

REFINITIV

DELTA REPORT

10-Q

TYL - TYLER TECHNOLOGIES INC

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 959

█ CHANGES 187

█ DELETIONS 453

█ ADDITIONS 319

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended **September 30, 2023** **March 31, 2024**

OR

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

Commission File Number 1-10485

TYLER TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	75-2303920		
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)		
5101 TENNYSON PARKWAY (Address of principal executive offices)	PLANO (City)	Texas (State)	75024 (Zip code)
(972) 713-3700 (Registrant's telephone number, including area code)			

<u>Title of each class</u>	<u>Trading symbol</u>	<u>Name of each exchange on which registered</u>
COMMON STOCK, \$0.01 PAR VALUE	TYL	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 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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company
Emerging growth company

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

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

The number of shares of common stock of registrant outstanding on **October 31, 2023** **April 22, 2024** was **42,124,186** **42,455,267**.

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

TYLER TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)
(Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Revenues:	Revenues:				
Revenues:					
Revenues:					
Subscriptions					
Subscriptions					
Subscriptions	Subscriptions	\$ 295,190	\$ 254,346	\$ 873,444	\$ 755,604
Maintenance	Maintenance	117,484	117,338	349,154	351,182
Maintenance					
Maintenance					
Professional services					
Professional services					
Professional services	Professional services	61,126	71,818	188,475	213,770
Software licenses and royalties	Software licenses and royalties	10,554	20,269	30,463	51,784
Software licenses and royalties					
Software licenses and royalties					
Hardware and other	Hardware and other	10,330	9,420	29,281	25,643
Hardware and other					
Hardware and other					
Total revenues					
Total revenues					
Total revenues	Total revenues	494,684	473,191	1,470,817	1,397,983
Cost of revenues:	Cost of revenues:				
Cost of revenues:					
Cost of revenues:					
Subscriptions, maintenance, and professional services					
Subscriptions, maintenance, and professional services					
Subscriptions, maintenance, and professional services	Subscriptions, maintenance, and professional services	247,781	245,711	755,985	738,712
Software licenses and royalties	Software licenses and royalties	3,120	1,655	7,865	4,647
Software licenses and royalties					
Software licenses and royalties					
Amortization of software development					
Amortization of software development					
Amortization of software development	Amortization of software development	3,083	1,507	8,568	3,993
Amortization of acquired software	Amortization of acquired software	9,035	13,622	26,879	40,882
Amortization of acquired software					
Amortization of acquired software					
Hardware and other	Hardware and other	6,505	6,033	23,346	19,219
Hardware and other					

Hardware and other					
Total cost of revenues					
Total cost of revenues					
Total cost of revenues	Total cost of revenues	269,524	268,528	822,643	807,453
Gross profit	Gross profit	225,160	204,663	648,174	590,530
Gross profit	Gross profit				
Sales and marketing expense					
Sales and marketing expense					
Sales and marketing expense	Sales and marketing expense	35,898	33,688	110,104	100,776
General and administrative expense	General and administrative expense	78,519	69,931	228,560	200,440
General and administrative expense					
General and administrative expense					
Research and development expense	Research and development expense	28,282	25,190	83,421	72,517
Research and development expense					
Research and development expense					
Amortization of other intangibles					
Amortization of other intangibles					
Amortization of other intangibles	Amortization of other intangibles	18,526	14,941	55,300	43,259
Operating income	Operating income	63,935	60,913	170,789	173,538
Operating income					
Operating income					
Interest expense					
Interest expense					
Interest expense	Interest expense	(5,808)	(9,258)	(19,879)	(20,276)
Other income, net	Other income, net	787	131	2,676	712
Other income, net					
Other income, net					
Income before income taxes	Income before income taxes	58,914	51,786	153,586	153,974
Income tax provision (benefit)					
Income tax provision (benefit)	Income tax provision (benefit)	11,903	(1,447)	26,570	20,811
Income before income taxes					
Income before income taxes					
Income tax provision					
Income tax provision					
Income tax provision					
Net income					
Net income					
Net income	Net income	\$ 47,011	\$ 53,233	\$ 127,016	\$ 133,163
Earnings per common share:	Earnings per common share:				
Earnings per common share:					
Earnings per common share:					
Basic	Basic	\$ 1.12	\$ 1.28	\$ 3.02	\$ 3.21

Diluted	Diluted	\$ 1.10	\$ 1.26	\$ 2.97	\$ 3.14
Diluted					
Diluted					

See accompanying notes.

TYLER TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Net income	Net income	\$ 47,011	\$ 53,233	\$ 127,016	\$ 133,163
Other comprehensive income (loss), net of tax:					
Net income					
Net income					
Other comprehensive income, net of tax:					
Other comprehensive income, net of tax:					
Other comprehensive income, net of tax:					
Securities available-for-sale and transferred securities:					
Securities available-for-sale and transferred securities:					
Securities available-for-sale and transferred securities:	Securities available-for-sale and transferred securities:				
Change in net unrealized holding gain (loss) on available for sale securities during the period	Change in net unrealized holding gain (loss) on available for sale securities during the period	263	(109)	321	(852)
Reclassification adjustment of unrealized losses on securities transferred from held-to-maturity		—	—	—	(27)
Reclassification adjustment for net loss on sale of available for sale securities, included in net income		—	72	1	79
Other comprehensive income (loss), net of tax		263	(37)	322	(800)
Change in net unrealized holding gain (loss) on available for sale securities during the period					
Change in net unrealized holding gain (loss) on available for sale securities during the period					
Other comprehensive income, net of tax					
Other comprehensive income, net of tax					
Other comprehensive income, net of tax					
Comprehensive income	Comprehensive income	\$ 47,274	\$ 53,196	\$ 127,338	\$ 132,363
Comprehensive income					
Comprehensive income					

See accompanying notes.

TYLER TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value and share amounts)

		September 30, 2023 (unaudited)	December 31, 2022		
		March 31, 2024 (unaudited)		December 31, 2023	
ASSETS	ASSETS			ASSETS	
Current assets:	Current assets:			Current assets:	
Cash and cash equivalents	Cash and cash equivalents	\$ 131,486	\$ 173,857		
Accounts receivable (less allowance for losses and sales adjustments of \$17,024 in 2023 and \$14,761 in 2022)		623,613	577,257		
Accounts receivable (less allowance for losses and sales adjustments of \$20,198 in 2024 and \$22,829 in 2023)					
Short-term investments	Short-term investments	11,623	37,030		
Prepaid expenses	Prepaid expenses	60,350	50,859		
Income tax receivable		7,633	—		
Other current assets					
Other current assets					
Other current assets	Other current assets	7,286	8,239		
Total current assets	Total current assets	841,991	847,242		
Accounts receivable, long-term	Accounts receivable, long-term	10,123	8,271		
Operating lease right-of-use assets	Operating lease right-of-use assets	42,513	50,989		
Property and equipment, net	Property and equipment, net	165,737	172,786		
Other assets:	Other assets:			Other assets:	
Software development costs, net	Software development costs, net	66,434	48,189		
Goodwill	Goodwill	2,510,488	2,489,308		
Other intangibles, net	Other intangibles, net	938,277	1,002,164		
Non-current investments	Non-current investments	9,553	18,508		
Other non-current assets	Other non-current assets	52,313	49,960		
		\$4,637,429	\$4,687,417		
LIABILITIES AND SHAREHOLDERS' EQUITY	LIABILITIES AND SHAREHOLDERS' EQUITY			LIABILITIES AND SHAREHOLDERS' EQUITY	

Current liabilities:	Current liabilities:		Current liabilities:
Accounts payable	Accounts payable	\$ 132,661	\$ 104,813
Accrued liabilities	Accrued liabilities	134,407	131,941
Operating lease liabilities	Operating lease liabilities	11,527	10,736
Current income tax payable	Current income tax payable	—	43,667
Deferred revenue	Deferred revenue	600,439	568,538
Current portion of term loans	Current portion of term loans	30,000	30,000
Total current liabilities	Total current liabilities	909,034	889,695
Term loans, net		109,395	362,905
Convertible senior notes due 2026, net			
Convertible senior notes due 2026, net	Convertible senior notes due 2026, net	595,775	594,484
Deferred revenue, long-term	Deferred revenue, long-term	727	2,037
Deferred income taxes	Deferred income taxes	105,002	148,891
Operating lease liabilities, long-term	Operating lease liabilities, long-term	42,098	48,049
Other long-term liabilities	Other long-term liabilities	22,547	16,967
Total liabilities	Total liabilities	1,784,578	2,063,028
Commitments and contingencies	Commitments and contingencies	—	—
Shareholders' equity:	Shareholders' equity:	Shareholders' equity:	
Preferred stock, \$10.00 par value; 1,000,000 shares authorized; none issued	Preferred stock, \$10.00 par value; 1,000,000 shares authorized; none issued	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized; 48,147,969 shares issued and outstanding as of September 30, 2023 and December 31, 2022	Common stock, \$0.01 par value; 100,000,000 shares authorized; 48,147,969 shares issued and outstanding as of September 30, 2023 and December 31, 2022	481	481
Common stock, \$0.01 par value; 100,000,000 shares authorized; 48,147,969 shares issued and outstanding as of March 31, 2024 and December 31, 2023	Common stock, \$0.01 par value; 100,000,000 shares authorized; 48,147,969 shares issued and outstanding as of March 31, 2024 and December 31, 2023		

Additional paid-in capital	Additional paid-in capital	1,309,479	1,209,725
Accumulated other comprehensive loss, net of tax	Accumulated other comprehensive loss, net of tax	(522)	(844)
Retained earnings	Retained earnings	1,564,870	1,437,854
Treasury stock, at cost; 6,041,707 and 6,364,991 shares in 2023 and 2022, respectively		(21,457)	(22,827)
Treasury stock, at cost; 5,707,093 and 5,858,476 shares in 2024 and 2023, respectively			
Total shareholders' equity	Total shareholders' equity	2,852,851	2,624,389
		<u>\$4,637,429</u>	<u>\$4,687,417</u>
		<u>\$</u>	

See accompanying notes.

TYLER TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Uaudited)

	Nine Months Ended September 30,		Cash flows from operating activities:	
			2023	2022
	Cash flows from operating activities:			
Cash flows from operating activities:	Cash flows from operating activities:			
Net income	Net income	\$127,016	\$133,163	
Adjustments to reconcile net income to cash provided by operating activities:	Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation and amortization	Depreciation and amortization	114,198	116,950	
Losses from sale of investments		1	44	
Depreciation and amortization				
Share-based compensation expense	Share-based compensation expense	80,905	77,991	
Change in fair value in available-for-sale investments		—	—	
Share-based compensation expense				
Share-based compensation expense				
Amortization of operating lease right-of-use assets				
Amortization of operating lease right-of-use assets				

Amortization of operating lease right-of-use assets	Amortization of operating lease right-of-use assets	12,258	9,240
Deferred income tax benefit	Deferred income tax benefit	(44,000)	(32,845)
Other	Other	398	—
Changes in operating assets and liabilities, exclusive of effects of acquired companies:	Changes in operating assets and liabilities, exclusive of effects of acquired companies:		
Accounts receivable	Accounts receivable		
Accounts receivable	Accounts receivable	(37,768)	(34,163)
Income tax payable	Income tax payable	(51,300)	10,759
Prepaid expenses and other current assets	Prepaid expenses and other current assets	(11,594)	(6,568)
Accounts payable	Accounts payable	27,848	(13,750)
Operating lease liabilities	Operating lease liabilities	(8,224)	(9,324)
Accrued liabilities	Accrued liabilities	(10,607)	(23,797)
Deferred revenue	Deferred revenue	28,357	20,592
Other long-term liabilities	Other long-term liabilities	5,533	11,306
Net cash provided by operating activities	Net cash provided by operating activities	233,021	259,598
Cash flows from investing activities:	Cash flows from investing activities:		
Additions to property and equipment	Additions to property and equipment	(12,506)	(17,441)
Purchase of marketable security investments	Purchase of marketable security investments	(10,617)	(20,428)
Proceeds and maturities from marketable security investments	Proceeds and maturities from marketable security investments	45,452	55,052
Investment in software development	Investment in software development		
Investment in software development	Investment in software development		

Investment in software development	Investment in software development	(27,447)	(25,557)
Cost of acquisitions, net of cash acquired	Cost of acquisitions, net of cash acquired	(35,540)	(117,706)
Other	Other	48	326
Net cash used by investing activities	Net cash used by investing activities	(40,610)	(125,754)
Cash flows from financing activities:	Cash flows from financing activities:		
Cash flows from financing activities:			
Payment on term loans	Payment on term loans	(255,000)	(270,000)
Payment on term loans			
Payment on term loans			
Proceeds from exercise of stock options, net of withheld shares for taxes upon equity award settlement			
Proceeds from exercise of stock options, net of withheld shares for taxes upon equity award settlement			
Proceeds from exercise of stock options, net of withheld shares for taxes upon equity award settlement	Proceeds from exercise of stock options, net of withheld shares for taxes upon equity award settlement	8,438	298
Contributions from employee stock purchase plan	Contributions from employee stock purchase plan	11,780	12,614
Net cash used by financing activities	Net cash used by financing activities	(234,782)	(257,088)
Net decrease in cash and cash equivalents		(42,371)	(123,244)
Net increase (decrease) in cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of period	Cash and cash equivalents at beginning of period	173,857	309,171
Cash and cash equivalents at end of period	Cash and cash equivalents at end of period	<u>\$131,486</u>	<u>\$185,927</u>

See accompanying notes.

