growth and support our long-term initiatives. This includes investments designed to accelerate our customer time-to-value, improve efficiency and operations, further leveraging AI in our business operations, provide out-of-the-box integration with third-party commerce solutions and develop new applications and technologies. We expect our product development, sales and marketing, and general and administrative expenses as a percentage of total revenues will decrease long-term as we increase our revenues and focus on profitability.
- Artificial Intelligence.** The rapidly evolving market interest in generative AI and associated interest in all aspects of AI is driving businesses around the world and across industries to consider, invest in and use applications leveraging AI. For example, companies are looking to AI to extract insights from their data, improve and customize their offerings, and drive process and operating efficiencies. Our AI-powered solutions enable buyers to move fluidly and with personalized experiences across our customers' sales channels, and our digital offer marketing solutions help our customers drive their buyers directly into their direct selling channels. The pace of change across industries helps fuel demand for our CPQ solutions as businesses look to use AI to replace manual selling processes. Our solutions have utilized AI for years, and our legacy of AI development continues to influence our category-leading solutions. For example, our platform is now powered by our 4th generation AI, using a deep neural network that leverages all available data and attributes to improve prediction accuracy. We are also utilizing and considering new ways to further utilize AI in our business operations to drive efficiencies, improve knowledge management, gain insights and increase productivity.
- Travel Industry Stabilizing.** The travel industry continues to recover from the unprecedented disruption caused by the pandemic with global air passenger traffic increasing significantly in 2023 to near pre-pandemic levels. Despite significant geographic and individual airline variances in the timetable for full recovery and persistent operational, cost and supply chain headwinds, airline analysts continue to forecast strong travel demand and overall airline industry profitability in 2024. However, these trends could be impacted negatively if inflation further impacts consumer disposable income or if business travel does not recover to pre-pandemic levels. As airlines stabilize and plan for future growth, we have seen renewed broad interest in our solutions, even as some individual airlines continue to manage challenges in internal capacity related to technology projects.
- Digital Purchasing Driving Technology Adoption.** We believe the long-term trends toward digital purchasing by both consumers and corporate buyers drives demand for technology that provides fast, frictionless and personalized buying experiences across direct sales, partner, online, mobile and emerging channels. Buyers often prefer not to interact with sales representatives as their primary source of research, and to buy online when they have already decided what to buy. For example, in the airline industry, the pandemic accelerated a long-term trend towards direct booking channels,

and we anticipate airlines continuing to invest in technology, including mobile device-enabled solutions, to enhance their ability to capture a greater percentage of bookings through their own channels such as their websites. We believe companies must adopt technologies which power these types of experiences across sales channels to compete in digital commerce.

- *Cloud Migrations.* We continue to encourage our customers to migrate to our current cloud solutions as we discontinue support for certain of our on-premises solutions. As our on-premises customers continue to migrate from our legacy solutions to our current cloud solutions, we expect our future maintenance and support revenue will continue to decline and our subscription revenue to increase.

## **Description of Key Components of our Operating Results**

### **Revenue**

We derive our revenues primarily from recurring revenue, which includes subscription and maintenance and support. Recurring revenues accounted for 84% of our total revenue in 2023.

Subscription. Subscription services revenue primarily consists of fees that give customers access to one or more of our cloud applications and include related customer support. We primarily recognize subscription revenue ratably over the contractual term of the customer arrangement beginning with commencement of service. Subscription revenue related to certain offerings, where fees are based on a number of transactions, are recognized on a usage basis.

Maintenance and support. Maintenance and support revenue includes customer support for our legacy on-premises software and the right to unspecified software updates and enhancements. We recognize revenue from maintenance arrangements ratably over the period in which the services are provided. Our maintenance and support contracts are generally one year in length, billed annually in advance, and non-cancelable.

Services. Services revenue primarily consists of fees for configuration services, consulting and training. We typically sell our services on either a fixed-fee or time-and-materials basis. Services revenue is generally recognized as the services are performed for time and material contracts, or on a proportional performance basis for fixed-price contracts. Training revenues are recognized as the services are performed.

Services revenue varies from period to period depending on different factors, including the level of services required to implement our solutions, the timing of services revenue recognition on certain subscription contracts and any additional services requested by our customers during a particular period.

Judgments are required in determining whether services contained in our customer subscription contracts are considered distinct, including whether the services are capable of being distinct and whether they are separately identifiable. Services deemed to be distinct are accounted for as a separate performance obligation and revenue is recognized as the services are performed. If services are determined not to be distinct, the services and the subscription are considered to be a single performance obligation and revenue is recognized over the contractual term of the subscription beginning on the date that subscription services are made available to the customer. The associated revenue is allocated between subscription and services.

### **Cost of Revenue**

Cost of subscription. Cost of subscription consists of infrastructure costs to support our current subscription customer base including third-party hosting services and expenses related to operating our network infrastructure, including salaries and related expenses, operating lease payments, amortization of capitalized software and an allocation of depreciation, amortization of certain intangible assets and allocated overhead.

Cost of maintenance and support. Cost of maintenance and support consists largely of employee-related costs and an allocation of depreciation and overhead.

Cost of services. Cost of services includes those costs related to services and implementation of our solutions, primarily employee-related costs and third-party contractors, billable and non-billable travel and an allocation of depreciation and overhead. Cost of providing services may vary from quarter to quarter depending on a number of factors, including the amount of services required to implement and configure our solutions.

Services gross profit varies period to period depending on different factors, including the level of services required to implement our solutions, our mix of employees and third-party contractors, our effective billable man-day rates, our use of third-party system integrators and the billable utilization of our services personnel.

### Operating Expenses

**Selling and marketing.** Selling and marketing expenses primarily consist of employee-related costs, third-party contractors, sales commissions, sales and marketing programs such as lead generation programs, company awareness programs, our annual Outperform conference, participation in industry trade shows, other sales and marketing programs, travel, amortization expenses associated with acquired intangible assets and allocated overhead. Sales commissions are deferred and amortized on a straight-line basis over the period of benefit, which we have determined to be five to eight years.

**Research and development.** Research and development expenses primarily consist of employee-related costs and third-party contractors who work on enhancements of existing solutions, the development of new solutions, scientific research, quality assurance and testing, security and an allocation of depreciation, facilities and overhead.

**General and administrative.** General and administrative expenses primarily consist of employee-related costs for executive, accounting, finance, legal, human resources and internal IT support functions and an allocation of depreciation and overhead. General and administrative expenses also include outside legal and accounting fees and provision for bad debts.

**Acquisition-related expenses.** Acquisition-related expenses consist primarily of advisory, legal, accounting and other professional fees, insurance and integration costs for our acquisitions.

### Results of Operations

#### Comparison of year ended December 31, 2023 with year ended December 31, 2022

#### Revenue:

| (Dollars in thousands)                      | Year Ended December 31, |                             |  |            |                             |                |
|---------------------------------------------|-------------------------|-----------------------------|--|------------|-----------------------------|----------------|
|                                             | 2023                    |                             |  | 2022       |                             |                |
|                                             | Amount                  | Percentage of total revenue |  | Amount     | Percentage of total revenue |                |
| Subscription                                | \$ 234,024              | 77 %                        |  | \$ 204,041 | 74 %                        | \$ 29,983 15 % |
| Maintenance and support                     | 19,958                  | 7 %                         |  | 28,592     | 10 %                        | (8,634) (30) % |
| Total subscription, maintenance and support | 253,982                 | 84 %                        |  | 232,633    | 84 %                        | 21,349 9 %     |
| Services                                    | 49,726                  | 16 %                        |  | 43,504     | 16 %                        | 6,222 14 %     |
| Total revenue                               | \$ 303,708              | 100 %                       |  | \$ 276,137 | 100 %                       | \$ 27,571 10 % |

**Subscription revenue.** Subscription revenue increased primarily due to an increase in new and existing customer subscription contracts.

**Maintenance and support revenue.** Maintenance and support revenue decreased primarily as a result of existing maintenance customers migrating to our cloud solutions and, to a lesser extent, customer churn. We expect maintenance and support revenue to continue to decline as we continue to migrate maintenance customers to our cloud solutions.

**Services revenue.** Services revenue increased primarily as a result of higher sales of professional services to our existing customers. Services revenue varies from period to period depending on different factors, including the level of professional services required to implement our solutions, the timing of services revenue recognition on certain subscription contracts and efficiencies in our solutions implementations requiring less professional services during a particular period.

Cost of revenue and gross profit:

|                                                     | Year Ended December 31, |         |  |                     |         |  |             |            |
|-----------------------------------------------------|-------------------------|---------|--|---------------------|---------|--|-------------|------------|
|                                                     | 2023                    |         |  | 2022                |         |  |             |            |
|                                                     | Percentage of total     |         |  | Percentage of total |         |  |             |            |
| (Dollars in thousands)                              | Amount                  | revenue |  | Amount              | revenue |  | Variance \$ | Variance % |
| Cost of subscription                                | \$ 57,212               | 19 %    |  | \$ 55,039           | 20 %    |  | \$ 2,173    | 4 %        |
| Cost of maintenance and support                     | 7,703                   | 3 %     |  | 8,004               | 3 %     |  | (301)       | (4) %      |
| Total cost of subscription, maintenance and support | 64,915                  | 21 %    |  | 63,043              | 23 %    |  | 1,872       | 3 %        |
| Cost of services                                    | 50,398                  | 17 %    |  | 47,037              | 17 %    |  | 3,361       | 7 %        |
| Total cost of revenue                               | \$ 115,313              | 38 %    |  | \$ 110,080          | 40 %    |  | \$ 5,233    | 5 %        |
| Gross profit                                        | \$ 188,395              | 62 %    |  | \$ 166,057          | 60 %    |  | \$ 22,338   | 13 %       |

Cost of subscription. Cost of subscription increased primarily due to higher infrastructure costs to support the growth in our subscription customer base and higher employee-related costs mainly due to an increase in headcount. These increases were partially offset by a decrease in amortization expense for developed technology intangible assets. Our subscription gross profit percentages were 76% and 73% for the years ended December 31, 2023 and 2022, respectively.

Cost of maintenance and support. Cost of maintenance and support decreased due to lower personnel costs as our maintenance customer base declined primarily with migrations to our subscription solutions. Maintenance and support gross profit percentages for the years ended December 31, 2023 and 2022, were 61% and 72%, respectively. Gross profit percentages decreased in 2023 as compared to prior year primarily due to lower maintenance and support revenue and the cost of maintenance and support being relatively fixed.

Cost of services. Cost of services increased primarily due to higher personnel costs to support the increase in our services revenue during the period. Services gross profit percentages for the years ended December 31, 2023 and 2022, were (1)% and (8)%, respectively. Services gross profit percentages improved in 2023 compared to 2022 primarily due to an increase in services revenue and a lesser increase in cost of services due to greater efficiencies.

Operating expenses:

|                            | Year Ended December 31, |         |  |                     |         |  |             |            |
|----------------------------|-------------------------|---------|--|---------------------|---------|--|-------------|------------|
|                            | 2023                    |         |  |                     | 2022    |  |             |            |
|                            | Percentage of total     |         |  | Percentage of total |         |  |             |            |
| (Dollars in thousands)     | Amount                  | revenue |  | Amount              | revenue |  | Variance \$ | Variance % |
| Selling and marketing      | \$ 92,389               | 30 %    |  | \$ 94,986           | 34 %    |  | \$ (2,597)  | (3) %      |
| Research and development   | 89,361                  | 29 %    |  | 93,412              | 34 %    |  | (4,051)     | (4) %      |
| General and administrative | 57,247                  | 19 %    |  | 54,202              | 20 %    |  | 3,045       | 6 %        |
| Impairment charges         | —                       | — %     |  | 1,551               | 1 %     |  | (1,551)     | (100) %    |
| Total operating expenses   | \$ 238,997              | 79 %    |  | \$ 244,151          | 88 %    |  | \$ (5,154)  | (2) %      |

Selling and marketing expenses. Selling and marketing expenses decreased primarily due to decreases in employee-related costs mainly due to prior organizational headcount changes and intangible asset amortization expense. The decrease was partially offset by an increase in travel expenses, sales and marketing events and other initiatives.

Research and development expenses. Research and development expenses decreased primarily due to prior organizational headcount changes, a decrease in the use of contract resources and a decrease in noncash share-based compensation. The noncash share-based compensation was higher in 2022 mainly due to the acceleration of equity awards related to the retirement of a senior officer in the first quarter of 2022.

General and administrative expenses. General and administrative expenses increased primarily due to employee-related expenses, including share-based compensation, and higher professional fees and consulting services.

Impairment of fixed assets. During the year ended December 31, 2022, we recorded a \$1.6 million impairment charge related to fixed assets. The impairment resulted from changes to our intentions for these assets in connection with a new agreement with a software vendor.

Non-operating expenses:

|                                            | Year Ended December 31, |         |   |            |                     |   |             |            |
|--------------------------------------------|-------------------------|---------|---|------------|---------------------|---|-------------|------------|
|                                            | 2023                    |         |   |            | 2022                |   |             |            |
|                                            | Percentage of total     |         |   |            | Percentage of total |   |             |            |
| (Dollars in thousands)                     | Amount                  | revenue |   | Amount     | revenue             |   | Variance \$ | Variance % |
| Convertible debt interest and amortization | \$ (5,882)              | (2)     | % | \$ (6,304) | (2)                 | % | \$ 422      | (7) %      |
| Other income, net                          | \$ 1,063                | —       | % | \$ 3,084   | 1                   | % | \$ (2,021)  | (66) %     |

Convertible debt interest and amortization. Our convertible debt expense consisted of coupon interest, amortization of debt premium and debt issuance costs attributable to our Notes. The decrease in expense was related to the exchange of about 85% of PROS outstanding convertible notes due in May 2024 for newly issued convertible notes due in September 2027. Please see [Note 16](#) to the Consolidated Financial Statements for more information.

Other income, net. The change in other income, net for the year ended December 31, 2023, primarily related to a \$4.5 million derivative loss and a \$1.8 million loss associated with the Notes exchange mentioned above. These items were partially offset by higher interest income on our cash balances from higher interest rates in 2023 as compared to prior year. In addition, we realized net gains on certain equity investments both in 2023 and 2022, which overall contributed to the decrease year over year. Please see [Note 24](#) to the Consolidated Financial Statements for more information.

Income tax provision:

| (Dollars in thousands) | Year Ended December 31, |        | Variance \$ | Variance % |
|------------------------|-------------------------|--------|-------------|------------|
|                        | 2023                    | 2022   |             |            |
| Effective tax rate     | (1.7)%                  | (1.1)% | n/a         | (1) %      |
| Income tax provision   | \$ 933                  | \$ 932 | \$ 1        | — %        |

Our tax provision for the year ended December 31, 2023 included both foreign income and withholding taxes. No tax benefit was recognized on jurisdictions with a projected loss for the year due to the valuation allowances on our deferred tax assets.

Our 2023 and 2022 effective tax rates had an unusual relationship to pretax loss from operations due to a valuation allowance on our net deferred tax assets. Our income tax provisions in 2023 and 2022 only included foreign income and withholding taxes, resulting in an effective tax rate of (1.7)% and (1.1)%, respectively. The difference between the effective tax rates and the federal statutory rate of 21% for the years ended December 31, 2023 and 2022 was primarily due to the increase in our valuation allowance of \$4.8 million and \$16.6 million, respectively.

As of December 31, 2023 and 2022, we had a valuation allowance on our net deferred tax assets of \$167.6 million and \$165.7 million, respectively. The increase in the valuation allowance was principally attributable to an additional valuation allowance recorded on our current year's tax loss and other deferred tax assets including capitalized research and development costs under Internal Revenue Code Section 174 as updated by the Tax Cuts and Jobs Act of 2017.

**Comparison of year ended December 31, 2022 with year ended December 31, 2021**

For a comparison of our results of operations for the years ended December 31, 2022 and 2021, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 15, 2023.

**Liquidity and Capital Resources**

At December 31, 2023, we had \$168.7 million of cash and cash equivalents and \$37.3 million of working capital as compared to \$203.6 million of cash and cash equivalents and \$106.3 million of working capital at December 31, 2022.

Our principal sources of liquidity are our cash and cash equivalents, cash flows generated from operations and potential borrowings under our Credit Agreement. In addition, we could access capital markets to supplement our liquidity position. Our material drivers or variants of operating cash flow are net income (loss) and the timing of invoicing and cash

collections from our customers. Our operating cash flows are also impacted by the timing of payments to our vendors and the payments of other liabilities.

We believe we will have adequate liquidity and capital resources to meet our operational requirements, anticipated capital expenditures, and coupon interest of our Notes for the next twelve months, as well as for principal payments for our remaining 2024 Notes due May 2024. Our future working capital requirements depend on many factors, including the operations of our existing business, growth of our customer subscription services, future acquisitions we might undertake, expansion into complementary businesses, timing of adoption and implementation of our solutions and customer churn. Capital markets have tightened in response to the macroeconomic environment making new financing more difficult and/or expensive and we may not be able to obtain such financing on terms acceptable to us or at all.

The following table presents key components of our Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021:

| (Dollars in thousands)                                   | Year Ended December 31, |             |              |
|----------------------------------------------------------|-------------------------|-------------|--------------|
|                                                          | 2023                    | 2022        | 2021         |
| Net cash provided by (used in) operating activities      | \$ 9,877                | \$ (23,906) | \$ (18,555)  |
| Net cash used in investing activities                    | (2,704)                 | (1,142)     | (85,173)     |
| Net cash (used in) provided by financing activities      | (32,357)                | 1,069       | 2,471        |
| Effect of foreign currency rates on cash                 | 304                     | 53          | (324)        |
| Net change in cash, cash equivalents and restricted cash | \$ (24,880)             | \$ (23,926) | \$ (101,581) |

### **Operating Activities**

Net cash provided by operating activities in 2023 was \$9.9 million and increased as compared to net cash used in operating activities of \$23.9 million in 2022. The improvement year over year was primarily due to increases in sales and the related cash collections, an increase in interest income and a decrease in cash operating expenses.

### **Investing Activities**

Net cash used in investing activities for 2023 was \$2.7 million and increased as compared to \$1.1 million in 2022. The increase was due to higher capital expenditures, primarily related to third-party software license renewal.

### **Financing Activities**

Net cash used in financing activities for 2023 was \$32.4 million and increased as compared to net cash provided by financing activities of \$1.1 million in 2022. The increase year over year was primarily attributable to a \$22.2 million purchase of capped call and a payment of \$2.2 million for debt issuance cost, both in connection with the convertible notes exchange. The increase was also due to higher tax withholding payments of \$7.6 million on the vesting of employee share-based awards, a payment of \$0.8 million for debt issuance cost related to our new credit agreement and \$0.6 million less in proceeds from employee stock plans.

### **Stock Repurchases**

In August 2008, our Board of Directors authorized a stock repurchase program for the purchase of up to \$15.0 million of our common stock. No shares were repurchased under the program during the years ended December 31, 2023, 2022 and 2021. As of December 31, 2023, \$10.0 million remained available in the stock repurchase program. The repurchase of stock, if continued, will be funded primarily with existing cash balances. The timing of any repurchases will depend upon various factors including, but not limited to, market conditions, the market price of our common stock and management's assessment of our liquidity and cash flow needs. *For additional information on the stock repurchase program see [Item 5](#), "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."*

## Off-Balance Sheet Arrangements and Contractual Obligations

We do not have any relationships with unconsolidated entities or financial partnerships, such as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

### Contractual Obligations

Our contractual obligations as of December 31, 2023 consist of obligations under our Notes, operating leases and various service agreements.

The following table sets forth our material contractual obligations, excluding imputed interest as it related to operating leases, as of December 31, 2023. For further information, see the associated Notes to Consolidated Financial Statements as referenced below:

| (Dollars in thousands)        | Payment due by period |                  |                   |                   |                   | Reference               |
|-------------------------------|-----------------------|------------------|-------------------|-------------------|-------------------|-------------------------|
|                               | Total                 | Less than 1 year | 1-3 years         | 3-5 years         | More than 5 years |                         |
| Notes, including interest     | \$ 312,759            | \$ 27,824        | \$ 12,007         | \$ 272,928        | \$ —              | <a href="#">Note 16</a> |
| Operating leases              | 43,265                | 7,895            | 8,153             | 7,994             | 19,223            | <a href="#">Note 8</a>  |
| Purchase commitments          | 134,122               | 40,408           | 93,714            | —                 | —                 | <a href="#">Note 18</a> |
| Total contractual obligations | <u>\$ 490,146</u>     | <u>\$ 76,127</u> | <u>\$ 113,874</u> | <u>\$ 280,922</u> | <u>\$ 19,223</u>  |                         |

### Critical Accounting Policies and Estimates

Our Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Actual results could differ from those estimates.

We believe the critical accounting policies listed below affect significant judgment and estimates used in the preparation of our Consolidated Financial Statements.

### Revenue Recognition

We derive our revenues primarily from subscription services, services and associated software maintenance and support.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the customer contract(s);
- determination of the transaction price;
- allocation of the transaction price to each performance obligation in the customer contract(s); and
- recognition of revenue when, or as, we satisfy a performance obligation.

### Subscription revenue

Subscription revenue primarily consists of subscription fees that give customers access to one or more of our cloud applications along with related customer support. We primarily recognize subscription revenue ratably over the contractual term of the arrangement beginning with commencement of service. Subscription revenue related to certain offerings, where fees are based on a number of transactions, are recognized on a usage basis.

#### *Maintenance and support revenue*

Maintenance and support revenue includes customer support for our on-premises software and the right to unspecified software updates and enhancements. We recognize revenue from maintenance arrangements ratably over the period in which the services are provided. Our maintenance and support contracts are generally one year in length, billed annually in advance, and non-cancelable.

#### *Services revenue*

Services revenue primarily consists of fees for configuration services, consulting and training. We typically sell our services on either a fixed-fee or time-and-materials basis. Services revenue is generally recognized as the services are performed for time and material contracts, or on a proportional performance basis for fixed-price contracts. Training revenues are recognized as the services are performed.

Judgments are required in determining whether services contained in our customer subscription contracts are considered distinct, including whether the services are capable of being distinct and whether they are separately identifiable. Services deemed to be distinct are accounted for as a separate performance obligation and revenue is recognized as the services are performed. If services are not determined to be distinct, the services and the subscription are determined to be a single performance obligation and revenue is recognized over the contractual term of the subscription beginning on the date subscription services are made available to the customer. The associated revenue is allocated between subscription and services.

#### *Customer contracts with multiple performance obligations*

A portion of our customer contracts contain multiple performance obligations. Judgment is required in determining whether multiple performance obligations contained in a single customer contract are capable of being distinct and are separately identifiable. An obligation determined to be distinct is accounted for as a separate performance obligation and revenue is recognized when, or as, we satisfy the performance obligation. If obligations are determined not to be distinct, those obligations are accounted for as a single, combined performance obligation. The transaction price is allocated to each performance obligation on a relative standalone selling price basis.

#### **Deferred Costs**

Sales commissions earned by our sales representatives are considered incremental and recoverable costs of obtaining a customer contract. Sales commissions are capitalized and amortized on a straight-line basis over the period of benefit, which we have determined to be five to eight years. We determined the period of benefit by taking into consideration our customer contracts, expected renewals of those customer contracts (as we currently do not pay an incremental sales commission for renewals), our technology and other factors. We also capitalize amounts earned by employees other than sales representatives who earn incentive payments under compensation plans tied to the value of customer contracts acquired.

