

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2023
OR

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

For the transition period from to
Commission File Number: 001-40838

CLEARWATER
A N A L Y T I C S.®
Clearwater Analytics Holdings, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware

87-1043711

(State or other jurisdiction of
incorporation or organization)

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

777 W. Main Street
Suite 900
Boise, ID

83702

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (208) 433-1200

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value \$0.001 per share	CWAN	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

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

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

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

As of October 26, 2023, the number of outstanding shares of the registrant's common stock was:

89,945,389 shares of Class A common stock.

1,402,185 shares of Class B common stock.

39,337,746 shares of Class C common stock.

113,173,596 shares of Class D common stock.

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GLOSSARY

As used in this Quarterly Report on Form 10-Q, the terms identified below have the meanings specified below unless otherwise noted or the context indicates otherwise:

- “Company,” “we,” “us,” “our,” “Clearwater” and similar references refer, (1) following the consummation of the Transactions, to Clearwater Analytics Holdings, Inc., and, unless otherwise stated, all of its direct and indirect subsidiaries, including CWAN Holdings, and (2) prior to the completion of the Transactions, to CWAN Holdings and, unless otherwise stated, all of its direct and indirect subsidiaries.
- “Acquisition” refers to the acquisition of JUMP by Clearwater Analytics France SAS.
- “Acquisition Date” refers to November 30, 2022.
- “Annual Report” refers to our Annual Report on Form 10-K, dated December 31, 2022 (File No. 001-40838), as filed with the SEC on March 3, 2023.
- “Blocker Entities” refers to entities that, prior to the consummation of the Transactions, were affiliated with certain of the Continuing Equity Owners, each of which was a direct or indirect owner of LLC Interests in CWAN Holdings prior to the Transactions and is taxable as a corporation for U.S. federal income tax purposes.
- “Blocker Shareholders” refers to entities affiliated with certain of the Continuing Equity Owners, each of which was an owner of one or more of the Blocker Entities prior to the Transactions, which exchanged their interests in the Blocker Entities for shares of our Class A common stock, in the case of Other Continuing Equity Owners, and for shares of our Class D common stock, in the case of the Principal Equity Owners, in connection with the consummation of the Transactions.
- “Borrower” refers to Clearwater Analytics, LLC as borrower under the New Credit Agreement.
- “Continuing Equity Owners” refers collectively to direct or indirect holders of LLC Interests and/or our Class B common stock, Class C common stock and/or Class D common stock immediately following consummation of the Transactions, including the Principal Equity Owners and certain of our directors and officers and their respective Permitted Transferees who may exchange at each of the irrespective options, in whole or in part from time to time, their LLC Interests (along with an equal number of shares of Class B common stock or Class C common stock, as the case may be (and such shares shall be immediately cancelled)) for newly issued shares of our Class A common stock or our Class D common stock, as the case may be, and additionally holders of shares of our Class D common stock may convert such shares at any time for newly issued shares of our Class A common stock, on a one-for-one basis (in which case their shares of our Class D common stock will be cancelled on a one-for-one basis upon any such issuance).
- “CWAN Holdings” refers to CWAN Holdings, LLC.
- “Exchange Act” refers to the Securities Exchange Act of 1934, as amended.
- “IPO” refers to our initial public offering, which closed in September 2021.
- “JUMP” refers to JUMP Technology SAS and its consolidated subsidiary JUMP Consulting Luxembourg S.a.r.l.
- “JOBS Act” means the Jumpstart Our Business Startups Act of 2012, as amended.
- “LLC Agreement” refers to CWAN Holdings, LLC’s Third Amended and Restated Limited Liability Company Agreement.
- “LLC Interests” refers to the common units of CWAN Holdings, LLC, including those that we purchased with a portion of the net proceeds from the IPO.
- “New Credit Agreement” refers to a new credit agreement which Clearwater Analytics, LLC entered into with JPMorgan Chase Bank, N.A. in connection with the closing of the IPO.
- “NYSE” refers to the New York Stock Exchange.
- “Other Continuing Equity Owners” refers to Continuing Equity Owners who are not also Principal Equity Owners.
- “Permira” refers to Permira Advisers LLC, one of our largest owners through holdings by its affiliates.

- “Permitted Transferee” refers to, subject to the provisions of the LLC Agreement, (a) with respect to any Principal Equity Owner, any of such Principal Equity Owner’s affiliates and (b) with respect to any Other Continuing Equity Owner, any such Other Continuing Equity Owner’s affiliates or, in the case of individuals, members of their immediate family.
- “Principal Equity Owners” refers to Welsh Carson, Warburg Pincus, Permira and their respective affiliates and Permitted Transferees.
- “QTD” for any given year means the three months ended March 31 of that year.
- “SaaS” refers to Software-as-a-Service.
- “SEC” refers to the Securities and Exchange Commission.
- “Securities Act” refers to the Securities Act of 1933, as amended.
- “Secondary Offerings” refers to the sale by certain affiliates of Welsh Carson of an aggregate of 14,950,000 and 10,000,000 shares of Class A common stock in underwritten secondary public offerings entered into on March 8, 2023 and June 15, 2023, respectively.
- “Tax Receivable Agreement” or “TRA” refers to the Tax Receivable Agreement, dated as of September 28, 2021, by and among Clearwater Analytics Holdings, Inc., CWAN Holdings and the other parties thereto.
- “TRA Bonus Agreement” refers to the Tax Receivable Agreement Bonus Letters, each dated as of September 28, 2021, by and among Clearwater Analytics Holdings, Inc. and certain of our executive officers.
- “Transactions” refers to the organizational transactions described under “Transactions” in Note 1 to our unaudited condensed consolidated financial statements of this Quarterly Report on Form 10-Q.
- “Up-C” refers to the Company’s umbrella partnership-C-corporation organizational structure. See Note 1 “Organization and Description of Business” to our unaudited condensed consolidated financial statements of this Quarterly Report on Form 10-Q.
- “Warburg Pincus” refers to Warburg Pincus LLC, one of our largest owners through holdings by its affiliates.
- “Welsh Carson” refers to Welsh, Carson, Anderson & Stowe, one of our largest owners through holdings by its affiliates.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains "forward-looking" statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, technology developments, financing and investment plans, dividend policy, competitive position, industry and regulatory environment, potential growth opportunities and the effects of competition. Forward looking statements include statements that are not historical facts and can be identified by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "will," "would" or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause actual results, performance or achievements to differ materially from our expectations include, but are not limited to, the following:

- we operate in a highly competitive industry, with many companies competing for business from insurance companies, asset managers, corporations and government entities on the basis of a number of factors, including the quality and breadth of solutions and services provided, ability to innovate, reputation and the prices of services, and this competition could hurt our financial performance;
- we are dependent on fees based on the value of the assets on our platform for the vast majority of our revenues, and to the extent market volatility, a downturn in economic conditions or other factors cause negative trends or fluctuations in the value of the assets on our platform, our fee-based revenue and earnings may decline;
- because some of our sales efforts are targeted at large financial institutions, corporations and government entities, we face prolonged sales cycles, substantial upfront sales costs and less predictability in completing some of our sales. If our sales cycle lengthens, or if our upfront sales investments do not result in sufficient revenue, our results of operations may be harmed;
- we have experienced considerable revenue growth over the past several years, which may be difficult to sustain, and we depend on attracting and retaining top talent to continue growing and operating our business, and if we are unable to hire, integrate, develop, motivate and retain our personnel, we may not be able to maintain or manage our growth, which could have a material adverse effect on our business, financial condition or results of operations;
- if our investment accounting and reporting solutions, regulatory reporting solutions or risk management or performance analytics solutions fail to perform properly due to undetected errors or similar problems, our business, financial condition, reputation or results of operations could be materially adversely affected;
- our business relies heavily on computer equipment, cloud-based services, electronic delivery systems, networks and telecommunications systems and infrastructure, the Internet and the information technology systems of third parties. Any failures or disruptions in any of the foregoing could result in reduced revenues, increased costs and the loss of clients and could harm our business, financial condition, reputation and results of operations;
- our failure to successfully integrate acquisitions, including the JUMP acquisition, could strain our resources. In addition, there are significant risks associated with growth through acquisitions, which may materially adversely affect our business, financial condition or results of operations;
- if we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed;
- if our trademarks and trade names are not adequately protected, we may not be able to build name recognition in our markets of interest, and our competitive position may be harmed;
- we may need to defend ourselves against third-party claims that we are infringing, misappropriating or otherwise violating others' intellectual property rights, which could divert management's attention, cause us to incur significant costs, and prevent us from selling or using the technology to which such rights relate;

- the Principal Equity Owners will continue to have significant influence over us, including control over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote;
- we are classified as a “controlled company,” and as a result, we qualify for, and rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of companies that are subject to such requirements. In addition, the Principal Equity Owners’ interests may conflict with our interests and the interests of other stockholders;
- provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management;
- if we fail to implement and maintain effective internal controls over financial reporting, we may be unable to accurately or timely report our financial condition or results of operations, which may adversely affect our business; and
- those described in the section titled “Risk Factors” in our Annual Report and in periodic reports that we file with the SEC, and our reports to shareholders. These filings are available at www.sec.gov and on our website.

Given these risks and uncertainties, you should not place undue reliance on forward-looking statements. Also, forward-looking statements represent our management's beliefs and assumptions only as of the date of this Quarterly Report on Form 10-Q and should not be relied upon as representing Clearwater's expectations or beliefs as of any date subsequent to the time they are made. Clearwater does not undertake to and specifically declines any obligation to update any forward-looking statements that may be made from time to time by or on behalf of Clearwater.

You should read this Quarterly Report on Form 10-Q in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2022 included in our Annual Report.

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (unaudited).

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Clearwater Analytics Holdings, Inc.
Condensed Consolidated Balance Sheets
(In thousands, except share amounts and per share amounts, unaudited)

	September 30		December 31	
	2023	2022	2023	2022
Assets				
Current assets:				
Cash and cash equivalents	\$ 205,665	\$ 250,724	\$ 401,230	\$ 356,346
Short-term investments	79,568	4,890	—	—
Accounts receivable, net	91,656	72,575	—	—
Prepaid expenses and other current assets	24,341	28,157	—	—
Total current assets	<u>401,230</u>	<u>356,346</u>	—	—
Property and equipment, net	14,804	15,064	—	—
Operating lease right-of-use assets, net	22,940	24,114	—	—
Intangible assets, net	26,037	29,456	—	—
Goodwill	42,585	43,791	—	—
Long-term investments	17,600	—	—	—
Deferred contract costs, non-current	5,636	6,563	—	—
Other non-current assets	4,675	6,608	—	—
Total assets	<u>\$ 535,507</u>	<u>\$ 481,942</u>	—	—
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	\$ 2,853	\$ 3,092	\$ 63,139	\$ 66,012
Accrued expenses and other current liabilities	40,779	42,119	—	—
Notes payable, current portion	2,750	2,750	—	—
Operating lease liability, current portion	6,402	5,851	—	—
Tax receivable agreement liability, current portion	10,355	12,200	—	—
Total current liabilities	<u>63,139</u>	<u>66,012</u>	—	—
Notes payable, less current maturities and unamortized debt issuance costs	46,494	48,492	—	—
Operating lease liability, less current portion	17,678	19,505	—	—
Tax receivable agreement liability, less current portion	8,200	—	—	—
Other long-term liabilities	<u>8,561</u>	<u>9,547</u>	—	—
Total liabilities	<u>144,072</u>	<u>143,556</u>	—	—
Stockholders' Equity				
Class A common stock, par value \$ 0.001 per share; 1,500,000,000 shares authorized, 88,848,638 shares issued and outstanding as of September 30, 2023, 61,148,890 shares issued and outstanding as of December 31, 2022	89	61	—	—
Class B common stock, par value \$ 0.001 per share; 500,000,000 shares authorized, 1,402,185 shares issued and outstanding as of September 30, 2023, 1,439,251 shares issued and outstanding as of December 31, 2022	1	1	—	—
Class C common stock, par value \$ 0.001 per share; 500,000,000 shares authorized, 39,337,746 shares issued and outstanding as of September 30, 2023, 47,377,587 shares issued and outstanding as of December 31, 2022	39	47	—	—
Class D common stock, par value \$ 0.001 per share; 500,000,000 shares authorized, 113,173,596 shares issued and outstanding as of September 30, 2023, 130,083,755 shares issued and outstanding as of December 31, 2022	113	130	—	—
Additional paid-in-capital	516,485	455,320	—	—
Accumulated other comprehensive income (loss)	(500)	609	—	—
Accumulated deficit	(190,599)	(186,647)	—	—
Total stockholders' equity attributable to Clearwater Analytics Holdings, Inc.	<u>325,628</u>	<u>269,521</u>	—	—
Non-controlling interests	65,807	68,865	—	—
Total stockholders' equity	<u>391,435</u>	<u>338,386</u>	—	—
Total liabilities and stockholders' equity	<u>\$ 535,507</u>	<u>\$ 481,942</u>	—	—

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

Clearwater Analytics Holdings, Inc.
Condensed Consolidated Statements of Operations
(In thousands, except share amounts and per share amounts, unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Revenue	\$ 94,664	\$ 76,552	\$ 269,149	\$ 220,739
Cost of revenue ⁽¹⁾	27,013	22,720	78,792	64,811
Gross profit	67,651	53,832	190,357	155,928
Operating expenses:				
Research and development ⁽¹⁾	32,250	25,438	90,198	69,568
Sales and marketing ⁽¹⁾	15,020	13,187	44,049	38,254
General and administrative ⁽¹⁾	26,268	16,371	75,445	46,864
Total operating expenses	73,538	54,996	209,692	154,686
Income (loss) from operations	(5,887)	(1,164)	(19,335)	1,242
Interest (income) expense, net	(1,733)	(693)	(4,422)	139
Tax receivable agreement (benefit) expense	(566)	2,600	6,112	5,700
Other income, net	(971)	(469)	(1,205)	(828)
Loss before income taxes	(2,617)	(2,602)	(19,820)	(3,769)
Provision for (benefit from) income taxes	(274)	424	(184)	959
Net loss	(2,343)	(3,026)	(19,636)	(4,728)
Less: Net income (loss) attributable to non-controlling interests	(454)	(52)	(2,442)	277
Net loss attributable to Clearwater Analytics Holdings, Inc.	\$ (1,889)	\$ (2,974)	\$ (17,194)	\$ (5,005)
Net loss per share attributable to Class A and Class D common stockholders stock:				
Basic and diluted	\$ (0.01)	\$ (0.02)	\$ (0.09)	\$ (0.03)
Weighted average shares of Class A and Class D common stock outstanding:				
Basic and diluted	201,582,951	187,824,531	197,903,361	184,026,378