Nine Months Ended
September 30,

Three Months Ended March
31,

Three Months Ended March 31,

	2023	2022	2024	2023
Supplemental cash flow information:				
Cash paid for interest	Cash paid for interest	\$ 16,820	\$ 14,706	
Cash paid for income taxes, net		118,000	35,324	
Cash paid for interest				
Cash received for income taxes, net				
Non-cash investing and financing activities:	Non-cash investing and financing activities:			
Non-cash additions to property and equipment				
Non-cash additions to property and equipment				
Non-cash additions to property and equipment	Non-cash additions to property and equipment	\$ 834	\$ 32	

TYLER TECHNOLOGIES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In thousands)
(Uaudited)

	Common Stock										Common Stock			Accumulated Other			Treasury Stock		Treasury Stock	
			Common Stock			Accumulated Other			Treasury Stock		Common Stock		Accumulated Other		Treasury Stock		Treasury Stock		Treasury Stock	
			Common Stock	Additional Paid-in Capital	Other Comprehensive Income (Loss)	Retained Earnings	Shareholders' Equity	Common Stock		Accumulated Other		Treasury Stock		Treasury Stock		Treasury Stock		Treasury Stock		
Balance at June 30, 2023		48,148	\$ 481	\$ 1,272,315	\$ (785)		\$ 1,517,859	(6,081)	\$ (21,619)	\$ 2,768,251										
Balance at December 31, 2023																				
Balance at December 31, 2023																				
Balance at December 31, 2023																				
Net income	Net income	—	—	—	—	—	47,011	—	—	47,011										
Other comprehensive income, net of tax	Other comprehensive income, net of tax	—	—	—	—	263	—	—	—	263										
Exercise of stock options and vesting of restricted stock units	Exercise of stock options and vesting of restricted stock units	—	—	6,200	—	—	—	29	398	6,598										
Employee taxes paid for withheld shares upon equity award settlement	Employee taxes paid for withheld shares upon equity award settlement	—	—	—	—	—	—	(1)	(282)	(282)										

Stock compensation	Stock compensation	—	—	26,981	—	—	—	—	26,981
Issuance of shares pursuant to employee stock purchase plan									
				3,983	—	—	11	46	4,029
Balance at September 30, 2023	48,148	\$ 481	\$ 1,309,479	\$ (522)	\$ 1,564,870	(6,042)	\$ (21,457)	\$ 2,852,851	
Reimbursement of shares from escrow									
Balance at March 31, 2024									

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)		Retained Earnings	Treasury Stock		Total Shareholders' Equity
	Shares	Amount					Shares	Amount	
Balance at June 30, 2022	48,148	\$ 481	\$ 1,128,821	\$ (809)	\$ 1,353,544	(6,584)	\$ (23,710)	\$ 2,458,327	
Net income	—	—	—	—	53,233	—	—	—	53,233
Other comprehensive loss, net of tax	—	—	—	(37)	—	—	—	—	(37)
Exercise of stock options and vesting of restricted stock units	—	—	4,232	—	—	—	45	758	4,990
Employee taxes paid for withheld shares upon equity award settlement	—	—	—	—	—	—	(2)	(585)	(585)
Stock compensation	—	—	26,912	—	—	—	—	—	26,912
Issuance of shares pursuant to employee stock purchase plan	—	—	4,394	—	—	—	16	64	4,458
Balance at September 30, 2022	48,148	\$ 481	\$ 1,164,359	\$ (846)	\$ 1,406,777	(6,525)	\$ (23,473)	\$ 2,547,298	

TYLER TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)		Retained Earnings	Treasury Stock		Total Shareholders' Equity
	Shares	Amount					Shares	Amount	
Balance at December 31, 2022	48,148	\$ 481	\$ 1,209,725	\$ (844)	\$ 1,437,854	(6,365)	\$ (22,827)	\$ 2,624,389	
Net income	—	—	—	—	127,016	—	—	—	127,016
Other comprehensive income, net of tax	—	—	—	322	—	—	—	—	322
Exercise of stock options and vesting of restricted stock units	—	—	7,223	—	—	—	338	20,242	27,465
Employee taxes paid for withheld shares for taxes upon equity award settlement	—	—	—	—	—	(53)	(19,026)	(19,026)	
Stock compensation	—	—	80,905	—	—	—	—	—	80,905
Issuance of shares pursuant to employee stock purchase plan	—	—	11,626	—	—	—	38	154	11,780
Balance at September 30, 2023	48,148	\$ 481	\$ 1,309,479	\$ (522)	\$ 1,564,870	(6,042)	\$ (21,457)	\$ 2,852,851	

	Common Stock	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)		Retained Earnings	Treasury Stock	Total Shareholders' Equity
		Stock	Stock		Capital	Other			

	Common Stock		Additional Paid-in Capital		Accumulated Other Comprehensive Income (Loss)		Treasury Stock		Total Shareholders' Equity
	Shares	Amount			Shares	Earnings	Amount		
Balance at December 31, 2021	48,148	\$ 481	\$1,075,650	\$ (46)		\$1,273,614	(6,833)	(\$25,667)	\$2,324,032
Balance at December 31, 2022									
Balance at December 31, 2022									
Balance at December 31, 2022									
Net income	Net income	—	—	—	—	133,163	—	—	133,163
Other comprehensive loss, net of tax	—	—	—	(800)	—	—	—	—	(800)
Other comprehensive income, net of tax									
Exercise of stock options and vesting of restricted stock units	Exercise of stock options and vesting of restricted stock units	—	—	(1,665)	—	—	324	22,878	21,213
Employee taxes paid for withheld shares for taxes upon equity award settlement	—	—	—	—	—	(52)	(20,915)	(20,915)	
Employee taxes paid for withheld shares upon equity award settlement									
Stock compensation	Stock compensation	—	—	77,991	—	—	—	—	77,991
Issuance of shares pursuant to employee stock purchase plan	Issuance of shares pursuant to employee stock purchase plan	—	—	12,383	—	—	36	231	12,614
Balance at September 30, 2022	48,148	\$ 481	\$1,164,359	\$ (846)		\$1,406,777	(6,525)	(\$23,473)	\$2,547,298
Balance at March 31, 2023									

Tyler Technologies, Inc.
 Notes to Condensed Consolidated Financial Statements
 (Unaudited)
 (Tables in thousands, except per share data)

(1) Basis of Presentation

We prepared the accompanying condensed consolidated financial statements following the requirements of the Securities and Exchange Commission ("SEC") and accounting principles generally accepted in the United States, or GAAP, for interim reporting. As permitted under those rules, certain footnotes or other financial information that are normally required by GAAP can be condensed or omitted for interim periods. Balance sheet amounts are as of **September 30, 2023** **March 31, 2024**, and **December 31, 2022** **December 31, 2023**, and operating result amounts are for the three and **nine** months ended **September 30, 2023** **March 31, 2024**, and **2022** **2023**, respectively, and include all normal and recurring adjustments that we considered necessary for the fair summarized presentation of our financial position and operating results. As these are condensed financial statements, one should also read the financial statements and notes included in our latest Form 10-K for the year ended **December 31, 2022** **December 31, 2023**. Revenues, expenses, assets, and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim financial statements may not be the same as those for the full year. Certain amounts for **the previous year** **years** have been reclassified to conform to the current year presentation. **As of January 1, 2023, we have elected to no longer report the appraisal services revenue and related costs as separate categories in the statement of income due to less significance on our overall operating results. Therefore, we have combined the appraisal services revenue category with the professional services revenue category; and the related cost of revenue category for appraisal services is now combined with the cost of revenue category related to subscriptions, maintenance and professional services on the condensed consolidated statements of income for all reporting periods presented.**

Comprehensive income (loss) is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources and includes all components of net income (loss) and other comprehensive income (loss). During the three and nine months ended **September 30, 2023**, respectively, **March 31, 2024 and 2023**, we had approximately **\$263,000** **\$53,000** and **\$322,000** **\$94,000** of other comprehensive income, net of taxes, from our available-for-sale investment holdings and **\$37,000** and **\$800,000** of other comprehensive loss during the three and nine months ended **September 30, 2022**, respectively, **March 31, 2023**.

(2) Accounting Standards and Significant Accounting Policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no changes to our significant accounting policies described in the Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**, filed with the SEC on **February 22, 2023** **February 21, 2024**, that have had a material impact on our condensed consolidated financial statements and related notes. See Recently Adopted Accounting Pronouncements below.

REVENUE RECOGNITION

Nature of Products and Services

The Company accounts for revenue in accordance with Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers. We earn the majority of our revenues from subscription-based services and post-contract customer support ("PCS" or "maintenance"). Other sources of revenue are professional services, software licenses and royalties, and hardware and other. Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We determine revenue recognition through the following steps:

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

Subscriptions revenue consists of revenue revenues derived from our software as a service ("SaaS") arrangements and transaction-based fees primarily related to transactions from digital government services; payment processing; and electronic filing ("e-filing"). We recognize SaaS arrangements ratably over the terms of the arrangements, which range from one to 10 years, but are typically for periods of three to five years. For professional services associated with certain SaaS arrangements, we have concluded that the services are not distinct, and payment processing, we recognize the revenue ratably over the remaining contractual period once we have provided the customer access to the software. We also provide electronic document filing solutions ("e-filing") record amounts that simplify have been invoiced in accounts receivable and in deferred revenue or revenues, depending on whether the filing revenue recognition criteria have been met.

In those instances whereby variable consideration exists, we include in our estimates, additional revenue for variable consideration when we believe we have an enforceable right, the amount can be estimated reliably, and management of court related documents for courts and law offices. E-filing revenue its realization is derived from transaction fees and fixed fee arrangements, probable. For transaction-based fees, we have the right to charge the customer an amount that directly corresponds with the value to the customer of our performance to date. Therefore, we recognize revenue for these services over time as invoiced based on the amount billable to the customer in accordance with the 'as invoiced' practical expedient in ASC 606-10-55-18, customer. In some cases, we are paid on a fixed fee basis and recognize the revenue ratably over the contractual period. Typically,

Transaction-based fees primarily relate to digital government services and online payment services, which are sometimes offered with the structure assistance of our arrangements does not give rise to variable consideration. However, in those instances whereby variable consideration exists, we include in our estimates, additional revenue for variable consideration third-party vendors. In general, when we believe are the principal in a transaction, we have an enforceable right, record the revenue and related costs on a gross basis. Otherwise, we net the cost of revenue associated with the service against the gross revenue (amount billed to the customer) and record the net amount can be estimated reliably and its realization is probable, as revenue.