#### **Noncash Share-Based Compensation**

Noncash share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period.

To date, we have granted restricted stock units ("RSUs") and market stock units ("MSUs") from the 2017 Equity Stock Plan.

The fair value of the RSUs (time and performance-based) and the equity consideration stock awards, granted as part of the EveryMundo acquisition, is based on the closing price of our stock on the date of grant.

MSUs are performance-based awards that cliff vest based on our shareholder return relative to the total shareholder return of the Russell 2000 Index ("Index") over a three-year period. The maximum number of shares issuable upon vesting is 200% of the MSUs initially granted based on the average price of our common stock relative to the Index during the Performance Period. We estimate the fair value of MSUs on the date of grant using a Monte Carlo simulation model. The determination of the fair value of the MSUs is affected by our stock price and a number of assumptions including the expected volatilities of our stock and the Index, the risk-free interest rate and expected dividends. Our expected volatility at the date of grant was based on the historical volatilities of our stock and the Index over the Performance Period.

If factors change and we employ different assumptions, noncash share-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned noncash share-based compensation expense. Future noncash share-based compensation expense and unearned noncash share-based compensation will increase to the extent we grant additional equity awards to employees.

We estimate the number of awards that will be forfeited and recognize expense only for those awards that ultimately are expected to vest. Significant judgment is required in determining the adjustment to noncash share-based compensation expense for estimated forfeitures. Noncash share-based compensation expense in a period could be impacted, favorably or unfavorably, by differences between forfeiture estimates and actual forfeitures.

We record deferred tax assets for share-based compensation awards that will result in future deductions on our income tax returns, based on the amount of share-based compensation recognized at the statutory tax rate in the jurisdiction in which we will receive a tax deduction. Because the deferred tax assets we record are based upon the share-based compensation expenses in a particular jurisdiction, the aforementioned inputs that affect the fair values of our stock awards may also indirectly affect our income tax expense. In addition, differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on our income tax returns are recorded in our income tax (expense) income.

At December 31, 2023, we had \$68.2 million of total unrecognized compensation costs related to noncash share-based compensation arrangements for stock awards granted. These costs will be recognized over a weighted-average period of 2.5 years.

### **Accounting for Income Taxes**

We estimate our income taxes based on the various jurisdictions where we conduct business and we use estimates in determining our provision for income taxes. We estimate separately our deferred tax assets, related valuation allowances, current tax liabilities and deferred tax liabilities. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the U.S. Internal Revenue Service or other taxing jurisdictions. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our balance sheet. At December 31, 2023, our deferred tax assets consisted primarily of temporary differences related to noncash share-based compensation, interest expense limited under Section 163(j), expense recognition of our lease obligations, Research and Experimentation ("R&E") tax credit carryforwards and net operating losses.

We review the realizability of our deferred tax asset on a quarterly basis, or whenever events or changes in circumstances indicate a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset are considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to our valuation allowances may be necessary. We continually perform an analysis related to the realizability of our deferred tax assets. As a result, and after considering tax planning initiatives and other positive and negative evidence, we determine it is more likely than not our net deferred tax assets will not be realized. During 2023, there was not sufficient positive evidence to outweigh the current and historic negative evidence to determine it was more likely than not that our net deferred tax assets would not be realized. Therefore, we continue to have a valuation allowance against net deferred tax assets as of December 31, 2023.

We account for uncertain income tax positions recognized in our financial statements in accordance with the Income Tax Topic of the Accounting Standards Codification ("ASC"), issued by the FASB. This interpretation requires companies to use a prescribed model for assessing the financial recognition and measurement of all tax positions taken or expected to be taken in their tax returns. This guidance provides clarification on recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. Please see [Note 15](#) to the Consolidated Financial Statements for more information.

### **Business Combinations, Intangible Assets and Goodwill**

We record tangible and intangible assets acquired and liabilities assumed in business combinations under the purchase method of accounting. The allocation of the purchase price in a business combination requires management to make significant estimates in determining the fair value of acquired assets and assumed liabilities, especially with respect to intangible assets.

The excess of the purchase price in a business combination over the fair value of these tangible and intangible assets acquired and liabilities assumed is recorded as goodwill. Critical estimates in valuing certain intangible assets include, but are not limited to, projected revenue, discount rate, obsolescence rate, cost of sales, operating expenses and customer attrition rate. We estimate fair value primarily utilizing the income and market approaches, including the multi-period excess earnings method for certain intangible assets. Our estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our Consolidated Statements of Comprehensive Loss.

Amortization is recorded over the estimated useful lives ranging from two to eight years. We review our intangible assets subject to amortization to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If the carrying value of an asset group exceeds its undiscounted cash flows, we will write down the carrying value of the intangible asset group to its fair value in the period identified. In assessing recoverability, we must make assumptions regarding estimated future cash flows and discount rates. If these estimates or related assumptions change in the future, we may be required to record impairment charges. If the estimate of an intangible asset's remaining useful life is changed, we will amortize the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

We assess goodwill for impairment as of November 30 of each fiscal year, or more frequently if events or changes in circumstances indicate the fair value of our reporting unit has been reduced below its carrying value. When conducting our annual goodwill impairment assessment, we use a two-step process. The first step is to perform an optional qualitative evaluation as to whether it is more likely than not the fair value of our reporting unit is less than its carrying value, using an assessment of relevant events and circumstances. In performing this assessment, we are required to make assumptions and judgments including, but not limited to, an evaluation of macroeconomic conditions as they relate to our business, industry and market trends, as well as the overall future financial performance of our reporting unit and future opportunities in the markets in which it operates. If we determine it is not more likely than not that the fair value of our reporting unit is less than its carrying value, we are not required to perform any additional tests in assessing goodwill for impairment. However, if we conclude otherwise or elect not to perform the qualitative assessment, we perform a second step for our reporting unit, consisting of a quantitative assessment of goodwill impairment. This quantitative assessment requires us to compare the fair value of our reporting unit with its carrying value. If the carrying amount exceeds the fair value, an impairment charge will be recognized, however, loss cannot exceed the total amount of goodwill allocated to the reporting unit.

## **Recent Accounting Pronouncements**

See [Note 2](#) - *Summary of Significant Accounting Policies to the Consolidated Financial Statements included in this report, regarding the impact of certain recent accounting pronouncements on our Consolidated Financial Statements.*

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

### **Foreign Currency Exchange Risk**

Our contracts are predominately denominated in U.S. dollars; however, we have contracts denominated in foreign currencies and therefore a portion of our revenue is subject to foreign currency risks. The primary market risk we face is from foreign currency exchange rate fluctuations. Our cash flows are subject to fluctuations due to changes in foreign currency exchange rates. The effect of an immediate 10% adverse change in exchange rates on foreign denominated receivables as of December 31, 2023, would have resulted in a \$0.8 million loss. We are also exposed to foreign currency risk due to our operating subsidiaries in France, UK, Canada, Germany, Ireland, Australia, Bulgaria, Singapore and United Arab Emirates. A hypothetical 10% adverse change in the value of the U.S. dollar in relation to the Euro, which is our single most significant foreign currency exposure related to revenue, would have changed revenue for the year ended December 31, 2023 by approximately \$4.9 million. However, due to the relatively low volume of payments made and received through our foreign subsidiaries, we do not believe we have significant exposure to foreign currency exchange risks. Fluctuations in foreign currency exchange rates could harm our financial results in the future.

We currently do not use derivative financial instruments to mitigate foreign currency exchange risks. We continue to review this issue and may consider hedging certain foreign exchange risks through the use of currency futures or options in future years.

## **Exposure to Interest Rates**

As of December 31, 2023, we had outstanding principal amounts of \$21.7 million and \$266.8 million of the 2024 and the 2027 Notes, respectively, which are fixed-rate instruments. Therefore, our results of operations are not subject to fluctuations in interest rates. However, the fair value of the Notes is exposed to interest rate risk. Generally, the fair value of our fixed interest rate Notes will increase as interest rates fall and decrease as interest rates rise.

We believe we do not have any material exposure to changes in the fair value as a result of changes in interest rates due to the short-term nature of our cash equivalents.

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

The consolidated financial statements required to be filed are indexed on page F-1 and are incorporated herein by reference. See *Item 15(a)(1) and (2)*.

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

None.

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

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

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation as of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

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

There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting is a framework that includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2023, based on the criteria in Internal Control — Integrated Framework (2013) issued by COSO. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2023 based upon the COSO criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2023 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

**Item 9B. Other Information**

**Securities Trading Plans of Directors and Executive Officers**

During the three months ended December 31, 2023, the following directors and officers, as defined in Rule 161-1(f), adopted a "Rule 10b5-1 trading arrangement" as defined in Regulation S-K Item 408, as follows:

On November 15, 2023, Timothy V. Williams, one of our Directors, adopted a Rule 10b5-1 trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). The plan provides for the sale of up to 2,882 shares of our common stock to satisfy tax obligations related to vesting of RSUs. The plan will terminate on June 3, 2024, subject to early termination for certain specified events set forth in the plan, including if all transactions under the trading plan are completed.

**Part III**

**Item 10. *Directors, Executive Officers and Corporate Governance***

The information required by this item is incorporated by reference from our proxy statement in connection with our 2024 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2023.

**Item 11. *Executive Compensation***

The information required by this item is incorporated by reference from our proxy statement in connection with our 2024 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2023.

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

The information required by this item is incorporated by reference from our proxy statement in connection with our 2024 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2023.

**Item 13. *Certain Relationships, Related Transactions and Director Independence***

The information required by this item is incorporated by reference from our proxy statement in connection with our 2024 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2023.

**Item 14. *Principal Accountant Fees and Services***

The information required by this item is incorporated by reference from our proxy statement in connection with our 2024 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2023.

**Part IV**

**Item 15. Exhibits and Financial Statements Schedules**

**(a)(1) Financial Statements**

Reference is made to the Index to Financial Statements in the section entitled "Financial Statements and Supplementary Data" in Part II, Item 8 of this Annual Report on Form 10-K.

**(a)(2) Financial Statement Schedules**

Reference is made to Schedule II, Valuation and Qualifying Accounts, as indexed on page F-34.

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

**(a)(3) Exhibits**

Exhibits are as set forth below in the Exhibit Index. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference rooms maintained by the SEC in Washington, D.C., New York, New York, and Chicago, Illinois, and are also available to the public from commercial document retrieval services and at the website maintained by the SEC at <http://www.sec.gov>.

**PROS Holdings, Inc.**  
**Index to the Consolidated Financial Statements**

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

To the Board of Directors and Stockholders of PROS Holdings, Inc.

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

We have audited the accompanying consolidated balance sheets of PROS Holdings, Inc. and its subsidiaries (the "Company") as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive loss, of stockholders' (deficit) equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

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

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for convertible notes in 2021.

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

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

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

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

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

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and

dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

### **Critical Audit Matters**

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

#### *Revenue recognition – subscription and services revenue*

As described in Note 2 to the consolidated financial statements, the Company recognized subscription and services revenue of \$283.8 million for the year ended December 31, 2023. The Company derives its revenues primarily from subscriptions, services, and associated software maintenance and support. A portion of the Company's customer contracts contain multiple performance obligations. The transaction price is allocated to each performance obligation on a relative standalone selling price basis.

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

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the recognition of subscription and services revenue and allocation of the transaction price to each performance obligation. These procedures also included, among others (i) testing the completeness, accuracy, and occurrence of revenue recognized for a sample of revenue transactions by obtaining and inspecting source documents, such as contracts, proof of delivery, invoices, and subsequent payment receipts; (ii) testing, on a sample basis, the accuracy of management's calculation of the transaction price and the allocation of the transaction price to each performance obligation based on the relative standalone selling price; and (iii) confirming a sample of outstanding customer invoice balances as of December 31, 2023 and, for confirmations not returned, obtaining and inspecting source documents, such as contracts, proof of delivery, invoices, and subsequent payment receipts.

/s/ PricewaterhouseCoopers LLP

San Jose, California  
February 14, 2024

We have served as the Company's auditor since 2002.

**PROS Holdings, Inc.**  
**Consolidated Balance Sheets**  
(In thousands, except share and per share amounts)

|                                                                                                                                                                                   | December 31, |             |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------|
|                                                                                                                                                                                   | 2023         | 2022        |
| <b>Assets:</b>                                                                                                                                                                    |              |             |
| Current assets:                                                                                                                                                                   |              |             |
| Cash and cash equivalents                                                                                                                                                         | \$ 168,747   | \$ 203,627  |
| Trade and other receivables, net of allowance of \$ 574 and \$ 609 , respectively                                                                                                 | 49,058       | 48,178      |
| Deferred costs, current                                                                                                                                                           | 4,856        | 6,032       |
| Prepaid and other current assets                                                                                                                                                  | 12,013       | 9,441       |
| Total current assets                                                                                                                                                              | 234,674      | 267,278     |
| Restricted cash                                                                                                                                                                   | 10,000       | —           |
| Property and equipment, net                                                                                                                                                       | 23,051       | 25,012      |
| Operating lease right-of-use assets                                                                                                                                               | 14,801       | 17,474      |
| Deferred costs, noncurrent                                                                                                                                                        | 10,292       | 8,764       |
| Intangibles, net                                                                                                                                                                  | 11,678       | 17,851      |
| Goodwill                                                                                                                                                                          | 107,860      | 107,561     |
| Other assets, noncurrent                                                                                                                                                          | 9,477        | 9,012       |
| Total assets                                                                                                                                                                      | \$ 421,833   | \$ 452,952  |
| <b>Liabilities and Stockholders' (Deficit) Equity:</b>                                                                                                                            |              |             |
| Current liabilities:                                                                                                                                                              |              |             |
| Accounts payable and other liabilities                                                                                                                                            | \$ 3,034     | \$ 7,964    |
| Accrued liabilities                                                                                                                                                               | 13,257       | 12,854      |
| Accrued payroll and other employee benefits                                                                                                                                       | 32,762       | 23,797      |
| Operating lease liabilities, current                                                                                                                                              | 5,655        | 7,662       |
| Deferred revenue, current                                                                                                                                                         | 120,955      | 108,659     |
| Current portion of convertible debt, net                                                                                                                                          | 21,668       | —           |
| Total current liabilities                                                                                                                                                         | 197,331      | 160,936     |
| Deferred revenue, noncurrent                                                                                                                                                      | 3,669        | 8,298       |
| Convertible debt, net, noncurrent                                                                                                                                                 | 272,324      | 289,779     |
| Operating lease liabilities, noncurrent                                                                                                                                           | 25,118       | 28,184      |
| Other liabilities, noncurrent                                                                                                                                                     | 1,264        | 1,228       |
| Total liabilities                                                                                                                                                                 | 499,706      | 488,425     |
| Commitments and contingencies (Note 18)                                                                                                                                           |              |             |
| Stockholders' (deficit) equity:                                                                                                                                                   |              |             |
| Preferred stock, \$ 0.001 par value, 5,000,000 shares authorized; none issued                                                                                                     | —            | —           |
| Common stock, \$ 0.001 par value, 75,000,000 shares authorized; 51,184,584 and 50,318,726 shares issued, respectively; 46,503,861 and 45,638,003 shares outstanding, respectively | 51           | 50          |
| Additional paid-in capital                                                                                                                                                        | 604,084      | 590,475     |
| Treasury stock, 4,680,723 common shares, at cost                                                                                                                                  | ( 29,847 )   | ( 29,847 )  |
| Accumulated deficit                                                                                                                                                               | ( 647,252 )  | ( 590,898 ) |
| Accumulated other comprehensive loss                                                                                                                                              | ( 4,909 )    | ( 5,253 )   |
| Total stockholders' (deficit) equity                                                                                                                                              | ( 77,873 )   | ( 35,473 )  |
| Total liabilities and stockholders' (deficit) equity                                                                                                                              | \$ 421,833   | \$ 452,952  |

*The accompanying notes are an integral part of these consolidated financial statements.*

**PROS Holdings, Inc.**  
**Consolidated Statements of Comprehensive Loss**  
(In thousands, except per share data)

|                                                       | Year Ended December 31, |               |               |
|-------------------------------------------------------|-------------------------|---------------|---------------|
|                                                       | 2023                    | 2022          | 2021          |
| <b>Revenue:</b>                                       |                         |               |               |
| Subscription                                          | \$ 234,024              | \$ 204,041    | \$ 178,006    |
| Maintenance and support                               | 19,958                  | 28,592        | 35,111        |
| Total subscription, maintenance and support           | 253,982                 | 232,633       | 213,117       |
| Services                                              | 49,726                  | 43,504        | 38,306        |
| Total revenue                                         | 303,708                 | 276,137       | 251,423       |
| <b>Cost of revenue:</b>                               |                         |               |               |
| Subscription                                          | 57,212                  | 55,039        | 53,418        |
| Maintenance and support                               | 7,703                   | 8,004         | 8,512         |
| Total cost of subscription, maintenance and support   | 64,915                  | 63,043        | 61,930        |
| Services                                              | 50,398                  | 47,037        | 42,995        |
| Total cost of revenue                                 | 115,313                 | 110,080       | 104,925       |
| Gross profit                                          | 188,395                 | 166,057       | 146,498       |
| <b>Operating expenses:</b>                            |                         |               |               |
| Selling and marketing                                 | 92,389                  | 94,986        | 86,445        |
| Research and development                              | 89,361                  | 93,412        | 82,268        |
| General and administrative                            | 57,247                  | 54,202        | 49,742        |
| Acquisition-related                                   | —                       | —             | 2,386         |
| Impairment of fixed assets                            | —                       | 1,551         | —             |
| Loss from operations                                  | ( 50,602 )              | ( 78,094 )    | ( 74,343 )    |
| Convertible debt interest and amortization            | ( 5,882 )               | ( 6,304 )     | ( 6,304 )     |
| Other income, net                                     | 1,063                   | 3,084         | 308           |
| Loss before income tax provision                      | ( 55,421 )              | ( 81,314 )    | ( 80,339 )    |
| Income tax provision                                  | 933                     | 932           | 870           |
| Net loss                                              | ( 56,354 )              | ( 82,246 )    | ( 81,209 )    |
| Net loss per share:                                   |                         |               |               |
| Basic and diluted                                     | ( 1.22 )                | ( 1.82 )      | ( 1.83 )      |
| Weighted average number of shares:                    |                         |               |               |
| Basic and diluted                                     | 46,155                  | 45,269        | 44,348        |
| <b>Other comprehensive income (loss), net of tax:</b> |                         |               |               |
| Foreign currency translation adjustment               | 344                     | ( 594 )       | ( 1,228 )     |
| Other comprehensive income (loss), net of tax         | 344                     | ( 594 )       | ( 1,228 )     |
| Comprehensive loss                                    | \$ ( 56,010 )           | \$ ( 82,840 ) | \$ ( 82,437 ) |

*The accompanying notes are an integral part of these consolidated financial statements.*

**PROS Holdings, Inc.**  
**Consolidated Statements of Cash Flows**  
(In thousands)

|                                                                                                        | Year Ended December 31, |                   |                   |
|--------------------------------------------------------------------------------------------------------|-------------------------|-------------------|-------------------|
|                                                                                                        | 2023                    | 2022              | 2021              |
| <b>Operating activities:</b>                                                                           |                         |                   |                   |
| Net loss                                                                                               | \$ ( 56,354 )           | \$ ( 82,246 )     | \$ ( 81,209 )     |
| Adjustments to reconcile net loss to net cash provided by operating activities:                        |                         |                   |                   |
| Depreciation and amortization                                                                          | 10,707                  | 14,967            | 12,060            |
| Amortization of debt premium and issuance costs                                                        | 861                     | 1,491             | 1,491             |
| Share-based compensation                                                                               | 42,357                  | 42,714            | 35,075            |
| Deferred income tax, net                                                                               | ( 63 )                  | —                 | —                 |
| Provision for credit losses                                                                            | ( 19 )                  | ( 280 )           | ( 1,910 )         |
| Loss on disposal of assets                                                                             | 57                      | —                 | —                 |
| Impairment of fixed assets                                                                             | —                       | 1,551             | —                 |
| (Gain)/Loss on equity investments, net                                                                 | ( 828 )                 | ( 1,308 )         | —                 |
| Loss on derivatives                                                                                    | 4,489                   | —                 | —                 |
| Loss on debt extinguishment                                                                            | 1,779                   | —                 | —                 |
| Changes in operating assets and liabilities:                                                           |                         |                   |                   |
| Accounts and unbilled receivables                                                                      | ( 899 )                 | ( 7,330 )         | 12,560            |
| Deferred costs                                                                                         | ( 351 )                 | 486               | 3,202             |
| Prepaid expenses and other assets                                                                      | ( 1,347 )               | 1,712             | 1,828             |
| Operating lease right-of-use assets and liabilities                                                    | ( 2,786 )               | ( 2,175 )         | 1,534             |
| Accounts payable and other liabilities                                                                 | ( 5,039 )               | 3,964             | ( 515 )           |
| Accrued liabilities                                                                                    | 723                     | 26                | ( 426 )           |
| Accrued payroll and other employee benefits                                                            | 8,950                   | ( 8,191 )         | 4,693             |
| Deferred revenue                                                                                       | 7,640                   | 10,713            | ( 6,938 )         |
| Net cash provided by (used in) operating activities                                                    | 9,877                   | ( 23,906 )        | ( 18,555 )        |
| <b>Investing activities:</b>                                                                           |                         |                   |                   |
| Purchase of property and equipment                                                                     | ( 2,543 )               | ( 861 )           | ( 2,796 )         |
| Purchase of equity securities                                                                          | ( 113 )                 | ( 281 )           | ( 2,895 )         |
| Acquisition of EveryMundo, net of cash acquired                                                        | —                       | —                 | ( 79,482 )        |
| Capitalized internal-use software development costs                                                    | ( 48 )                  | —                 | —                 |
| Net cash used in investing activities                                                                  | ( 2,704 )               | ( 1,142 )         | ( 85,173 )        |
| <b>Financing activities:</b>                                                                           |                         |                   |                   |
| Proceeds from employee stock plans                                                                     | 2,170                   | 2,722             | 3,111             |
| Tax withholding related to net share settlement of stock awards                                        | ( 9,299 )               | ( 1,653 )         | ( 352 )           |
| Payments of notes payable                                                                              | —                       | —                 | ( 288 )           |
| Debt issuance costs related to convertible debt                                                        | ( 2,198 )               | —                 | —                 |
| Purchase of Capped Call                                                                                | ( 22,193 )              | —                 | —                 |
| Debt issuance costs related to Credit Agreement                                                        | ( 837 )                 | —                 | —                 |
| Net cash (used in) provided by financing activities                                                    | ( 32,357 )              | 1,069             | 2,471             |
| Effect of foreign currency rates on cash                                                               | 304                     | 53                | ( 324 )           |
| Net change in cash, cash equivalents and restricted cash                                               | ( 24,880 )              | ( 23,926 )        | ( 101,581 )       |
| <b>Cash, cash equivalents and restricted cash:</b>                                                     |                         |                   |                   |
| Beginning of period                                                                                    | 203,627                 | 227,553           | 329,134           |
| End of period                                                                                          | \$ 178,747              | \$ 203,627        | \$ 227,553        |
| <b>Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets</b> |                         |                   |                   |
| Cash and cash equivalents                                                                              | \$ 168,747              | \$ 203,627        | \$ 227,553        |
| Restricted cash                                                                                        | 10,000                  | —                 | —                 |
| <b>Total cash, cash equivalents and restricted cash</b>                                                | <b>\$ 178,747</b>       | <b>\$ 203,627</b> | <b>\$ 227,553</b> |