(1) Amounts include equity-based compensation as follows:

Cost of revenue	\$ 3,346	\$ 2,594	\$ 8,837	\$ 7,281
Operating expenses:				
Research and development	6,768	5,133	17,393	14,003
Sales and marketing	4,010	2,941	11,221	9,452
General and administrative	16,233	6,033	44,675	18,032
Total equity-based compensation expense	\$ 30,357	\$ 16,701	\$ 82,126	\$ 48,768

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

Condensed Consolidated Statements of Comprehensive Loss
(*In thousands, unaudited*)

	Three Months Ended		Nine Months Ended September 30,	
	September 30,		2023	2022
	2023	2022		
Net loss	\$ (2,343)	\$ (3,026)	\$ (19,636)	\$ (4,728)
Other comprehensive loss, net of taxes:				
Foreign currency translation adjustment	(2,358)	(1,100)	(997)	(2,362)
Unrealized loss on available-for-sale investments	(10)	—	(289)	—
Comprehensive loss	\$ (4,711)	\$ (4,126)	\$ (20,922)	\$ (7,090)
Less: Comprehensive loss attributable to non-controlling interests	(853)	(284)	(2,620)	(239)
Comprehensive loss attributable to Clearwater Analytics Holdings, Inc.	\$ (3,858)	\$ (3,842)	\$ (18,302)	\$ (6,851)

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

Condensed Consolidated Statements of Changes in Equity
(In thousands, except share amounts, unaudited)

	Class A Shares	Class A Amount	Class B Shares	Class B Amount	Class C Shares	Class C Amount	Class D Shares	Class D Amount	Additional Paid in Capital	Other Comprehensive Income	Accumulated Deficit	Non- controlling Interest	Total stockholders' equity
(186,647)													
Balance at December 31, 2022	61,148,890	\$ 61	1,439,251	\$ 1	47,377,587	\$ 47	130,083,755	\$ 130	\$ 455,320	\$ 609	\$)	\$ 68,865	\$ 338,386
Exercise of options to purchase common stock	790,873	1	—	—	—	—	—	—	2,158	—	—	534	2,693
Restricted stock units released	1,150,785	—	—	—	—	—	—	—	—	—	—	—	—
Shares withheld for net share settlement and other	(661,451)	—	—	—	—	—	—	—	(5,832)	—	—	(1,443)	(7,275)
Equity-based compensation	—	—	—	—	—	—	—	—	18,680	—	—	4,621	23,301
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	1,101	—	273	1,374
Unrealized gain on available-for-sale investments	—	—	—	—	—	—	—	—	—	33	—	8	41
Net loss	—	—	—	—	—	—	—	—	—	(4,384)	(1,033)	(5,417)	
Accrued tax distributions payable to Continuing Equity	—	—	—	—	—	—	—	—	—	—	—	362	362
Owners	—	—	—	—	—	—	—	—	—	—	—	—	—
Effect of LLC unit exchanges	14,975,000	15	(25,000)	—	(4,823,901)	(5)	(10,126,099)	(10)	—	—	7,743	(7,743)	—
(183,288)													
Balance at March 31, 2023	77,404,097	\$ 77	1,414,251	\$ 1	42,553,686	\$ 43	119,957,656	\$ 120	\$ 470,326	\$ 1,742	\$)	\$ 64,444	\$ 353,465
Exercise of options to purchase common stock	334,226	—	—	—	—	—	—	—	398	—	—	88	486
Restricted stock units released	114,392	—	—	—	—	—	—	—	—	—	—	—	—
Shares withheld for net share settlement and other	(175,295)	—	—	—	—	—	—	—	(961)	—	—	(211)	(1,172)
ESPP shares issued	189,390	—	—	—	—	—	—	—	2,128	—	—	467	2,595
Equity-based compensation	—	—	—	—	—	—	—	—	23,552	—	—	5,170	28,722
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(11)	—	—	(2)	(13)
Unrealized loss on available-for-sale investments	—	—	—	—	—	—	—	—	(262)	—	—	(58)	(320)
Net loss	—	—	—	—	—	—	—	—	—	(10,921)	(955)	(11,876)	
Accrued tax distributions payable to Continuing Equity	—	—	—	—	—	—	—	—	—	—	—	(1,161)	(1,161)
Owners	—	—	—	—	—	—	—	—	—	—	—	—	—
Effect of LLC unit exchanges	10,012,066	10	(12,066)	—	(3,215,940)	(3)	(6,784,060)	(7)	—	—	5,085	(5,085)	—
(189,124)													
Balance at June 30, 2023	87,878,876	\$ 88	1,402,185	\$ 1	39,337,746	\$ 39	113,173,596	\$ 113	\$ 495,444	\$ 1,469	\$)	\$ 62,696	\$ 370,726
Exercise of options to purchase common stock	1,211,583	1	—	—	—	—	—	—	1,069	—	—	216	1,286
Restricted stock units released	468,830	—	—	—	—	—	—	—	—	—	—	—	—
Shares withheld for tax obligations	(710,651)	—	—	—	—	—	—	—	(5,357)	—	—	(1,083)	(6,440)
Equity-based compensation	—	—	—	—	—	—	—	—	25,329	—	—	5,125	30,454
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	(1,961)	—	—	(397)	(2,358)
Unrealized loss on available-for-sale investments	—	—	—	—	—	—	—	—	(8)	—	—	(2)	(10)

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Net loss	—	—	—	—	—	—	—	—	—	—	(1,889)	(454)	(2,343)
Accrued tax distributions payable to Continuing Equity	—	—	—	—	—	—	—	—	—	—	—	120	120
Owners	—	—	—	—	—	—	—	—	—	—	—	—	—
Effect of LLC ownership changes	—	—	—	—	—	—	—	—	—	—	414	(414)	—
											(190,599)		
Balance at September 30, 2023	88,848,638	\$ 89	1,402,185	\$ 1	39,337,746	\$ 39	113,173,596	\$ 113	516,485	\$ (500)	\$)	\$ 65,807	\$ 391,435

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	Class A Shares	Class A Amount	Class B Shares	Class B Amount	Class C Shares	Class C Amount	Class D Shares	Class D Amount	Paid in Capital	Additional Comprehensive Loss	Other	Accumulated Deficit	Non- controlling Interest	Total stockholders' equity
Balance at December 31, 2021	47,948,888	\$ 48	11,151,110	\$ 11	47,377,587	\$ 47	130,083,755	\$ 130	\$ 388,591	\$ (34)	\$)	\$ 65,001	\$ 261,868	(191,926)
Exercise of options to purchase common stock	857,647	1	—	—	—	—	—	—	4,226	—	—	—	1,387	5,613
Equity-based compensation	—	—	—	—	—	—	—	—	12,067	—	—	—	3,960	16,028
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(226)	—	(74)	(300)	
Net income	—	—	—	—	—	—	—	—	—	—	398	130	528	
Accrued tax distributions payable to Continuing Equity	—	—	—	—	—	—	—	—	—	—	—	—	27	27
Owners	—	—	—	—	—	—	—	—	—	—	—	—	—	
Effect of LLC unit exchanges	6,643,614	7	(6,643,614)	(7)	—	—	—	—	—	—	8,348	(8,348)	—	(183,180)
Balance at March 31, 2022	55,450,149	\$ 55	4,507,496	\$ 5	47,377,587	\$ 47	130,083,755	\$ 130	\$ 404,884	\$ (260)	\$)	\$ 62,083	\$ 283,764	
Exercise of options to purchase common stock	105,251	—	—	—	—	—	—	—	603	—	—	—	168	771
Restricted stock units released	93,750	—	—	—	—	—	—	—	—	—	—	—	—	—
ESPP shares issued	200,220	1	—	—	—	—	—	—	1,877	—	—	—	523	2,401
Equity-based compensation	—	—	—	—	—	—	—	—	12,759	—	—	—	3,555	16,314
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(752)	—	(209)	(961)	
Net income (loss)	—	—	—	—	—	—	—	—	—	—	(2,428)	198	(2,230)	
Accrued tax distributions payable to Continuing Equity	—	—	—	—	—	—	—	—	—	—	—	(834)	(834)	
Owners	—	—	—	—	—	—	—	—	—	—	—	—	—	
Effect of LLC unit exchanges	1,810,711	2	(1,810,711)	(2)	—	—	—	—	—	—	2,410	(2,410)	—	(183,198)
Balance at June 30, 2022	57,660,081	\$ 58	2,696,785	\$ 3	47,377,587	\$ 47	130,083,755	\$ 130	\$ 420,123	\$ (1,012)	\$)	\$ 63,074	\$ 299,225	
Exercise of options to purchase common stock	188,758	—	—	—	—	—	—	—	1,218	—	—	—	324	1,542
Restricted stock units released	479,485	—	—	—	—	—	—	—	—	—	—	—	—	—
Shares withheld for tax obligations	(162,439)	—	—	—	—	—	—	—	(2,025)	—	—	(539)	(2,564)	
Equity-based compensation	—	—	—	—	—	—	—	—	13,324	—	—	—	3,549	16,873
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(868)	—	(232)	(1,100)	
Net income (loss)	—	—	—	—	—	—	—	—	—	—	(2,974)	(52)	(3,026)	
Accrued tax distributions payable to Continuing Equity	—	—	—	—	—	—	—	—	—	—	—	(687)	(687)	
Owners	—	—	—	—	—	—	—	—	—	—	—	—	—	
Effect of LLC unit exchanges	1,033,983	1	(1,033,983)	(1)	—	—	—	—	—	—	1,524	(1,524)	—	
Balance at September 30, 2022	59,199,868	\$ 59	1,662,802	\$ 2	47,377,587	\$ 47	130,083,755	\$ 130	\$ 432,640	\$ (1,880)	\$)	\$ 63,913	\$ 310,263	(184,648)

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

Clearwater Analytics Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(In thousands, unaudited)

	Nine Months Ended	
	September 30,	
	2023	2022
OPERATING ACTIVITIES		
Net loss	\$ (19,636)	\$ (4,728)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,336	3,499
Noncash operating lease cost	5,667	5,226
Equity-based compensation	82,126	48,768
Change in tax receivable liability	6,122	5,700
Amortization of deferred contract acquisition costs	3,563	3,221
Amortization of debt issuance costs, included in interest expense	210	210
Deferred tax benefit	(524)	(590)
Accretion of discount on investments	(901)	—
Realized gain on investments	(89)	—
Changes in operating assets and liabilities:		
Accounts receivable, net	(18,864)	(15,051)
Prepaid expenses and other assets	4,219	1,618
Deferred contract acquisition costs	(2,662)	(3,593)
Accounts payable	109	240
Accrued expenses and other liabilities	(6,171)	(4,673)
Net cash provided by operating activities	<u>60,505</u>	<u>39,847</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(4,062)	(5,880)
Purchase of held to maturity investments	—	(3,000)
Purchases of available-for-sale investments	(111,018)	—
Proceeds from sale of available-for-sale investments	5,950	—
Proceeds from maturities of investments	<u>13,517</u>	<u>—</u>
Net cash used in investing activities	<u>(95,613)</u>	<u>(8,880)</u>
FINANCING ACTIVITIES		
Proceeds from exercise of options	4,465	7,926
Taxes paid related to net share settlement of equity awards	(14,887)	(2,564)
Proceeds from employee stock purchase plan	2,595	2,401
Repayments of borrowings	(2,062)	(2,063)
Payment of costs associated with the IPO	—	(214)
Payment of tax distributions	<u>(35)</u>	<u>(17)</u>
Net cash provided by (used in) financing activities	<u>(9,924)</u>	<u>5,469</u>
Effect of exchange rate changes on cash and cash equivalents	(27)	(2,510)
Change in cash and cash equivalents during the period	(45,059)	33,926
Cash and cash equivalents, beginning of period	250,724	254,597
Cash and cash equivalents, end of period	<u>\$ 205,665</u>	<u>\$ 288,523</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 2,530	\$ 766
Cash paid for income taxes	\$ 1,484	\$ 1,425
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Purchase of property and equipment included in accounts payable and accrued expense	\$ 2	\$ 162
Tax distributions payable to Continuing Equity Owners included in accrued expenses	\$ 3,838	\$ 1,646

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

Clearwater Analytics Holdings, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Organization and Description of Business

Clearwater Analytics Holdings, Inc. (the "Company" or "Clearwater") was incorporated as a Delaware corporation on May 18, 2021, as a holding company for the purpose of facilitating the IPO and other related transactions in order to carry on the business of the Company. Prior to the IPO, all business operations were conducted through Carbon Analytics Holdings, LLC, which changed its name to CWAN Holdings, LLC ("CWAN Holdings") in connection with the IPO. Clearwater provides a SaaS solution for automated investment data aggregation, reconciliation, accounting and reporting services to insurers, investment managers, corporations, institutional investors and government entities. Following the IPO, Clearwater's principal asset consists of ownership of common units in CWAN Holdings. As the sole managing member of CWAN Holdings, Clearwater operates and controls all the business operations of the Company. Our corporate structure following the IPO, as described above, is commonly referred to as an "Up-C" structure.

The Company headquarters are located in Boise, ID, and we operate in five offices throughout the U.S. and seven offices internationally.