Other software arrangements with customers contain multiple performance obligations that range from software licenses, installation, training, and consulting to software modification and customization to meet specific customer needs (services), hosting, and PCS. For these contracts, we account for individual performance obligations separately when they are distinct. We evaluate whether separate performance obligations can be distinct or should be accounted for as one performance obligation. Arrangements that include professional services, such as training or installation, are evaluated to determine whether those services are highly interdependent or interrelated to the product's functionality. The transaction price is allocated to the distinct performance obligations on a relative standalone selling price ("SSP") basis. We determine the SSP based on our overall pricing objectives, taking into consideration market conditions and other factors, including the value of our contracts, the applications sold, customer demographics, and the number and types of users within our contracts. For arrangements that involve significant production, modification, or customization of the software, or where professional services otherwise cannot be considered distinct, we recognize revenue as control is transferred to the customer over time using progress-to-completion methods. Depending on the contract, we measure progress-to-completion primarily using labor hours incurred, or value added. Amounts recognized in revenue are calculated using the progress-to-completion measurement after giving effect to any changes in our cost estimates. Changes to total estimated contract costs, if any, are recorded in the period they are determined. Estimated losses on uncompleted contracts are recorded in the period in which we first determine that a loss is apparent.

Revenue is recognized net of allowances for sales adjustments and any taxes collected from customers, which are subsequently remitted to governmental authorities.

Refer to Note 4, "Disaggregation of Revenue," Revenue" for further information, including the economic factors that affect the nature, amount, timing, and uncertainty of revenue revenues and cash flows of our various revenue categories.

Contract Balances:

Accounts receivable and allowance for losses and sales adjustments

Timing of revenue recognition may differ from the timing of invoicing to customers. We record an unbilled receivable when revenue is recognized prior to invoicing, or deferred revenue when invoicing occurs prior to revenue recognition. For multi-year agreements, we generally invoice customers annually at the beginning of each annual coverage period. We record an unbilled receivable related to revenue recognized for on-premises licenses as we have an unconditional right to invoice and receive payment in the future related to those licenses.

At September 30, 2023 As of March 31, 2024, and December 31, 2022 December 31, 2023, total current and long-term accounts receivable, net of allowance for losses and sales adjustments, was \$633.7 million \$549.8 million and \$585.5 million \$628.7 million, respectively. We have recorded unbilled receivables of \$130.5 million \$121.1 million and \$135.4 million \$119.2 million at September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, respectively. Included in unbilled receivables are retention receivables of \$8.7 million \$10.7 million and \$8.6 million \$9.8 million at September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, respectively, which become payable upon the completion of the contract or completion of our fieldwork and formal hearings. Unbilled receivables expected to be collected within one year have been included with accounts receivable, current portion in the accompanying condensed consolidated balance sheets. Unbilled receivables and retention receivables expected to be collected past one year have been included with accounts receivable, long-term portion in the accompanying condensed consolidated balance sheets.

We maintain allowances for losses and sales adjustments, which losses are recorded against revenue at the time the loss is incurred. Since most of our clients are domestic governmental entities, we rarely incur a credit loss resulting from the inability of a client to make required payments. Consequently, we have not recorded a reserve for credit losses. Events or changes in circumstances that indicate the carrying amount for the allowances for losses and sales adjustments may require revision include, but are not limited to, managing our client's expectations regarding the scope of the services to be delivered and defects or errors in new versions or enhancements of our software products. Our allowance allowances for losses and sales adjustments of \$17.0 are \$20.2 million and \$14.8 \$22.8 million at September 30, 2023 March 31, 2024, and December 31, 2022 December 31, 2023, respectively, does not include provisions for credit losses. Because we rarely experience credit losses with our clients, we have not recorded a material reserve for credit losses, respectively.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

We assess goodwill for impairment annually, or more frequently whenever events or changes in circumstances indicate its carrying value may not be recoverable. We begin with the qualitative assessment of whether the likelihood of impairment of each reporting unit. If the conclusion of this assessment is that it is more likely than not that a reporting unit's fair value is less more than its carrying value, before applying the we are not required to perform a quantitative assessment described below, impairment test. When testing goodwill for impairment quantitatively, we first compare the estimated fair value of each reporting unit with its carrying amount. If the carrying amount of a reporting unit exceeds the fair value of that reporting unit, an impairment loss is recognized. The fair values calculated in our impairment tests are determined using discounted cash flow models involving several assumptions (Level 3 inputs). The assumptions that are used are based upon what we believe a hypothetical marketplace participant would use in estimating fair value. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. We evaluate the reasonableness of the fair value calculations of our reporting units by comparing the total of the fair value of all of our reporting units to our total market capitalization.

During the fourth quarter of 2022, as part of our annual impairment test as of October 1, we performed qualitative assessments for all reporting units except for reporting units that do not have significant excess fair value over carrying value. As a result of these qualitative assessments, we determined that it was more likely than not that the fair value exceeded the carrying value; therefore, we did not perform a Step 1 quantitative impairment test. We performed quantitative assessments for the reporting units containing the recently acquired data and insights, digital government and payments solutions, and development platform solutions reporting units and concluded no impairment existed as of our annual assessment date. Approximately \$1.7 billion, or 70%, of total goodwill as of December 31, 2022, related to these reporting units, which, as a result of the recency of these acquisitions, do not have significant excess fair values over carrying values. Our annual goodwill impairment analysis did not result in an impairment charge. For the nine months ended September 30, 2023, we have not recorded any impairment to goodwill because no triggering events or change in circumstances indicating a potential impairment had occurred as of period-end.

Determining the fair value of our reporting units involves the use of significant estimates and assumptions and considerable management judgment. We base our fair value estimates on assumptions we believe to be reasonable at the time, but such assumptions are subject to inherent uncertainty. Changes in uncertainty, such as weighted average cost of capital and revenue growth rates which are forward looking and affected by expectations about future market conditions or other factors outside of our control could cause us to change key assumptions and our judgment about a reporting unit's prospects, economic conditions. Similarly, in a specific period, a reporting unit could significantly underperform relative to its historical or projected future operating results. Either situation could result in a meaningfully different estimate of the fair value of our reporting units, and a consequent future impairment charge.

For the three months ended March 31, 2024, no triggering event or changes in circumstances indicated that a potential impairment had occurred.

RECENTLY PRONOUNCED ACCOUNTING STANDARDS

In November 2023, the FASB issued Accounting Standards Update (ASU) 2023-07 - Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures. ASU 2023-07 enhances the disclosures required for reportable segments in annual and interim consolidated financial statements. The guidance is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and early adoption is permitted. We are currently evaluating the impact that the new guidance will have on our consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09 - Income Taxes (Topic ASC 740) Income Taxes. The ASU improves the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. ASU 2023-09 is effective for annual periods beginning after December 15, 2024, with early adoption permitted. We do not expect that this guidance will have a material impact upon our financial position and results of operations.

(3) Segment and Related Information

We provide integrated information management solutions and services for the public sector.

We provide our software systems and related professional services through six business units, which focus on the following products:

- financial management, education and planning, regulatory, and maintenance software solutions;

- financial management, municipal courts, planning, regulatory, and maintenance software solutions;
- courts and justice and public safety software solutions;
- property and recording solutions;
- platform solutions including case management and business process management; and
- digital solutions including payments and government services.

In accordance with ASC 280-10, *Segment Reporting*, we report our results in two reportable segments. Business units that have met the aggregation criteria have been combined into our two reportable segments. The Enterprise Software ("ES") reportable segment provides public sector entities with software systems and services to meet their information technology and automation needs for mission-critical "back-office" functions such as: financial management and education; planning, regulatory and maintenance; public administration solutions; courts and justice; public safety; and safety solutions; education solutions, and property and recording solutions. The Platform Technologies ("PT") reportable segment provides public sector entities with software solutions to perform transaction platform and transformative solutions including digital solutions, payment processing, streamline streamlined data processing, and improve operations and workflows such as platform solutions and workflows.digital solutions.

We evaluate performance based on several factors, of which the primary financial measure is business segment operating income. We define segment operating income for our business units as income before non-cash amortization of intangible assets associated with their acquisitions, interest expense, and income taxes. Segment operating income includes intercompany transactions. The majority of intercompany transactions relate to contracts involving more than one unit and are valued based on the contractual arrangement. Corporate segment operating loss primarily consists of compensation costs for the executive management team, certain shared services staff, and share-based compensation expense for the entire company. Corporate segment operating loss also includes revenues and expenses related to a company-wide user conference.

		Enterprise							
For the three months ended September 30, 2023		Software	Platform Technologies	Corporate	Totals				
Revenues									
Subscriptions:									
SaaS	\$ 120,747	\$ 17,762	\$ —	\$ 138,509					
Transaction-based fees	45,176	111,505	—	156,681					
Maintenance	111,574	5,910	—	117,484					
Professional services	52,413	8,713	—	61,126					
Software licenses and royalties	7,531	3,023	—	10,554					
Hardware and other	10,371	—	(41)	10,330					
Intercompany	5,943	—	(5,943)	—					
Total revenues	\$ 353,755	\$ 146,913	\$ (5,984)	\$ 494,684					
Segment operating income (loss)	\$ 121,560	\$ 31,411	\$ (61,475)	\$ 91,496					

		Enterprise							
For the three months ended September 30, 2022		Software	Platform Technologies	Corporate	Totals				
Revenues									
Subscriptions:									
SaaS	\$ 97,279	\$ 12,633	\$ —	\$ 109,912					
Transaction-based fees	38,057	106,377	—	144,434					
Maintenance	111,486	5,852	—	117,338					
Professional services	51,079	20,739	—	71,818					
Software licenses and royalties	17,166	3,103	—	20,269					
Hardware and other	7,271	—	2,149	9,420					
Intercompany	5,541	—	(5,541)	—					
Total revenues	\$ 327,879	\$ 148,704	\$ (3,392)	\$ 473,191					
Segment operating income (loss)	\$ 110,693	\$ 33,466	\$ (54,683)	\$ 89,476					

		Enterprise	Platform						
For the nine months ended September 30, 2023		Software	Technologies	Corporate	Totals				
For the three months ended March 31, 2024									
For the three months ended March 31, 2024									
Revenues	Revenues	Revenues	Revenues	Enterprise	Platform Technologies	Corporate	Totals		
Subscriptions:	Subscriptions:								

SaaS						
SaaS						
SaaS	SaaS	\$ 338,128	\$ 48,894	\$ —	\$ 387,022	
Transaction-based fees	Transaction-based fees	130,761	355,661	—	486,422	
Maintenance	Maintenance	331,609	17,545	—	349,154	
Professional services	Professional services	159,168	29,307	—	188,475	
Software licenses and royalties	Software licenses and royalties	25,078	5,385	—	30,463	
Hardware and other	Hardware and other	21,951	—	7,330	29,281	
Intercompany	Intercompany	17,878	—	(17,878)	—	
Total revenues	Total revenues	\$1,024,573	\$ 456,792	\$ (10,548)	\$1,470,817	
Segment operating income (loss)	Segment operating income (loss)	\$ 332,725	\$ 99,746	\$ (179,503)	\$ 252,968	
For the nine months ended September 30, 2022	Enterprise Software	Platform Technologies	Corporate	Totals		
For the three months ended March 31, 2023					Enterprise Software	Platform Technologies
Revenues	Revenues				Corporate	Totals
Subscriptions:	Subscriptions:					
Subscriptions:						
Subscriptions:						
SaaS						
SaaS						
SaaS	SaaS	\$277,327	\$ 35,407	\$ —	\$ 312,734	
Transaction-based fees	Transaction-based fees	107,019	335,851	—	442,870	
Maintenance	Maintenance	332,941	18,241	—	351,182	
Professional services	Professional services	152,899	60,871	—	213,770	
Software licenses and royalties	Software licenses and royalties	47,893	3,891	—	51,784	
Hardware and other	Hardware and other	19,884	—	5,759	25,643	
Intercompany	Intercompany	16,472	—	(16,472)	—	
Total revenues	Total revenues	\$954,435	\$ 454,261	\$ (10,713)	\$1,397,983	
Segment operating income (loss)	Segment operating income (loss)	\$319,312	\$ 100,500	\$ (162,133)	\$ 257,679	
					Three Months Ended September 30,	Nine Months Ended September 30,
					Three Months Ended March 31,	
					Three Months Ended March 31,	
					Three Months Ended March 31,	
Reconciliation of reportable segment operating income to the Company's consolidated totals:						