**Supplemental disclosure of cash flow information:**

|                                                         |    |           |    |                        |
|---------------------------------------------------------|----|-----------|----|------------------------|
| Cash paid during period for:                            |    |           |    |                        |
| Income taxes, net of refunds                            | \$ | ( 188 )   | \$ | ( 146 ) \$ ( 403 )     |
| Interest                                                | \$ | ( 4,626 ) | \$ | ( 4,938 ) \$ ( 4,988 ) |
| Noncash investing activities:                           |    |           |    |                        |
| Purchase of property and equipment accrued but not paid | \$ | 115       | \$ | 11 \$ 81               |

*The accompanying notes are an integral part of these consolidated financial statements.*

**PROS Holdings, Inc.**  
**Consolidated Statements of Stockholders' (Deficit) Equity**  
(In thousands, except share data)

|                                              | Common Stock |        |                               | Treasury Stock |               | Accumulated<br>Deficit | Accumulated<br>other<br>comprehensive<br>loss | Total<br>Stockholders'<br>(Deficit) Equity |
|----------------------------------------------|--------------|--------|-------------------------------|----------------|---------------|------------------------|-----------------------------------------------|--------------------------------------------|
|                                              | Shares       | Amount | Additional<br>Paid-In Capital | Shares         | Amount        |                        |                                               |                                            |
| Balance at December 31, 2020                 | 43,461,544   | \$ 48  | \$ 589,040                    | 4,680,723      | \$ ( 29,847 ) | \$ ( 438,773 )         | \$ ( 3,431 )                                  | \$ 117,037                                 |
| Stock awards net settlement                  | 977,915      | 1      | ( 353 )                       | —              | —             | —                      | —                                             | ( 352 )                                    |
| Proceeds from employee stock plans           | 81,083       | —      | 3,111                         | —              | —             | —                      | —                                             | 3,111                                      |
| Cumulative effect of adoption of ASU 2020-06 | —            | —      | ( 80,098 )                    | —              | —             | 11,330                 | —                                             | ( 68,768 )                                 |
| Noncash share-based compensation             | —            | —      | 34,993                        | —              | —             | —                      | —                                             | 34,993                                     |
| Other comprehensive income (loss)            | —            | —      | —                             | —              | —             | —                      | ( 1,228 )                                     | ( 1,228 )                                  |
| Net loss                                     | —            | —      | —                             | —              | —             | ( 81,209 )             | —                                             | ( 81,209 )                                 |
| Balance at December 31, 2021                 | 44,520,542   | \$ 49  | \$ 546,693                    | 4,680,723      | \$ ( 29,847 ) | \$ ( 508,652 )         | \$ ( 4,659 )                                  | \$ 3,584                                   |
| Stock awards net settlement                  | 1,010,875    | 1      | ( 1,654 )                     | —              | —             | —                      | —                                             | ( 1,653 )                                  |
| Proceeds from employee stock plans           | 106,586      | —      | 2,722                         | —              | —             | —                      | —                                             | 2,722                                      |
| Noncash share-based compensation             | —            | —      | 42,714                        | —              | —             | —                      | —                                             | 42,714                                     |
| Other comprehensive income (loss)            | —            | —      | —                             | —              | —             | —                      | ( 594 )                                       | ( 594 )                                    |
| Net loss                                     | —            | —      | —                             | —              | —             | ( 82,246 )             | —                                             | ( 82,246 )                                 |
| Balance at December 31, 2022                 | 45,638,003   | \$ 50  | \$ 590,475                    | 4,680,723      | \$ ( 29,847 ) | \$ ( 590,898 )         | \$ ( 5,253 )                                  | \$ ( 35,473 )                              |
| Stock awards net settlement                  | 761,850      | 1      | ( 9,300 )                     | —              | —             | —                      | —                                             | ( 9,299 )                                  |
| Proceeds from employee stock plans           | 104,008      | —      | 2,170                         | —              | —             | —                      | —                                             | 2,170                                      |
| Purchase of Capped Call                      | —            | —      | ( 21,618 )                    | —              | —             | —                      | —                                             | ( 21,618 )                                 |
| Noncash share-based compensation             | —            | —      | 42,357                        | —              | —             | —                      | —                                             | 42,357                                     |
| Other comprehensive income (loss)            | —            | —      | —                             | —              | —             | —                      | 344                                           | 344                                        |
| Net loss                                     | —            | —      | —                             | —              | —             | ( 56,354 )             | —                                             | ( 56,354 )                                 |
| Balance at December 31, 2023                 | 46,503,861   | \$ 51  | \$ 604,084                    | 4,680,723      | \$ ( 29,847 ) | \$ ( 647,252 )         | \$ ( 4,909 )                                  | \$ ( 77,873 )                              |

*The accompanying notes are an integral part of these consolidated financial statements.*

**PROS Holdings, Inc.**  
**Notes to Consolidated Financial Statements**

## **1. Organization and Nature of Operations**

PROS Holdings, Inc., a Delaware corporation, through its operating subsidiaries (collectively, the "Company"), provides solutions that optimize shopping and selling experiences. PROS solutions leverage artificial intelligence ("AI"), self-learning and automation to ensure that every transactional experience is fast, frictionless and personalized for every shopper, supporting both business-to-business ("B2B") and business-to-consumer ("B2C") companies across industry verticals. Companies can use these selling, pricing, revenue optimization, distribution and retail, and digital offer marketing solutions to assess their market environments in real time to deliver customized prices and offers. The Company's solutions enable their customers to provide the buyers of their products the ability to move fluidly from one sales channel to another, whether direct, partner, online, mobile or other emerging channels, each with a personalized experience regardless of which channel is used. The Company's decades of data science and AI expertise are infused into its solutions and are designed to reduce time and complexity through actionable intelligence.

## **2. Summary of Significant Accounting Policies**

### ***Principles of Consolidation and Basis of Presentation***

These Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Certain prior year amounts have been reclassified for consistency with the current year presentation. Such reclassifications impacted the classification of general and administrative expenses and research and development expenses. These insignificant reclassifications had no effect on the reported results of operations, cash flows, or financial position.

### ***Changes in Accounting Policies***

The Company has consistently applied the accounting policies described in this Note 2 to all periods presented in these Consolidated Financial Statements, except for the Company's adoption of certain accounting standards described in more detail under "*Recently adopted accounting pronouncements*" in this Note 2 below.

### ***Dollar Amounts***

The dollar amounts presented in the tabular data within these footnote disclosures are stated in thousands of dollars, except per share amounts, or as noted within the context of each footnote disclosure.

### ***Use of Estimates***

The preparation of these Consolidated Financial Statements in conformity with GAAP requires the Company to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses during the reporting period. The judgment required in the Company's estimation process, as well as issues related to the assumptions, risks and uncertainties inherent in determining the nature and timing of satisfaction of performance obligations and determining the standalone selling price of performance obligations, affect the amounts of revenue, expenses, unbilled receivables and deferred revenue. Estimates are also used for, but not limited to, receivables, allowance for credit losses, the determination of the period of benefit for deferred commissions, operating lease right-of-use assets and operating lease liabilities, useful lives of assets, depreciation and amortization, fair value of assets acquired and liabilities assumed for business combinations, income taxes and deferred tax asset valuation, valuation of stock awards, other current liabilities and accrued liabilities. Numerous internal and external factors can affect estimates. Actual results could differ from those estimates and such differences could be material to the Company's consolidated financial position and results of operations.

### ***Cash and Cash Equivalents***

The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase, or the ability to be settled in cash within a period of three months, to be cash equivalents, except for commercial paper which is classified as short-term investments, if any. The Company has a cash management program that provides for the investment of excess cash balances, primarily in short-term treasury and money market instruments.

### ***Trade and Other Receivables***

Trade and other receivables are primarily comprised of trade receivables, net of allowance for credit losses, contract assets and unbilled receivables. The Company records trade accounts receivable for its unconditional rights to consideration arising from the Company's performance under contracts with customers. The Company's standard billing terms are generally within thirty to sixty days from the date of the invoice. The carrying value of such receivables, net of the allowance for credit losses, represents their estimated net realizable value. When developing its estimate of expected credit losses on trade and other receivables, the Company considers the available information relevant to assessing the collectability of cash flows, which includes a combination of both internal and external information relating to past events, current conditions, and future forecasts as well as relevant qualitative and quantitative factors that relate to the environment in which the Company operates.

Contract assets represent conditional rights to consideration that have been recognized as revenue in advance of billing the customer. Unbilled receivables represent unconditional rights to consideration arising from revenue that have been recognized in advance of billing the customer.

### ***Prepaid Expenses and Other Assets***

Prepaid expenses and other assets consist primarily of prepaid third-party software subscription and license fees, deferred project costs and prepaid taxes.

### ***Property and Equipment, Net***

Property and equipment are recorded at cost, less accumulated depreciation. Maintenance, repairs and minor replacements are charged to expense as incurred. Depreciation on property and equipment, with the exception of leasehold improvements, is recorded using the straight-line method over the estimated useful lives of the assets. Depreciation on leasehold improvements is recorded using the shorter of the lease term or useful life. When property is retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the Consolidated Statements of Comprehensive Loss in the period of disposal.

### ***Internal-Use Software***

Costs incurred to develop internal-use software during the application development stage are capitalized, stated at cost, and depreciated using the straight-line method over the estimated useful lives of the assets. Application development stage costs generally include salaries and personnel costs and third-party contractor expenses associated with internal-use software development, configuration and coding. Capitalization of such costs begins when the preliminary project stage is complete and ceases at the point in which the project is substantially complete and is ready for its intended purpose. Capitalized internal-use software is included in property and equipment, net in the Consolidated Balance Sheets.

### ***Leases***

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities and noncurrent operating lease liabilities in the Company's Consolidated Balance Sheets.

ROU assets represent the Company's right to use an underlying asset over the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company includes any anticipated lease incentives in the determination of lease liability.

The Company uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. The Company gives consideration to its recent debt issuances as well as publicly available data for instruments with similar characteristics when determining its incremental borrowing rates.

The Company's lease terms will include options to extend the lease when it is reasonably certain the Company will exercise that option. Leases with a term of 12 months or less are not recorded on the Company's Consolidated Balance Sheets. The Company's lease agreements do not contain any residual value guarantees.

### ***Deferred Costs***

Sales commissions earned by the Company's sales representatives are considered incremental and recoverable costs of obtaining a customer contract. Sales commissions are capitalized and amortized on a straight-line basis over the period of benefit, which the Company has determined to be five to eight years. The Company determined the period of benefit by taking into consideration its customer contracts and expected renewals of those customer contracts (as the Company currently does not pay an incremental sales commission for contract renewals). The Company also capitalizes amounts earned by employees other than sales representatives who earn incentive payments under compensation plans that are also tied to the value of customer contracts acquired. There were no such amounts capitalized in the years ended December 31, 2023 and 2022. Amortization of deferred costs is included in selling and marketing expense in the Consolidated Statements of Comprehensive Loss.

### ***Deferred Implementation Costs***

The Company capitalizes certain contract fulfillment costs, including personnel and other costs (such as hosting, employee salaries, benefits and payroll taxes), associated with contract arrangements where services are not distinct from other undelivered performance obligations in its customer contracts. The Company analyzes implementation costs and capitalizes those costs directly related to customer contracts that are expected to be recoverable. Deferred implementation costs are amortized ratably over the remaining contract term once the revenue recognition criteria for the respective performance obligation has been met and revenue recognition commences. Deferred implementation costs are included in prepaid and other current assets and other assets, noncurrent in the Consolidated Balance Sheets. Amortization of deferred implementation costs is included in cost of subscription and cost of services revenues in the Consolidated Statements of Comprehensive Loss.

### ***Deferred Revenue***

Deferred revenue primarily consists of customer invoicing in advance of revenues being recognized. The Company generally invoices its customers annually in advance for subscription services and maintenance and support. Deferred revenue anticipated to be recognized during the next twelve-month period is recorded as current deferred revenue and the remaining portion is recorded as noncurrent deferred revenue.

### ***Impairment of Long-Lived Assets***

Long-lived assets are reviewed for impairment whenever an event or change in circumstances indicates that the carrying amount of an asset or group of assets may not be recoverable. The impairment review includes comparison of future cash flows expected to be generated by the asset or group of assets with the associated assets' carrying value. If the carrying value of the asset or group of assets exceeds its expected future cash flows (undiscounted and without interest charges), an impairment loss is recognized to the extent that the carrying amount of the asset exceeds its fair value.

### ***Business Combinations, Intangible Assets and Goodwill***

The Company records tangible and intangible assets acquired and liabilities assumed in business combinations under the purchase method of accounting. The allocation of the purchase price in a business combination requires management to make significant estimates in determining the fair value of acquired assets and assumed liabilities, especially with respect to intangible assets. The excess of the purchase price in a business combination over the fair value of these tangible and intangible assets acquired and liabilities assumed is recorded as goodwill. Critical estimates in valuing certain intangible assets include, but are not limited to, projected revenue, discount rate, obsolescence rate, cost of sales, operating expenses and customer attrition rate. The Company estimates fair value primarily utilizing the income and market approaches, including the multi-period excess earnings method for certain intangible assets. Its estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Consolidated Statements of Comprehensive Loss.

Intangible assets that have finite lives are amortized over their useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. During this review, the Company reevaluates the significant assumptions used in determining the original cost and estimated lives of the intangible assets. Although the assumptions may vary from asset to asset, they generally include operating results, changes in the use of the asset, cash flows and other indicators of value. Management then determines whether the remaining useful life continues to be appropriate or whether there has been an impairment of the intangible assets based primarily upon whether expected future undiscounted cash flows are sufficient to support the assets group's recovery. If impairment exists, the Company would adjust the carrying value of the assets to fair value, generally determined by a discounted cash flow analysis.

Goodwill represents the excess of the purchase consideration over the net of the acquisition-date fair value of identifiable assets acquired, including identifiable intangible assets, and liabilities assumed in connection with business combinations. Goodwill is not amortized but is assessed for impairment as of November 30 of each fiscal year, or more frequently if events or changes in circumstances indicate the fair value of the Company's sole reporting unit has been reduced below its carrying value. When conducting the annual goodwill impairment assessment, a two-step process is used. The first step is to perform an optional qualitative evaluation as to whether it is more likely than not that the fair value of the Company's sole reporting unit is less than its carrying value, using an assessment of relevant events and circumstances. In performing this assessment, the Company is required to make assumptions and judgments including but not limited to an evaluation of macroeconomic conditions as they relate to the business, industry and market trends, as well as the overall future financial performance of the reporting unit and future opportunities in the markets in which it operates. If it is determined that it is not more likely than not that the fair value of the reporting unit is less than its carrying value, no additional tests are required to be performed in assessing goodwill for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, the Company performs a second step, consisting of a quantitative assessment of goodwill impairment. This quantitative assessment requires the Company to compare the fair value of its reporting unit with its carrying value. If the carrying amount exceeds the fair value, an impairment charge will be recognized, however, loss cannot exceed the total amount of goodwill allocated to the reporting unit. Based on the results of the qualitative review of goodwill performed as of November 30, 2023, the Company did not identify any indicators of impairment. As such, the quantitative assessment described above was not necessary.

#### **Equity Investments**

Investments in equity securities of privately held companies without readily determinable fair value, where the Company does not exercise significant influence over the investee, are recorded at cost, less impairment and adjusted for subsequent observable price changes obtained from orderly transactions for identical or similar investments issued by the same investee. Adjustments resulting from impairment, fair value, or observable price changes are accounted for in the Consolidated Statements of Comprehensive Loss.

#### **Financial Instruments**

The carrying amount of the Company's financial instruments, which include cash equivalents, receivables and accounts payable, and equity investments approximates their fair values at December 31, 2023 and 2022. *For additional information on the Company's fair value measurements, see [Note 10](#) to the Consolidated Financial Statements.*

#### **Convertible Senior Notes**

Effective January 1, 2021, the Company early adopted ASU 2020-06, *Debt - Debt with Conversion and Other Options* ("Subtopic 470-20") and *Derivatives and Hedging - Contracts in an Entity's Own Equity* ("Subtopic 815-40"); for the impact of adoption of the new standard, refer to "Recently Adopted Accounting Pronouncements" below.

Under the new standard, the Company records the principal amount of the Notes as a liability. Issuance costs attributable to the Notes are being amortized on a straight-line basis over the respective terms of the Notes and are presented as a direct deduction from current portion of convertible debt, net and convertible debt, net, noncurrent in the Consolidated Balance Sheets.

#### **Research and Development**

Research and development costs for software sold to customers are generally expensed as incurred. These costs include salaries and personnel costs, including employee benefits, third-party contractor expenses, software development tools,

an allocation of facilities and depreciation expenses and other expenses in developing new solutions and upgrading and enhancing existing solutions.

### **Software Development Costs**

Capitalization of software development costs for software to be sold, leased, or otherwise marketed begins upon the establishment of technological feasibility, which is generally the completion of a working prototype that has been certified as having no critical bugs and is a release candidate. Amortization begins once the software is ready for its intended use, generally based on the pattern in which the economic benefits will be consumed. To date, software development costs incurred between completion of a working prototype and general availability of the related product have not been material.

### **Treasury Stock**

The Company is authorized to make treasury stock purchases in the open market pursuant to the share repurchase program, which was approved by its Board of Directors on August 28, 2008. The Company accounts for the purchase of treasury stock under the cost method. *For additional information on the Company's stock repurchase program, see [Note 12](#) to the Consolidated Financial Statements.* There were no treasury stock repurchases under the program for the years ended December 31, 2023, 2022 and 2021.

### **Revenue Recognition**

The Company derives its revenues primarily from subscriptions, services, and associated software maintenance and support.

The Company determines revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the customer contract(s);
- determination of the transaction price;
- allocation of the transaction price to each performance obligation in the customer contract(s); and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

#### *Subscription revenue*

Subscription revenue primarily consists of subscription fees that give customers access to one or more of the Company's cloud applications with related customer support. The Company generally recognizes subscription revenue ratably over the contractual term of the arrangement beginning with commencement of service. Subscription revenue related to certain offerings, where fees are based on a number of transactions, are recognized on a usage basis. The Company's subscription contracts do not provide customers with the right to take possession of the software supporting the service and, as a result, are accounted for as service contracts. The Company's subscription contracts are generally one to five years in length, billed annually in advance, and non-cancelable.

#### *Maintenance and support revenue*

Maintenance and support revenue includes customer support for on-premises licenses and the right to unspecified software updates and enhancements. The Company recognizes revenue from maintenance and support arrangements ratably over the period in which the services are provided. The Company's maintenance and support contracts are generally one year in length, billed annually in advance, and non-cancelable.

#### *Services revenue*

Services revenue primarily consists of fees for configuration services, consulting and training. The Company typically sells its services either on a fixed-fee or time-and-material basis. Services revenue is generally recognized as the services are performed for time and material contracts, or on a proportional performance basis for fixed-price contracts. Training revenue is recognized as the services are rendered.

Judgments are required in determining whether services contained in the Company's customer subscription contracts are considered distinct, including whether the services are capable of being distinct and whether they are separately identifiable. Services deemed to be distinct are accounted for as a separate performance obligation on a relative standalone selling price basis and revenue is recognized as the services are performed. If services are determined not to be distinct, the services and the subscription are considered to be a single performance obligation and revenue is recognized over the contractual term of the subscription beginning on the date subscription services are made available to the customer. The associated revenue is allocated between subscription and services.

#### *Customer contracts with multiple performance obligations*

A portion of the Company's customer contracts contain multiple performance obligations. Judgment is required in determining whether multiple performance obligations contained in a single customer contract are capable of being distinct and are separately identifiable. An obligation determined to be distinct is accounted for as a separate performance obligation and revenue for that separate performance obligation is recognized when, or as, the Company satisfies the performance obligation. If obligations are determined not to be distinct, those obligations are accounted for as a single, combined performance obligation. The transaction price is allocated to each performance obligation on a relative standalone selling price basis.

#### *Disaggregation of revenue*

The Company categorizes revenue from external customers by geographic area based on the location of the customer's headquarters. *For additional information regarding the Company's revenue by geography, see [Note 19](#) to the Consolidated Financial Statements.*

#### **Foreign Currency**

The Company has certain contracts denominated in foreign currencies and therefore a portion of the Company's revenue is subject to foreign currency risks. Gains and losses from foreign currency transactions, such as those resulting from the settlement of receivables, are classified in other income, net included in the accompanying Consolidated Statements of Comprehensive Loss.

The functional currency of PROS France SAS ("PROS France") is the Euro. The financial statements of this subsidiary are translated into U.S. dollars using period-end rates of exchange for assets and liabilities, historical rates of exchange for equity, and average rates of exchange for the period for revenue and expenses. Translation gains (losses) are recorded in accumulated other comprehensive loss as a component of stockholders' (deficit) equity.

#### **Noncash Share-Based Compensation**

The Company's Amended and Restated 2017 Equity Incentive Plan (the "2017 Stock Plan") provides for noncash share-based compensation through the grant of: (i) restricted stock awards; (ii) restricted stock unit awards - time, performance and market-based ("RSUs"); (iii) stock options; (iv) stock appreciation rights ("SARs"); (v) phantom stock; and (vi) performance awards, such as market stock units ("MSUs"). To date, the Company has granted RSUs and MSUs from this plan.

The Company issues common stock from its pool of authorized stock upon exercise of stock options, settlement of SARs and MSUs or upon vesting of RSUs.

In November 2021, the Company granted inducement awards in an aggregate amount of 332,004 shares in accordance with NYSE Rule 303A.08. These inducement awards were in the form of RSUs granted to certain new employees in connection with the acquisition of EveryMundo.

As part of the EveryMundo acquisition in November 2021, the purchase agreement included equity consideration of 273,120 shares of the Company's common stock to be issued to the recipients contingent on their employment with the Company during a two-year period. Based on the underlying agreements, this portion of the consideration was determined to represent post-combination noncash share-based compensation expense from an accounting perspective as opposed to purchase consideration.

The following table presents the number of awards outstanding for each award type as of December 31, 2023 and 2022 (in thousands):

| Award type                          | December 31, |       |
|-------------------------------------|--------------|-------|
|                                     | 2023         | 2022  |
| Restricted stock units (time-based) | 2,767        | 2,235 |
| Market stock units                  | 358          | 216   |
| EveryMundo equity consideration     | —            | 137   |

**Restricted stock units.** The fair value of the RSUs (time-based and performance-based) is based on the closing price of the Company's stock on the date of grant and is amortized over the vesting period. RSUs include (i) time-based awards and (ii) performance-based awards in which the number of shares that vest are based upon achievement of certain internal performance metrics set by the Company.

**Market stock units.** MSUs are performance-based awards that vest based upon the Company's relative shareholder return. The actual number of MSUs that will be eligible to vest is based on the total shareholder return of the Company relative to the total shareholder return of the Russell 2000 Index ("Index") over a 3 -year period ending December 31, 2023, December 31, 2024 and December 31, 2025 ("Performance Period"), respectively. The MSUs will vest on January 31, 2024, January 31, 2025 and January 31, 2026, respectively. The maximum number of shares issuable upon vesting is 200 % of the MSUs initially granted based on the average price of the Company's common stock relative to the Index during the Performance Period. The Company estimates the fair value of MSUs on the date of grant using a Monte Carlo simulation model. The determination of the fair value of the MSUs is affected by the Company's stock price and a number of assumptions including the expected volatility of the Company's stock and the Index, its risk-free interest rate and expected dividends. The Company's expected volatility at the date of grant was based on the historical volatilities of the Company and the Index over the Performance Period.