Initial Public Offering

On September 28, 2021, the Company completed its IPO, in which it sold 34,500,000 shares of Class A common stock (including shares issued pursuant to the exercise in full of the underwriters' option to purchase additional shares) at a public offering price of \$ 18.00 per share for net proceeds of \$ 582.2 million, after deducting underwriting discounts of \$ 38.8 million (but excluding other offering expenses of \$ 5.3 million). The Company used proceeds from the IPO to (i) purchase 34,500,000 common units of CWAN Holdings ("LLC interests"); (ii) repay approximately \$ 437.4 million of outstanding borrowings under the Previous Credit Agreement including prepayment premiums and accrued interest; (iii) pay \$ 5.3 million of expenses related to the IPO; with the remaining proceeds intended to be used for general corporate purposes.

Transactions

In connection with the IPO, the Company completed the following organizational transactions (the "Transactions"):

- the amendment and restatement of the limited liability company agreement of CWAN Holdings to, among other things, appoint Clearwater Analytics Holdings, Inc. as the sole managing member of CWAN Holdings and provide certain exchange and redemption rights to direct or indirect holders of interests in CWAN Holdings and/or our Class B common Stock, Class C common Stock and/or Class D common stock immediately following consummation of the Transactions, including the Principal Equity Owners, and the Continuing Equity Owners;
- the amendment and restatement of the certificate of incorporation of Clearwater Analytics Holdings, Inc. to create Class A, B, C and D common stock;
- the mergers of Blocker Entities into Clearwater Analytics Holdings, Inc. and the issuance of Class A common stock, Class B common stock, Class C common stock, and Class D common stock to Blocker Shareholders and the Continuing Equity Owners. Blocker Entities refers to entities affiliated with certain of the Continuing Equity Owners, each of which was a direct or indirect owner of LLC Interests in CWAN Holdings prior to the Transactions and was taxable as a corporation for U.S. federal income tax purposes, and Blocker Shareholders refers to entities affiliated with certain of the Continuing Equity Owners, each of which was an owner of one or more of the Blocker Entities prior to the Transactions, which exchanged their interests in the Blocker Entities for shares of our Class A common stock, in the case of Continuing Equity Owners other than the Principal Equity Owners, and for shares of our Class D common stock, in the case of the Principal Equity Owners, in connection with the consummation of the Transactions;
- the issue of 11,151,110 shares of Class B common stock to Continuing Equity Owners other than the Principal Equity Owners and 47,377,587 shares of Class C common stock to the Principal Equity Owners, on a one-to-one basis with the number of common units of CWAN Holdings. Holders of our Class B and Class C common stock, along with the holders of our Class A and Class D common stock have certain voting rights, but holders of our Class B and Class C common stock do not have an economic interest in the Company;
- the issue of 130,083,755 shares of Class D common stock to the Principal Equity Owners, on a one-to-one basis, with the number of common units of CWAN Holdings. Holders of Class D common stock have certain voting rights and are entitled an economic interest in the Company; and

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- the execution of the Tax Receivable Agreement, by and among Clearwater Analytics Holdings, Inc., CWAN Holdings, LLC and the other parties thereto (Note 12).

Secondary Offerings

Pursuant to an underwriting agreement executed on March 8, 2023, certain affiliates of Welsh Carson (the "Selling Stockholders") sold 14,950,000 shares of Class A common stock in an underwritten secondary public offering (the "March Secondary Offering"). As part of the March Secondary Offering, the Selling Stockholders exchanged a total of 4,823,901 shares of Class C common stock and 10,126,099 shares of Class D common stock, and corresponding units in CWAN Holdings, for an equivalent number of shares of Class A common stock that were purchased by the underwriters. The Company did not sell any securities in the March Secondary Offering and did not receive any proceeds from the sale of the shares sold by the Selling Stockholders. The Company incurred \$ 1.3 million in expenses associated with the March Secondary Offering during the three months ended March 31, 2023, which were recorded as general and administrative expenses.

Pursuant to an underwriting agreement executed on June 15, 2023, the Selling Stockholders sold 10,000,000 shares of Class A common stock in an underwritten secondary public offering (the "June Secondary Offering"). As part of the June Secondary Offering, the Selling Stockholders exchanged a total of 3,215,940 shares of Class C common stock and 6,784,060 shares of Class D common stock, and corresponding units in CWAN Holdings, for an equivalent number of shares of Class A common stock that were purchased by the underwriters. The Company did not sell any securities in the June Secondary Offering and did not receive any proceeds from the sale of the shares sold by the Selling Stockholders. The Company incurred \$ 0.3 million in expenses associated with the June Secondary Offering during the three months ended June 30, 2023, which were recorded as general and administrative expenses.

As of September 30, 2023, the Company owns 83.2 % of the interests in CWAN Holdings. Continuing Equity Owners which hold Class B and Class C common stock own the remaining 16.8 % of the interests in CWAN Holdings. The attributes of the Company's classes of common stock are summarized in the following table:

Class of Common Stock	Votes per Share	Economic Rights
Class A common stock	1	Yes
Class B common stock	1	No
Class C common stock	10	No
Class D common stock	10	Yes

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X of the SEC and, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of results for the unaudited interim periods presented. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. The results of operations for the interim period are not necessarily indicative of the results to be obtained for the full fiscal year.

Principles of consolidation

The condensed consolidated financial statements include the accounts of the Company and its directly and indirectly wholly-owned or controlled subsidiaries. All intercompany balances and transactions have been eliminated through consolidation. Clearwater Analytics Holdings, Inc. consolidated the financial results of CWAN Holdings as a Variable Interest Entity ("VIE"). Clearwater Analytics Holdings, Inc. owns the majority economic interest and has the power to control all the business and affairs of CWAN Holdings.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at

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the date of the condensed consolidated financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Actual results could differ materially from those estimates.

Items subject to estimates and assumptions include the useful lives and recoverability of long-lived assets, the average period of benefit associated with deferred contract costs, sales reserves, the incremental borrowing rate applied in lease accounting, accruals for sales tax liabilities, the fair value and probability of achieving performance conditions of equity awards, business combinations, tax valuation allowance and probability of making payments under the TRA, among others. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the result of which forms the basis for making judgments about the carrying values of assets and liabilities, and measurement of revenues and expenses. To the extent there are material differences between these estimates, judgments, or assumptions and actual results, the Company's condensed consolidated financial statements will be affected.

Significant Accounting Policies

The Company's significant accounting policies are discussed in Note 2 – Basis of Presentation and Summary of Significant Accounting Policies in the Annual Report. There have been no significant changes to these policies that have had a material impact on the Company's unaudited condensed consolidated financial statements and related notes during the three and nine months ended September 30, 2023, except as noted below.

Revenue Recognition

The Company earns revenue primarily from providing access to its SaaS platform solution to its customers, services that support the implementation on the SaaS platform, selling perpetual and term-based software licenses, maintenance and support, and professional services under contracts with customers. The Company recognizes revenue when it satisfies performance obligations under the terms of the contract in an amount that reflects the consideration the Company expects to receive in exchange for the services or licenses. The Company determines the appropriate amount of revenue to be recognized using the following steps: (i) identification of contracts with customers, (ii) identification of the performance obligations in the contract, (iii) determination of transaction price, (iv) allocation of contract transaction price to the performance obligations, and (v) recognition of revenue when or as the Company satisfies a performance obligation. Often contracts contain more than one performance obligation. Performance obligations are the unit of accounting for revenue recognition and generally represent the distinct services that are promised to the customer.

SaaS

The Company's SaaS services allow the customer to access the services without taking possession of the software. Non-refundable fees invoiced in advance of the delivery of the Company's performance obligations are deemed set-up activities and are deferred as a material right and recognized over time, typically 12 months. After set-up activities, customers typically receive benefits from implementation services prior to the "go live" date, at which point they can use the platform as intended in the arrangement. We have determined these implementation services are generally a separate performance obligation. As the Company's platform must stand ready to provide the services throughout the contract period, revenues are recognized as the services are provided over time beginning on the date the service is made available as intended in the arrangement. Customers generally have the right to cancel with 30 days' notice with no penalty.

The Company typically bills its customers for SaaS services monthly in arrears based on a percentage of the average of the daily value of the assets within a customer's accounts on the platform, or based on a fixed monthly base fee. Payment terms may vary by contract but generally include a requirement of payment within 30 days following the month in which services were provided.

Sales tax collected from customers and remitted to governmental authorities is not included in revenue and is reflected as a liability on the Company's condensed consolidated balance sheets.

Licenses

As a result of the acquisition of JUMP Technology ("JUMP") on November 30, 2022, the Company earns license revenue through the sale of software license agreements to new customers and sales of additional licenses to the existing customers who can purchase additional users for existing licenses or purchase new licenses. Licenses can be either perpetual or term-based and provide the customer with a right to use the software. When a term license is purchased, maintenance and support is bundled with the license for the term of the license period. The Company requires customers purchasing perpetual licenses to also purchase maintenance and support services covering at least one year from the beginning of the perpetual license. The Company also offers professional services, including consulting and training, that are not integral to the functionality of the license.

Revenue is recognized when the performance obligation is satisfied. Revenue from our perpetual and term-based licenses is recognized when the software is delivered or made available to the customer and all other revenue recognition

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criteria are satisfied. We satisfy our maintenance and support performance obligations and recognize revenue ratably over the maintenance and support term or license term, consistent with the pattern of benefit to the customer of such services. Professional services are provided on a time basis or over a contract term. We satisfy our professional services and training performance obligations and recognize the associated revenue as services are delivered.

The Company typically bills its customers for licenses and maintenance annually in advance and professional services are billed monthly in arrears as services are performed.

Investments

Investments primarily consist of money market funds, commercial paper, U.S. agency securities, corporate debt securities and certificates of deposit. The Company invests in a diversified portfolio of investment securities and limits the concentration of its investment in any particular security. We classify our investments with an original maturity of greater than three months, but less than one year, as short-term investments, and investments with maturities greater than one year as long-term investments.

Investments in debt securities that we have the positive intent and ability to hold until maturity are classified as held-to-maturity debt securities. Our held-to-maturity debt securities consist of short-term certificates of deposit which mature in less than one year. Held-to-maturity debt investments are recorded at amortized cost, which approximates fair value, and realized gains or losses are reported in earnings.

Available-for-sale securities consist of commercial paper, U.S. agency securities and corporate debt securities. Available-for-sale investments are recorded at fair value, and unrealized gains or losses related to changes in fair value between periods are reported in accumulated other comprehensive loss. Realized gains or losses related to available-for-sale investments are reported in earnings. Realized gains or losses were not material during the three and nine months ended September 30, 2023.

If the estimated fair value of an available-for-sale debt security is below its amortized cost basis, then the Company evaluates the security for impairment. The Company considers its intent to sell the security or whether it is more likely than not that it will be required to sell the security before recovery of its amortized basis. If either of these criteria are met, the debt security's amortized cost basis is written down to fair value through other income (expense), net in the consolidated statements of operations. If neither of these criteria are met, the Company evaluates whether unrealized losses have resulted from a credit loss or other factors. The factors considered in determining whether a credit loss exists can include the extent to which fair value is less than the amortized cost basis, changes to the rating of the security by a rating agency, any adverse conditions specifically related to the security, as well as other factors. An impairment relating to credit losses is recorded through an allowance for credit losses reported in other income (expense), net in the consolidated statements of operations. The allowance is limited by the amount that the fair value of the debt security is below its amortized cost basis. When a credit loss exists, the Company compares the present value of cash flows expected to be collected from the debt security with the amortized cost basis of the security to determine what allowance amount, if any, should be recorded. As of September 30, 2023 and December 31, 2022, no allowance of credit losses related to our available-for-sale investments was recorded. Unrealized losses not resulting from credit losses are recorded through accumulated other comprehensive loss .

Note 3. Revenue Recognition

For SaaS offerings, the Company is applying the optional exemption to not disclose transaction price allocated to the remaining performance obligations as the Company's performance obligations are part of contracts that have an expected original duration of one year or less.

For Licenses, the Company's remaining performance obligations represent the transaction price allocated to maintenance and support performance obligations that have yet to be satisfied. The following table includes estimated revenue expected to be recognized in the future related to maintenance and support performance obligations that are partially satisfied (in thousands):

	Remainder of		2023	2024	2025	2026	2027	Thereafter
Revenue expected to be recognized in the future as of September 30, 2023	\$	419	\$ 905	\$ 595	\$ 396	\$ 196	\$ 102	

Of the total revenue recognized for the three and nine months ended September 30, 2023, \$ 0.2 million and \$ 0.9 million was included in the deferred revenue balance as of December 31, 2022, respectively. Revenues recognized from performance obligations satisfied (or partially satisfied) in previous periods were not material. Contract asset balances classified as current are \$ 2.1 million and \$ 2.5 million as of September 30, 2023 and December 31, 2022, respectively. Contract asset balances classified as non-current are \$ 1.6 million and \$ 1.2 million as of September 30, 2023 and December 31, 2022, respectively.