Reconciliation of reportable segment operating income to the Company's consolidated totals:	Reconciliation of reportable segment operating income to the Company's consolidated totals:	2023	2022	2023	2022
Total segment operating income	Total segment operating income	\$ 91,496	\$ 89,476	\$ 252,968	\$ 257,679
Total segment operating income					
Total segment operating income					
Amortization of acquired software	Amortization of acquired software	(9,035)	(13,622)	(26,879)	(40,882)
Amortization of other intangibles	Amortization of other intangibles	(18,526)	(14,941)	(55,300)	(43,259)
Amortization of other intangibles					
Amortization of other intangibles					
Interest expense	Interest expense	(5,808)	(9,258)	(19,879)	(20,276)
Other income, net	Other income, net	787	131	2,676	712
Other income, net					
Income before income taxes	Income before income taxes	\$ 58,914	\$ 51,786	\$ 153,586	\$ 153,974
Income before income taxes					
Income before income taxes					

(4) Disaggregation of Revenue

The tables below show disaggregation of revenue into categories that reflect how economic factors affect the nature, amount, timing, and uncertainty of revenues and cash flows.

Timing of Revenue Recognition

Timing of revenue recognition by revenue category during the period is as follows:

Products and services transferred at a point in time	Products and services transferred over time	Total
For the three months ended September 30, 2023		
For the three months ended March 31, 2024	Products and services transferred at a point in time	Products and services transferred over time
Revenues	Revenues	
Subscriptions:	Subscriptions:	
Subscriptions:		
SaaS		
SaaS		
SaaS	\$ — \$ 138,509	\$ 138,509
Transaction-based fees	Transaction-based fees	
Transaction-based fees	— 156,681	156,681

Maintenance	Maintenance	—	117,484	117,484
Professional services	Professional services	—	61,126	61,126
Software licenses and royalties	Software licenses and royalties	9,946	608	10,554
Hardware and other	Hardware and other	10,330	—	10,330
Total	Total	\$ 20,276	\$ 474,408	\$ 494,684

		Products and services transferred		Products and services transferred	
		at a point in time		over time	
For the three months ended September 30, 2022					
Revenues					
Subscriptions:					
SaaS		\$	—	\$ 109,912	\$ 109,912
Transaction-based fees			—	144,434	144,434
Maintenance			—	117,338	117,338
Professional services			—	71,818	71,818
Software licenses and royalties			19,068	1,201	20,269
Hardware and other			9,420	—	9,420
Total		\$ 28,488		\$ 444,703	\$ 473,191
		Products and services transferred		Products and services transferred	
		at a point in time		over time	
For the nine months ended September 30, 2023					
Revenues					
Subscriptions:					
SaaS		\$	—	\$ 387,022	\$ 387,022
Transaction-based fees			—	486,422	486,422
Maintenance			—	349,154	349,154
Professional services			—	188,475	188,475
Software licenses and royalties			28,020	2,443	30,463
Hardware and other			29,281	—	29,281
Total		\$ 57,301		\$ 1,413,516	\$ 1,470,817

		Products and services transferred		Products and services transferred	
		at a point in time		over time	
For the nine months ended September 30, 2022		at a point in time	transferred	Products and services transferred at a point in time	Products and services transferred over time
For the three months ended March 31, 2023					
Revenues	Revenues				
Subscriptions:	Subscriptions:				
SaaS					
SaaS					
SaaS	SaaS	\$	—	\$ 312,734	\$ 312,734
Transaction-based fees	Transaction-based fees	—	442,870	442,870	
Maintenance	Maintenance	—	351,182	351,182	

Professional services	Professional services	—	213,770	213,770
Software licenses and royalties	Software licenses and royalties	45,820	5,964	51,784
Hardware and other	Hardware and other	25,643	—	25,643
Total	Total	\$ 71,463	\$ 1,326,520	\$ 1,397,983

Recurring Revenues

The majority of our revenue are revenues are comprised of revenues from subscriptions and maintenance, which we consider to be recurring revenues. Subscriptions revenue primarily consists of revenues derived from our SaaS arrangements and transaction-based fees, which relate to digital government services e-filing transactions, and payment processing. These revenues are considered recurring because revenues from these sources are expected to recur in similar annual amounts for the term of our relationship with the client. Transaction-based fees are generally the result of multi-year contracts with our clients that result in fees generated by payment transactions and digital government services and are collected on a recurring basis during the contract term. The contract terms for subscription arrangements range from one to 10 years but are typically contracted for initial periods of three to five years. Virtually all of our on-premises software clients contract with us for maintenance and support, which provides us with a significant source of recurring revenues. Maintenance and support is generally provided under annual, or in some cases, multi-year contracts. We consider all other revenue categories to be non-recurring revenues.

Recurring revenues and non-recurring revenues recognized during the period are as follows:

For the three months ended September 30, 2023		Enterprise			Corporate	Totals
		Software	Platform Technologies	—		
Recurring revenues		\$ 277,497	\$ 135,177	\$ —	\$ —	\$ 412,674
Non-recurring revenues		70,315	11,736	(41)		82,010
Intercompany		5,943	—	(5,943)		—
Total revenues		\$ 353,755	\$ 146,913	\$ (5,984)		\$ 494,684

For the three months ended September 30, 2022		Enterprise			Corporate	Totals
		Software	Platform Technologies	—		
Recurring revenues		\$ 246,823	\$ 124,861	\$ —	\$ —	\$ 371,684
Non-recurring revenues		75,515	23,843	2,149		101,507
Intercompany		5,541	—	(5,541)		—
Total revenues		\$ 327,879	\$ 148,704	\$ (3,392)		\$ 473,191

For the nine months ended September 30, 2023		Enterprise			Corporate	Totals
		Software	Platform Technologies	—		
Recurring revenues		\$ 800,498	\$ 422,100	\$ —	\$ —	\$ 1,222,598
Non-recurring revenues		206,197	34,692	7,330		248,219
Intercompany		17,878	—	(17,878)		—
Total revenues		\$ 1,024,573	\$ 456,792	\$ (10,548)		\$ 1,470,817

For the nine months ended September 30, 2022	Enterprise			Corporate	Totals
	Software	Platform Technologies	—		
Recurring revenues	\$ 717,287	\$ 389,499	\$ —	\$ 1,106,786	
Non-recurring revenues	220,676	64,762	5,759	291,197	
Intercompany	16,472	—	(16,472)	—	
Total revenues	\$ 954,435	\$ 454,261	\$ (10,713)	\$ 1,397,983	

For the three months ended March 31, 2023	Enterprise Software	Platform Technologies	Corporate	Totals
Recurring revenues	\$ 258,495	\$ 137,100	\$ —	\$ 395,595
Non-recurring revenues	64,766	11,492	—	76,258
Intercompany	5,083	—	(5,083)	—
Total revenues	\$ 328,344	\$ 148,592	\$ (5,083)	\$ 471,853

(5) Deferred Revenue and Performance Obligations

Total deferred revenue, including long-term, by segment is as follows:

		September 30, 2023	December 31, 2022	
		March 31, 2024		March 31, 2024
				December 31, 2023
Enterprise Software	Enterprise Software	\$ 563,766	\$ 533,902	
Platform Technologies	Platform Technologies	34,373	33,691	
Corporate	Corporate	3,027	2,982	
Totals	Totals	\$ 601,166	\$ 570,575	

Changes in total deferred revenue, including long-term, were as follows:

	Nine months ended September 30, 2023	Three months ended March 31, 2024
Balance as of December 31, 2022	\$ 570,575	\$ 633,205
Deferral of revenue	1,023,931	274,562
Recognition of deferred revenue	(993,340)	(335,896)
Balance as of September 30, 2023	\$ 601,166	\$ 571,871

Transaction Price Allocated to the Remaining Performance Obligations

The aggregate amount of transaction price allocated to the remaining performance obligations represents contracted revenue that has not yet been recognized ("backlog"), which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. Backlog as of **September 30, 2023** **March 31, 2024**, was **\$1.95 billion** **\$2.02 billion**, of which we expect to recognize approximately **47%** **45%** as revenue over the next 12 months and the remainder thereafter.

(6) Deferred Commissions

Sales commissions earned by our **salesforce sales force** are considered incremental and recoverable costs of obtaining a contract with a customer. Sales commissions for initial contracts are deferred and then amortized commensurate with the recognition of associated revenue over a period of benefit that we have determined to be generally three to seven years. Deferred commissions were **\$46.4 million** **\$49.0 million** and **\$43.8 million** **\$49.2 million** as of **September 30, 2023** **March 31, 2024**, and **December 31, 2022** **December 31, 2023**, respectively. Amortization expense was **\$5.0 million** **\$4.8 million** and **\$13.6 million** **\$4.3 million** for the three and nine months ended **September 30, 2023** **March 31, 2024**, respectively, and **\$4.1 million** and **\$11.2 million** for the three and nine months ended **September 30, 2022**, **March 31, 2023**, respectively. There were no indicators of impairment in relation to the costs capitalized for the periods presented. Deferred commissions have been included with prepaid expenses for the current portion and non-current other assets for the long-term portion in the accompanying condensed consolidated balance sheets. Amortization expense related to deferred commissions is included in sales and marketing expense in the accompanying condensed consolidated statements of income.

(7) Acquisitions

On August 8, 2023 **2024**

We did not complete any new acquisitions during the three months ended March 31, 2024.

During the three months ended March 31, 2024, we acquired Computing System Innovations, LLC (CSI), a leading provider settled litigation that was assumed with the 2022 purchase of artificial intelligence (AI) automation, redaction, and indexing solution for courts, recorders, attorneys, and others. The total purchase price, net of cash acquired of \$0.4 million, was approximately \$36.3 million, consisting of \$33.4 million paid in cash and \$3.3 million related to indemnity holdbacks, subject to certain post-closing adjustments.

We have performed a preliminary valuation analysis of the fair market value of CSI's assets and liabilities. In connection with this transaction, we acquired total tangible assets of \$0.9 million and assumed liabilities of approximately \$2.4 million. We recorded goodwill of approximately \$21.4 million, all of which is expected to be deductible for tax purposes, and other identifiable intangible assets of approximately \$16.8 million. The goodwill arising from this acquisition is primarily attributed to our ability to generate increased revenues, earnings and cash flow by expanding our addressable market and client base. The intangible assets of \$16.8 million are attributable to customer relationships and acquired software and will be amortized over a weighted average period of approximately 13 years.

On October 31, 2022, we acquired Rapid Financial Solutions, LLC (Rapid), a provider of reliable, scalable, LLC. Our purchase agreement included an escrow that fully indemnified and secure payments with best-in-class card issuance and digital disbursement capabilities. The total purchase price, net of cash acquired of \$2.2 million, was approximately \$67.4 million, consisting of \$51.5 million paid in cash and \$18.2 million of common stock.