**Equity consideration.** The fair value of the equity consideration stock awards is based on the closing price of the Company's stock on the date of grant and is amortized over the vesting period.

If factors change and the Company employs different assumptions, noncash share-based compensation expense may differ significantly from what has been recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, the Company may be required to accelerate, increase or cancel any remaining unearned noncash share-based compensation expense. Future noncash share-based compensation expense and unearned noncash share-based compensation will increase to the extent that the Company grants additional equity awards to employees.

At December 31, 2023, there were an estimated \$ 68.2 million of total unrecognized compensation costs related to noncash share-based compensation arrangements. These costs will be recognized over a weighted average period of 2.5 years. *For further discussion of the Company's noncash share-based compensation plans, see [Note 14](#) to the Consolidated Financial Statements.*

### **Income Taxes**

The Company uses the asset and liability method to account for income taxes, including recognition of deferred tax assets and liabilities for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax basis. The Company reviews its deferred tax assets for recovery. A valuation allowance is established when the Company believes it is more likely than not that some portion of its deferred tax assets will not be realized. Changes in the valuation allowance from period to period are included in the Company's tax provision in the period of change.

The Company accounts for uncertain income tax positions recognized in an enterprise's financial statements in accordance with the income tax topic of the ASC issued by the FASB. This interpretation requires companies to use a prescribed model for assessing the financial recognition and measurement of all tax positions taken or expected to be taken in its tax returns. This guidance provides clarification on recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Company recognizes accrued interest and penalties related to income taxes, if any, as a component of income tax expense. *For additional information regarding the Company's income taxes, see [Note 15](#) to the Consolidated Financial Statements.*

## **Segment Reporting**

The Company reports as one operating segment with the Chief Executive Officer ("CEO") acting as the Company's chief operating decision maker. The Company's CEO reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company has a single reporting unit, and there are no segment managers who are held accountable for operations, operating results or components below the consolidated unit level.

## **Earnings Per Share**

The Company computes basic earnings (loss) per share by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed by giving effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible notes using the if-converted method. Dilutive potential common shares consist of shares issuable upon the exercise of stock options, shares of unvested restricted stock units, market stock units and equity consideration, and settlement of stock appreciation rights, if any. When the Company incurs a net loss, the effect of the Company's outstanding stock options, stock appreciation rights, restricted stock units, market stock units, equity consideration and convertible notes are not included in the calculation of diluted earnings (loss) per share as the effect would be anti-dilutive. Accordingly, basic and diluted net loss per share are identical.

## **Recently Adopted Accounting Pronouncements**

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contract with Customers ("Topic 805")*, which amends ASC 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. This new standard is effective for the Company's interim and annual periods beginning January 1, 2023, and earlier adoption is permitted. The Company early adopted Topic 805 in the fourth quarter of 2021 and there was no impact on the Company's Consolidated Financial Statements as of the adoption date. The Company applied the standard prospectively to the acquisition of EveryMundo which occurred in November 2021.

In August 2020, the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options ("Subtopic 470-20") and Derivatives and Hedging - Contracts in an Entity's Own Equity ("Subtopic 815-40")*, which simplifies the accounting for certain convertible instruments, amends the guidance on derivative scope exceptions for contracts in an entity's own equity, and modifies the guidance on diluted earnings per share calculations as a result of these changes. This new standard is effective for the Company's interim and annual periods beginning January 1, 2022, and earlier adoption is permitted on January 1, 2021. The Company may elect to apply the amendments on a retrospective or modified retrospective basis. The Company early adopted the new standard effective January 1, 2021 on the modified retrospective basis. The adoption decreased additional paid-in capital by \$ 80.1 million related to the equity conversion component of the outstanding convertible notes which was previously separated and recorded in equity, and increased convertible debt, net by \$ 68.8 million related to the removal of the debt discounts and adjustment of debt issuance cost recorded under the previous standard. The net cumulative effect of the adjustments of \$ 11.3 million was recorded as a decrease to the opening balance of the accumulated deficit as of January 1, 2021. The adoption had no impact on the Consolidated Statements of Cash Flows.

## **Recent Accounting Pronouncements Not Yet Adopted**

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and other segment items on an annual and interim basis. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The ASU is to be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* which expands disclosures in an entity's income tax rate reconciliation table and disclosures regarding income taxes paid by jurisdiction. The new standard is effective for annual periods beginning after December 15, 2024, and early adoption is permitted. The new standard is to be applied on a prospective basis, but retrospective application is permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

With the exception of the new standards discussed above, there have been no other recent accounting pronouncements or changes in accounting pronouncements during the year ended December 31, 2023, that are of significance or potential significance to the Company.

### 3. Business Combinations

#### *EveryMundo*

On November 30, 2021, the Company acquired EveryMundo LLC ("EveryMundo"), a privately held company based in Miami, Florida, for a cash consideration, net of cash acquired, of approximately \$ 79.5 million and an equity consideration of approximately \$ 10.0 million. Since the equity consideration is contingent on certain employees' continued employment with the Company for a two-year period, it was determined, based on accounting guidance, the related amounts should be treated as post-combination compensation and accordingly are not included as part of the purchase price allocation. EveryMundo is a digital offer marketing pioneer that enables brands to broaden their digital reach and deepen customer engagement, providing greater control over direct and indirect channels they participate in.

Since the acquisition date and for the year ended December 31, 2021, the Company included \$ 1.1 million of revenue and \$ 1.4 million of net loss related to EveryMundo in its Consolidated Statements of Comprehensive Loss. During the years ended December 31, 2023, 2022 and 2021, the Company incurred acquisition-related costs of zero, zero and \$ 2.4 million, respectively, consisting primarily of advisory, legal, accounting and other professional fees, and integration costs.

The final allocation of the purchase price for EveryMundo is as follows (in thousands):

|                        |    |               |
|------------------------|----|---------------|
| Current assets         | \$ | 2,193         |
| Noncurrent assets      |    | 736           |
| Intangibles            |    | 23,300        |
| Goodwill               |    | 58,915        |
| Current liabilities    |    | ( 4,972 )     |
| Noncurrent liabilities |    | ( 542 )       |
| Purchase consideration | \$ | <u>79,630</u> |

The following are the identifiable intangible assets acquired (in thousands) with respect to the EveryMundo acquisition, and their respective useful lives:

|                        | Amount           | Weighted Average Useful Life (years) |
|------------------------|------------------|--------------------------------------|
| Developed technology   | \$ 15,700        | 5                                    |
| Customer relationships | 5,500            | 4                                    |
| Trade name             | 2,100            | 8                                    |
| Total                  | <u>\$ 23,300</u> |                                      |

The goodwill recognized was primarily attributable to the assembled workforce and expanded market opportunities from integrating EveryMundo's technology into the Company's product portfolio. The goodwill is deductible for U.S. federal income tax purposes.

The Company made a determination that \$ 2.8 million of deferred tax asset was assumed on the acquisition date. The deferred tax asset is comprised of excess tax basis in goodwill. A full valuation allowance of \$ 2.8 million was recorded offsetting the deferred tax asset as of the acquisition date.

#### *Pro Forma Financial Information*

The unaudited financial information in the table below summarizes the combined results of operations of the Company and EveryMundo, on a pro forma basis as though the Company had acquired EveryMundo on January 1, 2021. The pro forma

information for all periods presented also includes the effect of business combination accounting resulting from the acquisition, including amortization charges from acquired intangible assets.

| (in thousands, except earnings per share) | Year Ended December 31, |            |
|-------------------------------------------|-------------------------|------------|
|                                           | 2021                    |            |
| Total revenue                             | \$                      | 261,807    |
| Net loss                                  |                         | ( 99,605 ) |
| Earnings per share - basic and diluted    | \$                      | ( 2.25 )   |

#### 4. Trade and Other Receivables, Net

Accounts receivable at December 31, 2023 and 2022, consists of the following (in thousands):

|                                          | December 31, |           |
|------------------------------------------|--------------|-----------|
|                                          | 2023         | 2022      |
| Accounts receivable                      | \$ 41,826    | \$ 40,852 |
| Unbilled receivables and contract assets | 7,806        | 7,935     |
| Total receivables                        | 49,632       | 48,787    |
| Less: Allowance for credit losses        | ( 574 )      | ( 609 )   |
| Trade and other receivables, net         | \$ 49,058    | \$ 48,178 |

The bad debt (recovery) expense reflected in general and administrative expenses in the accompanying Consolidated Statements of Comprehensive Loss for the years ended December 31, 2023, 2022 and 2021, totaled approximately zero , \$(0.3 ) million and \$(1.9 ) million, respectively.

#### 5. Deferred Costs

Deferred costs, which primarily consist of capitalized sales commissions, were \$15.1 million and \$14.8 million as of December 31, 2023 and December 31, 2022, respectively. Amortization expense for the deferred costs was \$ 5.7 million, \$ 5.8 million and \$ 6.2 million for the years ended December 31, 2023, 2022 and 2021, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

#### 6. Deferred Implementation Costs

Deferred implementation costs, which relate to certain customer contract fulfillment costs, were \$ 1.0 million and \$ 1.6 million as of December 31, 2023 and December 31, 2022, respectively. Amortization expense for the deferred implementation costs was \$ 0.8 million, \$ 1.2 million and \$ 1.2 million for the years ended December 31, 2023, 2022 and 2021, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

#### 7. Property and Equipment, Net

Property and equipment, net as of December 31, 2023 and 2022 consists of the following:

|                                                     | Estimated useful life                | December 31, |            |
|-----------------------------------------------------|--------------------------------------|--------------|------------|
|                                                     |                                      | 2023         | 2022       |
| Furniture and fixtures                              | 5 - 10 years                         | \$ 6,300     | \$ 6,318   |
| Computers and equipment                             | 3 - 5 years                          | 14,216       | 15,262     |
| Software                                            | 3 - 6 years                          | 5,552        | 4,422      |
| Capitalized internal-use software development costs | 3 years                              | 11,879       | 11,746     |
| Leasehold improvements                              | Shorter of lease term or useful life | 21,727       | 21,918     |
| Property and equipment, gross                       |                                      | 59,674       | 59,666     |
| Less: Accumulated depreciation and amortization     |                                      | ( 36,623 )   | ( 34,654 ) |
| Property and equipment, net                         |                                      | \$ 23,051    | \$ 25,012  |

Depreciation and amortization was approximately \$ 4.5 million, \$ 5.2 million and \$ 8.0 million for the years ended December 31, 2023, 2022 and 2021, respectively. During the years ended December 31, 2023, 2022 and 2021, the Company disposed of approximately \$ 2.7 million, \$ 3.1 million and \$ 1.5 million, respectively, of fully depreciated assets. During the year ended December 31, 2023, the Company recognized an immaterial amount of loss on disposal of assets. During the years ended December 31, 2022 and 2021, the Company recognized no loss on disposal of assets. As of December 31, 2023 and 2022, the Company had approximately \$ 14.6 million and \$ 14.4 million of fully depreciated assets in use.

During the years ended December 31, 2023 and 2022, the Company capitalized an immaterial amount and zero , respectively, of internal-use software development costs related to its subscription solutions. As of December 31, 2023 and 2022, \$ 11.9 million and \$ 11.7 million, respectively, of capitalized internal-use software development costs were subject to amortization and \$ 11.8 million and \$ 10.9 million, respectively, of capitalized internal-use software development costs were included in accumulated depreciation and amortization for the years ended December 31, 2023 and 2022.

During the year ended December 31, 2022, the Company recorded a \$ 1.6 million impairment charge related to fixed assets. The impairment resulted from the Company's changed intentions for these assets in connection with a new agreement with a software vendor. The Company did not identify any impairment indicators and recorded no impairment charges in the years ended December 31, 2023 and 2021.

## 8. Leases

The Company has operating leases for data centers, computer infrastructure, corporate offices and certain equipment. These leases have remaining lease terms ranging from 1 year to 10 years. Some of these leases include options to extend for up to 15 years, and some include options to terminate within 1 year. The Company includes options in the lease terms when it is reasonably certain the Company will exercise that option.

As of December 31, 2023, the Company did not have any finance leases.

The components of operating lease expense were as follows (in thousands):

|                      | Year Ended December 31, |           |           |
|----------------------|-------------------------|-----------|-----------|
|                      | 2023                    | 2022      | 2021      |
| Operating lease cost | \$ 6,684                | \$ 8,576  | \$ 9,737  |
| Variable lease cost  | 5,408                   | 4,264     | 3,905     |
| Sublease income      | ( 285 )                 | ( 222 )   | ( 108 )   |
| Total lease cost     | \$ 11,807               | \$ 12,618 | \$ 13,534 |

Supplemental information related to leases was as follows (in thousands):

|                                                                       | Year Ended December 31, |          |          |
|-----------------------------------------------------------------------|-------------------------|----------|----------|
|                                                                       | 2023                    | 2022     | 2021     |
| Cash paid for amounts included in the measurement of lease liability: |                         |          |          |
| Cash paid for operating lease liabilities                             | \$ 8,673                | \$ 8,423 | \$ 8,828 |
| Right-of-use asset obtained in exchange for operating lease liability | \$ 3,207                | \$ 787   | \$ 1,949 |

|                                        | December 31, 2023 | December 31, 2022 |
|----------------------------------------|-------------------|-------------------|
|                                        |                   |                   |
| Weighted average remaining lease term: |                   |                   |
| Operating leases                       | 8.4 years         | 8.5 years         |
| Weighted average discount rate:        |                   |                   |
| Operating leases                       | 8.13 %            | 7.63 %            |

In December 2023, the Company modified an existing operating lease to add one year to the original lease term. The modification resulted in an increase in the related right-of-use asset and corresponding lease liability of \$ 2.4 million. In January 2023 and 2022, an existing operating lease was modified due to a change in future payments. The result of the 2023 modification was a decrease in the related right-of-use asset and corresponding lease liability of \$ 1.0 million and the result of the 2022 modification was a decrease in the related right-of-use asset and corresponding lease liability of \$ 2.7 million.

As of December 31, 2023, maturities of lease liabilities were as follows (in thousands):

| Year Ending December 31,          | Amount     |
|-----------------------------------|------------|
| 2024                              | \$ 7,895   |
| 2025                              | 4,090      |
| 2026                              | 4,063      |
| 2027                              | 3,965      |
| 2028                              | 4,029      |
| Thereafter                        | 19,223     |
| Total operating lease payments    | 43,265     |
| Less: Imputed interest            | ( 12,492 ) |
| Total operating lease liabilities | \$ 30,773  |

## 9. Goodwill and Intangible Assets

The change in the carrying amount of goodwill for the years ended December 31, 2023 and 2022, was as follows (in thousands):

|                                          |            |
|------------------------------------------|------------|
| Balance as of December 31, 2021          | \$ 108,133 |
| Foreign currency translation adjustments | ( 572 )    |
| Balance as of December 31, 2022          | 107,561    |
| Foreign currency translation adjustments | 299        |
| Balance as of December 31, 2023          | \$ 107,860 |

The goodwill balance related to PROS France is denominated in Euro and the goodwill balance related to PROS Travel Commerce, Inc. (formerly Vayant Travel Technologies, Inc.), Pros Travel Retail SAS (formerly TraveLaer SAS) and EveryMundo is denominated in U.S. dollar.

Intangible assets consisted of the following as of December 31, (in thousands):

|                           | Weighted average<br>useful life (years) | December 31, 2023        |                              |                        |
|---------------------------|-----------------------------------------|--------------------------|------------------------------|------------------------|
|                           |                                         | Gross Carrying<br>Amount | Accumulated<br>Amortization* | Net Carrying<br>Amount |
| Developed technology      | 6                                       | \$ 42,394                | \$ 34,314                    | \$ 8,080               |
| Maintenance relationships | 8                                       | 3,424                    | 3,424                        | —                      |
| Customer relationships    | 5                                       | 17,926                   | 15,881                       | 2,045                  |
| Trade name                | 8                                       | 2,100                    | 547                          | 1,553                  |
| Acquired technology       | 2                                       | 1,925                    | 1,925                        | —                      |
| Total                     |                                         | \$ 67,769                | \$ 56,091                    | \$ 11,678              |

\*Cumulative foreign currency translation adjustments, reflecting movement in the currencies of the underlying entities, had an immaterial impact on intangible assets as of December 31, 2023.

|                           | Weighted average<br>useful life (years) | December 31, 2022        |                              |                        |
|---------------------------|-----------------------------------------|--------------------------|------------------------------|------------------------|
|                           |                                         | Gross Carrying<br>Amount | Accumulated<br>Amortization* | Net Carrying<br>Amount |
| Developed technology      | 6                                       | \$ 42,120                | \$ 29,409                    | \$ 12,711              |
| Maintenance relationships | 8                                       | 3,374                    | 3,374                        | —                      |
| Customer relationships    | 5                                       | 17,902                   | 14,578                       | 3,324                  |
| Trade name                | 8                                       | 2,100                    | 284                          | 1,816                  |
| Acquired technology       | 2                                       | 1,925                    | 1,925                        | —                      |
| Total                     |                                         | \$ 67,421                | \$ 49,570                    | \$ 17,851              |

\*Cumulative foreign currency translation adjustments, reflecting movement in the currencies of the underlying entities, had an immaterial impact on intangible assets as of December 31, 2022.

Intangible asset amortization expense for the years ended December 31, 2023, 2022 and 2021 was \$ 6.2 million, \$ 9.8 million and \$ 4.0 million, respectively. As of December 31, 2023, the expected future amortization expense for the acquired intangible assets for each of the five succeeding years and thereafter was as follows (in thousands):

| Year Ending December 31,   | Amount    |
|----------------------------|-----------|
| 2024                       | \$ 4,637  |
| 2025                       | 3,736     |
| 2026                       | 2,533     |
| 2027                       | 263       |
| 2028                       | 263       |
| Thereafter                 | 246       |
| Total amortization expense | \$ 11,678 |

## 10. Fair Value Measurements

The Company adopted fair value measurements guidance for financial and nonfinancial assets and liabilities. The guidance defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements.

The guidance defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. The guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

**Level 1:** Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

**Level 2:** Quoted prices for similar assets or liabilities in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

**Level 3:** Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A portion of the Company's existing cash and cash equivalents are invested in short-term interest-bearing obligations with original maturities less than 90 days, principally various types of treasury, money market funds and deposits in banks. The Company does not enter into investments for trading or speculative purposes.

At December 31, 2023 and 2022, the Company had approximately \$ 153.2 million and \$ 168.1 million invested in treasury, money market funds and interest-bearing deposits in banks. The fair value of those investments is determined based on quoted market prices, which represents level 1 in the fair value hierarchy as defined by Accounting Standard Codification ("ASC") 820, "Fair Value Measurement and Disclosure."

The fair value of the Company's Notes is classified in the level 2 hierarchy. See [Note 16](#) for further detail regarding the Notes.

As of December 31, 2023 and 2022, the Company had \$ 8.0 million and \$ 7.1 million, respectively, of equity securities in privately held companies and a venture fund, which are included in other assets, noncurrent in the Consolidated Balance Sheet. These investments are accounted for at cost, less impairment and adjusted for subsequent observable price changes obtained from orderly transactions for identical or similar investments issued by the same investee. The Company estimates the fair value of its equity investments by considering available information such as pricing in recent rounds of financing and any other readily available market data, which represents level 3 in the fair value hierarchy. An impairment charge to current earnings is recorded when the cost of the investment exceeds its fair value and if a qualitative assessment indicated that the investment is impaired.

During the fourth quarter of 2023 and the third quarter of 2022, the Company identified observable price changes related to an equity investment without a readily determinable fair value and recorded non-cash gains of \$0.8 million and \$3.3 million, respectively, in other income, net in the Consolidated Statements of Comprehensive Loss. During the fourth quarter of 2022, the Company identified an observable price change related to another equity investment. The change was determined to be a decrease in fair value below the carrying cost of the equity investment and the Company recorded an impairment loss of \$2.0 million in other income, net in the Consolidated Statements of Comprehensive Loss. As of December 31, 2023 and 2021, the Company determined there were no impairments on its equity investments.

## 11. Deferred Revenue and Performance Obligations

### *Deferred Revenue*

For the years ended December 31, 2023 and 2022, the Company recognized approximately \$110.1 million and \$93.5 million, respectively, of revenue that was included in the deferred revenue balances at the beginning of the respective periods and primarily related to subscription services, maintenance and support, and other services.

### *Performance Obligations*

As of December 31, 2023, the Company expects to recognize approximately \$469.6 million of revenue from remaining performance obligations. The Company expects to recognize revenue on approximately \$227.5 million of these performance obligations over the next 12 months, with the balance recognized thereafter.

## 12. Stockholders' (Deficit) Equity

### *Stock Repurchase*

On August 25, 2008, the Company's Board of Directors approved a stock repurchase program that authorized the Company to purchase up to \$15.0 million of the Company's outstanding shares of common stock. Under the board-approved repurchase program, share purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors, and such purchases, if any, will be made in accordance with applicable insider trading and other securities laws and regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice.

The Company did not repurchase any shares under this plan for the years ended December 31, 2023 and 2022. The remaining amount available to purchase common stock under this plan was \$10.0 million as of December 31, 2023.

## 13. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

|                                            | Year Ended December 31, |             |             |
|--------------------------------------------|-------------------------|-------------|-------------|
|                                            | 2023                    | 2022        | 2021        |
| <b>Numerator:</b>                          |                         |             |             |
| Net loss                                   | \$ (56,354)             | \$ (82,246) | \$ (81,209) |
| <b>Denominator:</b>                        |                         |             |             |
| Weighted average shares (basic)            | 46,155                  | 45,269      | 44,348      |
| Dilutive effect of potential common shares | —                       | —           | —           |
| Weighted average shares (diluted)          | 46,155                  | 45,269      | 44,348      |
| Basic earnings per share                   | \$ (1.22)               | \$ (1.82)   | \$ (1.83)   |
| Diluted earnings per share                 | \$ (1.22)               | \$ (1.82)   | \$ (1.83)   |

Dilutive potential common shares consist of shares issuable upon the vesting of RSUs, MSUs and equity consideration. Potential common shares determined to be antidilutive and excluded from diluted weighted average shares outstanding were approximately 1.5 million, 2.3 million and 1.5 million for the years ended December 31, 2023, 2022 and 2021, respectively. Potential common shares related to the Notes determined to be antidilutive and excluded from diluted weighted average shares outstanding were 6.0 million for the year ended December 31, 2023 and 5.8 million for each of the years ended December 31, 2022 and 2021.

## 14. Noncash Share-Based Compensation

### *Employee Noncash Share-based Compensation Plans*

2017 Stock Plan. The Company's 2017 Stock Plan provides for the issuance of awards to employees, officers, directors and certain other individuals providing services to the Company who are eligible to receive awards. In May 2023, the Company's stockholders approved an amendment to the 2017 Stock Plan increasing the aggregate amount of shares available for issuance to 10,550,000. The Company may provide these incentives through the grant of: (i) restricted stock awards; (ii) RSUs (time, performance and market-based); (iii) stock options; (iv) SARs; (v) phantom stock; and (vi) performance awards, such as MSUs.