The following table presents the Company's revenue disaggregated by geography, based on billing address of the customer (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
United States	\$ 76,704	\$ 65,420	\$ 220,967	\$ 189,307
Rest of World	17,960	11,132	48,182	31,432
Total revenue	\$ 94,664	\$ 76,552	\$ 269,149	\$ 220,739

Note 4. Cash, Cash Equivalents and Investments

The following tables show the Company's cash, cash equivalents and investments by significant investment category as of September 30, 2023 and December 31, 2022 in accordance with the fair value hierarchy (in thousands):

	September 30, 2023						
	Adjusted Cost	Unrealized Gains	Unrealized Losses		Fair Value	Cash and Cash Equivalents	Short-Term Investments
			Losses	Fair Value			
Cash	\$ 45,118	\$ —	\$ —	\$ 45,118	\$ 45,118	\$ —	\$ —
Level 1 ⁽¹⁾ :							
Money market funds	\$ 153,724	\$ —	\$ —	\$ 153,724	\$ 153,724	\$ —	\$ —
Level 2 ⁽²⁾ :							
Treasury bills	\$ 1,467	\$ —	\$ (6)	\$ 1,462	\$ —	\$ 1,462	\$ —
US government bond	\$ 6,082	\$ —	\$ (33)	\$ 6,049	\$ —	\$ 2,895	\$ 3,154
U.S. agency securities	\$ 25,283	\$ —	\$ (92)	\$ 25,191	\$ —	\$ 22,742	\$ 2,449
Commercial paper	\$ 18,608	\$ —	\$ —	\$ 18,608	\$ 6,822	\$ 11,786	\$ —
Corporate debt securities	\$ 49,834	\$ —	\$ (158)	\$ 49,677	\$ —	\$ 37,679	\$ 11,997
Certificates of deposit	\$ 3,004	\$ —	\$ —	\$ 3,004	\$ —	\$ 3,004	\$ —
Subtotal	\$ 104,278	\$ —	\$ (289)	\$ 103,991	\$ 6,822	\$ 79,568	\$ 17,600
Total	\$ 303,120	\$ —	\$ (289)	\$ 302,833	\$ 205,665	\$ 79,568	\$ 17,600

	December 31, 2022						
	Adjusted Cost	Unrealized Gains	Unrealized Losses		Fair Value	Cash and Cash Equivalents	Short-Term Investments
			Losses	Fair Value			
Cash	\$ 7,337	\$ —	\$ —	\$ 7,337	\$ 7,337	\$ —	\$ —
Level 1 ⁽¹⁾ :							
Money market funds	\$ 243,387	\$ —	\$ —	\$ 243,387	\$ 243,387	\$ —	\$ —
Level 2 ⁽²⁾ :							
Certificates of deposit	\$ 3,000	\$ —	\$ —	\$ 3,000	\$ —	\$ 3,000	\$ —
Non-US Treasury securities	\$ 1,890	\$ —	\$ —	\$ 1,890	\$ —	\$ 1,890	\$ —
Subtotal	\$ 4,890	\$ —	\$ —	\$ 4,890	\$ —	\$ 4,890	\$ —
Total	\$ 255,614	\$ —	\$ —	\$ 255,614	\$ 250,724	\$ 4,890	\$ —

(1) Level 1 fair value estimates are based on quoted prices in active markets for identical assets or liabilities.

(2) Level 2 fair value estimates are based on observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

During each of the nine months ended September 30, 2023 and year ended December 31, 2022, there were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy.

Note 5. Business Combinations

On November 30, 2022, we completed our acquisition of JUMP, acquiring 100 % of the outstanding common shares and voting interest in JUMP. We believe the acquisition will strengthen our position to become an industry-leading provider of innovative, end-to-end solutions to investment management companies globally. The total purchase consideration for the acquisition of JUMP was € 75 million in cash, which approximated to \$ 77.1 million based on the exchange rate at the time of the acquisition. A total of € 67.5 million cash was paid as purchase consideration upon completion of the acquisition. The Share Purchase Agreement includes an indemnification holdback which requires the remaining € 7.5 million cash to be paid as purchase consideration over the subsequent two years subject to no indemnification claims being submitted. We expensed acquisition-related costs in the amount of \$ 1.7 million in general and administrative expenses in the third and fourth quarters of 2022.

We have accounted for this transaction as a business combination and allocated the fair value of the consideration to the tangible and intangible assets acquired as well as liabilities assumed, based on their estimated fair values. The excess of the purchase price over the fair values of these identifiable assets and liabilities was recorded as goodwill. The preliminary allocated fair value is summarized as follows (in thousands):

	Fair Value
Cash and cash equivalents	\$ 4,3
Short-term investments	1,8
Accounts receivable	3,1
Operating lease right-of-use asset	3,7
Other assets	5,7
Intangible assets	28,8
Goodwill	42,4
Operating lease liability	(3,6
Deferred tax liability	(5,6
Other liabilities	(3,7
Total consideration	77,1
Deferred consideration related to indemnification holdback	(6,9
Cash acquired	(4,3
Cash paid for acquisition of business, net of cash acquired	\$ 65,7

We expect to finalize the allocation of the purchase consideration as soon as practicable, pending finalization of taxes and any other adjustments related to acquired assets or liabilities, but no later than 12 months from the Acquisition Date.

Goodwill generated from this business combination is primarily attributable to the assembled workforce and expected post-acquisition synergies from integrating JUMP technology into our platform and strengthening our ability to serve a global customer base and accelerate delivery of solutions to investment management companies. The goodwill is not expected to be deductible for income tax purposes.

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The following table presents details of the preliminary fair values of identified intangible assets acquired (in thousands, except years):

	Fair Value	Estimated Useful Life
Developed technology	\$ 24,317	7 years
Customer relationships	4,261	13 years
Trade name / Trademarks	312	2 years
Total	\$ 28,890	

The identified intangible assets are measured at fair value as Level III in accordance with the fair value hierarchy.

Revenue of \$ 2.7 million and net income of \$ 1.1 million is included in our consolidated statements of operations for the year ended December 31, 2022. Pro forma information has not been presented as disclosure is impracticable due to JUMP's historical financial statements not being prepared in accordance with U.S. GAAP.

A total of 3,200,000 RSU equity awards were granted to JUMP employees on November 30, 2022 and are recognized separately from the acquisition of assets and assumptions of liabilities related to JUMP. The Company determined the fair value of each RSU awarded using the closing price of the Company's shares on the NYSE on November 30, 2022. The RSUs are either subject to time-based vesting conditions and vest over four years, or subject to performance-based vesting and vest upon achievement of targets tied to annual revenue growth in 2023. A total of \$ 0.3 million and \$ 1.0 million equity-based compensation related to JUMP employees is recorded in research and development expenses, respectively, for the three and nine months ended September 30, 2023. A total of \$ 5.2 million and \$ 15.5 million equity-based compensation related to JUMP employees is recorded in general and administrative expenses, respectively, for the three and nine months ended September 30, 2023.

Note 6. Goodwill and Intangible Assets

Goodwill

The following table presents details of our goodwill during the nine months ended September 30, 2023 (in thousands):

	Amount
Balance as of December 31, 2022	\$ 43,791
Purchase accounting adjustment	(623)
Foreign currency translation adjustments	(583)
Balance as of September 30, 2023	\$ 42,585

Purchased Intangible Assets

The following table presents details of our purchased intangible assets as of September 30, 2023 and December 31, 2022 (in thousands):

	September 30, 2023			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Useful Life (In Years)
Intangible assets with finite lives:				
Developed technology	\$ 24,740	\$ (2,945)	\$ 21,795	6.2
Customer relationships	4,335	(278)	4,057	12.2
Trade name / Trademarks	317	(132)	185	1.2
Total intangible assets	\$ 29,392	\$ (3,355)	\$ 26,037	
	December 31, 2022			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Useful Life (In Years)
Intangible assets with finite lives:				
Developed technology	\$ 25,086	\$ (305)	\$ 24,781	6.9
Customer relationships	4,395	(29)	4,366	12.9
Trade name / Trademarks	322	(13)	309	1.9
Total intangible assets	\$ 29,803	\$ (347)	\$ 29,456	

We recognized amortization expense of \$ 1.1 million and \$ 3.2 million for the three and nine months ended September 30, 2023, respectively. No amortization expense was recognized for the three and nine months ended September 30, 2022.

Note 7. Supplemental Consolidated Balance Sheet Information

Accounts Receivable, net

Accounts receivable, net consisted of the following (in thousands):

	September 30,		December 31,
	2023	2022	
Billed accounts receivable	\$ 41,654	\$ 41,718	
Unbilled accounts receivable	50,171	30,963	
Allowance for doubtful accounts and reserves	(169)	(106)	
Accounts receivable, net	\$ 91,656	\$ 72,575	

The majority of invoices included within the unbilled accounts receivable balance are issued within the first few days of the month directly following the period of service.

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Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	September 30,	December 31,	
	2023	2022	
Prepaid expenses	\$ 10,575	\$ 14,947	
Deferred contract costs, current portion	4,241		4,215
Contract assets	2,147		2,518
Other receivable	4,294		4,142
Other current assets	3,084		2,335
Prepaid expense and other current assets	<u>\$ 24,341</u>		<u>\$ 28,157</u>

Property and equipment, net

Depreciation and amortization expense for the three months ended September 30, 2023 and 2022 was \$ 1.4 million and \$ 1.4 million, respectively, and for the nine months ended September 30, 2023 and 2022 was \$ 4.1 million and \$ 3.5 million, respectively. Accumulated depreciation and amortization as of September 30, 2023 and December 31, 2022 was \$ 18.6 million and \$ 14.5 million, respectively.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	September 30,	December 31,	
	2023	2022	
Accrued benefits and retirement	\$ 7,980	\$ 10,566	
Accrued vendor liabilities	6,838		4,811
Acquisition holdback liability, current portion	3,920		3,770
Accrued bonus	7,564		10,005
Deferred revenue	3,473		1,185
Tax distributions payable to Continuing Equity Owners	3,839		3,196
Accrued commissions	2,020		2,709
Income tax payable	130		920
Other current liabilities	<u>5,015</u>		<u>4,957</u>
Accrued expenses and other liabilities	<u>\$ 40,779</u>		<u>\$ 42,119</u>

Other Long-term Liabilities

Other long-term liabilities consisted of the following (in thousands):

	September 30,	December 31,	
	2023	2022	
Deferred tax liabilities	\$ 4,756	\$ 5,932	
Acquisition holdback liability	3,650		3,496
Asset retirement obligation	155		119
Other long-term liabilities	<u>\$ 8,561</u>		<u>\$ 9,547</u>

Note 8. Leases

The Company leases facilities under non-cancelable operating lease agreements with varying terms that range from one to 10 years. In addition, some of these leases have renewal options for up to five years. The Company determines if an arrangement contains a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, and operating lease liabilities on the Company's condensed consolidated balance sheets. The Company does not have any finance leases.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company does not account for lease components (e.g., fixed payments including rent) separately from the non-lease components (e.g., common-area maintenance costs).

Operating lease costs were \$ 1.9 million and \$ 5.6 million for the three and nine months ended September 30, 2023, respectively. Variable lease cost and short-term lease costs were immaterial during the three and nine months ended September 30, 2023. Future minimum lease payments at September 30, 2023 under the Company's non-cancelable leases were as follows (in thousands):

2023 (remaining three months)	\$	1,853
2024		7,269
2025		7,375
2026		6,758
2027		2,770
Thereafter		156
Total future minimum lease payments		26,181
Less: Imputed interest		(2,101)
Present value of future minimum lease payments		24,080
Less: Current portion of operating lease liability		(6,402)
Operating lease liabilities - noncurrent	\$	17,678

The following table presents supplemental information for the Company's non-cancelable operating leases for the nine months ended September 30, 2023 and 2022 (in thousands, except for weighted average and percentage data):

	Nine Months Ended September 30,	
	2023	2022
Weighted average remaining lease term	3.58	4.29
Weighted average discount rate	4.72 %	3.77 %
Cash paid for amounts included in the measurement of lease liabilities	\$ 1,897	\$ 1,534
Leased assets obtained in exchange for new lease liabilities ⁽¹⁾	\$ 3,637	\$ 26,027

⁽¹⁾ For the nine months ended September 30, 2022, amount includes \$ 23.1 million related to the adoption of ASC 842 for existing operating leases on January 1, 2022.

Note 9. Non-controlling Interest

The Company is the sole managing member of CWAN Holdings, and has the sole voting interest in, and control of the management of, CWAN Holdings. As a result, the Company consolidates the financial results of CWAN Holdings. The non-controlling interest on our condensed consolidated balance sheet relates to the interests of CWAN Holdings held by the Continuing Equity Owners. The ownership of the LLC interests is summarized as follows:

	September 30, 2023		December 31, 2022	
	Shares	Ownership %	Shares	Ownership %
Clearwater Analytics Holdings, Inc. interest in CWAN Holdings	202,022,234	83.2 %	191,232,645	79.7 %
Continuing Equity Owners' interest in CWAN Holdings	40,739,931	16.8 %	48,816,838	20.3 %
	242,762,165	100.0 %	240,049,483	100.0 %

Note 10. Loss Per Share

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted net loss per share of Class A and Class D common stock (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Numerator:				
Net loss	\$ (2,343)	\$ (3,026)	\$ (19,636)	\$ (4,728)
Less: Net income (loss) attributable to non-controlling interests	(454)	(52)	(2,442)	277
Net loss attributable to Clearwater Analytics Holdings, Inc. - basic and diluted	(1,889)	(2,974)	(17,194)	(5,005)

The following tables set forth the computation of basic and diluted net loss per share of Class A and Class D common stock (in thousands, except share amounts and per share amounts):

	Three Months Ended September 30, 2023		Nine Months Ended September 30, 2023	
	Class A	Class D	Class A	Class D
Basic and diluted net loss attributable to Class A and Class D common stockholders				
Numerator:				
Allocation of net loss attributable to Clearwater Analytics Holdings, Inc.	\$ (828)	\$ (1,061)	\$ (6,768)	\$ (10,426)
Denominator:				
Weighted average number of shares of Class A and Class D common stock outstanding - basic and diluted	88,409,355	113,173,596	77,898,011	120,005,350
Basic and diluted net loss per share attributable to Class A and Class D common stockholders	\$ (0.01)	\$ (0.01)	\$ (0.09)	\$ (0.09)

	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	Class A	Class D	Class A	Class D
Basic and diluted net loss attributable to Class A and Class D common stockholders				
Numerator:				
Allocation of net loss attributable to Clearwater Analytics, Inc.	\$ (914)	\$ (2,060)	\$ (1,467)	\$ (3,538)
Denominator:				
Weighted average number of shares of Class A and Class D common stock outstanding - basic and diluted	57,740,776	130,083,755	53,942,623	130,083,755
Basic and diluted net loss per share attributable to Class A and Class D common stockholders	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.03)

Shares of the Company's Class B and Class C common stock do not participate in the earnings or losses of Clearwater Analytics Holdings, Inc. and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B and Class C common stock under the two-class method has not been presented.