We have performed a preliminary valuation analysis reimbursed Tyler under the terms of the fair market purchase agreement by the return of 27,702 shares of our common stock, with the approximate value of Rapid's assets and liabilities. In connection with this transaction, we acquired total tangible assets of \$12.9 million and assumed liabilities of approximately \$10.6 million. In the first quarter of 2023, we recorded \$10.0 million for assumed liabilities related \$9.5 million, that was issued to litigation outstanding an escrow account at the time of acquisition as the amount became probable and estimable and a related \$10.0 million indemnification receivable from escrowed amounts established at acquisition. We recorded goodwill of approximately \$40.0 million, all of which is expected to be deductible for tax purposes, and other identifiable intangible assets of approximately \$27.6 million. The goodwill arising from this acquisition is primarily attributed to our ability to generate increased revenues, earnings and cash flow by expanding our addressable market and client base. The \$27.6 million of intangible assets are attributable to customer relationships, acquired software, and trade name and will be amortized over a weighted average period of approximately 10 years. purchase.

The operating results of CSI and Rapid are included with the operating results of the Enterprise segment and Platform Technologies segment, respectively, since the inception date of each acquisition. Also, the impact of these acquisitions on our operating results, assets, and liabilities is not material, individually or in the aggregate.

As of September 30, 2023, the purchase price allocations for CSI and Rapid are not final; therefore, certain preliminary valuation estimates of fair value assumed at the acquisition date for intangible assets, receivables, and related deferred taxes are subject to change as valuations are finalized. Our balance sheet as of September 30, 2023, reflects the allocation of the purchase price to the net assets acquired based on their estimated fair value at the date of the acquisition. The fair value of the assets and liabilities acquired are based on valuations using Level 3 unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. For the nine months ended September 30, 2023, we incurred fees of approximately \$256,000 for financial advisory, legal, accounting, due diligence, valuation, and other various services necessary to complete acquisitions.

(8) Debt

The following table summarizes our total outstanding borrowings related to the amended 2021 Credit Agreement and Convertible Senior Notes:

			Maturity	September	December			
			Rate	Date	30, 2023	31, 2022		
2021 Credit Agreement	2021 Credit Agreement	Revolving credit facility	Rate				Rate	Maturity Date
		Revolving credit facility	S + 1.50%	April 2026	\$ —	\$ —		March 31, 2024
		Revolving credit facility						December 31, 2023
Term Loan A-1	Term Loan A-1	Term Loan A-2	S + 1.50%	April 2026	140,000	290,000		
			S + 1.25%	April 2024	—	105,000		
Convertible Senior Notes due 2026	Convertible Senior Notes due 2026			March 2026	600,000	600,000		
Total borrowings	Total borrowings				740,000	995,000		
Less: unamortized debt discount and debt issuance costs	Less: unamortized debt discount and debt issuance costs				(4,830)	(7,611)		
Total borrowings, net	Total borrowings, net				735,170	987,389		

Less: current portion of debt	Less: current portion of debt	(30,000)	(30,000)
Less: current portion of debt			
Less: current portion of debt			
Carrying value	Carrying value	\$705,170	\$957,389

Amended 2021 Credit Agreement

In connection with the completion of the acquisition of NIC, Inc. on April 21, 2021, we, as borrower, entered into a new \$1.4 billion Credit Agreement (the "2021 Credit Agreement") with the various lenders party thereto and Wells Fargo Bank, National Association, as Administrative Agent, Swingline Lender, and Issuing Lender. The 2021 Credit Agreement provides for (1) a senior unsecured revolving credit facility in an aggregate principal amount of up to \$500 million, including sub-facilities for standby letters of credit and swingline loans (the "Revolving Credit Facility"), (2) an amortizing five-year term loan in the aggregate amount of \$600 million (the "Term Loan A-1"), and (3) a non-amortizing three-year term loan in the aggregate amount of \$300 million (the "Term Loan A-2") and, together (the "Term Loans"). On January 28, 2023, we amended our 2021 Credit Agreement to replace the LIBOR reference rate with the Secured Overnight Financing Rate ("SOFR") reference rate. The amended 2021 Credit Agreement matures on April 20, 2026, and the loans may be prepaid at any time, without premium or penalty, subject to certain minimum amounts and payment of any breakage costs. In addition to the required amortization payments on the Term Loan A-1 of 5% annually, certain mandatory quarterly prepayments of the Term Loans and the Revolving Credit Facility will be required (i) upon the issuance or incurrence of additional debt not otherwise permitted under the 2021 Credit Agreement and (ii) upon the occurrence of certain asset sales and insurance and condemnation recoveries, subject to certain thresholds, baskets, and reinvestment provisions as provided in the 2021 Credit Agreement.

On January 28, 2023, we amended our 2021 Credit Agreement to replace the LIBOR reference rate with the Secured Overnight Financing Rate ("SOFR") reference rate.

In accordance with our amended 2021 Credit Agreement, the borrowings under the Revolving Credit Facility and the Term Loan A-1 bear interest, at the Company's option, at a per annum rate of either (1) the Administrative Agent's prime commercial lending rate (subject to certain higher rate determinations) (the "Base Rate") plus a margin of 0.125% to 0.75% or (2) the one-, three-, six-, or, subject to approval by all lenders, twelve-month SOFR rate plus a margin of 1.125% to 1.75%. The Term Loan A-2 bears interest, at the Company's option, at a per annum rate of either (1) the Base Rate plus a margin of 0% to 0.5% or (2) the one-, three-, six-, or, subject to approval by all lenders, twelve-month SOFR rate plus a margin of 0.875% to 1.5%. The margin in each case is based upon the Company's total net leverage ratio, as determined pursuant to the 2021 Credit Agreement. In addition to paying interest on the outstanding principal of loans under the Revolving Credit Facility, the Company is required to pay a commitment fee on the average daily unused portion of the Revolving Credit Facility, currently 0.25% 0.15% per annum, ranging from 0.15% to 0.3% based upon the Company's total net leverage ratio. As of September 30, 2023, we have fully repaid amounts due under Term Loan A-2.

The amended 2021 Credit Agreement requires us to maintain certain financial ratios and other financial conditions and prohibits us from making certain investments, advances, cash dividends or loans, and limits incurrence of additional indebtedness and liens. As

For the three months ended March 31, 2024, we repaid \$50.0 million of September 30, 2023 the Term Loans and have fully repaid amounts due under the amended 2021 Credit Agreement. Also as of March 31, 2024, we were in compliance with those our covenants.

The carrying amount is the par value of the Revolving Credit Facility and Term Loans less the debt discount and debt issuance costs that are amortized to interest expense using the effective interest method over the terms of the Term Loans. Interest expense is included in the accompanying condensed consolidated statements of income.

Convertible Senior Notes due 2026

On March 9, 2021, we issued 0.25% Convertible Senior Notes due in 2026 in the aggregate principal amount of \$600.0 million ("the Convertible Senior Notes" or "the Notes"). The Convertible Senior Notes were issued pursuant to, and are governed by, an indenture (the "Indenture"), dated as of March 9, 2021, with U.S. Bank National Association, as trustee. The net proceeds from the issuance of the Convertible Senior Notes were \$591.4 million, net of initial purchasers' discounts of \$6.0 million and debt issuance costs of \$2.6 million.

The Convertible Senior Notes are senior, unsecured obligations and are (i) equal in right of payment with our future senior, unsecured indebtedness; (ii) senior in right of payment to our future indebtedness that is expressly subordinated to the Notes; (iii) effectively subordinated to our future secured indebtedness, to the extent of the value of the collateral securing that indebtedness; and (iv) structurally subordinated to all future indebtedness and other liabilities, including trade payables, and (to the extent we are not a holder thereof) preferred equity, if any, of our subsidiaries.

The Convertible Senior Notes accrue interest at a rate of 0.25% per annum, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2021. The Convertible Senior Notes mature on March 15, 2026, unless earlier repurchased, redeemed, or converted.

Before September 15, 2025, holders of the Convertible Senior Notes have the right to convert their Convertible Senior Notes only upon the occurrence of certain events. Under the terms of the Indenture, the Convertible Senior Notes are convertible into common stock of Tyler Technologies, Inc. (referred to as "our common stock" herein) at the following times or circumstances:

- during any calendar quarter commencing after the calendar quarter ended June 30, 2021, if the last reported sale price per share of our common stock exceeds 130% of the conversion price for each of at least 20 trading days (whether or not consecutive) during the 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter;

- during the five consecutive business days immediately after any five consecutive trading day period (such five consecutive trading day period, the "Measurement Period") if the trading price per \$1,000 principal amount of Convertible Senior Notes, as determined following a request by their holder in accordance with the procedures in the Indenture, for each trading day of the Measurement Period was less than 98% of the product of the last reported sale price per share of our common stock on such trading day and the conversion rate on such trading day;
- upon the occurrence of certain corporate events or distributions on our common stock, including but not limited to a "Fundamental Change" (as defined in the Indenture);
- upon the occurrence of specified corporate events; or
- on or after September 15, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date, March 15, 2026.

With certain exceptions, upon a change of control or other fundamental change (both as defined in the Indenture governing the Convertible Senior Notes), the holders of the Convertible Senior Notes may require us to repurchase all or part of the principal amount of the Convertible Senior Notes at a repurchase price equal to 100% of the principal amount of the Convertible Senior Notes, plus any accrued and unpaid interest to, but excluding, the redemption date.

As of **September 30, 2023** **March 31, 2024**, none of the conditions allowing holders of the Convertible Senior Notes to convert have been met.

From and including September 15, 2025, holders of the Convertible Senior Notes may convert their Convertible Senior Notes at any time at their election until the close of business on the second scheduled trading day immediately before the maturity date. We will settle any conversions of the Convertible Senior Notes either entirely in cash or in a combination of cash and shares of our common stock, at our election. However, upon conversion of any Convertible Senior Notes, the conversion value, which will be determined over an "Observation Period" (as defined in the Indenture) consisting of 30 trading days, will be paid in cash up to at least the principal amount of the Notes being converted.

The initial conversion rate is 2.0266 shares of common stock per \$1,000 principal amount of Convertible Senior Notes, which represents an initial conversion price of approximately \$493.44 per share of common stock. The conversion rate and conversion price will be subject to adjustment upon the occurrence of certain events. In addition, if certain corporate events that constitute a "Make-Whole Fundamental Change" (as defined in the Indenture) occur, then the conversion rate will, in certain circumstances, be increased for a specified period of time.

The Convertible Senior Notes are redeemable, in whole or in part, at our option at any time, and from time to time, on or after March 15, 2024, and on or before the 30th scheduled trading day immediately before the maturity date, at a cash redemption price equal to the principal amount of the Notes to be redeemed, plus accrued and unpaid interest, if any, up to, but excluding, the redemption date, but only if the last reported sale price per share of our common stock exceeds 130% of the conversion price of the Notes on (i) each of at least 20 trading days, whether or not consecutive, during the 30 consecutive trading days ending on, and including, the trading day immediately before the date we send the related redemption notice; and (ii) the trading day immediately before the date we send such notice. In addition, calling any Note for redemption constitutes a Make-Whole Fundamental Change with respect to that Note, in which case the conversion rate applicable to the conversion of that Note will be increased in certain circumstances if it is converted after it is called for redemption.