As of December 31, 2023, the Company had outstanding equity awards to acquire 2,963,362 shares of its common stock held by the Company's employees, directors and consultants under the 2017 Stock Plan (assuming MSU performance at 100% of the MSUs initially granted), and inclusive of 2,605,290 RSUs and 358,072 MSUs. As of December 31, 2023, 4,339,751 shares remain available for grant under the 2017 Stock Plan. As of December 31, 2023, there were no options, SARs, restricted stock awards or phantom stock issued under the 2017 Stock Plan.

Inducement awards. In November 2021, the Company granted inducement awards in an aggregate amount of 332,004 shares in accordance with NYSE Rule 303A.08. These inducement awards were in the form of RSUs granted to certain new employees in connection with the acquisition of EveryMundo. As of December 31, 2023, the Company had 162,104 outstanding equity inducement awards (the inducement awards, together with the 2017 Stock Plan are referred to as the "Stock Plans").

Equity consideration. As part of the EveryMundo acquisition in November 2021, the purchase agreement included equity consideration of 273,120 shares of the Company's common stock to be issued to the recipients contingent on their employment with the Company during a two-year period. Based on the underlying agreements, this portion of the consideration was determined to represent post-combination noncash share-based compensation expense from an accounting perspective as opposed to purchase consideration. The grant date fair value of the equity consideration stock awards is \$ 36.32 and they vested in equal annual installments over a two-year period from the grant date. As of December 31, 2023, the Company had no outstanding equity consideration shares.

Noncash share-based compensation expense for all noncash share-based payment awards granted is determined based on the grant date fair value of the award. The Company recognizes compensation expense, net of estimated forfeitures, which represents noncash share-based awards expected to vest on a straight-line basis over the requisite service period of the award, which is generally the vesting term. Noncash share-based awards typically vest over four years. The Company estimates forfeiture rates based on its historical experience for grant years where the majority of the vesting terms have been satisfied. Changes in estimated forfeiture rates are recognized through a cumulative catch-up adjustment in the period of change and thus impact the amount of noncash share-based compensation expense to be recognized in future periods.

Noncash share-based compensation expense is allocated to expense categories on the Consolidated Statements of Comprehensive Loss. The following table summarizes noncash share-based compensation expense, net of amounts capitalized, for the years ended December 31, 2023, 2022 and 2021 (in thousands).

|                                        | Year Ended December 31, |           |           |
|----------------------------------------|-------------------------|-----------|-----------|
|                                        | 2023                    | 2022      | 2021      |
| Share-based compensation:              |                         |           |           |
| Cost of revenue                        | \$ 3,923                | \$ 3,898  | \$ 3,679  |
| Operating expenses:                    |                         |           |           |
| Selling and marketing                  | 11,834                  | 12,360    | 10,407    |
| Research and development               | 10,524                  | 12,496    | 8,288     |
| General and administrative             | 16,076                  | 13,960    | 12,701    |
| Total included in operating expenses   | 38,434                  | 38,816    | 31,396    |
| Total share-based compensation expense | \$ 42,357               | \$ 42,714 | \$ 35,075 |

At December 31, 2023, there were an estimated \$ 68.2 million of total unrecognized compensation costs related to noncash share-based compensation arrangements. These costs will be recognized over a weighted average period of 2.5 years.

### RSUs (time-based)

The Company has granted time-based RSUs under the Stock Plans. Time-based RSUs granted to employees and consultants have historically vested in equal annual installments over a one to four-year period from the grant date. RSUs granted to employees and consultants in 2022 and 2023 vest 25% after one year and in equal quarterly installments for the remaining term of the award which is typically three additional years. RSUs granted to independent directors vest upon the earlier of one year from the date of grant or the next annual meeting of stockholders.

The following table summarizes the Company's unvested time-based RSUs as of December 31, 2023, and changes during the year then ended (number of shares in thousands):

|                               | Number of<br>shares | Weighted<br>average<br>grant date<br>fair value | Weighted<br>average<br>remaining<br>contractual<br>term (years) |
|-------------------------------|---------------------|-------------------------------------------------|-----------------------------------------------------------------|
| Unvested at December 31, 2022 | 2,235               | \$ 36.39                                        |                                                                 |
| Granted                       | 1,652               | 25.82                                           |                                                                 |
| Vested                        | ( 953 )             | 35.90                                           |                                                                 |
| Forfeited                     | ( 167 )             | 31.02                                           |                                                                 |
| Unvested at December 31, 2023 | 2,767               | \$ 30.50                                        | 2.49                                                            |

The weighted average grant-date fair value of the time-based RSUs granted during the years ended December 31, 2023, 2022 and 2021 was \$ 25.82 , \$ 30.03 and \$ 43.28 , respectively. The total fair value as of the respective vesting date of time-based RSUs vested during the years ended December 31, 2023, 2022 and 2021 was \$ 27.0 million, \$ 24.6 million and \$ 32.9 million, respectively.

### RSUs (performance-based)

During 2019 and 2020, the Company granted performance-based RSUs ("PRSUs") under the 2017 Stock Plan to certain executive employees. The actual number of PRSUs that were eligible to vest pursuant to these awards, up to a maximum of 200% of the PRSUs initially granted, was based upon achievement of certain internal performance metrics, as defined by each award's plan documents or individual award agreements. The shares earned from the 2019 PRSUs vested on January 15, 2022. No shares were earned from the 2020 PRSUs. The total fair value as of the respective vesting date of performance-based RSUs vested during the years ended December 31, 2023 and 2022 was zero and \$ 2.1 million, respectively.

### MSUs

In 2021, 2022 and 2023, the Company granted MSUs under the Stock Plans to certain executive employees. The MSUs are performance-based awards that vest based upon the Company's relative shareholder return. The actual number of MSUs that will be eligible to vest is based on the total shareholder return of the Company relative to the total shareholder return of the Index over the 3 -year Performance Period. The 2021 MSUs will vest on January 31, 2024, the 2022 MSUs will vest on January 31, 2025 and the 2023 MSUs will vest on January 31, 2026. The MSUs maximum number of shares issuable upon vesting is 200 % of the MSUs initially granted. The Company did not grant any MSUs in 2020. The following table summarizes the Company's MSUs activity for the year ended December 31, 2023 (number of shares in thousands):

|                               | Number of<br>unvested awards | Weighted<br>average<br>grant date fair value | Weighted<br>average<br>remaining<br>contractual<br>term (years) |
|-------------------------------|------------------------------|----------------------------------------------|-----------------------------------------------------------------|
| Unvested at December 31, 2022 | 216                          | \$ 43.34                                     |                                                                 |
| Granted                       | 142                          | 30.42                                        |                                                                 |
| Vested                        | —                            | —                                            |                                                                 |
| Forfeited                     | —                            | —                                            |                                                                 |
| Expired                       | —                            | —                                            |                                                                 |
| Unvested at December 31, 2023 | 358                          | \$ 38.21                                     | 1.21                                                            |

The total fair value as of the respective vesting date of the MSUs vested during the years ended December 31, 2023, 2022 and 2021 was zero , zero and \$ 10.7 million, respectively.

The Company estimates the fair value of MSUs on the date of grant using a Monte Carlo simulation model. The determination of the fair value of the MSUs is affected by the Company's stock price and a number of assumptions including the expected volatilities of the Company's stock and the Index, its risk-free interest rate and expected dividends. The Company's expected volatility at the date of grant was based on the historical volatilities of the Company and the Index over the Performance Period. The Company did not estimate a forfeiture rate for the MSUs due to the limited size, the vesting period and nature of the grantee population. Significant assumptions used in the Monte Carlo simulation model for MSUs granted during the years ended December 31, 2023, 2022 and 2021 are as follows:

|                              | Year Ended December 31, |         |         |
|------------------------------|-------------------------|---------|---------|
|                              | 2023                    | 2022    | 2021    |
| Volatility                   | 63.26 %                 | 54.50 % | 53.29 % |
| Risk-free interest rate      | 3.76 %                  | 1.20 %  | 0.22 %  |
| Expected award life in years | 2.97                    | 2.97    | 2.97    |
| Dividend yield               | — %                     | — %     | — %     |

### **Employee Stock Purchase Plan**

The Company's Employee Stock Purchase Plan ("ESPP") provides for eligible employees to purchase shares on an after-tax basis in an amount between 1 % and 10 % of their annual pay: (i) on June 30 of each year at a 15 % discount of the fair market value of the Company's common stock on January 1 or June 30, whichever is lower, and (ii) on December 31 of each year at a 15 % discount of the fair market value of the Company's common stock on July 1 or December 31, whichever is lower. An employee may not purchase more than \$ 5,000 in either of the six-month measurement periods described above or more than \$ 10,000 annually. In May 2021, the Company's stockholders approved an amendment to the ESPP Plan increasing the aggregate amount of shares available for issuance under the ESPP to 1,000,000 . During the year ended December 31, 2023, the Company issued 104,008 shares under the ESPP. As of December 31, 2023, 283,117 shares remain authorized and available for issuance under the ESPP. As of December 31, 2023, the Company held approximately \$ 1.0 million on behalf of employees for future purchases under the ESPP, and this amount was recorded in accrued liabilities in the Company's Consolidated Balance Sheet.

## **15. Income Taxes**

The income tax provision consisted of the following for the years ended December 31, 2023, 2022 and 2021 (in thousands):

|                      | Year Ended December 31, |        |        |
|----------------------|-------------------------|--------|--------|
|                      | 2023                    | 2022   | 2021   |
| Current:             |                         |        |        |
| Federal              | \$ —                    | \$ —   | \$ —   |
| State and Foreign    | 933                     | 932    | 870    |
|                      | 933                     | 932    | 870    |
| Deferred:            |                         |        |        |
| Federal              | —                       | —      | —      |
| State                | —                       | —      | —      |
| Income tax provision | \$ 933                  | \$ 932 | \$ 870 |

The differences between the effective tax rates reflected in the total provision for income taxes and the U.S. federal statutory rate of 21% for the years ended December 31, 2023, 2022 and 2021, respectively, were as follows (in thousands):

|                                                      | Year Ended December 31, |               |               |
|------------------------------------------------------|-------------------------|---------------|---------------|
|                                                      | 2023                    | 2022          | 2021          |
| Provision at the U.S. federal statutory rate         | \$ ( 11,639 )           | \$ ( 17,076 ) | \$ ( 16,870 ) |
| Increase (decrease) resulting from:                  |                         |               |               |
| Nondeductible expenses                               | 622                     | 215           | 630           |
| Statutory to GAAP income adjustment                  | 28                      | 238           | ( 193 )       |
| Noncash share-based compensation                     | 3,221                   | 3,971         | 1,194         |
| Other                                                | 822                     | 442           | 624           |
| Cancellation of debt income                          | 2,272                   | —             | —             |
| Incremental benefits for tax credits                 | ( 1,599 )               | ( 1,976 )     | ( 2,494 )     |
| Change in tax rate/income subject to lower tax rates | 3,208                   | ( 865 )       | 571           |
| Change related to prior tax years                    | ( 774 )                 | ( 662 )       | 759           |
| Change in valuation allowance                        | 4,772                   | 16,645        | 16,649        |
| Income tax provision                                 | <u>\$ 933</u>           | <u>\$ 932</u> | <u>\$ 870</u> |

The Company's effective tax rate was ( 1.7 )%, ( 1.1 )% and ( 1.1 )% for the years ended December 31, 2023, 2022 and 2021, respectively. During the year ended December 31, 2023, the Company's effective tax rate was impacted primarily by changes in valuation allowance.

The tax effects of temporary differences and other tax attributes that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2023 and 2022 are as follows (in thousands):

|                                               | Year Ended December 31, |               |
|-----------------------------------------------|-------------------------|---------------|
|                                               | 2023                    | 2022          |
| Noncurrent deferred taxes:                    |                         |               |
| Property and equipment                        | \$ ( 869 )              | \$ ( 812 )    |
| Noncash share-based compensation              | 3,363                   | 3,611         |
| Disallowed interest expense                   | 7,347                   | 2,664         |
| Capitalized software                          | —                       | ( 66 )        |
| Amortization                                  | 1,850                   | 2,074         |
| Operating lease right-of-use assets           | ( 8,818 )               | ( 8,238 )     |
| Operating lease liabilities                   | 12,312                  | 12,305        |
| R&E tax credit carryforwards                  | 18,461                  | 16,862        |
| Capitalized research and development expenses | 22,575                  | 18,089        |
| Deferred revenue                              | 849                     | 1,823         |
| Federal Net Operating Losses ("NOLs")         | 90,964                  | 92,960        |
| State NOLs                                    | 2,267                   | 3,589         |
| State credits                                 | 4,157                   | 4,157         |
| Foreign NOLs                                  | 15,132                  | 15,381        |
| Foreign tax credit carryforward               | 2,033                   | 2,057         |
| Other                                         | ( 3,814 )               | ( 671 )       |
| Total noncurrent deferred tax assets          | 167,809                 | 165,785       |
| Less: Valuation allowance                     | ( 167,632 )             | ( 165,671 )   |
| Total net deferred tax asset                  | <u>\$ 177</u>           | <u>\$ 114</u> |

The net deferred tax asset is classified as other assets, noncurrent in the accompanying Consolidated Balance Sheets.

The Company continues to record a valuation allowance against its U.S. Federal, U.S. State, and France net deferred tax balances. This valuation allowance is evaluated periodically and will be reversed partially or in whole if business results and the economic environment have sufficiently improved to support realization of some or all of the Company's deferred tax assets. In performing the analysis throughout 2023, the Company determined there was no sufficient positive evidence to outweigh the current and historic negative evidence to determine that it was more likely than not that the deferred assets would not be realized. Therefore, the Company continues to have a valuation allowance against net deferred tax assets as of December 31, 2023 and 2022.

The U.S. federal net operating losses, R&E tax credit and U.S. foreign tax credit carryforward amount available to be used in future periods, taking into account the Section 382 annual limitation and current year losses, is approximately \$ 433.1 million, \$ 22.6 million and \$ 2.0 million, respectively. The Company's net operating losses will begin to expire in 2024, R&E credits will begin to expire in 2031 and foreign tax credits began to expire in 2022. The U.S. net operating losses generated after January 1, 2018 have no expiration. Also included in foreign net operating losses are \$ 60.5 million of French carryforwards which have no expiration.

The Company has federal and state net operating loss carryforwards related to current and prior year operations and acquisitions. Internal Revenue Code Section 382 ("Section 382") places certain limitations on the annual amount of U.S. net operating loss carryforwards that can be utilized when a change of ownership occurs. The Company believes the past acquisitions were changes in ownership pursuant to Section 382, subjecting federal acquired net operating losses to limitations. According to French tax law, the net operating loss carryforwards are not subject to ownership change limitations.

Undistributed earnings of the Company's foreign subsidiaries are considered permanently reinvested and, accordingly, no provision for U.S. federal or state income taxes or non-U.S. withholding taxes has been provided thereon. The cumulative amount of positive undistributed earnings of the Company's non-U.S. subsidiaries, if any, was minimal for the years ended December 31, 2023 and 2022. The Company is presently investing in international operations located in Europe, North America, United Arab Emirates, Australia, Hong Kong and Singapore. The Company is funding the working capital needs of its foreign operations through its U.S. operations. In the future, the Company plans to utilize its foreign undistributed earnings, as well as continued funding from its U.S. operations, to support its continued foreign investment.

For the years ended December 31, 2023 and 2022, the Company had no balance in its reserve for unrecognized tax benefits. The balance for net unrecognized tax benefits for the year ended December 31, 2021 was immaterial. The Company recorded immaterial amounts for interest and penalties to tax expense for the year ended December 31, 2021. The Company continually monitors tax positions and will evaluate if any new positions need to be added during the next twelve months.

The following table sets forth the changes to the Company's unrecognized tax benefit for the years ended December 31, 2023, 2022 and 2021 (in thousands):

|                                                      | Year Ended December 31, |             |             |
|------------------------------------------------------|-------------------------|-------------|-------------|
|                                                      | 2023                    | 2022        | 2021        |
| Beginning balance                                    | \$ —                    | \$ —        | \$ 14       |
| Changes based on tax positions related to prior year | —                       | —           | —           |
| Changes due to settlement                            | —                       | —           | ( 14 )      |
| Ending balance                                       | <u>\$ —</u>             | <u>\$ —</u> | <u>\$ —</u> |

The table above has been updated to reflect gross tax liability, exclusive of interest and penalties and other offsetting amounts.

## 16. Convertible Senior Notes

The Company issued \$ 143.8 million principal amount of the 2024 Notes in May 2019 and \$ 150.0 million principal amount of the 2027 Notes in September 2020. The interest rate for the 2024 Notes is fixed at 1 % per annum and interest is payable semiannually in arrears on May 15 and November 15 of each year, commencing on November 15, 2019. The interest rate for the 2027 Notes is fixed at 2.25 % per annum and interest is payable semiannually in arrears in cash on March 15 and September 15 of each year, beginning on March 15, 2021. The 2024 Notes mature on May 15, 2024 and the 2027 Notes mature on September 15, 2027, unless redeemed or converted in accordance with their terms prior to such date.

Each \$1,000 of principal of the 2024 Notes will initially be convertible into 15.1394 shares of the Company's common stock, which is equivalent to an initial conversion price of approximately \$ 66.05 per share. Each \$1,000 of principal of the 2027

Notes will initially be convertible into 23.9137 shares of the Company's common stock, which is equivalent to an initial conversion price of approximately \$ 41.82 per share. The initial conversion price for each of the Notes is subject to adjustment upon the occurrence of certain specified events.

The Notes are each general unsecured obligations and rank senior in right of payment to all of the Company's indebtedness that is expressly subordinated in right of payment to the Notes, rank equally in right of payment with all of the Company's existing and future liabilities that are not so subordinated, are effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness and are structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries (including trade payables but excluding intercompany obligations owed to the Company or its subsidiaries).

On or after February 15, 2024 and June 15, 2027, respectively, to the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2024 and 2027 Notes, respectively, regardless of the contingent conversion conditions described herein. Upon conversion, the Company will pay or deliver cash, shares of its common stock or a combination of cash and shares of its common stock, at its election, as described in the indenture governing the 2024 and 2027 Notes.

Holders may convert their 2024 and 2027 Notes at their option at any time prior to the close of business on the business day immediately preceding February 15, 2024 and June 15, 2027, respectively, only under the following circumstances:

- during the five consecutive business day period immediately following any five consecutive trading day period (the "Measurement Period") in which the trading price per 2024 and 2027 Note, respectively, for each day of that Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such day;
- during any calendar quarter commencing after the calendar quarter ending on June 30, 2019 and December 31, 2020, respectively, if the last reported sale price of the common stock for 20 or more trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; or
- upon the occurrence of specified corporate events.

If a fundamental change (as defined in the relevant indenture governing the applicable series of Notes) occurs prior to the maturity date, holders of each of the Notes may require the Company to repurchase all or a portion of their notes for cash at a repurchase price equal to 100% of the principal amount at maturity of the Notes, plus any accrued and unpaid interest to, but excluding, the repurchase date.

In accordance with accounting guidance on embedded conversion features at the time of the Notes issuance, the Company valued and bifurcated the conversion options associated with each of the Notes from the respective host debt instrument, which is referred to as debt discount, and recorded the conversion option of each of the Notes in stockholders' equity at the time of the issuance of the Notes.

Effective January 1, 2021, the Company early adopted ASU 2020-06, *Debt - Debt with Conversion and Other Options and Derivatives and Hedging - Contracts in an Entity's Own Equity*. Upon adoption of the new standard, the Company removed the debt discount and adjusted the debt issuance cost which was previously allocated between the liability and the equity component, resulting in an increase of \$ 68.8 million to convertible debt, net. In addition, the Company recorded a reduction to additional paid-in capital of \$ 80.1 million related to the equity conversion component of the outstanding convertible notes which was previously separated and recorded in equity. The net cumulative impact of the adoption of the standard was recorded as a decrease to accumulated deficit.

On August 23, 2023, the Company entered into legally binding exchange agreements with a limited number of existing holders of the 2024 Notes to exchange approximately \$ 122.0 million aggregate principal amount of the existing 2024 Notes for a principal amount of the 2027 Notes at an exchange ratio to be determined based on the daily volume-weighted average trading price of the Company's common stock over a thirty-day trading period beginning August 24, 2023 (such exchange transactions, the "Exchange").

Although the Exchange was not completed until October 10, 2023, the Company determined that, from an accounting perspective, the Exchange was a legally binding restructuring of the debt that represented a substantial modification of the terms of the 2024 Notes subject to the Exchange, and therefore was required to be accounted for as an extinguishment transaction in August 2023. The Company derecognized the portion of the carrying value of the 2024 Notes to be exchanged and recorded the new debt resulting from the substantial modification of terms at fair value as of August 23, 2023, which was approximately \$ 123.3 million, and recorded a \$ 1.8 million loss on debt extinguishment in the third quarter of 2023. The loss on debt extinguishment is included in other income, net in the Consolidated Statements of Comprehensive Loss.

The Company concluded that the variability in the principal amount of the 2027 Notes to be issued in connection with the Exchange due to changes in stock price is a feature embedded in the restructured debt that is required to be accounted for as an embedded derivative and remeasured to fair value until settlement. This feature was recorded in convertible debt, net, with an initial value at the time of the transaction equal to zero , and subsequently remeasured at settlement with a fair value of \$ 3.9 million. At settlement and for the year ended December 31, 2023, the Company recorded a derivative loss of \$ 3.9 million which is included in other income, net in the Consolidated Statements of Comprehensive Loss. The estimated fair value was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, including the Company's stock price, interest rates and the value of the 2027 Notes, which represent level 2 in the fair value hierarchy.

On October 10, 2023, the Company settled the exchange agreements for the exchange of \$ 122.0 million aggregate principal amount of its outstanding 2024 Notes for newly issued \$ 116.8 million aggregate principal amount of its outstanding 2027 Notes. Following the settlement of the Exchange, \$ 21.7 million in aggregate principal amount of the 2024 Notes and \$ 266.8 million in aggregate principal amount of the 2027 Notes remain outstanding with terms unchanged. The 2027 Notes issued in the Exchange constitute a further issuance of, and form a single series and will be fungible with, the existing 2027 Notes. The effective interest rate related to the amortization of the premium on the 2027 Notes issued in the Exchange was 2.14 %. The Company incurred debt issuance cost of \$ 2.2 million related to the Exchange which is recorded in convertible debt, net.

As of December 31, 2023, the 2024 and 2027 Notes are not yet convertible, and their remaining life is approximately 5 months and 45 months, respectively.

As of December 31, 2023 and 2022, the fair value of the principal amount of the Notes was \$ 320.5 million and \$ 263.7 million, respectively. The estimated fair value was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, including the Company's stock price and interest rates, which represents level 2 in the fair value hierarchy.