The following weighted-average potentially dilutive securities were evaluated under the treasury stock method for potentially dilutive effects and have been excluded from diluted net loss per share for the three and nine months ended September 30, 2023 due to their anti-dilutive effect:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Conversion of Class B and Class C common stock	40,739,931	50,044,760	43,964,990	53,414,846
Stock options of Clearwater Analytics Holdings, Inc.	10,225,813	10,163,645	9,690,549	10,939,998
RSUs of Clearwater Analytics Holdings, Inc.	2,923,756	713,091	5,425,091	1,044,382
Employee stock purchase plans	21,583	11,536	14,509	7,187
Total	53,911,083	60,933,032	59,095,139	65,406,413

Note 11. Equity-Based Compensation

In September 2021, the Board of Directors of the Company (the "Board") adopted the Clearwater Analytics Holdings, Inc. 2021 Omnibus Incentive Plan (the "2021 Plan"), pursuant to which employees, consultants and directors of our Company and our affiliates performing services for us, including our executive officers, are eligible to receive awards. The 2021 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), bonus stock, dividend equivalents, other stock-based awards, substitute awards, annual incentive awards and performance awards intended to align the interests of participants with those of our shareholders. A total of 69,200,278 shares of common stock are authorized for issuance under the 2021 Plan. In connection with the approval of the 2021 Plan, the 2017 Equity Incentive Plan was terminated and all outstanding stock options and RSUs were transferred to the 2021 Plan.

Options

The following table summarizes the stock option activity for the nine months ended September 30, 2023 (in thousands, except per share data):

	Stock Options	Weighted Average Exercise Price	Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance - December 31, 2022	17,754,770	\$ 8.47	7.06	\$ 183,315
Granted	—	—		
Exercised	(2,336,682)	7.23		23,942
Forfeited	(1,411,142)	12.63		
Balance - September 30, 2023	14,006,946	\$ 8.26	6.52	\$ 155,598
Options vested - September 30, 2023	10,052,596	\$ 7.44		\$ 119,944

The aggregate intrinsic value as of September 30, 2023 disclosed in the above table is based on the difference between the exercise price of the stock option and the estimated fair value of the Company's common stock as of September 30, 2023. As of September 30, 2023, the total unrecognized compensation expense related to unvested options was \$ 18.6 million, which is expected to be recognized over a weighted average period of 1.4 years.

RSUs

The summary of RSU activity for the nine months ended September 30, 2023 is as follows (in thousands, except per share data):

	Units Activity	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Unvested units as of December 31, 2022	9,527,348	\$ 18.32	\$ 178,638
Granted	7,341,300	18.69	
Released	(1,734,007)	18.11	
Cancelled	(1,201,956)	17.55	
Unvested units as of September 30, 2023	13,932,685	\$ 18.07	\$ 269,458

The aggregate intrinsic value disclosed in the above table is based on the closing stock price on the NYSE on September 30, 2023. As of September 30, 2023, there was \$ 184.4 million of unrecognized equity-based compensation expense related to RSUs, which is expected to be recognized over a weighted average period of 2.6 years.

Employee Stock Purchase Plan

In September 2021, the Board adopted the Clearwater Analytics Holdings, Inc. 2021 Employee Stock Purchase Plan ("ESPP"). As of January 1, 2023, a total of 7,889,367 shares of Class A common stock were available for issuance under the ESPP. The offering periods are scheduled to start on June 1 and December 1 of each year. Eligible employees may purchase the Company's common stock through payroll deductions at a price equal to 85 % of the lower of the fair market values of the stock as of the beginning or the end of six-month offering periods. An employee's payroll deductions under the ESPP are limited to 10 % of the employee's compensation and an employee may not purchase more than \$ 25,000 of stock during any calendar year in which the employee's option to purchase stock under the ESPP is outstanding at any time.

As of September 30, 2023, total unrecognized equity-based compensation costs related to ESPP were \$ 0.3 million, which is expected to be recognized over the remaining current offering period ending November 30, 2023.

ESPP payroll contributions accrued at September 30, 2023 and December 31, 2022 totaled \$ 1.7 million and \$ 0.5 million, respectively, and are included within accrued expenses in the consolidated balance sheets. Employee payroll contributions used to purchase shares under the ESPP will be reclassified to stockholders' equity at the end of the offering period.

Note 12. Income Taxes

As a part of the Up-C structure, Clearwater Analytics Holdings, Inc. owns a portion of CWAN Holdings, which contains all operations of the business and is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, CWAN Holdings is generally not subject to U.S. federal, state, and local income taxes. Any taxable income or loss generated by CWAN Holdings is passed through to and included in the taxable income or loss of its members in accordance with the terms of the operating agreement of CWAN Holdings. Before the IPO, the majority of CWAN Holdings' income was passed through to its members and was nontaxable to the entity. CWAN Holdings' international wholly-owned subsidiaries are subject to taxes in foreign jurisdictions.

Clearwater Analytics Holdings, Inc. is taxed as a corporation and pays corporate federal, state, and local taxes on income allocated to it from CWAN Holdings based on Clearwater Analytics Holdings, Inc.'s economic interest held in CWAN Holdings. While the Company consolidates CWAN Holdings for financial reporting purposes, the Company will not be taxed on the earnings attributed to the non-controlling interests. As a result, the income tax burden on the earnings taxed to the non-controlling interests is not reported by the Company in its condensed consolidated financial statements.

Our tax provision for interim periods is determined using an estimated annual effective tax rate, adjusted for discrete items arising in the applicable quarter. In each quarter, we update the estimated annual effective tax rate and make a year-to-date adjustment to the provision. The estimated annual effective tax rate may be subject to significant volatility due to several factors, including our ability to accurately predict the proportion of our pretax income in multiple jurisdictions, certain book-tax differences, and exchanges from non-controlling interests.

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The following table provides details of the provision for income taxes:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Loss before income taxes	\$ (2,617)	\$ (2,602)	\$ (19,820)	\$ (3,769)
Provision for (benefit from) income taxes	(274)	424	(184)	959
Effective tax rate	10.5 %	(16.3 %)	0.9 %	(25.4 %)

For the three and nine months ended September 30, 2023 and September 30, 2022, the Company's effective tax rate was different than the statutory rate primarily because of foreign taxes, equity-based compensation and the valuation allowance on U.S. deferred tax assets. In addition, the Company is not liable for income taxes on the portion of CWAN Holdings' earnings that are attributable to non-controlling interests.

The Company regularly monitors its uncertain tax positions, and as of September 30, 2023, there were no material unrecognized tax benefits that, if realized, would affect the estimated annual effective tax rate, nor do we expect any significant changes within the next 12 months.

We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. The realization of tax benefits of net deferred tax assets is dependent upon future levels of taxable income, of an appropriate character, in the periods the items are expected to be deductible or taxable. Based on the available objective evidence as of September 30, 2023, we believe that it is more likely than not that the tax benefits of the U.S. losses incurred may not be realized. Accordingly, we have recorded a full valuation allowance against the tax benefits of the U.S. losses incurred. We intend to maintain the full valuation allowance on the U.S. net deferred tax assets until sufficient positive evidence exists to support a reversal of, or decrease in, the valuation allowance.

Tax Receivable Agreement Liability

In connection with the IPO and related transactions, we entered into a TRA that provides for the payment by us of 85 % of the amount of any tax benefits that we actually realize, or in some cases are deemed to realize, as a result of (i) increases in our share of the tax basis in the net assets of CWAN Holdings resulting from any redemptions or exchanges of CWAN Holdings units, (ii) tax basis increases attributable to payments made under the TRA, and (iii) deductions attributable to imputed interest and bonus payments pursuant to the TRA Bonus Agreements (the "TRA Payments"). We expect to benefit from the remaining 15 % of any tax benefits that we may actually realize. The TRA Payments are not conditioned upon any continued ownership interest in CWAN Holdings or the Company. The rights of each member of CWAN Holdings, that is a party to the TRA, are assignable to transferees of their respective CWAN Holdings units.

The estimation of a liability under the TRA is, by its nature, imprecise and subject to significant assumptions regarding a number of factors, including (but not limited to) the amount and timing of taxable income generated by the Company each year as well as the tax rate then applicable. The future tax benefits related to ownership exchanges completed as of September 30, 2023 are estimated to be \$ 437 million, of which \$ 372 million is estimated to be the associated TRA liability.

As noted above, the Company evaluated the realizability of its U.S. deferred tax assets and has recorded a full valuation allowance against the future realization of those benefits. As such, no TRA liability related to future years has been recorded as of September 30, 2023, as it is not probable that we will realize any tax benefits.

Before considering the tax benefits subject to our TRA Agreement, we estimate that we will report taxable income in 2023 primarily due to capitalization of research and development expenses under Section 174 and equity-based compensation expense that has either not yet met the rules for deductibility or has had the deduction limited under Section 162(m). Therefore, we expect to utilize tax benefits subject to our TRA and have recorded the associated TRA liability of \$ 18.6 million as of September 30, 2023, of which \$ 8.2 million relates to tax year 2023 and \$ 10.4 million relates to tax year 2022. We anticipate paying the TRA liability related to tax year 2022 in Q4 of 2023. We have recorded \$ 6.1 million of tax receivable agreement expense and \$ 0.3 million of TRA Bonus expense in the nine months ended September 30, 2023. As there are many assumptions and considerations that impact our taxable income position in the current year, the estimate of our taxable income position (and thus, the TRA liability recognized) for the current year could change significantly.

As of September 30, 2023, the non-controlling interest holders held 40,739,931 units in CWAN Holdings that could, at their discretion, be exchanged for Class A shares. As units are exchanged, we may record future tax benefits and an associated TRA liability as a result of the increases in our tax basis in CWAN Holdings from the exchanges. The amount of the increase in the tax basis, the related estimated tax benefits, and the related TRA liability to be recorded will depend (among other things) on the price of the Company's Class A stock at the time of the relevant redemption or exchange. If the non-controlling interest exchanged all of their units at the Company's Class A stock price as of September 30, 2023, we

estimate the future tax benefits related to these hypothetical exchanges to be \$ 240 million, of which \$ 204 million is estimated to be the associated TRA liability.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our Management's Discussion and Analysis of Financial Condition and Results of Operations and financial statements included in the Annual Report. As discussed in the section titled "Special Note Regarding Forward-Looking Statements," the following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and in the section titled "Special Note Regarding Forward-Looking Statements" in this Quarterly Report on Form 10-Q and those discussed in the section titled "Risk Factors" in the Annual Report.

Overview

Clearwater brings transparency to the opaque world of investment accounting and analytics with what we believe is the industry's most trusted and innovative single instance, multi-tenant technology platform. Our cloud-native software allows clients to radically simplify their investment accounting operations, enabling them to focus on higher-value business functions such as asset allocation strategy and investment selection. Our platform provides comprehensive accounting, data and advanced analytics as well as highly-configurable reporting for global investment assets daily or on-demand, instead of weekly or monthly. We give our clients confidence that they are making the most informed decisions about investment performance, regulatory compliance and risk.

We provide investment accounting and reporting, performance measurement, compliance monitoring and risk analytics solutions for asset managers, insurance companies and large corporations. Every day, Clearwater's powerful platform aggregates and normalizes data on over \$6.4 trillion of global invested assets for over 1,200 clients. We bring modern software to an industry that has long been dominated by difficult-to-use, high cost legacy technologies and processes, which often lack data integrity and traceability, and often require significant manual intervention. The strength of our platform is demonstrated by our approximately 80% win rate for new clients over the prior four years in deals that reached the proposal stage.

We allow our clients to replace legacy systems with modern cloud-native software. Our platform helps clients reduce cost, time, errors and risk and allows them to reallocate resources to other value-creating activities. Our software aggregates, reconciles and validates data from more than 2,800 daily data feeds and more than four million securities that have been modeled across multiple currencies, asset classes and countries. This cleansed and validated data runs through our proprietary accounting, performance, compliance and risk solutions to provide clients with powerful analytics and daily or on-demand configurable reporting. We offer multi-asset class, multi-basis, multi-currency accounting and analytics that provide clients with a comprehensive view of their holdings and related performance. This allows our clients to make better, more timely decisions about their investment portfolios.

Clearwater benefits from powerful network effects. With our single instance, multi-tenant architecture, every client, whether new or existing, enriches our global data set by making it more complete and accurate. Our software continually sources, ingests, models, reconciles and validates the terms, conditions and features of every investment security held by all of our clients. This continuous process helps to create a single repository of comprehensive, accurate investment data (often referred to within the industry as a "Golden Copy" of data) that benefits all our clients to the extent they otherwise have rights to the data. Through this continuous process, we are able to identify and adjudicate data discrepancies that otherwise could introduce error and risk into our clients' investment portfolios. We believe that a meaningful competitive advantage of this network effect is that we are increasingly seen as the best and most accurate source of investment accounting data and analytics in the industry.

We have a 100% recurring revenue model, excluding revenue from professional services and license related revenue from the JUMP acquisition. We charge our clients a fee that is primarily based on the amount of assets they manage on our platform, subject to contracted minimums. A majority of the assets on our platform are high-grade fixed income assets, leading to very low levels of volatility and highly predictable revenue streams. In 2022, we transitioned our contracting structure to a framework we describe as Base+ for all new clients. A Base+ contract framework includes a base fee for a prospective or existing client's book of business plus an incremental fee for increases in assets on the platform. This structure is designed to limit the downside volatility in our asset-based fees. We also began to amend contracts with our existing clients to either modify the structure of such contracts from a pure asset-based fee to this Base+ model or to increase the basis point price. The Base+ model includes annual increases in the base fee and enables us to charge additional fees for supplemental services provided for certain alternative asset classes (e.g., LPx) or additional products (e.g. Prism, Performance Plus, JUMP) should the client choose to utilize those services.