Effective Interest Rate

The weighted average interest rates for the borrowings under **Convertible Senior Notes due 2026** were 0.25%, as of **March 31, 2024**. For the three months ended **March 31, 2024**, the effective interest rate was 8.66% for our term loan borrowings under the amended 2021 Credit Agreement and **Convertible Senior Notes** were 6.92% and 0.25%, as of **September 30, 2023**, respectively. During the nine months ended **September 30, 2023**, the effective interest rates for our borrowings were 7.43% and 0.54% for the **2021 Credit Agreement** and the **Convertible Senior Notes**, respectively. The following sets forth the interest expense recognized related to the borrowings under the **amended 2021 Credit Agreement** and **Convertible Senior Notes** and is included in interest expense in the accompanying condensed consolidated statements of income:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	2023	2022		
Three Months Ended March 31,						
Three Months Ended March 31,						
Three Months Ended March 31,						
2024						
2024						
2024						
Contractual interest expense - Revolving Credit Facility						
Contractual interest expense - Revolving Credit Facility						
Contractual interest expense - Revolving Credit Facility						
Credit Facility	\$ (319)	\$ (320)	\$ (1,257)	\$ (948)		
Contractual interest expense - Term Loans	\$ (3,787)	\$ (5,234)	\$ (13,993)	\$ (12,603)		

Contractual interest expense - Term					
Loans					
Contractual interest expense - Term					
Loans					
Contractual interest expense -	Contractual interest				
Convertible Senior Notes	Convertible Senior Notes				
Amortization of debt discount and debt issuance costs					
Amortization of debt discount and debt issuance costs					
Amortization of debt discount and debt issuance costs	Amortization of debt discount and debt issuance costs				
Total	Total	\$ (5,808)	\$ (9,258)	\$ (19,879)	\$ (20,276)
Total					
Total					

As of **September 30, 2023** **March 31, 2024**, we had one outstanding standalone letter of credit totaling \$750,000. The letter of credit, which guarantees our performance under a client contract, renews automatically annually unless canceled in writing, and expires in the third quarter of 2026. **For the nine months ended September 30, 2023, we repaid \$255.0 million of the Term Loans.**

(9) Financial Instruments

The following table presents our financial instruments:

	September 30, 2023	December 31, 2022		
	March 31, 2024		March 31, 2024	December 31, 2023
Cash and cash equivalents	Cash and cash equivalents	\$ 131,486	\$ 173,857	
Available-for-sale investments	Available-for-sale investments	21,176	55,538	
Available-for-sale investments				
Equity investments	Equity investments	10,000	10,000	
Total	Total	\$ 162,662	\$ 239,395	

Cash and cash equivalents consist primarily of money market funds with original maturity dates of three months or less, for which we determine fair value through quoted market prices.

Our investment portfolio is classified as available-for-sale in order to have the flexibility to buy and sell investments and maximize cash liquidity for potential acquisitions or for debt repayments. Our available-for-sale investments primarily consist of investment grade corporate bonds, municipal bonds, and asset-backed securities with maturity dates through 2027. These investments are presented at fair value and are included in short-term investments and non-current investments in the accompanying condensed consolidated balance sheets. Unrealized gains or losses associated with the investments are included in accumulated other comprehensive loss, net of tax in the accompanying condensed consolidated balance sheets and statements of comprehensive income. For our available-for-sale investments, we do not have the intent to sell, nor is it more likely than not that we would be required to sell before recovery of their cost basis.

As of **September 30, 2023** **March 31, 2024**, we have an accrued interest receivable balance of approximately **\$118,000** **\$59,000** which is included in accounts receivable, net. We do not record an allowance for credit losses for accrued interest receivables. We record any losses within the maturity period or at the time of sale of the investment, and any write-offs to accrued interest receivables are recorded as a reduction to interest income in the period of the loss. During the three and nine months ended **September 30, 2023** **March 31, 2024**, we have recorded no credit losses for accrued interest receivables. Interest income and amortization of discounts and premiums are included in other income, net in the accompanying condensed consolidated statements of income.

The following table presents the components of our available-for-sale investments:

	September 30, 2023	December 31, 2022	
	March 31, 2024	March 31, 2024	December 31, 2023
Amortized cost	Amortized cost	\$ 21,877	\$ 56,670
Unrealized gains	Unrealized gains	—	16
Unrealized losses	Unrealized losses	(701)	(1,148)
Estimated fair value	Estimated fair value	<u>\$ 21,176</u>	<u>\$ 55,538</u>

As of **September 30, 2023** **March 31, 2024**, we have **\$11.6** **\$8.7** million of available-for-sale debt securities with contractual maturities of one year or less and **\$9.6** **\$5.5** million with contractual maturities greater than one year. As of **September 30, 2023** **March 31, 2024**, **three** **no** available-for-sale debt securities with a fair value of **\$5.0** million have **been** in a loss position for one year or less and **21** **16** securities with a fair value of **\$15.9** **\$13.8** million have been in a loss position for greater than one year.

The following table presents the activity on our available-for-sale investments:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Proceeds from sales and maturities	Three Months Ended March 31,			
	Three Months Ended March 31,			
	Three Months Ended March 31,			
	2024			
	2024			
	2024			
Proceeds from sales and maturities				
Proceeds from sales and maturities				
Proceeds from sales and maturities	Proceeds from sales and maturities	\$ 8,345	\$ 14,457	\$ 45,452
Realized losses on sales, net of tax	Realized losses on sales, net of tax	—	(72)	(1)
Realized losses on sales, net of tax	Realized losses on sales, net of tax			(79)
Realized losses on sales, net of tax	Realized losses on sales, net of tax			

Our equity investments consist of an 18% interest in BFTR, LLC, a wholly owned subsidiary of Bison Capital Partners V L.P. BFTR, LLC is a privately held Australian company specializing in digitizing the spoken word in court and legal proceedings. The investment in common stock is carried at cost less any impairment write-downs because we do not have the ability to exercise significant influence over the investee and the securities do not have readily determinable fair values.

(10) Other Comprehensive Income (Loss)

The following table presents the changes in the balances of accumulated other comprehensive loss, net of tax by component:

	Unrealized Loss On Available-for-Sale Securities	Other	Accumulated Other Comprehensive Loss
Balance as of June 30, 2023	\$ (785)	\$ —	\$ (785)
Other comprehensive loss before reclassifications	263	—	263
Reclassification adjustment of unrealized gains (losses) on securities transferred from held-to-maturity	—	—	—

Reclassification adjustment for net loss on sale of available-for-sale securities, included in net income	—	—	—
Other comprehensive loss	263	—	263
Balance as of September 30, 2023	\$ (522)	\$ —	\$ (522)

	Unrealized Loss On Available-for-Sale Securities	Other	Accumulated Other Comprehensive Loss
Balance as of December 31, 2023	\$ (326)	\$ —	\$ (326)
Other comprehensive income	53	—	53
Reclassification adjustment of unrealized gains (losses) on securities transferred from held-to-maturity	—	—	—
Reclassification adjustment for net loss on sale of available-for-sale securities, included in net income	—	—	—
Other comprehensive income	53	—	53
Balance as of March 31, 2024	\$ (273)	\$ —	\$ (273)

	Unrealized Loss On Available-for-Sale Securities	Other	Accumulated Other Comprehensive Loss
Balance as of June 30, 2022	\$ (809)	\$ —	\$ (809)
Other comprehensive loss before reclassifications	(109)	—	(109)
Reclassification adjustment of unrealized gains (losses) on securities transferred from held-to-maturity	—	—	—
Reclassification adjustment for net loss on sale of available-for-sale securities, included in net income	72	—	72
Other comprehensive loss	(37)	—	(37)
Balance as of September 30, 2022	\$ (846)	\$ —	\$ (846)

	Unrealized Loss On Available-for-Sale Securities	Other	Accumulated Other Comprehensive Loss
Balance as of December 31, 2022	\$ (844)	\$ —	\$ (844)
Other comprehensive income before reclassifications	321	—	321
Reclassification adjustment of unrealized gains (losses) on securities transferred from held-to-maturity	—	—	—
Reclassification adjustment for net loss on sale of available-for-sale securities, included in net income	1	—	1
Other comprehensive income	322	—	322
Balance as of September 30, 2023	\$ (522)	\$ —	\$ (522)

	Unrealized Loss On Available-for-Sale Securities	Other	Accumulated Other Comprehensive Loss
Balance as of December 31, 2021	\$ (46)	\$ —	\$ (46)
Other comprehensive loss before reclassifications	(852)	—	(852)
Reclassification adjustment of unrealized losses on securities transferred from held-to-maturity	(27)	—	(27)
Reclassification adjustment for net loss on sale of available-for-sale securities, included in net income	79	—	79
Other comprehensive loss	(800)	—	(800)
Balance as of September 30, 2022	\$ (846)	\$ —	\$ (846)

	Unrealized Loss On Available-for-Sale Securities	Other	Accumulated Other Comprehensive Loss
Balance as of December 31, 2022	\$ (844)	\$ —	\$ (844)
Other comprehensive income	94	—	94

Reclassification adjustment of unrealized gains (losses) on securities transferred from held-to-maturity	—	—	—
Reclassification adjustment for net loss on sale of available-for-sale securities, included in net income	—	—	—
Other comprehensive income	94	—	94
Balance as of March 31, 2023	\$ (750)	\$ —	\$ (750)

(11) Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for that asset or liability. Guidance on fair value measurements and disclosures establishes a valuation hierarchy for disclosure of inputs used in measuring fair value defined as follows:

- Level 1—Inputs are unadjusted quoted prices that are available in active markets for identical assets or liabilities.
- Level 2—Inputs include quoted prices for similar assets and liabilities in active markets and quoted prices in non-active markets, inputs other than quoted prices that are observable, and inputs that are not directly observable, but are corroborated by observable market data.
- Level 3—Inputs that are unobservable and are supported by little or no market activity and reflect the use of significant management judgment.

The classification of a financial asset or liability within the hierarchy is determined based on the least reliable level of input that is significant to the fair value measurement. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. We also consider the counterparty and our own non-performance risk in our assessment of fair value.

The following table presents fair values of our financial and debt instruments categorized by their fair value hierarchy as of **September 30, 2023** **March 31, 2024**:

	Level 1	Level 2	Level 3	Total
Available-for-sale investments	\$ 21,176	\$ —	\$ —	\$ 21,176
Equity investments	—	—	10,000	10,000
2021 Credit Agreement	—	—	—	—
Revolving Credit Facility	—	—	—	—
Term Loan A-1	—	139,395	—	139,395
Term Loan A-2	—	—	—	—
Convertible Senior Notes due 2026	—	586,098	—	586,098

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 188,237	\$ —	\$ —	\$ 188,237
Available-for-sale investments	—	14,199	—	14,199
Equity investments	—	—	10,000	10,000
Convertible Senior Notes due 2026	—	604,920	—	604,920

The following table presents fair values of our financial and debt instruments categorized by their fair value hierarchy as of **December 31, 2023**:

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 165,493	\$ —	\$ —	\$ 165,493
Available-for-sale investments	—	17,431	—	17,431
Equity investments	—	—	10,000	10,000
2021 Credit Agreement	—	49,801	—	49,801
Term Loan A-1	—	—	—	—
Convertible Senior Notes due 2026	—	609,168	—	609,168

Assets that are **Measured measured at Fair Value** fair value on a **Recurring Basis** recurring basis

Cash and cash equivalents, **Accounts receivables**, **accounts receivable**, **accounts payable**, **payables**, short-term obligations and certain other assets at **cost** **carrying value** approximate fair value because of the short maturity of these instruments.

As of **September 30, 2023** **March 31, 2024**, we have **\$21.2** **\$14.2** million in investment grade corporate bonds, municipal bonds and asset-backed securities with maturity dates through 2027. The fair values of these securities are considered Level **1** as they are based on inputs from **unadjusted** quoted prices **in markets** that are **available in not** active

markets for identical assets or liabilities. other observable market data.

Assets that are measured measured at Fair Value fair value on a Nonrecurring Basis nonrecurring basis

As of **September 30, 2023** **March 31, 2024**, we have an 18% interest in BFTR, LLC. As we do not have the ability to exercise significant influence over the investee and the securities do not have readily determinable fair values, our investment is carried at cost less any impairment write-downs. Periodically, our investment is assessed for impairment. We do not reassess the fair value of the investments if there are no identified events or changes in circumstances that may have a significant adverse effect on the indicate fair value of the investments, investment or indicate impairment. No events or changes in circumstances have occurred during the period that require reassessment. There has been no impairment of this investment for the periods presented. This investment is included in other non-current assets in the accompanying condensed consolidated balance sheets.