The Notes consist of the following (in thousands):

|                                         | December 31, 2023 | December 31, 2022 |
|-----------------------------------------|-------------------|-------------------|
| Principal                               | \$ 288,529        | \$ 293,750        |
| Debt premium, net of amortization       | 9,776             | —                 |
| Debt issuance cost, net of amortization | ( 4,313 )         | ( 3,971 )         |
| Net carrying amount                     | \$ 293,992        | \$ 289,779        |

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

|                                     | Year Ended December 31, |          |          |
|-------------------------------------|-------------------------|----------|----------|
|                                     | 2023                    | 2022     | 2021     |
| Coupon                              | \$ 5,145                | \$ 4,813 | \$ 4,813 |
| Amortization of debt issuance costs | 1,349                   | 1,491    | 1,491    |
| Amortization of debt premium        | ( 612 )                 | —        | —        |
| Total                               | \$ 5,882                | \$ 6,304 | \$ 6,304 |

#### ***Capped Call Transactions***

In May 2019 and in September 2020, in connection with the offering of the 2024 and 2027 Notes, respectively, the Company entered into privately negotiated capped call transactions (collectively, the "Capped Call") with certain option

counterparties. The Capped Call transactions cover, subject to customary anti-dilution adjustments, the number of shares of the Company's common stock initially underlying the Notes, at a strike price that corresponds to the initial conversion price of the Notes, also subject to adjustment, and are exercisable upon conversion of the Notes. The Capped Call transactions are intended to reduce potential dilution to the Company's common stock and/or offset any cash payments the Company will be required to make in excess of the principal amounts upon any conversion of Notes, and to effectively increase the overall conversion price of the 2024 Notes from \$ 66.05 to \$ 101.62 per share and for the 2027 Notes from \$ 41.82 to \$ 78.90 per share. As the Capped Call transactions meet certain accounting criteria, they are recorded in stockholders' equity and are not accounted for as derivatives. The cost of the Capped Call was \$ 16.4 million and \$ 25.3 million for the 2024 and 2027 Notes, respectively, and was recorded as part of additional paid-in capital.

In August 2023, in connection with the Exchange, the Company entered into additional capped call transactions (the "Additional Capped Call") with certain option counterparties. The Company agreed to pay a premium to the option counterparties for the Additional Capped Call for an amount to be determined based on the volume-weighted average trading price of the Company's common stock over a thirty-day reference period beginning August 24, 2023. The conversion price of the Additional Capped Call is the same as the 2027 Notes Capped Call above. Initial funding of the Additional Capped Call occurred in the third quarter of 2023. The Additional Capped Call had a deferred premium component indexed to the Company's stock price and required to be settled in cash, and therefore the Additional Capped Call was a derivative instrument that, at inception, did not meet the qualifications for equity classification. On October 10, 2023, the Company settled the deferred premium on the Additional Capped Call resulting in a final value of \$ 22.2 million. As a result of the final remeasurement of the derivative asset, the Company recorded a derivative loss of \$ 0.6 million for the year ended December 31, 2023, which is included in other income, net in the Consolidated Statements of Comprehensive Loss. Once the deferred premium was settled, the instrument met the requirements for equity classification and the Company reclassified the Additional Capped Call to additional paid-in capital on the Consolidated Balance Sheet.

## **17. Credit Facility**

On July 21, 2023, the Company, through its wholly owned subsidiary PROS, Inc., entered into a three-year secured credit agreement ("Credit Agreement") with the lenders from time to time party thereto and Texas Capital Bank as administrative agent for the lenders party thereto. The Credit Agreement provides for a revolving line of credit of up to \$ 50.0 million, with interest paid monthly, at a rate per annum equal to the 30-day secured overnight financing rate ("SOFR") plus a 0.10 % per annum SOFR adjustment plus an applicable margin of 4.25 %. Borrowings under the Credit Agreement are collateralized by a first priority interest in and lien on all of the Company's material assets.

The Credit Agreement contains affirmative and negative covenants, including covenants which restrict the ability of the Company to, among other things, create liens, incur additional indebtedness and engage in certain other transactions, in each case subject to certain exclusions. In addition, the Credit Agreement contains certain financial covenants which become effective in the event the Company's liquidity (as defined in the Credit Agreement) falls below a certain level. The Credit Agreement also has a depository condition which requires the Company to maintain a cash balance of at least \$ 10.0 million with the administrative agent throughout the term of the Credit Agreement. This amount has been included in restricted cash in the Consolidated Balance Sheets. As of December 31, 2023, the Company was in compliance with all financial covenants and the depository condition in the Credit Agreement.

As of December 31, 2023, \$ 0.7 million of unamortized debt issuance cost related to the Credit Agreement is included in prepaid and other current assets and other assets, noncurrent in the Consolidated Balance Sheets. For the year ended December 31, 2023, the Company recorded \$ 0.1 million of amortization of debt issuance cost which is included in other income, net in the Consolidated Statements of Comprehensive Loss. As of December 31, 2023, the Company had no outstanding borrowings under the Credit Agreement.

## **18. Commitments and Contingencies**

### ***Litigation***

The Company is involved in various legal proceedings, claims and litigation which arise in the ordinary course of the business. The Company makes a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter. The Company is not currently involved in any outstanding litigation that it believes, individually or in the aggregate, will have a material adverse effect on its business, financial condition, results of operations or cash flows.

**Purchase Commitments**

The purchase commitments consist of agreements to purchase goods and services entered into the ordinary course of business, mainly related to infrastructure platforms, business technology software and support, and other services. The following table summarizes the non-cancelable unconditional purchase commitments for each of the next five years and thereafter as of December 31, 2023 (in thousands):

| Year Ending December 31, | Amount            |
|--------------------------|-------------------|
| 2024                     | \$ 40,408         |
| 2025                     | 45,168            |
| 2026                     | 48,546            |
| 2027                     | —                 |
| 2028                     | —                 |
| Thereafter               | —                 |
| Total                    | <u>\$ 134,122</u> |

**Indemnification**

The Company's software agreements generally include certain provisions for indemnifying customers against liabilities if the Company's software solutions infringe a third party's intellectual property rights. To date, the Company has not incurred any losses as a result of such indemnifications and has not accrued any liabilities related to such obligations in the Company's Consolidated Financial Statements.

**19. Segment and Geographic Information**

The Company operates as one segment with a single reporting unit. Operating segments are the components of an enterprise where separate financial information is evaluated regularly by the chief operating decision-maker, who is the Company's Chief Executive Officer, in deciding how to allocate resources and assessing financial performance. The Company's chief operating decision-maker allocates resources and assesses performance based upon discrete financial information at the consolidated level.

**Revenue by Geography**

The Company presents financial information on a consolidated basis and does not assess the profitability of its geographic regions. Accordingly, the Company does not attempt to comprehensively assign or allocate costs to these regions and does not produce reports for, or measure the performance of, its geographic regions based on any asset-based metrics.

International revenue for the years ended December 31, 2023, 2022 and 2021, amounted to approximately \$ 196.7 million, \$ 177.8 million and \$ 162.5 million, respectively, representing 65 %, 64 % and 65 %, respectively, of annual revenue.

The following geographic information is presented for the years ended December 31, 2023, 2022 and 2021. The Company categorizes geographic revenues based on the location of the customer's headquarters.

|                          | Year Ended December 31, |         |            |         |            |         |
|--------------------------|-------------------------|---------|------------|---------|------------|---------|
|                          | 2023                    |         | 2022       |         | 2021       |         |
|                          | Revenue                 | Percent | Revenue    | Percent | Revenue    | Percent |
| The Americas:            |                         |         |            |         |            |         |
| United States of America | \$ 107,004              | 35 %    | \$ 98,361  | 36 %    | \$ 88,892  | 35 %    |
| Other                    | 27,239                  | 9 %     | 25,137     | 9 %     | 21,349     | 9 %     |
| Subtotal                 | 134,243                 | 44 %    | 123,498    | 45 %    | 110,241    | 44 %    |
| Europe                   | 99,470                  | 33 %    | 83,485     | 30 %    | 76,484     | 30 %    |
| Asia Pacific             | 39,454                  | 13 %    | 41,055     | 15 %    | 41,234     | 16 %    |
| The Middle East          | 28,040                  | 9 %     | 26,395     | 9 %     | 21,962     | 9 %     |
| Africa                   | 2,501                   | 1 %     | 1,704      | 1 %     | 1,502      | 1 %     |
| Total revenue            | \$ 303,708              | 100 %   | \$ 276,137 | 100 %   | \$ 251,423 | 100 %   |

## 20. Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, and trade accounts receivable. The Company's deposits exceed federally insured limits. For the year ended December 31, 2023, no customer accounted for 10 % or more of trade accounts receivables. For the years ended December 31, 2023, 2022 and 2021, no single customer accounted for 10 % or more of revenue.

## 21. Related-Party Transactions

The Company currently has employment agreements with its executive officers. In the event of termination of employment other than for cause, the employment agreements provide separation benefits, including twelve to eighteen months of salary, as well as the vesting of certain equity awards.

## 22. Employee Retirement Savings Plan

The Company has a 401(k) savings plan for all eligible employees in the United States. Historically, the Company's matching contribution has been 50 % of the first 8 % of employee contributions, and the Company may also make discretionary contributions. In April 2023, the Company's matching contribution changed to 50 % of the first 4 % of employee contributions for the duration of the year ended December 31, 2023. Matching contributions by the Company in 2023, 2022 and 2021 totaled approximately \$ 2.7 million, \$ 3.9 million and \$ 3.5 million, respectively.

## 23. Severance and Other Related Costs

In October 2022, the Company reprioritized its investments to focus on supporting key growth areas of its business. As a result of this reprioritization, the Company incurred approximately \$ 4.0 million of severance, employee benefits, outplacement and related costs in the fourth quarter of 2022. These costs were recorded primarily as operating expenses in the Consolidated Statements of Comprehensive Loss, mainly research and development, and sales and marketing. During the quarter ended December 31, 2022, cash payments of \$ 3.1 million were recorded for the incurred costs.

In the first quarter of 2023, the Company made certain organizational changes and incurred approximately \$ 3.6 million of severance, employee benefits, outplacement and related costs. These costs were recorded primarily as operating expenses in the Consolidated Statements of Comprehensive Loss, mainly research and development, and sales and marketing. During the year ended December 31, 2023, cash payments of \$ 4.1 million were recorded for the incurred severance costs. As of December 31, 2023, all severance and other related costs were fully paid.

## 24. Other Income, Net

Other income, net consisted of the following (in thousands):

|                                            | Year Ended December 31, |                 |               |
|--------------------------------------------|-------------------------|-----------------|---------------|
|                                            | 2023                    | 2022            | 2021          |
| Interest income (expense), net             | \$ 7,728                | \$ 2,333        | \$ ( 137 )    |
| Foreign currency (loss) gain, net          | ( 1,124 )               | ( 613 )         | 281           |
| Gain/(loss) on equity investments, net (2) | 828                     | 1,308           | —             |
| Loss on derivatives (1)                    | (4,489)                 | —               | —             |
| Loss on debt extinguishment (1)            | ( 1,779 )               | —               | —             |
| Other                                      | ( 101 )                 | 56              | 164           |
| Total other income, net                    | <u>\$ 1,063</u>         | <u>\$ 3,084</u> | <u>\$ 308</u> |

(1) Losses were recognized in connection with the Notes Exchange, see Note 16.

(2) See Note 10 for additional detail on the gain (loss) on equity investments, net.

**Schedule II**  
**Valuation and Qualifying Accounts**

|                                    | Balance at<br>beginning<br>of period | Additions<br>charged to<br>costs and<br>expenses | Deductions (1) | Other (2)    | Balance at<br>end of<br>period |
|------------------------------------|--------------------------------------|--------------------------------------------------|----------------|--------------|--------------------------------|
| <b>Allowance for credit losses</b> |                                      |                                                  |                |              |                                |
| 2023                               | \$ 609                               | \$ 114                                           | \$ ( 149 )     | \$ —         | \$ 574                         |
| 2022                               | \$ 1,206                             | \$ 552                                           | \$ ( 1,149 )   | \$ —         | \$ 609                         |
| 2021                               | \$ 4,122                             | \$ 161                                           | \$ ( 3,077 )   | \$ —         | \$ 1,206                       |
| <b>Valuation allowance</b>         |                                      |                                                  |                |              |                                |
| 2023                               | \$ 165,671                           | \$ 4,772                                         | \$ —           | \$ ( 2,811 ) | \$ 167,632                     |
| 2022                               | \$ 146,832                           | \$ 16,645                                        | \$ —           | \$ 2,194     | \$ 165,671                     |
| 2021                               | \$ 130,733                           | \$ 16,649                                        | \$ —           | \$ ( 550 )   | \$ 146,832                     |

(1) Deductions column represents the reversal of additions previously charged to costs and expenses and uncollectible accounts written off, net of recoveries.

(2) Other column represents the cumulative translation adjustment impact on the allowance.

# Exhibit Index

| Exhibit No. | Description                                                                                                                                                                    | Provided Herewith | Incorporated by Reference |             |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------------------------|-------------|
|             |                                                                                                                                                                                |                   | Form                      | Filing Date |
| 3.1         | <a href="#">Amended and Restated Certificate of Incorporation.</a>                                                                                                             |                   | S-1/A                     | 6/15/2007   |
| 3.2         | <a href="#">Amended and Restated Bylaws.</a>                                                                                                                                   |                   | 8-K                       | 4/29/2020   |
| 4.1         | <a href="#">Specimen certificate for shares of common stock.</a>                                                                                                               |                   | S-1/A                     | 6/11/2007   |
| 4.2         | <a href="#">Indenture, dated May 7, 2019 between Registrant and Wilmington Trust, National Association, as trustee.</a>                                                        |                   | 8-K                       | 5/7/2019    |
| 4.3         | <a href="#">Global Note, dated May 7, 2019 between Registrant and Wilmington Trust, National Association, as trustee.</a>                                                      |                   | 8-K                       | 5/7/2019    |
| 4.4         | <a href="#">Indenture, dated September 15, 2020 between Registrant and Wilmington Trust, National Association, as trustee.</a>                                                 |                   | 8-K                       | 9/16/2020   |
| 4.5         | <a href="#">Global Note, dated September 15, 2020 between Registrant and Wilmington Trust, National Association, as trustee.</a>                                               |                   | 8-K                       | 9/16/2020   |
| 4.6         | <a href="#">Form of 2.250% Convertible Senior Notes due 2027</a>                                                                                                               |                   | 8-K                       | 10/10/2023  |
| 4.7         | <a href="#">Description of Registered Securities.</a>                                                                                                                          |                   | 10-K                      | 2/19/2020   |
| 4.8         | <a href="#">Credit Agreement dated as of July 21, 2023 between Registrant, the guarantors, and Texas Capital Bank, as administrative agent (certain information redacted).</a> |                   | 8-K                       | 7/21/2023   |
| 10.1+       | <a href="#">Amended and Restated 2017 Equity Incentive Plan, as amended.</a>                                                                                                   |                   | DEF-14A                   | 3/31/2023   |
| 10.2+       | <a href="#">Form of Notice of Grant of Market Stock Units and Award Agreement under the 2017 Equity Incentive Plan (Form adopted in 2021).</a>                                 |                   | 10-K                      | 2/12/2021   |
| 10.3+       | <a href="#">Form of Notice of Grant of Restricted Stock Units and Award Agreement under the 2017 Equity Incentive Plan.</a>                                                    |                   | 10-Q                      | 8/3/2017    |
| 10.4+       | <a href="#">Form of Notice of Grant of Restricted Stock Units and Award Agreement under the 2017 Equity Incentive Plan (Form adopted in 2021).</a>                             |                   | 10-K                      | 2/12/2021   |
| 10.5+       | <a href="#">Form of Notice of Grant of Restricted Stock Units and Award Agreement under the 2017 Equity Incentive Plan (Form adopted in 2022)</a>                              |                   | 10-K                      | 2/18/2022   |
| 10.6+       | <a href="#">2013 Employee Stock Purchase Plan, as amended.</a>                                                                                                                 |                   | DEF-14A                   | 4/2/2021    |
| 10.7        | <a href="#">Office Lease Agreement, dated November 30, 2018, by and between PROS, Inc., and Thor Kirby 3 Group, LLC.</a>                                                       |                   | 8-K                       | 12/4/2018   |
| 10.8+       | <a href="#">Second Amended and Restated Employment Agreement, dated December 3, 2018, by and between PROS, Inc., Registrant, and Andres D. Reiner.</a>                         |                   | 8-K                       | 12/4/2018   |
| 10.9+       | <a href="#">Amended and Restated Employment Agreement, dated November 8, 2023, by and between PROS, Inc., Registrant, and Stefan B. Schulz.</a>                                | X                 |                           |             |
| 10.10+      | <a href="#">Form of Indemnification Agreement to be entered into among Registrant, its affiliates and its directors and officers.</a>                                          |                   | 10-K                      | 2/15/2017   |
| 10.11       | <a href="#">Form of Base Capped Call Confirmation.</a>                                                                                                                         |                   | 8-K                       | 5/7/2019    |
| 10.12       | <a href="#">Form of Additional Capped Call Confirmation.</a>                                                                                                                   |                   | 8-K                       | 5/7/2019    |
| 10.13       | <a href="#">Form of Base Capped Call Confirmation.</a>                                                                                                                         |                   | 8-K                       | 9/16/2020   |
| 10.14       | <a href="#">Form of Additional Capped Call</a>                                                                                                                                 |                   | 8-K                       | 8/24/2023   |
| 21.1        | <a href="#">List of Subsidiaries.</a>                                                                                                                                          | X                 |                           |             |
| 23.1        | <a href="#">Consent of PricewaterhouseCoopers LLP.</a>                                                                                                                         | X                 |                           |             |
| 24.1*       | <a href="#">Power of Attorney.</a>                                                                                                                                             | X                 |                           |             |
| 31.1        | <a href="#">Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).</a>                                                                    | X                 |                           |             |
| 31.2        | <a href="#">Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/ 15d-14(a).</a>                                                                   | X                 |                           |             |
| 32.1**      | <a href="#">Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.</a>                                                      | X                 |                           |             |
| 97.1        | <a href="#">Policy for Recovery of Erroneously Awarded Incentive Compensation</a>                                                                                              | X                 |                           |             |

| <b>Exhibit No.</b> | <b>Description</b>                                                                                                                                                                                                                                                                                              |
|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 101.INS            | XBRL Instance Document.                                                                                                                                                                                                                                                                                         |
| 101.SCH            | XBRL Taxonomy Extension Schema Document.                                                                                                                                                                                                                                                                        |
| 101.CAL            | XBRL Taxonomy Extension Calculation Linkbase Document.                                                                                                                                                                                                                                                          |
| 101.DEF            | XBRL Taxonomy Extension Definition Linkbase Document.                                                                                                                                                                                                                                                           |
| 101.LAB            | XBRL Taxonomy Extension Label Linkbase Document.                                                                                                                                                                                                                                                                |
| 101.PRE            | XBRL Taxonomy Extension Presentation Linkbase Document.                                                                                                                                                                                                                                                         |
| *                  | Reference is made to page F-39 of this Annual Report on Form 10-K.                                                                                                                                                                                                                                              |
| **                 | This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Act of 1934, or otherwise subject to the liability of that Section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934. |
| +                  | Indicates a management contract or compensatory plan or arrangement.                                                                                                                                                                                                                                            |

**Item 16. *Form 10-K summary***

Registrants may voluntarily include a summary of information required by Form 10-K under this Item 16. The Registrant has elected not to include such summary information.

### Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 14, 2024.

PROS Holdings, Inc.

By: /s/ Andres Reiner  
Andres Reiner  
*President and Chief Executive Officer*

KNOW BY THESE PRESENT, that each person whose signature appears below constitutes and appoints each of Andres Reiner and Stefan Schulz, his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of the attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

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

| Signatures                                            | Title                                                                                    | Date              |
|-------------------------------------------------------|------------------------------------------------------------------------------------------|-------------------|
| <u>/s/ Andres Reiner</u><br>Andres Reiner             | President, Chief Executive Officer, and<br>Director<br>(Principal Executive Officer)     | February 14, 2024 |
| <u>/s/ Stefan Schulz</u><br>Stefan Schulz             | Executive Vice President and Chief Financial<br>Officer<br>(Principal Financial Officer) | February 14, 2024 |
| <u>/s/ Scott Cook</u><br>Scott Cook                   | Senior Vice President and Chief Accounting<br>Officer (Principal Accounting Officer)     | February 14, 2024 |
| <u>/s/ William Russell</u><br>William Russell         | Chairman of the Board                                                                    | February 14, 2024 |
| <u>/s/ Michelle Benfer</u><br>Michelle Benfer         | Director                                                                                 | February 14, 2024 |
| <u>/s/ Carlos Dominguez</u><br>Carlos Dominguez       | Director                                                                                 | February 14, 2024 |
| <u>/s/ Raja Hammoud</u><br>Raja Hammoud               | Director                                                                                 | February 14, 2024 |
| <u>/s/ Cynthia Johnson</u><br>Cynthia Johnson         | Director                                                                                 | February 14, 2024 |
| <u>/s/ Leland T. Jourdan</u><br>Leland T. Jourdan     | Director                                                                                 | February 14, 2024 |
| <u>/s/ Catherine Lesjak</u><br>Catherine Lesjak       | Director                                                                                 | February 14, 2024 |
| <u>/s/ Greg B. Petersen</u><br>Greg B. Petersen       | Director                                                                                 | February 14, 2024 |
| <u>/s/ Timothy V. Williams</u><br>Timothy V. Williams | Director                                                                                 | February 14, 2024 |

**AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

THIS AMENDED AND RESTATED EMPLOYMENT AGREEMENT (this “**Agreement**”) is made and entered into as of November 8, 2023 (the “**Effective Date**”) by and between PROS, Inc., a Delaware corporation (the “**Company**”), PROS Holdings, Inc., a Delaware corporation (“**PROS Holdings**”), and Stefan B. Schulz (the “**Employee**”), and amends and restates in its entirety that certain Amended and Restated Employment Agreement dated as of December 3, 2018 between the Employee and the Company. The Company and the Employee are sometimes collectively referred to herein as the “**Parties**” and individually referred to herein as a “**Party**.”

**RECITALS**

WHEREAS, the Employee and the Company desire to enter into an amended and restated employment agreement containing the material terms and conditions set forth herein.

WHEREAS, the Parties intend that this Agreement memorialize all of the rights, duties and obligations of the Parties with respect to the employment of Employee with the Company.

**AGREEMENT**

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and adequacy of which is acknowledged, the Parties hereby agree as follows:

1. **Position and Duties.** Employee shall be employed by the Company as Executive Vice President and Chief Financial Officer, will report to the Company's Chief Executive Officer, and will have such corresponding duties and responsibilities as are intrinsic to Employee's position and such other duties and responsibilities on behalf of the Company and its affiliates as may reasonably be designated from time to time by the Employee's supervisor. In addition, and without further compensation, the Employee shall serve as a director and/or officer of one or more of the Company's affiliates if so elected or appointed from time to time. Employee agrees to devote Employee's full time, energy and skill to Employee's responsibilities and duties to the Company and its affiliates. Employee agrees to resign as a director and/or officer of the Company and any of its affiliates immediately upon the termination of Employee's employment for any reason.

2. **Term of Agreement.** The term of this Agreement (the “**Term**”) shall be for an initial period of three (3) years following the Effective Date (the “**Initial Term**”), and will be automatically renewed for additional terms of three (3) years unless the Company decides, in its sole discretion, not to so extend and provides notice thereof to Employee (each such extension being a “**Renewal Term**”).

3. **Compensation.** Employee shall be compensated by the Company for the performance of Employee's duties and obligations hereunder as follows:

(a) **Salary.** Employee shall be paid a salary of \$33,750.00 per month, less applicable withholdings and deductions, in accordance with the Company's normal payroll procedures, as such salary may be increased from time to time by the Company (the “**Salary**”).