Key Factors Affecting Our Performance

The growth and future success of our business depends on many factors, including those described below.

- *Adding New Clients in Established End Markets:* Our future growth is dependent upon our ability to continue to add new clients. We are focused on continuing to increase our client base in our established client end-markets of corporations, insurance companies and asset managers, and doing so with increasingly large and sophisticated clients. As we add clients, it takes time to fully onboard their assets to the platform. Our revenue generally increases as assets are added to the platform, while the effort to serve the client is relatively consistent over time. Therefore, we expect revenues and gross margins to increase for a client as the client transitions from the onboarding process to a steady state once assets have been onboarded. In any period, our gross margins may fluctuate based on the relative size and number of clients that we are onboarding at that time.
- *Expanding and Retaining Relationships with Existing Clients:* Our future growth is dependent upon retaining our existing clients and expanding our relationships with these clients through increases in the amount of their assets on our platform, or providing additional solutions and services. We have enjoyed consistent gross revenue retention rates of 98% in 18 of the past 19 quarters. The consistency in revenue retention creates predictability in our business and enables us to better plan our future investments. Our relationship with our clients expands as these clients add more assets to our platform, or as we provide additional solutions and services, with reported net revenue retention rates (as defined below under “—Key Operating Measures”) between 103% and 109% over the past two years. Clients may add assets as a result of acquiring new clients themselves or by acquiring new businesses or simply through organic growth, which produces additional assets that they manage using our platform. We believe that our client service model and technology platform are strong contributing factors in our attractive retention rates. As such, we expect to continue to invest in both our operations and research and development functions to maintain and increase our high levels of client satisfaction, which we believe will lead to strong client retention and expansion.
- *International Expansion:* We believe that the value provided by our platform is equally applicable to asset owners and asset managers outside of North America, and there is a significant opportunity to expand our client base and usage of our platform internationally. Our future growth is dependent upon our ability to successfully enter new international markets and to expand our client base in our current international markets. Our cost to acquire clients in international markets is currently greater than in North America because there is less awareness of the Clearwater brand and our product capabilities, and we have to date invested less in sales and marketing internationally. For these reasons, we expect to invest more in sales and marketing in international markets relative to North America in order to achieve growth in these international markets.
- *Adding New Clients in Adjacent or Nascent End-Markets:* Our strategy is to also add new clients in our more nascent end-markets, which include state and local governments, pension funds and sovereign wealth funds, as well as a variety of alternative asset managers. Traditionally, our existing clients have been among our best resources for referring new clients to us, and we will continue to invest in sales and marketing to build awareness of our brand, engage prospective clients and drive adoption of our platform, particularly as it relates to expanding into new end-markets. As we establish our presence in new end-markets, we expect sales and marketing expenditures will be less efficient than in our established verticals and we will become increasingly more efficient at acquiring clients in new end-markets over time.
- *Expanding Solutions and Broadening Innovation:* Our future growth is dependent upon our continued expansion of our solutions in order to better retain our current clients and to develop new use cases that appeal to new clients. While we believe we will be able to reduce our research and development expenses as a percentage of revenues as we achieve greater scale, our priority is to maintain and grow our technological advantage over our competitors. As we identify opportunities to increase our technological and competitive advantages, for example, generative AI, we may increase our investments in research and development at rates that are faster than our growth in revenues in order to enhance our long-term growth and profitability.
- *Fluctuations in the Market Value of Assets on the Platform:* We generally bill our clients monthly in arrears based on a basis point rate applied to our clients' assets on our platform, which can be influenced by general economic conditions. While 77% of the assets on our platform were high-grade fixed income securities and structured products as of December 31, 2022 and traditionally

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subject to lower levels of volatility, the value of our clients' assets on our platform varies on a daily basis due to changes in securities prices, cash flow needs, incremental buying and selling of assets and other strategic priorities of our clients. For these reasons, our revenue is subject to fluctuations based on economic conditions, including market conditions and the changing interest rate environment.

Key Components of Results of Operations

The following discussion describes certain line items in our condensed consolidated statements of operations.

Revenue

We generate revenue from fees derived from providing clients with access to the solutions and services on our SaaS platform. Sales of our offering include a right to use our software in a hosted environment without taking possession of the software. Our contracts are generally cancellable with 30 days' notice without penalty. We invoice clients monthly in arrears based on a percentage of the average daily value of assets within a client's accounts on our platform during that month, or based on a fixed monthly base fee. Payment terms may vary by contract but generally include a requirement of payment within 30 days following the month in which services are provided. Fees invoiced in advance of the delivery of the Company's performance obligations are deemed set-up activities and are deferred as a material right and recognized over time, typically 12 months. Through our JUMP subsidiary which we acquired on November 30, 2022, we also earn license revenue.

Cost of Revenue

Cost of revenue consists of expenses related to delivery of revenue-generating services, including expenses associated with client services, onboarding, reconciliation and agreements related to the purchase of data used in the provision of our services. Salary and benefits for certain personnel associated with supporting these functions, in addition to allocated overhead, amortization of JUMP-related developed technology intangible asset, and depreciation for facilities, are also included in cost of revenue.

Operating Expenses

Research and development expense consists primarily of salary and benefits for our development staff as well as contractors' fees and other costs associated with the enhancement of our offering, ensuring operational stability and performance and development of new offerings.

Sales and marketing expense consists of the costs of personnel involved in the sales and marketing process, sales commissions, advertising and promotional materials, sales facilities expenses, and the cost of trade shows and seminars.

General and administrative expense consists primarily of personnel costs for information technology, finance, administration, human resources and general management, as well as expenses from legal, corporate technology and accounting service providers.

Interest (Income) Expense, Net

Interest expense reflects interest accrued on our outstanding term loan during the course of the applicable period. The accrual of interest varies depending on the timing and amount of borrowings and repayments during the period as well as fluctuations in interest rates.

Interest income relates to interest received on our cash and cash equivalents based on interest rates in the course of the applicable period, and interest received from other investments.

Tax Receivable Agreement (Benefit) Expense

In connection with the IPO and related transactions, we entered into a TRA that provides for the payment by us of 85% of certain tax benefits that we realize as a result of increases in our tax basis of CWAN Holdings resulting from redemptions or exchanges of CWAN Holdings units. Tax receivable agreement (benefit) expense relates to amounts that are probable of being incurred under the TRA.

Other Income, Net

Other income, net consists of gains and losses of foreign currency and investments.

Provision for (Benefit from) Income Taxes

Provision for (benefit from) income taxes consists of income taxes related to federal, state, and foreign jurisdictions where we conduct our business. Our effective tax rate may increase in the future as our ownership in CWAN Holdings

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increases via exchanges from historical partners. In addition, our discrete items may not be consistent from period to period and could cause volatility in our effective tax rate.

Key Operating Measures

We consider certain operating measures, such as annualized recurring revenue, gross retention rates and net retention rates, in measuring the performance of our business. The following table summarizes these operating measures as of the dates presented:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2023				
Annualized recurring revenue (in thousands)	\$ 337,366	\$ 349,536	\$ 362,473	
Gross revenue retention rate	97 %	98 %	98 %	
Net revenue retention rate	106 %	109 %	108 %	
2022				
Annualized recurring revenue (in thousands)	\$ 287,137	\$ 290,354	\$ 303,560	\$ 323,461
Gross revenue retention rate	98 %	98 %	98 %	98 %
Net revenue retention rate	107 %	104 %	103 %	106 %

Annualized Recurring Revenue

Annualized recurring revenue is calculated at the end of a period by dividing the recurring revenue in the last month of such period by the number of days in the month and multiplying by 365.

Because a substantial majority of the assets on our platform typically have low levels of volatility with respect to their market value, the growth in annualized recurring revenue is generally not attributable to the fluctuating market value of the assets on our platform. Rather, the growth in annualized recurring revenue is due to an increase in the number of clients using our offering as well as from onboarding more assets of our existing clients onto our platform.

Annualized recurring revenue increased 18% from September 30, 2022 to September 30, 2023 on account of growth in our client base as we brought new clients onto our platform and also added additional assets onto our platform from existing clients.

Gross Revenue Retention Rate

Gross revenue retention rate represents annual contract value ("ACV") at the beginning of the 12-month period ended on the reporting date less client attrition over the prior 12-month period, divided by ACV at the beginning of the 12-month period, expressed as a percentage. ACV is comprised of annualized recurring revenue plus contracted-not-billed revenue, which represents the estimated annual contracted revenue for new and existing client opportunities prior to revenue recognition. In order to arrive at total ACV, we include contracted-not-billed revenue, as it is contracted revenue that has not been recognized but that we expect to produce recognized revenue in the future. Client attrition occurs when a client provides a contract termination notice. The amount of client attrition is calculated as the reduction in annualized revenue of the client at the time of the notice and is recorded in the month the final billing occurs. In the case of client attrition where contracted-not-billed revenue is still present for a client, both annualized recurring revenue and contracted-not-billed revenue associated with such client are deducted from ACV.

Gross revenue retention rates have been 98% in 18 of the past 19 quarters. We believe the consistent and high gross revenue retention rate is a testament to the value proposition that our leading solution offers.

Net Revenue Retention Rate

Net revenue retention rate is the percentage of recurring revenue retained from clients on the platform for 12 months and includes changes from the addition, removal or value of assets on our platform, contractual changes that have an impact to annualized recurring revenues and lost revenue from client attrition. We calculate net revenue retention rate as of a period end by starting with the annualized recurring revenue from clients as of the 12 months prior to such period end. We then calculate the annualized recurring revenue from these clients as of the current period end. We then divide the total current period end annualized recurring revenue by the 12-month prior period end annualized recurring revenue to arrive at the net revenue retention rate.

Non-GAAP Financial Measures

We also consider certain non-GAAP financial measures that are not prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), such as Adjusted EBITDA and Adjusted EBITDA Margin, in measuring the performance of our business. The non-GAAP measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies. However, we believe that this non-GAAP information is useful as an additional means for investors to evaluate our operating performance, when reviewed in conjunction with our GAAP financial statements. These measures should not be considered in isolation or as a substitute for measures prepared in accordance with GAAP, and because these amounts are not determined in accordance with GAAP, they should not be used exclusively in evaluating our business and operations. In addition, undue reliance should not be placed upon non-GAAP or operating information because this information is neither standardized across companies nor subjected to the same control activities and audit procedures that produce our GAAP financial results.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA Margin are supplemental performance measures that our management uses to assess our operating performance. We define Adjusted EBITDA as net income (loss) plus (i) interest (income) expense, net, (ii) depreciation and amortization, (iii) equity-based compensation expense and related payroll taxes, (iv) equity-based compensation expense related to the JUMP acquisition, (v) tax receivable agreement (benefit) expense, (vi) transaction expenses, and (vii) other (benefit) expenses. We define Adjusted EBITDA Margin as Adjusted EBITDA divided by revenue.

The following tables reconcile net loss to Adjusted EBITDA and include amounts expressed as a percentage of revenue for the periods indicated.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	(in thousands, except percentages)							
Net loss	\$ (2,343)	(2 %)	\$ (3,026)	(4 %)	\$ (19,636)	(7 %)	\$ (4,728)	(2 %)
Adjustments:								
Interest (income) expense, net	(1,733)	(2 %)	(693)	(1 %)	(4,422)	(2 %)	139	— %
Depreciation and amortization	2,476	3 %	1,381	2 %	7,336	3 %	3,499	2 %
Equity-based compensation expense and related payroll taxes	25,642	27 %	16,701	22 %	67,823	25 %	48,768	22 %
Equity-based compensation expense related to JUMP acquisition	5,583	6 %	—	—	16,594	6 %	—	—
Tax receivable agreement (benefit) expense	(566)	(1 %)	2,600	3 %	6,112	2 %	5,700	3 %
Transaction expenses	61	0 %	1,327	2 %	1,612	1 %	1,327	1 %
Other (benefit) expenses ⁽¹⁾	(564)	(1 %)	559	1 %	504	0 %	2,081	1 %
Adjusted EBITDA	28,556	30 %	18,849	25 %	75,923	28 %	56,786	26 %
Revenue	\$ 94,664	100 %	\$ 76,552	100 %	\$ 269,149	100 %	\$ 220,739	100 %

(1) Other (benefit) expenses includes management fees to our investors, income taxes, foreign exchange gains and losses and other expenses that are not reflective of our core operating performance including the costs to set up our Up-C structure and the Tax Receivable Agreement, and transaction expenses including legal, accounting, and other expenses related to the Secondary Offerings in March and June 2023.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Up-C structure expenses	\$ —	\$ —	\$ —	\$ 158
Amortization of prepaid management fees and reimbursable expenses	681	604	1,894	1,792
Provision for (benefit from) income tax expense	(274)	424	(184)	959
Other income, net	(971)	(469)	(1,205)	(828)
Total other (benefit) expenses	\$ (564)	\$ 559	\$ 504	\$ 2,081

Results of Operations

The following tables set forth our results of operations for the three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
(in thousands)				
Revenue	\$ 94,664	\$ 76,552	\$ 269,149	\$ 220,739
Cost of revenue ⁽¹⁾	27,013	22,720	78,792	64,811
Gross profit	67,651	53,832	190,357	155,928
Operating expenses:				
Research and development ⁽¹⁾	32,250	25,438	90,198	69,568
Sales and marketing ⁽¹⁾	15,020	13,187	44,049	38,254
General and administrative ⁽¹⁾	26,268	16,371	75,445	46,864
Total operating expenses	73,538	54,996	209,692	154,686
Income (loss) from operations	(5,887)	(1,164)	(19,335)	1,242
Interest (income) expense, net	(1,733)	(693)	(4,422)	139
Tax receivable agreement (benefit) expense	(566)	2,600	6,112	5,700
Other income, net	(971)	(469)	(1,205)	(828)
Loss before income taxes	(2,617)	(2,602)	(19,820)	(3,769)
Provision for (benefit from) income taxes	(274)	424	(184)	959
Net loss	(2,343)	(3,026)	(19,636)	(4,728)
Less: Net income (loss) attributable to non-controlling interests	(454)	(52)	(2,442)	277
Net loss attributable to Clearwater Analytics Holdings, Inc.	\$ (1,889)	\$ (2,974)	\$ (17,194)	\$ (5,005)