We As described in Note 2 "Summary of Significant Accounting Policies", we assess goodwill for impairment annually on October 1. In addition, we review goodwill, property and equipment, and other intangibles for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. During the fourth quarter of **2022, 2023**, we completed our annual assessment of goodwill which did not result in an impairment charge. Further, we identified no indicators of impairment to long-lived goodwill, property and equipment, and other assets intangibles and therefore, no impairment was recorded as of and for the **nine** **three** months ended **September 30, 2023** **March 31, 2024**.

Financial instruments measured at fair value only for disclosure purposes

The fair value of our borrowing under our amended 2021 Credit Agreement would approximate book value as of September 30, 2023, because our interest rates reset approximately every 30 days or less.

The carrying amount of the Revolving Credit Facility and Term Loans is the par value less the debt discount and debt issuance costs that are amortized to interest expense using the effective interest method over the terms of the Term Loans. Interest expense is included in the accompanying condensed consolidated statements of income.

The fair value of our Convertible Senior Notes is determined based on quoted market prices for a similar liability when traded as an asset in an active market, a Level 2 input. See Note 8, "Debt," for further discussion.

The carrying amount of the Convertible Senior Notes is the par value less the debt discount and debt issuance costs that are amortized to interest expense using the effective interest method over the term of the Convertible Senior Notes. Interest expense is included in the accompanying condensed consolidated statements of income.

The following table presents the fair value and carrying value, net, of the **amended** 2021 Credit Agreement and our Convertible **Notes: Notes due 2026**:

	Fair Value at		Carrying Value at		Fair Value at	Carrying Value at	
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022		March 31, 2024	December 31, 2023
2021 Credit Agreement	March 31, 2024				March 31, 2024	December 31, 2023	March 31, 2024
2021 Credit Agreement	2021 Credit Agreement						December 31, 2023
Revolving Credit Facility	Revolving Credit Facility	\$ —	\$ —	\$ —	\$ —		
Revolving Credit Facility	Revolving Credit Facility						
Term Loan A-1	Term Loan A-1	139,395	288,302	139,395	288,302		
Term Loan A-2	Term Loan A-2	—	104,603	—	104,603		
Convertible Senior Notes due 2026	Convertible Senior Notes due 2026						
Convertible Senior Notes due 2026	Convertible Senior Notes due 2026						
2026 Notes due 2026	2026 Notes due 2026	586,098	560,910	595,775	594,484		
		\$725,493	\$953,815	\$735,170	\$987,389		
(12) Income Tax Provision							

We had an effective income tax rate of 20.2% and 17.3% 18.7% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to negative 2.8% and 13.5% 19.9% for the three and nine months ended September 30, 2022, respectively. March 31, 2023. The increase decrease in the effective tax rate for the three and nine months ended September 30, 2023 March 31, 2024, as compared to the prior periods, was period, is due to a favorable true-up adjustment associated with the increase in research tax credits recorded in the third quarter of 2022, offset by liabilities for uncertain tax positions, and a decrease in state income taxes and excess tax benefits related to stock incentive awards in the current year, offset by liabilities for uncertain tax positions, an increase in state income taxes, and an increase in non-deductible business expenses.

The effective income tax rates for the periods presented were are different from the statutory United States federal income tax rate of 21% primarily due to research tax credits and excess tax benefits related to stock incentive awards, offset by state income taxes, liabilities for uncertain tax positions, and non-deductible business expenses.

For We received income tax years beginning on or after January 1, 2022, the Tax Cuts and Jobs Act of 2017 ("TCJA") eliminates the option to currently deduct research and development expenses and requires taxpayers to capitalize and amortize them over five years for research activities performed in the United States and 15 years for research activities performed outside the United States pursuant to IRC Section 174. The requirement temporarily increases our U.S. federal and state cash tax payments and reduces cash flows in fiscal year 2023 and future years until the amortization deduction normalizes.

We made income tax payments of \$118.0 million and \$35.3 million in the nine three months ended September 30, 2023 March 31, 2024, and 2022 2023, respectively.

(13) Share-Based Compensation Plan

The following table summarizes share-based compensation expense related to share-based awards recorded in the condensed consolidated statements of income, pursuant to ASC 718, *Stock Compensation*:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
Subscriptions, maintenance, and professional services		Three Months Ended March 31,		Three Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended September 30,	
		2024		2023	
		2024		2022	
		2024			
Subscriptions, maintenance, and professional services					
Subscriptions, maintenance, and professional services					
Subscriptions, maintenance, and professional services	Subscriptions, maintenance, and professional services	\$ 6,847	\$ 7,181	\$ 19,626	\$ 20,820
Sales and marketing expense	Sales and marketing expense	2,628	2,206	7,388	6,571
Sales and marketing expense					
Sales and marketing expense					
General and administrative expense					
General and administrative expense					
General and administrative expense	General and administrative expense	17,506	17,525	53,891	50,600
Total share-based compensation expense	Total share-based compensation expense	\$ 26,981	\$ 26,912	\$ 80,905	\$ 77,991
Total share-based compensation expense					
Total share-based compensation expense					

(14) Earnings Per Share

The following table details the reconciliation of basic earnings per share to diluted earnings per share:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
		Three Months Ended March 31,		Three Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended September 30,	
		Three Months Ended March 31,		Three Months Ended September 30,	
		2024		2023	
		2024		2022	
		2024			

		2024			
		2024			
Numerator for basic and diluted earnings per share:					
Numerator for basic and diluted earnings per share:					
Numerator for basic and diluted earnings per share:	Numerator for basic and diluted earnings per share:				
Net income	Net income	\$ 47,011	\$ 53,233		
Net income			\$ 127,016		
Net income			\$ 133,163		
Denominator:					
Denominator:					
Denominator:	Denominator:				
Weighted-average basic common shares outstanding	Weighted-average basic common shares outstanding	42,087	41,600		
Weighted-average basic common shares outstanding			42,002		
Weighted-average basic common shares outstanding			41,523		
Assumed conversion of dilutive securities:					
Assumed conversion of dilutive securities:					
Assumed conversion of dilutive securities:	Assumed conversion of dilutive securities:				
Stock awards	Stock awards	754	807		
Stock awards			734		
Stock awards			902		
Convertible Senior Notes					
Convertible Senior Notes					
Convertible Senior Notes	Convertible Senior Notes	—	—		
Denominator for diluted earnings per share	Denominator for diluted earnings per share				
- Adjusted weighted-average shares	- Adjusted weighted-average shares	42,841	42,407		
Denominator for diluted earnings per share			42,736		
- Adjusted weighted-average shares			42,425		
Earnings per common share:					
Earnings per common share:					
Earnings per common share:	Earnings per common share:				
Basic	Basic	\$ 1.12	\$ 1.28		
Basic			\$ 3.02		
Basic			\$ 3.21		
Diluted	Diluted	\$ 1.10	\$ 1.26		
Diluted			\$ 2.97		
Diluted			\$ 3.14		
Diluted					

For the three and nine months ended **September 30, 2023** **March 31, 2024**, and **2022**, stock awards, representing the right to purchase common stock of approximately **260,000** **162,000** and **369,000** shares and **361,000** and **354,000** **501,000** shares, respectively, were not included in the computation of diluted earnings per share because their inclusion would have had an antidilutive effect.

We have used the if-converted method for calculating any potential dilutive effect of the Convertible Senior Notes due 2026 on our diluted net income per share. Under the if-converted method, the Notes are assumed to be converted at the beginning of the period and the resulting common shares are included in the denominator of the diluted earnings per share calculation for the entire period being presented and interest expense, net of tax, recorded in connection with the Convertible Senior Notes is not added back to the numerator, only in the periods in which such effect is dilutive. The approximately 1.2 million remaining resulting common shares related to the Notes are not included in the dilutive weighted-average common shares outstanding calculation for the three and nine months ended **September 30, 2023** **March 31, 2024**, and **2022**, as their effect would be antidilutive given none of the conversion features have been triggered. See Note 8, "Debt," for discussion on the conversion features related to the Convertible Senior Notes.

(15) Leases

We lease office facilities for use in our operations, as well as transportation and other equipment. Most of our leases are non-cancelable operating lease agreements with maturities between remaining terms of one and 11 years. Some of these leases include options to extend for up to six years. We have no finance leases and one related party lessor agreement (see Note 16, "Related party transactions") as of **September 30, 2023** **March 31, 2024**. Right-of-use lease assets and lease liabilities for our operating leases are recorded in the condensed consolidated balance sheets. During the three and nine months ended **September 30, 2023** **March 31, 2024**, we had no lease restructuring costs, and during the three months ended **March 31, 2023**, we incurred lease restructuring costs resulting in **\$3.1** million and **\$4.5** million of operating lease costs. During both the three and nine months ended **September 30, 2022**, we incurred lease restructuring costs resulting in an additional **\$1.4** million of operating lease costs.

The components of operating lease expense were as follows:

Lease Costs	Lease Costs	Three Months Ended September 30,		Nine Months Ended September 30,		2023	2022
		2023	2022	2023	2022		
Lease Costs							
Lease Costs							
		2024					
			2024				
				2024			
Operating lease cost							
Operating lease cost							
Operating lease cost	Operating lease cost	\$ 6,306	\$ 4,601	\$ 13,816	\$ 10,609		
Short-term lease cost	Short-term lease cost	540	578	1,576	1,572		
Short-term lease cost							
Short-term lease cost							
Variable lease cost							
Variable lease cost							
Variable lease cost	Variable lease cost	233	276	769	850		
Net lease cost	Net lease cost	\$ 7,079	\$ 5,455	\$ 16,161	\$ 13,031		
Net lease cost							
Net lease cost							

Supplemental information related to leases is as follows:

Other Information	Other Information	Nine Months Ended		Other Information	Three Months Ended March 31,	
		September 30,	2023		2022	2024
			2024			
Cash flows:	Cash flows:					

Cash paid amounts included in the measurement of lease liabilities:	Cash paid amounts included in the measurement of lease liabilities:	
Cash paid amounts included in the measurement of lease liabilities:	Cash paid amounts included in the measurement of lease liabilities:	
Operating cash outflows from operating leases	Operating cash outflows from operating leases	
Operating cash outflows from operating leases	Operating cash outflows from operating leases	
Operating cash outflows from operating leases	Operating cash outflows from operating leases	\$ 9,118 \$ 10,247
Right-of-use assets obtained in exchange for lease obligations (non-cash):	Right-of-use assets obtained in exchange for lease obligations (non-cash):	
Right-of-use assets obtained in exchange for lease obligations (non-cash):	Right-of-use assets obtained in exchange for lease obligations (non-cash):	
Right-of-use assets obtained in exchange for lease obligations (non-cash):	Right-of-use assets obtained in exchange for lease obligations (non-cash):	
Operating leases	Operating leases	\$ 3,108 \$ 23,821
<u>Lease term and discount rate:</u>	<u>Lease term and discount rate:</u>	
<u>Lease term and discount rate:</u>	<u>Lease term and discount rate:</u>	
Weighted average remaining lease term (years)	Weighted average remaining lease term (years)	
Weighted average remaining lease term (years)	Weighted average remaining lease term (years)	
Weighted average remaining lease term (years)	Weighted average remaining lease term (years)	6.9 7.3
Weighted average discount rate	Weighted average discount rate	1.66 % 1.57 %
Weighted average discount rate	Weighted average discount rate	Weighted average discount rate
Weighted average discount rate	Weighted average discount rate	6.6
Weighted average discount rate	Weighted average discount rate	7.1
Weighted average discount rate	Weighted average discount rate	1.67 %
Weighted average discount rate	Weighted average discount rate	1.59 %

Rental income from third parties

We own office buildings in Bangor, Falmouth, and Yarmouth, Maine; Lubbock and Plano, Texas; Troy, Michigan; Latham, New York; Moraine, Ohio; and Moraine, Ohio. Kingston Springs, Tennessee. We lease space in some of these buildings to third-party tenants. The property we lease to others under operating leases consists primarily of specific facilities where one tenant obtains substantially all of the economic benefit from the asset and has the right to direct the use of the asset. These non-cancelable leases expire between 2023 and 2028, and some have options to extend the lease for up to 10 years. We determine if an arrangement is a lease at inception. None of our leases allow the lessee to purchase the leased asset.