(b) **Bonus.** Employee shall be entitled to participate in the Company's employee bonus plans as authorized by the Board of Directors of PROS Holdings (the “**Board**”), or the Compensation and Leadership Development Committee thereof (the “**Compensation Committee**”), from time to time (any bonus amounts payable pursuant to such plans being a “**Bonus**”). Any Bonus shall be less statutory and other authorized deductions and withholdings and payable in accordance with the terms of the bonus plan. Pursuant to the Company's Corporate Governance Guidelines, the Board will consider and make a decision in its sole discretion to recoup, under applicable law, any Bonus awarded to the Employee, if Employee's fraud or intentional misconduct significantly contributed to a restatement of financial results that led to the awarding of Employee's Bonus(es).

(c) **Benefits.** Employee shall be eligible, on the same basis as other employees of the Company, to participate in and to receive the benefits of the Company's employee benefit plans and vacation, holiday and business expense reimbursement policies, each as in effect from time to time. Such participation shall be subject to (i) the terms of the applicable plan documents, (ii) generally applicable Company policies and (iii) the discretion of the Board or any administrative or other committee provided for in or contemplated by such plan.

(d) **Review.** The Compensation Committee will review Employee's Salary on a periodic basis consistent with its review of other management generally and may adjust such Salary upward in its discretion.

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4. *Termination.* Company and Employee may terminate Employee's employment prior to the expiration of the Term, pursuant to the provisions set forth below. Upon the termination (voluntarily or otherwise) of Employee's employment with the Company, neither Party shall have any continuing obligations or liabilities with respect to compensation, benefits, or severance except as set forth in this *Section 4*.

(a) *Voluntary Termination; Termination for Cause* . If Employee's employment is voluntarily terminated by Employee other than for Good Reason (a "**Voluntary Termination**") or is terminated by the Company for Cause (as defined below), Employee shall be entitled to no compensation or benefits from the Company other than accrued and unpaid compensation and benefits through the date of termination ("**Termination Date**"). In the case of Employee's allegation of Good Reason, (A) Employee shall provide written notice to Company of the event alleged to constitute Good Reason within 60 days of the occurrence of such event, and (B) Company shall have the opportunity to remedy the alleged Good Reason event within 30 days from receipt of notice of such allegation. In order to resign for Good Reason, Employee must effectuate such resignation within 60 days after notifying Company of the event alleged to constitute Good Reason, provided Company has not cured such condition within 30 days from receipt of the notification.

(b) *Termination Without Cause or for Good Reason* . In the event Employee's employment is terminated (or this Agreement is not renewed for any additional Renewal Term) by the Company without Cause or by Employee for Good Reason, Employee shall be entitled to accrued and unpaid compensation through the Termination Date. In addition, provided Employee signs, delivers to Company, and does not revoke, within thirty (30) days following the Termination Date, a general release and waiver in a form acceptable to the Company (the general form of which is attached hereto as Exhibit A) (the "**Severance Conditions**"), Employee shall receive the following severance package:

(i) severance equivalent to one hundred percent (100%) of the Employee's then current annual Salary, less applicable withholding and deductions, paid in equal installments over a twelve (12) month period on Company's regular paydays, with the first such installment payment made on the first payday following the 30th day after Employee's Termination Date; and

(ii) to the extent Employee participates in any medical, prescription drug, dental, vision and any other "group health plan" of the Company immediately prior to Employee's Termination Date, the Company shall pay to Employee in a lump sum a fully taxable cash payment in an amount equal to twelve (12) times the monthly premium cost to Employee of continued coverage for Employee that would be incurred for continuation coverage under such plans in accordance with Section 4980B of the Internal Revenue Code of 1986, as amended, and Part 6 of Title 1 of the Employee Retirement Income Security Act of 1986, as amended, less applicable tax withholding, payable on the first payday following the 30th day after Employee's Termination Date. Employee may, but is not obligated to, use such payment toward the cost of continuation coverage premiums; and

(iii) (A) any unpaid Bonus (including full discretionary components thereof) relating to completed bonus periods preceding the Termination Date (for example, (i) if Employee's employment is terminated in January, prior to the payment of bonuses related to the preceding fiscal year, Employee shall be entitled to the payment of the Bonus related to such preceding year and (ii) if Employee's employment is terminated in July, prior to the payment of bonuses related to the preceding fiscal quarters, Employee shall be entitled to the payment of the Bonus related to such preceding quarters), if any (the "**Unpaid Bonus**"), and (B) the Bonus within the Applicable Bonus Plan that Employee would have received at one hundred percent (100%) of performance targets (including full discretionary components thereof) as if the Employee had continued working for the Company throughout the twelve (12) month period following the Termination Date (the "**Forward Bonus**"). The Unpaid Bonus shall be payable on the first payday following the 30<sup>th</sup> day after Employee's Termination Date, and the Forward Bonus shall be payable in equal installments over a twelve (12) month period on Company's regular paydays, with the first such installment payment made on the first payday following the 30th day after Employee's Termination Date; and

(iv) the acceleration of vesting equity awards (including, without limitation, any awards of stock options, restricted stock, restricted stock units, and/or performance shares or units) issued to the Employee by PROS Holdings with respect to such shares that would have vested prior to the first anniversary of the Termination Date.

(v) the acceleration of vesting of all market stock awards issued to the Employee by PROS Holdings scheduled to vest prior to the first anniversary of the Termination Date. For the purposes of determining the number of earned units (if any) following the vesting of market stock units, the Performance Period (as defined in the market stock unit award) will be deemed to have ended on the Termination Date.

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(c) *Termination without Cause or for Good Reason within the Six Month Period Before or Anytime Following a Change of Control.* In the event Employee's employment is terminated (or this Agreement is not renewed for any additional Renewal Term) by the Company or its successor without Cause or by Employee for Good Reason, Employee shall be entitled to accrued and unpaid compensation through the Termination Date. In addition, provided that such termination of the Employee's employment occurs within six (6) months prior to, or anytime following, a Change of Control, and provided that the Severance Conditions are met, then in lieu of the severance package available under Section 4(b), the Employee shall receive the following severance package:

(i) a lump sum severance payment equivalent to one hundred fifty percent (150%) of the Employee's then current annual Salary, less applicable withholding and deductions, payable on the first payday following the 30th day after the later of Employee's Termination Date or the Change of Control; and

(ii) to the extent Employee participates in any medical, prescription drug, dental, vision and any other "group health plan" of the Company immediately prior to Employee's Termination Date, the Company shall pay to Employee in a lump sum a fully taxable cash payment in an amount equal to eighteen (18) times the monthly premium cost to Employee of continued coverage for Employee that would be incurred for continuation coverage under such plans in accordance with Section 4980B of the Internal Revenue Code of 1986, as amended, and Part 6 of Title 1 of the Employee Retirement Income Security Act of 1986, as amended, less applicable tax withholding, payable on the first payday following the 30th day after the later of Employee's Termination Date or the Change of Control. Employee may, but is not obligated to, use such payment toward the cost of continuation coverage premiums; and

(iii) any unpaid Bonus (including full discretionary components thereof) relating to completed bonus periods preceding the Termination Date (for example, (i) if Employee's employment is terminated in January, prior to the payment of bonuses related to the preceding fiscal year, Employee shall be entitled to the payment of the Bonus related to such preceding year and (ii) if Employee's employment is terminated in July, prior to the payment of bonuses related to the preceding fiscal quarters, Employee shall be entitled to the payment of the Bonus related to such preceding quarters), if any (the "**CIC Unpaid Bonus**"), and (B) the Bonus within the Applicable Bonus Plan that Employee would have received at one hundred percent (100%) of performance targets (including full discretionary components thereof) as if the Employee had continued working for the Company throughout the eighteen (18) month period following the Termination Date (the "**CIC Forward Bonus**"). The CIC Unpaid Bonus and CIC Forward Bonus shall be payable on the first payday following the 30th day after the later of Employee's Termination Date or the Change of Control; and

(iv) the acceleration of vesting all equity awards (including, without limitation, any awards of stock options, restricted stock, restricted stock units, and/or performance shares or units) issued to the Employee by PROS Holdings with respect to such shares that would have vested following the Termination Date. For the sake of clarity, any equity award with a performance-based component, which is accelerated pursuant to this Section 4(c)(iv) as a result of a termination occurring during either the (a) six month period before a Change of Control or (b) anytime following a Change of Control, such acceleration shall be treated as occurring (x) in anticipation of a Change of Control (as defined in the equity award agreement governing such performance-based award) or (y) following a Change of Control, respectively, and otherwise in accordance with the terms and conditions of the equity award agreement governing such performance-based award.

(d) *Termination for Death or Disability.* Employee's employment with the Company will automatically terminate effective upon Employee's death or Disability. In the event that this Agreement terminates due to the death or Disability of the Employee, Employee shall be entitled to the acceleration of vesting all equity awards (including, without limitation, any awards of stock options, restricted stock, restricted stock units, and/or performance shares or units) issued to the Employee by PROS Holdings with respect to such shares that would have vested following the Termination Date, and the acceleration of vesting of all market stock awards issued to the Employee by PROS Holdings at one hundred percent (100%) of the target number of market stock units granted.

(e) *Definitions.*

(i) "**Applicable Bonus Plan**" shall be the Company's bonus plan then in effect if such plan contemplates the Employee or, if no bonus plan is then in effect that contemplates the Employee, the bonus plan for the immediately preceding bonus period.

(ii) "**Cause**" shall mean (a) the unauthorized use or disclosure of the confidential information or trade secrets of the Company by the Employee, which use or disclosure causes material harm to the Company; (b) conviction of or a plea of "guilty" or "no contest" to a felony, or any other crime involving dishonesty or moral turpitude under the laws of the United States; (c) any intentional wrongdoing by Employee, whether by omission or commission, which adversely affects the business or affairs of the Company (or any parent or subsidiary); (d) continued failure to perform assigned duties (other than by reason of Disability) or comply with any Company policy after receiving written notification and following a reasonable cure period; (e) any material breach by the Employee of this Agreement or any other agreement between the Employee and the Company or any of its affiliates after receiving written notification and following a reasonable cure period, if such breach is curable; (f) any failure to cooperate in good faith with the Company in any governmental investigation or formal proceeding, if the Company has requested the Employee's cooperation.

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(iii) **"Change of Control"** shall mean any transaction including, without limitation, a merger, consolidation, sale of stock or sale of assets, but excluding any assignment as security for indebtedness, after which

(a) any Person(s) other than the current stockholders shall own in excess of fifty percent (50%) of the voting stock of PROS Holdings (or the Person into which PROS Holdings shall have been merged or consolidated), have acquired all or substantially all of the consolidated assets of the Company or PROS Holdings; or (b) the persons entitled to elect a majority of the members of Board immediately before the transaction are not entitled to elect a majority of the members of the Board of the surviving entity following the transaction; provided that, in each case, the Change of Control is also a "change in control event" as defined in Section 409A. For purposes of this definition, **"Person"** means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than employee benefit plans sponsored or maintained by PROS Holdings and by entities controlled by PROS Holdings.

(iv) **"Disability"** shall mean the good-faith determination by the Board after consultation with medical personnel that the Employee (i) is unable to engage in any substantial gainful activity because of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of at least twelve (12) months, or (ii) is receiving income replacement benefits for a period of at least three (3) months under a Company-sponsored disability plan because of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of at least twelve (12) months. In any case, if a disability is determined to trigger the payment of any "deferred compensation" as defined in Section 409A (as defined in Section 11), disability shall be determined in accordance with Section 409A.

(v) **"Good Reason"** shall mean, without the express written consent of Employee, the occurrence of any one or more of the following:

(A) a material diminution in Employee's authority, duties or responsibilities or the assignment of duties to Employee that are not materially commensurate with Employee's position with Company. For purposes of clarification, should the Company be acquired and made part of a larger entity, whether as a subsidiary, business unit or otherwise and the Employee, by virtue of such event, experiences a material diminution in Employee's authority, duties, or responsibilities (for example, but not by way of limitation, if the Employee remains the Chief Financial Officer of the Company following a Change in Control where the Company becomes a wholly owned subsidiary of the acquirer, but the Employee is not made the Chief Financial Officer of the acquiring corporation) such material diminution will constitute "Good Reason";

(B) a reduction by the Company of the Employee's Salary or annual Bonus opportunity other than a reduction which is part of a general reduction affecting all employees;

(C) the relocation of the principal place of the Employee's service to a location that is more than twenty-five (25) miles from the Employee's principal place of service as of the Effective Date, which for the sake of clarity is Houston, Texas;

(D) any failure by the Company to continue to provide Employee with the opportunity to participate, on terms no less favorable than those in effect for the benefit of any employee holding a comparable position with the company, in any material benefit or compensation plans and programs, which results in a material detriment to Employee;

(E) any material breach by the Company of any provision of this Agreement; or

(F) any failure by any successor corporation to assume the Company's obligations under this Agreement.

5. **Confidential Information.** Employee acknowledges and agrees that the Company considers to be confidential the information and data obtained by him while employed by the Company concerning the actual or anticipated business or affairs of the Company, its subsidiaries or affiliates (collectively, **"Confidential Information"**) and that such Confidential Information is the property of the Company and/or the respective subsidiary or affiliate. Therefore, Employee agrees that Employee shall not disclose to any unauthorized person or use for Employee's own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the aforementioned matters become generally known to and available for use by the public or persons knowledgeable in the Company's industry other than as a result of Employee's acts or omissions which constitute a breach hereof. Employee shall deliver to the Company at the termination (whether voluntary or otherwise) of Employee's employment, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) relating to the Confidential Information, Work Product (as defined below) or the business or business anticipated to be conducted by the Company within one year of termination, its subsidiaries or affiliates (including, without limitation, trade secrets, business or marketing plans, reports, projections, diskettes, intangible information stored on diskettes, software programs and data compiled with the use of those programs, tangible copies of trade secrets and confidential information, memoranda, credit cards, telephone charge cards, manuals, building keys and passes, cell phones, computers, names and addresses of the Company's or its subsidiaries' or affiliates' customers and potential customers, customer lists, customer contracts, sales information and any and all other similar information or property) which Employee may then possess or have under Employee's control. Employee further agrees that in the event Employee discovers any other materials of the Company, its subsidiaries or affiliates in Employee's possession or control after the Termination Date, Employee will immediately return such property to the Company.

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6. *Inventions and Patents.* Employee acknowledges that all inventions, innovations, improvements, developments, methods, designs, analyses, drawings, reports and all similar or related information (whether or not patentable) which (i) relate to the Company's or its subsidiaries' actual or anticipated business, research and development or existing or future products or services or (ii) result from any work performed by Employee for the Company or its subsidiaries, and which are conceived, developed or made by the Employee during the Noncompete Period ("**Work Product**") belong to the Company or such subsidiary; provided, however, that this *Section 6* does not apply to any invention for which no equipment, supplies, materials, facilities, trade secrets, or other proprietary information of the Company or its subsidiaries was used and which was developed entirely on Employee's own time, unless (i) the invention relates to the actual or anticipated business of the Company or its subsidiaries or to the Company's or any of its subsidiaries' actual or anticipated research or development, or existing or future products or services or (ii) the invention results from any work performed by Employee for the Company or its subsidiaries. Employee shall promptly disclose such Work Product to the Board and perform all actions requested by the Board (whether during or after the employment period) to establish and confirm such ownership (including, without limitation, assignments, consents, powers of attorney and other instruments). The Parties acknowledge and agree that Work Product is subject to this *Section 6* and is Confidential Information unless and to the extent that such Work Product (i) becomes generally known to and available for use by the public or persons knowledgeable in the Company's industry other than as a result of Employee's acts or omissions which constitute a breach of this Agreement or (ii) the Employee discloses such Work Product to the Board and the Board by vote or written consent waives its rights under this Agreement with respect thereto.

7. *Non-Compete, Non-Solicitation.*

(a) In further consideration of the confidential, proprietary information Company shall provide to Employee during Employee's employment, which Employee promises not to disclose, as well as the compensation to be paid to Employee hereunder, including the severance payments, if any, Employee agrees to the restrictions set forth in this paragraph. Employee acknowledges that Employee's services shall be of special, unique, and extraordinary value to the Company. Therefore, Employee agrees that, during Employee's employment and for one (1) year following the termination of Employee's employment with the Company for any reason (collectively, the "**Noncompete Period**"), Employee shall not, directly or indirectly, own any interest in, manage, control, or in any manner engage in any business competing with the actual businesses of the Company as of the Termination Date ("**Competitor**"), within any geographical area in which the Company engages in such businesses ("**Restricted Territory**"). Employee further agrees that during the Noncompete Period, Employee will not perform the same or similar services for a Competitor in the Restricted Territory. Nothing herein shall prohibit Employee from being a passive owner of not more than two percent (2%) of the outstanding capital stock of any class of a corporation which is publicly traded, so long as Employee has no active participation in the business of such corporation.

(b) During the Noncompete Period, Employee shall not directly himself or indirectly through another person or entity (i) induce or attempt to induce any employee of the Company, its subsidiaries or affiliates to leave the employ thereof, or in any way interfere with the relationship between the Company and any employee thereof, (ii) hire any person who was an employee or contractor of the Company or (iii) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee, contractor or other business relation of the Company, for whom Employee had material contact (a "**Company Material Contact**"), to cease its relationship with Company, or in any way interfere with the relationship between any such Company Material Contact and the Company (including, without limitation, making any negative statements or communications about the Company, its subsidiaries, or affiliates).

(c) If, at the time of enforcement of this *Section 7*, a court shall hold that the duration, scope or area restrictions stated herein are unreasonable under circumstances then existing, the Parties agree that the maximum duration, scope or area reasonable under such circumstances shall be substituted for the stated duration, scope or area and that the court shall be allowed to revise the restrictions contained herein to cover the maximum duration, scope and area permitted by law.

(d) Employee acknowledges and agrees that the restrictions contained in this *Section 7* are enforceable and reasonable. Accordingly, should Employee assert in any context that the restrictions contained in this *Section 7* are unenforceable or unreasonable, Employee agrees that as of the date of such assertion the Company shall have no further obligation to provide him with the severance packages described in *Section 4* above.

8. *Non-Disparagement.* Each of the Parties represents and agrees that such Party will not, directly or indirectly, engage during the Noncompete Period in any defamatory, disparaging or critical communication with any other person or entity concerning the business, operations, services, marketing strategies, pricing policies, management, business practices, officers, directors, employees, attorneys, representatives, affiliates, agents affairs and/or financial condition of the other Party, its subsidiaries or affiliates.

9. *Injunctive Relief and Additional Remedy.* Employee acknowledges and agrees that any breach or threatened breach by Employee of any of the provisions of *Sections 5, 6, 7, or 8* would result in irreparable injury and damage to the Company and/or its subsidiaries and affiliates for which the Company and/or its subsidiaries and affiliates would have no adequate remedy at law. The Employee therefore also acknowledges and agrees that in the event of such breach or threatened breach the Company, in addition and supplementary to other rights and remedies existing in its favor, may apply to any court of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions thereof (without posting a bond or other security). The terms of this *Section 9* shall not prevent the Company from pursuing any other available remedies for any breach or threatened breach thereof including, without limitation, the recovery of damages from Employee. In addition, in the event of an alleged breach or violation by Employee of any of the provisions of *Sections 5, 6, 7, or 8*, the Noncompete Period shall be tolled with respect to such provision until such breach or violation has been duly cured.

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10. *Waiver of Jury Trial*. Employee and the Company knowingly and conclusively waive all rights to trial by jury, in any action or proceeding relating any dispute, controversy or claim, of any and every kind or type, whether based on contract, tort, statute, regulations, or otherwise, arising out of, connected with, or relating in any way to this Agreement, the obligations of the Parties hereunder, including without limitation, any dispute as to the existence, validity, construction, interpretation, negotiation, performance, non-performance, breach, termination or enforceability of this Agreement, or Employee's employment relationship with the Company or the termination thereof (in each case, a "**Dispute**"). The Parties shall attempt in good faith to settle any Dispute by mutual discussions within fifteen (15) days after the date that one Party gives notice to the other Parties of such a Dispute. THE PARTIES HEREBY EXPRESSLY WAIVE THE RIGHT TO A JURY TRIAL ON ALL MATTERS.

11. *Section 409A Compliance*.

(a) The Parties intend for this Agreement either to satisfy the requirements of Section 409A of the Internal Revenue Code of 1986, as amended, and all applicable guidance promulgated thereunder ("**Section 409A**") or to be exempt from the application of Section 409A, and this Agreement shall be construed and interpreted accordingly. Any amount payable pursuant to this Agreement due to a termination of employment which constitutes a "deferral of compensation" within the meaning of Section 409A shall not be paid unless and until such termination constitutes a "separation from service" within the meaning of Section 409A. Further, to the extent an amount payable under this Agreement is intended to be exempt from Section 409A, and such exemption is conditioned upon the payment being made upon a "separation from service," then such payment shall not be paid unless and until Employee has incurred a "separation from service." If this Agreement either fails to satisfy the requirements of Section 409A or is not exempt from the application of Section 409A, then the Parties hereby agree to amend or to clarify this Agreement in a timely manner so that this Agreement either satisfies the requirements of Section 409A or is exempt from the application of Section 409A.

(b) Notwithstanding any provision in this Agreement to the contrary, in the event Employee is a "specified employee" as defined in Section 409A, any severance payments or packages, severance benefits, or other amounts payable under this Agreement, that would be subject to the special rule regarding payments to "specified employees" under Section 409A(a)(2)(B) shall be delayed by six months such that the payment is made no earlier than the first date of the seventh month following the Termination Date (or the date of Employee's death, if earlier).

(c) To ensure satisfaction of the requirements of Section 409A(b)(3), assets shall not be set aside, reserved in a trust or other arrangement, or otherwise restricted for purposes of the payment of amounts payable under this Agreement.

(d) Company hereby informs Employee that the federal, state, local and/or foreign tax consequences (including without limitation those tax consequences implicated by Section 409A) of this Agreement are complex and subject to change. Employee hereby acknowledges that Company has advised him that Employee should consult with Employee's own personal tax or financial advisor in connection with this Agreement and its tax consequences. Employee understands and agrees that Company has no obligation and no responsibility to provide Employee with any tax or other legal advice in connection with this Agreement. Employee agrees that Employee shall bear sole and exclusive responsibility for any and all adverse federal, state, local, and/or foreign tax consequences (including without limitation those tax consequences implicated by Section 409A) of this Agreement, and fully indemnifies and holds Company harmless therefor.

(e) For purposes of Section 409A, any right to receive a series of installments under this Agreement shall be treated as a right to a series of separate payments.

(f) Notwithstanding anything herein to the contrary, the reimbursement of expenses or in-kind benefits provided pursuant to this Agreement shall be subject to the following conditions: (1) the expenses eligible for reimbursement or in-kind benefits in one taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits in any other taxable year; (2) the reimbursement of eligible expenses or in-kind benefits shall be made promptly, subject to Company's applicable policies, but in no event later than the end of the year after the year in which such expense was incurred; and (3) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

12. *Limitation on Parachute Payments*.

(a) In the event that the payments or other benefits provided for in this Agreement or otherwise payable to Employee (i) constitute "parachute payments" within the meaning of Section 280G(b)(2) of the Code, and (ii) would be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then Employee's benefits under this Agreement shall be either (a) delivered in full, or (b) delivered to such lesser extent which would result in no portion of such benefits being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by Employee on an after-tax basis, of the greatest amount of benefits, notwithstanding that all or some portion of such benefits may be taxable under Section 4999 of the Code. If a reduction in payments or benefits constituting "parachute payments" is necessary pursuant to the foregoing provision, reduction shall occur in the following order: reduction of cash payments; cancellation of accelerated vesting of stock awards; and reduction of employee benefits. If acceleration of vesting of stock award compensation is to be reduced, such acceleration of vesting shall be cancelled in the reverse order of the date of grant of Employee's stock awards.