(1) Amounts include equity-based compensation as follows:

Cost of revenue	\$ 3,346	\$ 2,594	\$ 8,837	\$ 7,281
Operating expenses:				
Research and development	6,768	5,133	17,393	14,003
Sales and marketing	4,010	2,941	11,221	9,452
General and administrative	16,233	6,033	44,675	18,032
Total equity-based compensation expense	\$ 30,357	\$ 16,701	\$ 82,126	\$ 48,768

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The following table sets forth our consolidated statements of operations data expressed as a percentage of revenue for the periods indicated.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Revenue	100 %	100 %	100 %	100 %
Cost of revenue	29 %	30 %	29 %	29 %
Gross profit	71 %	70 %	71 %	71 %
Operating expenses:				
Research and development	34 %	33 %	34 %	32 %
Sales and marketing	16 %	17 %	16 %	17 %
General and administrative	28 %	21 %	28 %	21 %
Total operating expenses	78 %	72 %	78 %	70 %
Income (loss) from operations	(6 %)	(2 %)	(7 %)	1 %
Interest (income) expense, net	(2 %)	(1 %)	(2 %)	0 %
Tax receivable agreement (benefit) expense	(1 %)	3 %	2 %	3 %
Other income, net	(1 %)	(1 %)	0 %	0 %
Loss before income taxes	(3 %)	(3 %)	(7 %)	(2 %)
Provision for (benefit from) income taxes	0 %	1 %	0 %	0 %
Net loss	(2) %	(4) %	(7) %	(2) %

Comparison of the three and nine months ended September 30, 2023 and 2022 (unaudited)

Revenue

(In thousands, except percentages)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Revenue	\$ 94,664	\$ 76,552	\$ 18,112	24 %	\$ 269,149	\$ 220,739	\$ 48,410	22 %

Revenue increased \$18.1 million and \$48.4 million for the three and nine months ended September 30, 2023, respectively, compared to the corresponding period in 2022. The increase was on account of growth in our client base as we brought new clients onto our platform, as well as changes to our existing clients' assets on our platform. Average assets on our platform that were billed to new and existing clients increased 19% for the three and nine months ended September 30, 2023, respectively, compared to the corresponding periods in 2022. Revenue which is not related to average assets on our platform increased 5% for the three and nine months ended September 30, 2023, respectively. Average basis point rate billed to clients decreased by 3.0% and 2.2% for the three and nine months ended September 30, 2023, respectively, compared to the corresponding periods in 2022.

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Cost of Revenue

(In thousands, except percentages)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Equity-based compensation	\$ 3,346	\$ 2,594	\$ 752	29 %	\$ 8,837	\$ 7,281	\$ 1,556	21 %
All other cost of revenue	23,667	20,126	3,541	18 %	69,955	57,530	12,425	22 %
Total cost of revenue	<u>\$ 27,013</u>	<u>\$ 22,720</u>	<u>\$ 4,293</u>	<u>19 %</u>	<u>\$ 78,792</u>	<u>\$ 64,811</u>	<u>\$ 13,981</u>	<u>22 %</u>
Percent of revenue	29 %	30 %			29 %	29 %		

Cost of revenue changed as follows:

	Change From 2022 to 2023 QTD	Change From 2022 to 2023 YTD
	(in thousands)	(in thousands)
Increased payroll and related	\$ 2,211	\$ 6,424
Increased depreciation and amortization	1,131	3,700
Increased equity-based compensation	751	1,556
Increased facilities and infrastructure expenses	230	893
Increased technology	149	520
Increased outside services and contractors	104	369
(Decreased) increased travel and entertainment	(51)	404
(Decreased) increased data costs	(262)	53
Other items	30	62
Total change	<u>\$ 4,293</u>	<u>\$ 13,981</u>

The increase in cost of revenue for the three and nine months ended September 30, 2023 was primarily due to increased payroll and related costs as a result of headcount growth of additional employees across our client services, onboarding and reconciliation teams to support a larger client base. In addition, cost of revenue increased due to increased depreciation and amortization related to the amortization of capitalized IT projects and JUMP-related intangible assets, increased equity-based compensation due to additional headcount, increased allocation of facilities cost due to additional office space, increased allocation of technology costs, and higher utilization of third-party contractors on operational activities. Travel and entertainment increased in Q1 and Q2 2023 as employees travelled more between our office locations to support client onboarding. Data costs decreased in the three months ended September 30, 2023 due to favorable negotiations on price changes with certain data vendors. Data costs increased in the nine months ended September 30, 2023 to support a larger client base.

Operating Expenses

Research and Development

(In thousands, except percentages)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Equity-based compensation	\$ 6,768	\$ 5,133	\$ 1,635	32 %	\$ 17,393	\$ 14,003	\$ 3,390	24 %
All other research and development	25,482	20,305	5,177	25 %	72,805	55,565	17,240	31 %
Total research and development	\$ 32,250	\$ 25,438	\$ 6,812	27 %	\$ 90,198	\$ 69,568	\$ 20,630	30 %
Percent of revenue	34 %	33 %			34 %	32 %		

Research and development expenses changed as follows:

	Change From 2022 to 2023 QTD	Change From 2022 to 2023 YTD
	(in thousands)	(in thousands)
Increased payroll and related	\$ 2,975	\$ 10,519
Increased technology	2,412	6,147
Increased equity-based compensation	1,634	3,390
Increased facilities and infrastructure expenses	248	1,119
(Decreased) increased travel and entertainment	(6)	315
Decreased outside services and contractors	(319)	(795)
Other items	(132)	(65)
Total change	<u>\$ 6,812</u>	<u>\$ 20,630</u>

The increase in research and development expense for the three and nine months ended September 30, 2023 was primarily due to increased payroll and related costs as a result of headcount growth of additional employees to focus on new offerings, headcount growth related to the JUMP acquisition, lower capitalization of payroll costs related to IT projects offset by a tax credit related to JUMP which is based on the research and development expenses incurred in France. In addition, research and development expense increased due to increased technology costs from higher utilization of third-party cloud computing services and other third-party IT services, increased equity-based compensation due to additional headcount, increased allocation of facilities cost due to additional office space, increased travel and entertainment expense during Q1 and Q2 2023 as employees travelled more between our office locations to support new offering initiatives. This was offset by lower utilization of third-party consultants on development activities due to a focus on internal hiring of developers.

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Sales and Marketing

(In thousands, except percentages)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Equity-based compensation	\$ 4,010	\$ 2,941	\$ 1,069	36 %	\$ 11,221	\$ 9,452	\$ 1,769	19 %
All other sales and marketing	11,010	10,246	764	7 %	32,828	28,802	4,026	14 %
Total sales and marketing	\$ 15,020	\$ 13,187	\$ 1,833	14 %	\$ 44,049	\$ 38,254	\$ 5,795	15 %
Percent of revenue	16 %	17 %			16 %	17 %		

Sales and marketing expense changed as follows:

	Change From 2022 to 2023 QTD	Change From 2022 to 2023 YTD
	(in thousands)	
Increased equity-based compensation	\$ 1,070	\$ 1,769
Increased payroll and related	441	2,499
Increased travel and entertainment	161	710
Increased outside services and contractors	141	344
Increased depreciation and amortization	76	242
Increased technology	37	206
Other items	(93)	25
Total change	<u><u>\$ 1,833</u></u>	<u><u>\$ 5,795</u></u>

The increase in sales and marketing expense for the three and nine months ended September 30, 2023 was primarily due to increased equity-based compensation due to grants of additional awards to employees, and increased payroll and related costs as a result of additional employees to expand sales coverage. In addition, sales and marketing expense increased from increased travel and entertainment expense as employees travelled more between our office locations and clients to support sales and marketing initiatives, higher utilization of third-party consultants supporting marketing initiatives, and increased allocation of depreciation expense and technology costs.

General and Administrative

(In thousands, except percentages)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Equity-based compensation	\$ 16,233	\$ 6,033	\$ 10,200	169 %	\$ 44,675	\$ 18,032	\$ 26,643	148 %
All other general and administrative	10,035	10,338	(303)	(3) %	30,770	28,832	1,938	7 %
Total general and administrative	\$ 26,268	\$ 16,371	\$ 9,897	60 %	\$ 75,445	\$ 46,864	\$ 28,581	61 %
Percent of revenue	28 %	21 %			28 %	21 %		

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General and administrative expenses changed as follows:

	Change From 2022 to 2023 QTD	Change From 2022 to 2023 YTD
	(in thousands)	
Increased equity-based compensation	\$ 10,200	\$ 26,643
Increased payroll and related	313	1,652
Increased recruiting	309	587
Increased (decreased) facilities and infrastructure expenses	162	(184)
(Decreased) increased technology	(72)	877
Decreased outside services and contractors	(511)	(56)
Decreased insurance	(303)	(953)
Other items	(201)	15
Total change	\$ 9,897	\$ 28,581

The increase in general and administrative expense for the three and nine months ended September 30, 2023 was primarily due to increased equity-based compensation expense due to JUMP acquisition related equity awards and grant of additional awards to employees. Equity-based compensation expense related to JUMP includes \$6.2 million for the nine months ended September 30, 2023 related to awards which contain a performance criteria related to achievement of a fixed revenue threshold for JUMP revenue during the year ended December 31, 2023. If this performance criteria is not achieved at year-end, then \$6.2 million of equity-based compensation recorded from Q1 to Q3 of 2023 will be reversed in Q4 2023.

In addition, general and administrative expense increased due to increased payroll and related costs as a result of headcount growth, and increased recruiting costs to support key hires. Facilities and infrastructure expenses were lower in Q1 and Q2 2023 due to return to office initiatives in 2022 following the COVID-19 pandemic. Allocated technology costs increased in Q1 and Q2, 2023 and reduced in Q3 2023. These increases were partially offset by lower utilization of professional services supporting accounting, legal and human resources, and decreased insurance costs for our directors and officers.

Non-Operating Expenses

(In thousands, except percentages)	Three Months Ended September 30,			Nine Months Ended September 30,				
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Interest (income) expense, net	\$ (1,733)	\$ (693)	\$ (1,040)	150 %	\$ (4,422)	\$ 139	\$ (4,561)	(3281 %)
Tax receivable agreement (benefit) expense	(566)	2,600	(3,166)	(122) %	6,112	5,700	412	7 %
Other income, net	\$ (971)	\$ (469)	\$ (502)	107 %	\$ (1,205)	\$ (828)	\$ (377)	46 %

Interest (income) expense, net increased in the three and nine months ended September 30, 2023 due to increased interest income on our cash, cash equivalents and investments from higher interest rates, and expansion of investments.

The tax receivable agreement (benefit) expense is incurred in the period in which we determine that it is probable that payments will be made under the terms of the TRA. Before considering the tax benefits subject to our TRA Agreement, we estimate that we will report taxable income in 2023 primarily due to the capitalization of research and development expenses under Section 174 of the Internal Revenue Code of 1986, as amended (the "Code") and equity-based compensation expense that has either not yet met the rules for deductibility or has had the deduction limited under Section 162(m) of the code. Therefore, we expect to utilize tax benefits subject to our TRA and have recorded the associated tax receivable agreement (benefit) expense. The tax receivable agreement (benefit) expense decreased in the

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three months ended September 30, 2023 due to a true up in the estimate of the 2022 TRA Liability as the result of finalizing our corporate tax returns in the period. The tax receivable agreement (benefit) expense increased in the nine months ended September 30, 2023 due to an increase in estimated taxable income.

Other income, net relates to foreign exchange gains and losses driven by fluctuations in exchange rates, and gains and losses related to our investments.

Provision for (Benefit from) Income Taxes

(In thousands, except percentages)	Three Months Ended September 30,			Nine Months Ended September 30,				
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
Provision for (benefit from) income taxes	\$ (274)	\$ 424	\$ (698)	(165)%	\$ (184)	\$ 959	\$ (1,143)	(119)%

The movement in provision for (benefit from) income taxes for the three and nine months ended September 30, 2023 relates to change in mix of foreign jurisdiction taxable income in the period in addition to greater deductions related to equity-based compensation and favorable adjustments with filed tax returns.

Liquidity and Capital Resources

To date, we have primarily financed our operations through cash flows from operations and financing activities.

As of September 30, 2023, we had total cash, cash equivalents and investments of \$302.8 million, including cash and cash equivalents of \$205.7 million, short-term investments of \$79.6 million and long-term investments of \$17.6 million. Cash, cash equivalents and short-term investments primarily consist of highly-liquid investments in money market funds, commercial paper, U.S. agency securities, corporate debt securities and certificates of deposit. Long-term investments primarily consist of U.S. agency securities and corporate debt securities. We used proceeds from the IPO and cash generated from operating activities for the purchase consideration paid upon completion of the acquisition of JUMP. We believe our existing cash and cash equivalents will be sufficient to meet our operating working capital and capital expenditure requirements over the next 12 months. Our future financing requirements will depend on many factors, including our growth rate, revenue retention rates, the timing and extent of spending to support development of our platform and any future investments or acquisitions we may make. Additional funds may not be available on terms favorable to us or at all, including as a result of disruptions in the credit markets. See "Risk Factors" in the Annual Report.