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(b) Unless the Company and Employee otherwise agree in writing, any determination required under this Section 12 shall be made in writing by the Company's independent public accountants (the "**Accountants**"), whose determination shall be conclusive and binding upon Employee and the Company for all purposes and may be relied upon by the Company. For purposes of making the calculations required by this Section 12, the Accountants may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Section 280G and 4999 of the Code. The Employee shall provide to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this Section 12. The Company shall bear all costs the Accountants may reasonably incur in connection with any calculations contemplated by this Section 12.

13. *Attorneys' Fees.* The prevailing Party in any dispute or claim relating to or arising out of this Agreement shall be entitled to recover from the losing Party all fees and expenses of any nature or kind (including, without limitation, attorney's fees and expenses) incurred in any such dispute or claim.

14. *Interpretation; Venue.* The Company and Employee agree that this Agreement shall be interpreted in accordance with and governed by the laws of the State of Texas, without giving effect to conflicts of law principles. The trial courts of the County of Harris, State of Texas, and the United States District Court for the Southern District of Texas are courts of competent jurisdiction, and the Parties agree to submit to the jurisdiction of those courts, as applicable

15. *Successors and Assigns.* This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns. In view of the personal nature of the services to be performed under this Agreement by Employee, Employee shall not have the right to sell, assign, pledge, hypothecate, donate or otherwise transfer any of Employee's rights, obligations or benefits hereunder.

16. *Third-Party Beneficiary.* The Parties expressly acknowledge and agree that the PROS Holdings, Inc. shall be deemed to be a third-party beneficiary with respect to the terms and provisions of this Agreement and shall be entitled to enforce the terms and provisions hereof.

17. *Entire Agreement.* This Agreement constitutes the entire employment agreement between the Company and Employee regarding the terms and conditions of Employee's employment. This Agreement, along with Employees' Offer Letter dated January 15, 2015, supersedes all prior negotiations, representations or agreements between the Company and Employee, whether written or oral, regarding Employee's employment by the Company.

18. *Severability.* If any one or more of the provisions (or any part thereof) of this Agreement shall be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions (or any part thereof) shall not in any way be affected or impaired thereby.

19. *No Representations.* Employee acknowledges that Employee is not relying, and has not relied, on any promise, representation or statement made by or on behalf of the Company which is not set forth in this Agreement.

20. *Notices.* All notices requests, reports and other communications pursuant hereto shall be in writing, either by letter (delivered by hand or commercial delivery service or sent by certified mail, return receipt requested) or facsimile, and addressed to the Employee at Employee's last known address on the books of the Company or, in the case of the Company, at its principal place of business, attention of the CEO, or to such other address as either Party may specify by notice to the other actually received. Any notice, request or communication hereunder shall be deemed to have been given on the day on which it is delivered by hand to such Party at its address specified above, or, if sent by certified mail, return receipt requested, postage prepaid, on the third business day following the date it was deposited in the mail, or in the case of facsimile notice, when transmitted addressed as aforesaid, confirmation received, if the notice is also delivered by hand or mail in the manner described above. Any Party may change the person or address to whom or which notices are to be given hereunder, by notice duly given hereunder; provided, however, that any such notice shall be deemed to have been given hereunder only when actually received by the Party to which it is addressed.

21. *Counterparts.* This Agreement may be executed in any number of counterparts, provided, however, that each of such counterparts when taken together shall constitute one and the same agreement.

22. *Amendments.* This Agreement may be modified or amended only by a supplemental written agreement signed by both the Employee and the Company following approval by the Compensation Committee.

**[Signature Page Immediately Follows]**

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IN WITNESS WHEREOF, the parties hereto have entered into this Agreement as of the Effective Date.

**COMPANY:**

PROS, INC.

a Delaware corporation

By: /s/ Andres Reiner

Name: Andres Reiner

Title: Chief Executive  
Officer

Date: 12/01/2023

**COMPANY:**

PROS HOLDINGS, INC.

a Delaware corporation

By: /s/ Andres Reiner

Name: Andres Reiner

Title: Chief Executive  
Officer

Date: 12/01/2023

**EMPLOYEE:**

Stefan B. Schulz

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EXHIBIT A

FORM OF GENERAL RELEASE

In consideration for the mutual promises described in that certain Employment Agreement ("**Employment Agreement**") executed between PROS, Inc., a Delaware corporation (the "**Company**") and Stefan B. Schulz (the "**Employee**"), the parties enter into the following General Release ("**General Release**") and agree as follows:

1. *Payment of Severance Package.* Notwithstanding anything herein to the contrary, Company agrees to pay Employee the severance package (the "**Severance Package**"), as described in the Employment Agreement, in the manner set forth in Sections 4(b) or 4(c) of the Employment Agreement, as applicable, and continue to abide by the other surviving provisions of the Employment Agreement.

2. *Continued Compliance.* Employee agrees to continue to abide by the surviving provisions of the Employment Agreement, which is incorporated herein by reference.

3. *General Release.*

3.1 Subject to Section 1 above, Employee unconditionally, irrevocably and absolutely releases and discharges Company, and any parent and subsidiary corporations, divisions and affiliated corporations, partnerships or other affiliated entities of Company, past and present, as well as their respective employees, officers, directors, members, managers, stockholders, partners, agents, successors and assigns (collectively, "**Released Parties**"), from all claims related in any way to the transactions or occurrences between them to date, to the fullest extent permitted by law, including, but not limited to, Employee's employment with Company, the termination of Employee's employment, and all other losses, liabilities, claims, charges, demands and causes of action, known or unknown, suspected or unsuspected, arising directly or indirectly out of or in any way connected with Employee's employment with Company. This release is intended to have the broadest possible application and includes, but is not limited to, any tort, contract, common law, constitutional or other statutory claims, including, but not limited to alleged violations of the Texas Labor Code (including but not limited to the Texas Civil Rights Act, the Texas Payday Act, and the Texas Minimum Wage Law), the federal Fair Labor Standards Act, Title VII of the Civil Rights Act of 1964, the Americans with Disabilities Act, the Age Discrimination in Employment Act of 1967, as amended, and all claims for attorneys' fees, costs and expenses. Employee expressly waives Employee's right to recovery of any type, including damages or reinstatement, in any administrative or court action, whether state or federal, and whether brought by Employee or on Employee's behalf, related in any way to the matters released herein. However, this general release is not intended to bar any claims that, by statute, may not be waived, such as claims for any challenge to the validity of Employee's release of claims under the Age Discrimination in Employment Act of 1967, as amended, as set forth in this General Release.

3.2 Employee acknowledges that Employee may discover facts or law different from, or in addition to, the facts or law that Employee knows or believes to be true with respect to the claims released in this General Release and agrees, nonetheless, that this General Release and the release contained in it shall be and remain effective in all respects notwithstanding such different or additional facts or the discovery of them.

3.3 Employee declares and represents that Employee intends this General Release to be complete and not subject to any claim of mistake, and that the release herein expresses a full and complete release and Employee intends the release herein to be final and complete. Employee executes this release with the full knowledge that this release covers all possible claims against the Released Parties, to the fullest extent permitted by law.

4. *Indemnification.* The Company and Employee agree that Employee is not releasing any claims Employee may have for indemnification under state or other law or any indemnification agreement in effect between Employee and Company as of the Separation Date (as defined below) or the charter, articles or by-laws of the Company, or under any insurance policy providing directors' and officers' coverage for any lawsuit or claim relating to the period when Employee was a director, officer or employee of the Company or its affiliates (if any); provided, however, that (i) Employee's execution of this General Release is not a concession or guaranty that Employee has any such rights to indemnification, (ii) this General Release does not create any additional rights to indemnification and (iii) the Company retains any defenses it may have to such indemnification or coverage.

5. *Representation Concerning Filing of Legal Actions.* Employee represents that, as of the date of this General Release, Employee has not filed any lawsuits, charges, complaints, petitions, claims or other accusatory pleadings against Company or any of the other Released Parties in any court or with any governmental agency.

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6. *Nondisparagement.* Each party agrees that such party will not make any voluntary statements, written or oral, or cause or encourage others to make any such statements that defame, disparage or in any way criticize the personal and/or business reputations, practices or conduct of such party or any of the other Released Parties.

7. *Confidentiality and Return of Company Property.* Employee understands and agrees that as a condition of receiving the Severance Package in Paragraph 1, all Company property must be returned to Company on or before the last day of Employee's employment at Company ("**Separation Date**"). By signing this General Release, Employee represents and warrants that Employee will have returned to Company on or before the Separation Date, all Company property, data and information belonging to Company and agrees that Employee will not use or disclose to others (other than his attorney under an obligation of confidentiality and to the extent necessary to provide legal advice to Employee regarding any termination his employment for Good Reason) any confidential or proprietary information of Company or the Released Parties. In addition, Employee agrees to keep the terms of this General Release confidential between Employee and Company, except that Employee may tell Employee's immediate family and attorney or accountant, if any, as needed, but in no event should Employee discuss this General Release or its terms with any current or prospective employee of Company.

8. *No Admissions.* By entering into this General Release, the Released Parties make no admission that they have engaged, or are now engaging, in any unlawful conduct. The parties understand and acknowledge that this General Release is not an admission of liability and shall not be used or construed as such in any legal or administrative proceeding.

9. *Older Workers' Benefit Protection Act.* This General Release is intended to satisfy the requirements of the Older Workers' Benefit Protection Act, 29 U.S.C. 626(f). Employee is advised to consult with an attorney before executing this General Release.

9.1 *Acknowledgments/Time to Consider.* Employee acknowledges and agrees that (a) Employee has read and understands the terms of this General Release; (b) Employee has been advised in writing to consult with an attorney before executing this General Release; (c) Employee has obtained and considered such legal counsel as Employee deems necessary; (d) Employee has been given twenty-one (21) days to consider whether or not to enter into this General Release (although Employee may elect not to use the full 21-day period at Employee's option); and (e) by signing this General Release, Employee acknowledges that Employee does so freely, knowingly, and voluntarily.

9.2 *Revocation/Effective Date.* This General Release shall not become effective or enforceable until the eighth day after Employee signs this General Release. In other words, Employee may revoke Employee's acceptance of this General Release within seven (7) days after the date Employee signs it. Employee's revocation must be in writing and received by PROS, Inc., 3200 Kirby Drive, Suite 600, Houston, Texas 77098, by 5:00 p.m. Central Time on the seventh day in order to be effective. If Employee does not revoke acceptance within the seven (7) day period, Employee's acceptance of this General Release shall become binding and enforceable on the eighth day (the "**Effective Date**").

9.3 *Preserved Rights of Employee.* This General Release does not waive or release any rights or claims that Employee may have under the Age Discrimination in Employment Act that arise after the execution of this General Release. In addition, this General Release does not prohibit Employee from challenging the validity of this General Release's waiver and release of claims under the Age Discrimination in Employment Act of 1967.

10. *Severability.* In the event any provision of this General Release shall be found unenforceable, the unenforceable provision shall be deemed deleted and the validity and enforceability of the remaining provisions shall not be affected thereby.

11. *Full Defense.* This General Release may be pled as a full and complete defense to, and may be used as a basis for an injunction against, any action, suit or other proceeding that may be prosecuted, instituted or attempted by Employee in breach hereof.

12. *Governing Law; Forum.* The validity, interpretation and performance of this General Release shall be construed and interpreted according to the laws of the United States of America and the State of Texas without giving effect to conflicts of law principles. Employee agrees that any disputes or litigation that may arise with respect to the General Release shall be brought and prosecuted in Harris County, Texas and waives any and all objections to the location of such litigation, including but not limited to objections based on *forum non conveniens*. In addition, Employee irrevocably consents to the exclusive personal jurisdiction of the federal and state courts located in Harris County, Texas, as applicable, for any matter arising out of or relating to this General Release.

13. *Entire Agreement.* This General Release, including the Employment Agreement incorporated herein by reference and Offer Letter dated January 15, 2015, constitutes the entire agreement between the parties relating to this subject matter and supersedes all prior or simultaneous representations, discussions, negotiations, and agreements, whether written or oral. This General Release may be amended or modified only with the written consent of Employee and the Board of Directors of Company. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

THE PARTIES TO THIS GENERAL RELEASE HAVE READ THE FOREGOING AGREEMENT AND FULLY UNDERSTAND EACH AND EVERY PROVISION CONTAINED HEREIN. WHEREFORE, THE PARTIES HAVE EXECUTED THIS GENERAL RELEASE ON THE DATES SHOWN BELOW.

**PROS Holdings, Inc.**  
**List of Subsidiaries as of December 31, 2023**

| <b><u>Name of Entity</u></b>               | <b><u>State/Country of Incorporation/Organization</u></b> |
|--------------------------------------------|-----------------------------------------------------------|
| PROS Bulgaria EOOD                         | Bulgaria                                                  |
| PROS Canada Operations, Ltd.               | Canada                                                    |
| PROS CPQ, Inc.                             | Illinois                                                  |
| PROS Ecuador S.A.S.                        | Ecuador                                                   |
| PROS Europe Limited                        | England and Wales                                         |
| PROS France SAS                            | France                                                    |
| PROS Germany GmbH                          | Germany                                                   |
| PROS, Inc.                                 | Delaware                                                  |
| PROS International Technology Limited      | Ireland                                                   |
| PROS Middle East Technology Systems L.L.C. | United Arab Emirates                                      |
| PROS Technology Australia Pty. Ltd.        | Australia                                                 |
| PROS Travel Commerce, Inc.                 | Delaware                                                  |
| PROS Travel Retail SAS                     | France                                                    |
| EveryMundo, LLC                            | Florida                                                   |
| EveryMundo Pte. Ltd.                       | Singapore                                                 |

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-256091) and Form S-8 (Nos. 333-271076, 333-261407, 333-256089, 333-231623, 333-219192 and 333-193867) of PROS Holdings, Inc. of our report dated February 14, 2024 relating to the financial statements, financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Jose, California

February 14, 2024

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

I, Andres Reiner, certify that:

1. I have reviewed this annual report on Form 10-K of PROS 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.

February 14, 2024

/s/ Andres Reiner

Andres Reiner

President and Chief Executive Officer

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

I, Stefan Schulz, certify that:

1. I have reviewed this annual report on Form 10-K of PROS 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.

February 14, 2024

/s/ Stefan Schulz

Stefan Schulz

Executive Vice President and Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Andres Reiner, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the annual report of PROS Holdings, Inc., on Form 10-K for the period ended December 31, 2023 fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of PROS Holdings, Inc.

February 14, 2024

/s/ Andres Reiner

Andres Reiner

President and Chief Executive Officer

I, Stefan Schulz, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the annual report of PROS Holdings, Inc., on Form 10-K for the period ended December 31, 2023 fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934 and the information contained in such Form 10-K fairly presents, in all material respects, the financial condition and results of operations of PROS Holdings, Inc.

February 14, 2024

/s/ Stefan Schulz

Stefan Schulz

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to PROS Holdings, Inc. and will be retained by PROS Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request. This certification "accompanies" the Form 10-K to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-K), irrespective of any general incorporation language contained in such filing.

**PROS HOLDINGS, INC.  
POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED INCENTIVE COMPENSATION**

**(Effective Date of Policy: November 8, 2023)**

**1. INTRODUCTION**

PROS Holdings, Inc. (the “**Company**”) is adopting this policy (this “**Policy**”) to provide for the Company’s recovery of certain Incentive Compensation (as defined below) erroneously awarded to Affected Officers (as defined below) under certain circumstances.

This Policy is administered by the Compensation & Leadership Development Committee (the “**Committee**”) of the Company’s Board of Directors (the “**Board**”). The Committee shall have full and final authority to make any and all determinations required or permitted under this Policy. Any determination by the Committee with respect to this Policy shall be final, conclusive and binding on all parties. The Board may amend or terminate this Policy at any time.

This Policy is intended to comply with Section 10D of the Securities and Exchange Act of 1934, as amended (the “**Exchange Act**”), Rule 10D-1 thereunder and the applicable rules of any national securities exchange on which the Company’s securities are listed (the “**Exchange**”) and will be interpreted and administered consistent with that intent.

**2. EFFECTIVE DATE**

This Policy shall apply to all Incentive Compensation paid, received or awarded on or after October 2, 2023, and to the extent permitted or required by applicable law.

**3. DEFINITIONS**

For purposes of this Policy, the following terms shall have the meanings set forth below:

“**Affected Officer**” means any current or former “officer” as defined in Exchange Act Rule 16a-1, and any other senior executives as determined by the Committee.

“**Erroneously Awarded Compensation**” means the amount of Incentive Compensation received that exceeds the amount of Incentive Compensation that otherwise would have been received had it been determined based on the Restatement, computed without regard to any taxes paid. In the case of Incentive Compensation based on stock price or total shareholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in the Restatement, the amount shall reflect a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Incentive Compensation was received, as determined by the Committee in its sole discretion. The Committee may determine the form and amount of Erroneously Awarded Compensation in its sole discretion.

“**Financial Reporting Measure**” means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures, whether or not such measure is presented within the financial statements or included in a filing with the Securities and Exchange Commission. Stock price and total shareholder return are Financial Reporting Measures.

“**Incentive Compensation**” means any compensation that is granted, earned or vested based in whole or in part on the attainment of a Financial Reporting Measure. For purposes of clarity, base salaries, bonuses or equity awards paid solely upon satisfying one or more subjective standards, strategic or operational measures, or continued employment are not considered Incentive Compensation, unless such awards were granted, paid or vested based in part on a Financial Reporting Measure.

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**“Restatement”** means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (i.e., a “Big R” restatement), or that would result in a material misstatement if the error was corrected in the current period or left uncorrected in the current period (i.e., a “little r” restatement).

#### **4. RECOVERY**

If the Company is required to prepare a Restatement, the Company shall seek to recover and claw back from any Affected Officer reasonably promptly the Erroneously Awarded Compensation that is received by the Affected Officer:

- (i) after the person begins service as an Affected Officer;
- (ii) who serves as an Affected Officer at any time during the performance period for that Incentive Compensation;
- (iii) while the Company has a class of securities listed on the Exchange; and
- (iv) during the three completed fiscal years immediately preceding the date on which the Company was required to prepare the Restatement (including any transition period within or immediately following those years that results from a change in the Company's fiscal year, provided that a transition period of nine to 12 months will be deemed to be a completed fiscal year).

For purposes of this Policy:

- Erroneously Awarded Compensation is deemed to be received in the Company's fiscal year during which the Financial Reporting Measure specified in the Incentive Compensation is attained, even if the payment or grant of the Incentive Compensation occurs after the end of that period; and
- the date the Company is required to prepare a Restatement is the earlier of (x) the date the Board, the Committee, or any officer of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare the Restatement, or (y) the date a court, regulator, or other legally authorized body directs the Company to prepare the Restatement.

For purposes of clarity, in no event shall the Company be required to award any Affected Officers an additional payment or other compensation if the Restatement would have resulted in the grant, payment or vesting of Incentive Compensation that is greater than the Incentive Compensation actually received by the Affected Officer. The recovery of Erroneously Awarded Compensation is not dependent on if or when the Restatement is filed.

#### **5. SOURCES OF RECOUPMENT**

To the extent permitted by applicable law, the Committee may, in its discretion, seek recoupment from the Affected Officer(s) through any means it determines, which may include any of the following sources: (i) prior Incentive Compensation payments; (ii) future payments of Incentive Compensation; (iii) cancellation of outstanding Incentive Compensation; (iv) direct repayment; and (v) non-Incentive Compensation or securities held by the Affected Officer. To the extent permitted by applicable law, the Company may offset such amount against any compensation or other amounts owed by the Company to the Affected Officer.

## **6. LIMITED EXCEPTIONS TO RECOVERY**

Notwithstanding the foregoing, the Committee, in its discretion, may choose to forgo recovery of Erroneously Awarded Compensation under the following circumstances, provided that the Committee (or a majority of the independent members of the Board) has made a determination that recovery would be impracticable because:

- (i) The direct expense paid to a third party to assist in enforcing this Policy would exceed the recoverable amounts; provided that the Company has made a reasonable attempt to recover such Erroneously Awarded Compensation, has documented such attempt and has (to the extent required) provided that documentation to the Exchange;
- (ii) Recovery would violate home country law where the law was adopted prior to November 28, 2022, and the Company provides an opinion of home country counsel to that effect to the Exchange that is acceptable to the Exchange; or
- (iii) Recovery would likely cause an otherwise tax-qualified retirement plan to fail to meet the requirements of the Internal Revenue Code of 1986, as amended.

## **7. NO INDEMNIFICATION OR INSURANCE**

The Company will not indemnify, insure or otherwise reimburse any Affected Officer against the recovery of Erroneously Awarded Compensation.

## **8. NO IMPAIRMENT OF OTHER REMEDIES**

This Policy does not preclude the Company from taking any other action to enforce an Affected Officer's obligations to the Company, including termination of employment, institution of civil proceedings, or reporting of any misconduct to appropriate government authorities. This Policy is in addition to the requirements of Section 304 of the Sarbanes-Oxley Act of 2002 that are applicable to the Company's Chief Executive Officer and Chief Financial Officer.

**PROS HOLDINGS, INC.**  
**POLICY FOR RECOVERY OF ERRONEOUSLY AWARDED INCENTIVE COMPENSATION**  
**ACKNOWLEDGMENT AND AGREEMENT**

This Acknowledgment and Agreement (the “**Acknowledgment**”) is delivered by the individual named below as of the date set forth below. The undersigned is an Affected Officer (as defined in the Policy for Recovery of Erroneously Awarded Incentive Compensation (the “**Policy**”)) to which the form of this Acknowledgement is attached as Exhibit A of PROS Holdings, Inc. (the “**Company**”) and an employee of the Company or one of its subsidiaries.

The Board of Directors of the Company adopted the Policy to establish the conditions under which the Company may seek to recoup certain compensation from Affected Officers in the event that the Company is required to prepare a Restatement (as defined in the Policy).

The undersigned has received or may receive compensation, including cash-based incentive compensation and equity-based incentive compensation from the Company to which the Policy applies.

In consideration of the continued benefits to be received from the Company (or a subsidiary of the Company) and the right to participate in, and receive future awards under, the Company's cash- and equity-based incentive programs, the undersigned hereby acknowledges and agrees that:

1. S/he has read and understands the Policy;
2. S/he agrees that, to the extent provided in the Policy, the Policy shall also apply to Incentive Compensation (as defined in the Policy) established before or after the date of this Acknowledgment and the programs and agreements under which such compensation may have been or will be issued in the future shall be deemed to incorporate the terms of the Policy even if the Policy is not explicitly referenced therein. Nothing in this Acknowledgment shall be construed to expand the scope or terms of the Policy, and the undersigned is not waiving any defenses s/he may have in the event of an action for recoupment of compensation under the Policy, other than (i) waiving any defense regarding the retroactive application of the Policy to existing awards and (ii) waiving any claim that the integration clause of any agreement excludes the application of the Policy.

Date: \_\_\_\_\_  
Signature: \_\_\_\_\_  
Print Name: \_\_\_\_\_