The following table shows our cash flows from operating activities, investing activities and financing activities for the stated periods:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	\$ 60,505	\$ 39,847
Net cash used in investing activities	(95,613)	(8,880)
Net cash provided by (used in) financing activities	(9,924)	5,469
Effect of exchange rate changes on cash and cash equivalents	(27)	(2,510)
Change in cash and cash equivalents during the period	<u><u>\$ (45,059)</u></u>	<u><u>\$ 33,926</u></u>

Cash Flows from Operating Activities

Net cash provided by operating activities of \$60.5 million during the nine months ended September 30, 2023 was primarily the result of our net loss plus non-cash charges, including equity-based compensation, tax receivable agreement (benefit) expense, operating lease expense and depreciation and amortization. Cash flows resulting from changes in assets and liabilities include an increase in accounts receivable, a decrease in prepaid expenses and other assets, an increase in deferred commissions, and a decrease in accrued expenses and other liabilities. Accounts receivable increased \$18.9 million, which is comprised of \$10.5 million from growth in revenues and \$8.4 million from aging of receivable balances

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for certain customers due to short-term deterioration in days sales outstanding which we continue to believe are collectible. Prepaid expenses and other assets decreased \$4.2 million due to amortization of annual prepaid services offset by increased deposits related to leased offices. Deferred commissions increased \$2.7 million due to higher revenues in the period. Accrued expenses and other liabilities decreased \$6.2 million primarily due to payment in the first quarter of 2023 of bonuses to employees earned in 2022, timing of option exercises by international employees and payments related to our operating leases.

Net cash provided by operating activities of \$39.8 million during the nine months ended September 30, 2022 was primarily the result of our net loss plus non-cash charges, including equity-based compensation, tax receivable agreement expense, operating lease expense and depreciation and amortization. Cash flows resulting from changes in assets and liabilities include an increase in accounts receivable, an increase in deferred commissions, a decrease in prepaid expenses and other assets and a decrease in accrued expenses and other liabilities. Accounts receivable increased \$15.1 million, which is comprised of \$4.9 million from growth in revenues and \$10.2 million from aging of receivable balances for certain customers due to short-term deterioration in days sales outstanding which we continue to believe is collectible. The increase in deferred commissions is due to higher revenues during the period. Prepaid expenses decreased primarily due to the amortization of existing prepaid balances. Accrued expenses and other liabilities decreased \$4.7 million primarily due to payments for our operating leases, which were offset by increased accrued interest and deferred revenue.

Cash Flows from Investing Activities

Net cash used in investing activities of \$95.6 million during the nine months ended September 30, 2023 was primarily due to the purchase of \$111.0 million available-for-sale investments and \$4.1 million attributable to the purchase of property and equipment, including internally developed software, which was offset by \$19.5 million in proceeds from the sale and maturity of investments.

Net cash used in investing activities of \$8.9 million during the nine months ended September 30, 2022 was attributable to purchase of property and equipment and short-term investments, and internally developed software.

Cash Flows from Financing Activities

Net cash used in financing activities during the nine months ended September 30, 2023 was \$9.9 million, of which \$14.9 million was used to pay minimum tax withholding on behalf of employees related to net share settlement and \$2.1 million was used in the repayment of borrowings, which was partially offset by \$4.5 million of proceeds from the exercise of options and \$2.6 million of proceeds from the employee stock purchase plan.

Net cash provided by financing activities during the nine months ended September 30, 2022 was \$5.5 million, of which \$7.9 million was proceeds from the exercise of options and \$2.4 million was proceeds from our employee stock purchase plan, which was partially offset by \$2.6 million used to pay minimum tax withholding on behalf of employees for net share settlement, \$2.1 million used in the repayment of borrowings and \$0.2 million used in the repayment of costs associated with the IPO.

Critical Accounting Policies and Estimates

Management's discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements and related notes, which have been prepared in accordance with GAAP. We review the accounting policies used in reporting our financial results on a regular basis. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities.

On an ongoing basis, we evaluate the process we use to develop estimates. We base our estimates on historical experience and on other information that we believe is reasonable for making judgments at the time the estimates are made. Actual results may differ from our estimates due to actual outcomes being different from those on which we based our assumptions.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in the Annual Report under the caption "Critical Accounting Estimates" in Management's Discussion and Analysis of Financial Condition and Results of Operations, set forth in Part II, Item 7, except as noted below.

Revenue Recognition

We earn revenues primarily from providing access to our SaaS platform solution to our customers, services that support the implementation on the SaaS platform, selling perpetual and term-based software licenses and providing maintenance and support, and professional services under contracts with customers. We recognize revenue when

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performance obligations are satisfied under the terms of the contract in an amount that reflects the consideration we expect to receive in exchange for the services or licenses. We determined the appropriate amount of revenue to be recognized using the following steps: (i) identification of contracts with customers, (ii) identification of the performance obligations in the contract, (iii) determination of transaction price, (iv) allocation of contract transaction price to the performance obligations, and (v) recognition of revenue when or as a performance obligation is satisfied. Contracts often contain more than one performance obligation. Performance obligations are the unit of accounting for revenue recognition and generally represent the distinct services that are promised to the customer.

SaaS

We typically bill our customers for SaaS monthly in arrears based on a percentage of the average of the daily value of the assets within a customer's accounts on the platform. Payment terms may vary by contract but generally include a requirement of payment within 30 days following the month in which services were provided.

Our services allow the customer to access the services without taking possession of the software. Non-refundable fees invoiced in advance of the delivery of our performance obligations are deemed set-up activities and are deferred as a material right and recognized over time, typically 12 months. After set-up activities, customers typically receive benefits from implementation services prior to the "go live" date, at which point they can use the platform as intended in the arrangement. We have determined these implementation services are generally a separate performance obligation. As our platform must stand ready to provide the services throughout the contract period, revenues are recognized as the services are provided over time beginning on the date the service is made available as intended in the arrangement. Customers generally have the right to cancel with 30 days' notice with no penalty.

Licenses

As a result of the acquisition of JUMP on November 30, 2022, we earn license revenue through the sale of software license agreements to new customers and sales of additional licenses to the existing customers who can purchase additional users for existing licenses or purchase new licenses. Licenses can be either perpetual or term-based and provide the customer with a right to use the software. When a term license is purchased, maintenance and support is bundled with the license for the term of the license period. We require customers purchasing perpetual licenses to also purchase maintenance and support services covering at least one year from the beginning of the perpetual license. We also offer professional services, including consulting and training, that are not integral to the functionality of the license.

Revenue is recognized when the performance obligation is satisfied. Revenue from our perpetual and term-based licenses is recognized when the software is delivered or made available to the customer and all other revenue recognition criteria are satisfied. We satisfy our maintenance and support performance obligations and recognize revenue ratably over the maintenance and support term or license term, consistent with the pattern of benefit to the customer of such services. Professional services are provided on a time basis or over a contract term. We satisfy our professional services and training performance obligations and recognize the associated revenue as services are delivered.

We typically bill customers for licenses and maintenance annually in advance and professional services are billed monthly in arrears as services are performed.

JOBS Act Accounting Election

We expect that based on our public float as of June 30, 2023, we will no longer be an Emerging Growth Company as of December 31, 2023. Prior to December 31, 2023 we met the definition of an emerging growth company under the Jumpstart Our Business Startups Act of 2012, which permits us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to use this extended transition period until we are no longer an emerging growth company or until we affirmatively and irrevocably opt out of the extended transition period. As a result, our condensed consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements applicable to public companies.

Recent Accounting Pronouncements

There are no recent accounting pronouncements during the nine months ended September 30, 2023.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

AUM Market Price Risk

The vast majority of our revenue is derived from fees that are primarily based on the amount of assets on our platform. These fees are stated in basis points, or 1/100th of 1%. Though in substantially all cases we charge a minimum fee regardless of the assets that are loaded onto our platform, our revenues fluctuate based on the value of the assets that our clients maintain on our platform. A total of \$6.4 trillion and \$5.9 trillion of assets was loaded on our platform as of December 31, 2022 and 2021, respectively. Movements in funds invested between different securities or fluctuations in securities prices or investment performance could cause the value of AUM to decline, which would result in lower fees we receive from our clients.

Interest Rate Risk

We have interest rate risk relating to debt and associated interest expense under the New Credit Agreement, which has been amended to be indexed to SOFR. At any time, a rise in interest rates could have a material adverse impact on our earnings and cash flows. Conversely, a decrease in interest rates could result in a material increase in earnings and cash flows. We estimate that a hypothetical increase or decrease in SOFR of 100 basis points would increase or decrease, respectively, our interest expense or income by approximately \$0.2 million on an annual basis, based on our \$49.5 million debt balance under the New Credit Agreement at September 30, 2023.

Inflation

Our business, financial condition and results of operations may be impacted by macroeconomic conditions, including rising inflation. Although our operations have been impacted by rising inflation from time to time, we currently do not believe that inflation has had a material direct effect on our overall business, financial condition or results of operations. However, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset higher costs through price increases and our inability or failure to do so could potentially harm our business, financial condition, and results of operations.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023. Based on the evaluation of our disclosure controls and procedures as of September 30, 2023, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

In the three months ended September 30, 2023, we began transitioning to a new automated billing system and we expect to complete this transition in 2024. We believe this initiative will enhance our internal controls over financial reporting due to increased automation and integration of related processes. We have taken steps to monitor and maintain appropriate internal control over financial reporting during this project and will continue to evaluate controls for effectiveness.

There have not been any other changes in our internal control over financial reporting during the three months ended September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are subject to certain legal proceedings and claims that arise in the normal course of business. In the opinion of our management, we are not involved in any litigation or proceedings with third parties that we believe could have a material adverse effect on our results of operations, financial condition or business.

Item 1A. Risk Factors.

In addition to the information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors discussed in the "Risk Factors" section of our Annual Report. There have been no material changes to the risk factors disclosed in the "Risk Factors" section of our Annual Report, except as noted below.

If we fail to implement and maintain effective internal controls over financial reporting, we may be unable to accurately or timely report our financial condition or results of operations, which may adversely affect our business.

As an Emerging Growth Company, we are not currently required to comply with the SEC's rules implementing Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. We expect that based on our public float as of June 30, 2023, that we will no longer be an Emerging Growth Company as of December 31, 2023, and we will be required to complete our first formal assessment of the effectiveness of our internal control over financial reporting, and our independent registered accounting firm will conduct an audit of our internal controls over financial reporting as of December 31, 2023. Evaluation by us of our internal control over financial reporting may identify material weaknesses. The identification of a material weakness in our internal control over financial reporting or the failure to remediate existing material weaknesses in our internal control over financial reporting may cause us to be unable to report our financial information on a timely basis and thereby subject us to adverse regulatory consequences, including sanctions by the SEC or violations of NYSE rules. There also could be a negative reaction in the financial markets due to a loss of investor confidence in us and the reliability of our financial statements. This could have a material adverse effect on our business, financial condition and results of operations and could also lead to a decline in the price of our Class A common stock.

In addition to our results determined in accordance with U.S. GAAP, we believe certain non-GAAP measures may be useful in evaluating our operating performance. We present certain non-GAAP financial measures in our Annual Report on Form 10-K and each Quarterly Report on Form 10-Q, and intend to continue to present certain non-GAAP financial measures in future filings with the SEC and other public statements. Any failure to accurately report and present our non-GAAP financial measures could cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock.

Item 2. Unregistered Sales of Equity Securities.

There were no sales of unregistered equity securities during the three months ended September 30, 2023.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three months ended September 30, 2023, each of the following directors and/or officers adopted or terminated a "Rule 10b5-1 trading arrangement", as such term is defined in Item 408(a) of Regulation S-K. All trading plans that were adopted during the period were entered into during an open insider trading window and are intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act, and our policies regarding transactions in our securities.

Name and Title	Date	Action	Expiration Date	Total Shares Subject to Plan
Souvik Das , Chief Technology Officer	August 11, 2023	Termination	March 10, 2024	38,688
Scott Erickson , Chief Revenue Officer	August 31, 2023	Termination	December 1, 2023	98,859
Subi Sethi , Chief Client Officer	August 7, 2023	Termination	March 10, 2024	47,300
Souvik Das , Chief Technology Officer	August 28, 2023	Adoption	August 23, 2024	See footnote (1)

(1) Mr. Das' trading arrangement provides for an aggregate of 60% of the shares of Class A common stock to be received from the vesting of certain of his RSUs on January 1, 2024, to be sold at pre-determined prices. The aggregate number of shares of Class A common stock to be received by Mr. Das in connection with such vesting will be determined by subtracting such shares of Class A common stock as are required to satisfy Mr. Das' withholding taxes from the 89,062 shares of Class A common stock issuable pursuant to RSUs vesting on January 1, 2024.

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Item 6. Exhibits.

Exhibits filed or furnished herewith are designated by an asterisk (*); all exhibits not so designated are incorporated by reference to a prior filing as indicated.

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
3.1	Amended and Restated Certificate of Incorporation of Clearwater Analytics Holdings, Inc., dated September 27, 2021	8-K filed September 28, 2021	001-40838	3.1
3.2	Amended and Restated Bylaws of Clearwater Analytics Holdings, Inc., dated September 27, 2021	8-K filed September 28, 2021	001-40838	3.2
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
+101.INS	Inline XBRL Instance Document			
+101.SCH	Inline XBRL Taxonomy Extension Schema Document			
+101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
+101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
+101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
+101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)			

* Filed herewith.

SIGNATURES

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

Clearwater Analytics Holdings, Inc.

Date: November 3, 2023

By: /s/ Jim Cox
Jim Cox
Chief Financial Officer
(Principal Financial and Accounting Officer and Authorized Signatory)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Sandeep Sahai, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clearwater Analytics 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023

By: /s/ Sandeep Sahai
Sandeep Sahai
Chief Executive Officer
(*Principal Executive Officer*)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jim Cox, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Clearwater Analytics 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2023

By: /s/ Jim Cox

Jim Cox

Chief Financial Officer

(Principal Financial and Accounting Officer)

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

In connection with the Quarterly Report of Clearwater Analytics Holdings, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 3, 2023

By: /s/ Sandeep Sahai
Sandeep Sahai
Chief Executive Officer
(*Principal Executive Officer*)

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

In connection with the Quarterly Report of Clearwater Analytics Holdings, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 3, 2023

By: /s/ Jim Cox

Jim Cox

Chief Financial Officer

(Principal Financial and Accounting Officer)