Rental income from third-party tenants for the three and nine months ended September 30, 2023 March 31, 2024, totaled \$552,000 and \$1.6 million, respectively, \$761,000, and for the three and nine months ended September 30, 2022 March 31, 2023, totaled \$456,000 \$466,000. Rental income is included in hardware and \$1.2 million, respectively. other revenue on the consolidated statements of income. As of September 30, 2023 March 31, 2024, future minimum operating rental income based on contractual agreements is as follows:

Year ending	Year	Amount	Year ending December 31,	Amount
December 31,	December 31,			
2023 (Remaining)		\$ 592		
2024		3,049		
2024 (Remaining)				
2025	2025	2,317		
2026	2026	1,171		
2027	2027	913		
2028				
Thereafter	Thereafter	733		
Total	Total	\$8,775		

(16) Related Party Transactions

In April 2023, we entered into an arm's length lease agreement with a company co-owned by a member of the Company's board of directors for under which we lease 25,000 square feet of office space in our Lubbock, Texas facility to a company co-owned by a member of the board of directors. Such member no longer serves on the board of directors. The lease agreement, which commenced on April 1, 2023, has an initial term of five years with a pro-rata base rent of \$25,000 per month until December 1, 2023, and a base rent of \$60,000 per month thereafter. We recognized rental income of \$150,000 \$181,000 under this lease for the nine three months ended September 30, 2023 March 31, 2024.

(17) Commitments and Contingencies

Litigation

During the first quarter of 2022, we received a notice of termination for convenience under a contractual arrangement with a state government client. Upon receipt of the termination notice, we ceased performing services under the contractual arrangement and sought payment of contractually owed fees of approximately \$15 million in connection with the termination for convenience.

The client was unresponsive to our outreach for several months. On August 23, 2022, we filed a lawsuit to enforce our rights and remedies under the applicable contractual arrangement, and since arrangement. At the client's invitation, we then have been engaged directly with the client on payment resolution. The engagement was not successful. On March 20, 2024, reinitiated our lawsuit. Although we believe our products and services were delivered in accordance with the terms of our contract and that we are entitled to payment in connection with the termination for convenience, at this time the matter remains unresolved. We can provide no assurances that we will not incur additional costs as we pursue our rights and remedies under the contract.

Purchase Commitments

We have contractual obligations for third-party technology used in our solutions and for other services we purchase as part of our normal operations. In certain cases, these arrangements require a minimum annual purchase commitment by us. As of September 30, 2023 March 31, 2024, the remaining aggregate minimum purchase commitment under these arrangements was approximately \$235 million \$699.1 million through 2031.

(18) Subsequent Events

On October 31, 2023, we completed two acquisitions for the total consideration of approximately \$38 million, paid in all cash for one transaction and in a mix of cash and stock for the other transaction. There have been no material events or transactions that occurred subsequent to March 31, 2024.

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

CAUTIONARY NOTE CONCERNING FORWARD-LOOKING STATEMENTS

This document contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 that are not historical in nature and typically address future or anticipated events, trends, expectations or beliefs with respect to our financial condition, results of operations or business. Forward-looking statements often contain words such as "believes," "expects," "anticipates," "foresees," "forecasts," "estimates," "plans," "intends," "continues," "may," "will," "should," "projects," "might," "could" or other similar words or phrases. Similarly, statements that describe our business strategy, outlook, objectives, plans, intentions or goals also are forward-looking statements. We believe there is a reasonable basis for our forward-looking statements, but they are inherently subject to risks and uncertainties and actual results could differ materially from the expectations and beliefs reflected in the forward-looking statements. We presently consider the following to be among the important factors that could cause actual results to differ materially from our expectations and beliefs: (1) changes in the budgets or regulatory environments of our clients, primarily local and state governments, that could negatively impact information technology spending; (2) disruption to our business and harm to our competitive position resulting from cyber-attacks and security vulnerabilities; (3) our ability to protect client information from security breaches and provide uninterrupted operations of data centers; (4) our ability to achieve growth or operational synergies through the integration of acquired businesses, while avoiding unanticipated costs and disruptions to existing operations; (5) material portions of our business require the ~~internet~~ ~~Internet~~ infrastructure to be adequately maintained; (6) our ability to achieve our financial forecasts due to various factors, including project delays by our clients, reductions in transaction size, fewer transactions, delays in delivery of new products or releases or a decline in our renewal rates for service agreements; (7) general economic, political and market conditions, including continued inflation and rising interest rates; (8) technological and market risks associated with the development of new products or services or of new versions of existing or acquired products or services; (9) competition in the industry in which we conduct business and the impact of competition on pricing, client retention and pressure for new products or services; (10) the ability to attract and retain qualified personnel and dealing with ~~rising labor costs~~, the loss or retirement of key members of management or other key personnel; and (11) costs of compliance and any failure to comply with government and stock exchange regulations. ~~A detailed discussion of these~~ ~~These~~ factors and other risks that affect our business are described in Item 1A, "Risk Factors". We expressly disclaim any obligation to publicly update or revise our forward-looking statements.

GENERAL

We provide integrated information management solutions and services for the public sector. We develop and market a broad line of software products and services to address the IT needs of public sector entities. We provide subscription-based services such as software as a service ("SaaS"), and transaction-based services fees primarily related to digital government services and online payment processing, and electronic document filing solutions ("e-filing"), which simplify the filing and management of court related documents. ~~processing~~. In addition, we provide professional IT services to our clients, including software and hardware installation, data conversion, training, and for certain clients, product modifications, along with continuing maintenance and support for clients using our systems. Additionally, we provide property appraisal outsourcing services for taxing jurisdictions.

We provide our software systems and related professional services through six business units, which focus on the following products:

- ~~jurisdictions~~ financial management, education and planning, regulatory, and maintenance software solutions;
- financial management, municipal courts, planning, regulatory, and maintenance software solutions;
 - courts and justice and public safety software solutions;
 - property and recording solutions;
 - platform solutions including case management and business process management; and
 - digital solutions including payments and government services.

In accordance with ASC 280-10, *Segment Reporting*, we report our results in two reportable segments. Business units that have met the aggregation criteria have been combined into our two reportable segments. The Enterprise Software ("ES") reportable segment provides public sector entities with software systems and services to meet their information technology and automation needs for mission-critical "back-office" functions such as: financial management and education; planning, regulatory and maintenance; public administration solutions; courts and justice; public safety; and safety solutions; education solutions, and property and recording solutions. The Platform Technologies ("PT") reportable segment provides public sector entities with software solutions to perform transaction platform and transformative solutions including digital solutions, payment processing, streamline ~~streamlined~~ data processing, and improve operations and workflows such as platform solutions and digital solutions, workflows.

We evaluate performance based on several factors, of which the primary financial measure is business segment operating income. We define segment operating income for our business units as income before non-cash amortization of intangible assets associated with their acquisitions, interest expense, and income taxes. Segment operating income includes intercompany transactions. The majority of intercompany transactions relate to contracts involving more than one unit and are valued based on the contractual arrangement. Corporate segment operating loss primarily consists of compensation costs for the executive management team, certain shared services staff, and share-based compensation expense for the entire company. Corporate segment operating loss also includes revenues and expenses related to a company-wide user conference.

See Note 3, "Segment and Related Information," in the notes to the financial statements for additional information.

Recent Acquisitions

2024

We did not complete any new acquisitions during the three months ended March 31, 2024.

2023

On October 31, 2023, we acquired Resource Exploration, Inc. ("ResourceX"), a leading provider of budgeting software to the public sector. Also on October 31, 2023, we acquired ARInspect, Inc. ("ARInspect"), a leading provider of AI powered machine learning solutions for public sector field operations. On August 8, 2023, we acquired Computing System Innovations, LLC (CSI) ("CSI"), a leading provider of artificial intelligence (AI) automation, redaction, and indexing solution for courts, recorders, attorneys, and others. ~~CSI is operated as a part of the courts & justice business unit and the~~ The actual operating results of CSI from the dates of acquisition are included with the operating results of the ES segment.

On October 31, 2022, we acquired Rapid Financial Solutions, LLC (Rapid), a provider of reliable, scalable, and secure payments with best-in-class card issuance and digital disbursement capabilities. On February 8, 2022, we acquired US eDirect Inc. (US eDirect), a leading provider of technology solutions for campground and outdoor recreation management. US eDirect and Rapid are operated as a part of the digital solutions business unit and the results of US eDirect and Rapid ResourceX, from their respective dates of acquisition, are included with in the operating results of the ES segment. The operating results of ARInspect are included in the operating results of the PT segment since the date of acquisition.

Operating Results

For the three and nine months ended September 30, 2023 March 31, 2024, total revenues increased 4.5% and 5.2% 9%, respectively, compared to the prior period, period primarily due to the increase in subscription revenue. Revenues from recent acquisitions contributed \$5.9 million \$3.0 million or 1.2% and \$16.8 million or 1.2% 1% to the total revenues increases revenue increase for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to the prior period.

Subscriptions revenue grew 16.1% and 15.6% 12% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to the prior period, primarily due to an ongoing shift toward SaaS arrangements, along with growth in our transaction-based revenues such as e-filing and payment services, offset by the decline in COVID pandemic related transaction-based revenue services. Subscription revenues from recent acquisitions contributed \$5.0 million \$1.0 million or 2.0% and \$15.8 million or 2.1% 0.4% to the increases increase for the three and nine months ended September 30, 2023, respectively, March 31, 2024.

Our backlog as of September 30, 2023 March 31, 2024, was \$1.95 \$2.02 billion, a 3.9% 9.5% increase compared to September 30, 2022 March 31, 2023.

Our total employee count increased to 7,301 7,305 at September 30, 2023 March 31, 2024, including 66 68 employees who joined us through acquisitions completed since September 30, 2022 March 31, 2023, from 7,176 7,229 at September 30, 2022 March 31, 2023.

REGULATORY DEVELOPMENTS

Cybersecurity

In July 2023, the SEC adopted the Risk Management, Strategy, Governance, and Incident Disclosure Final Rule (the "Cybersecurity Final Rule") enhancing disclosure requirements for registered companies covering cybersecurity risk and management. The Cybersecurity Final Rule generally requires companies to disclose material cybersecurity incidents on Form 8-K within four business days of a determination that a cybersecurity incident is material, and such materiality determination must be made without unreasonable delay. The Cybersecurity Final Rule also requires periodic disclosures of, among other things, details on the Company's processes to assess, identify, and manage cybersecurity risks, cybersecurity governance, and management's role in overseeing such a compliance program, including the board of directors' oversight of cybersecurity risks. Certain reporting requirements under the Cybersecurity Final Rule become effective December 18, 2023. The Company will comply with the new requirement when it becomes effective.

Clawback Policy

On October 26, 2022, the SEC adopted final rules implementing the incentive-based compensation recovery (clawback) provisions mandated by Section 954 of the Dodd-Frank Act. The rules, which are set forth under new Rule 10D-1 of the Securities Exchange Act of 1934, as amended ("Rule 10D-1"), directed U.S. stock exchanges to establish listing standards requiring listed companies to adopt policies providing for the recovery (or clawback) of incentive-based compensation received by current or former executive officers where such compensation is based on the erroneously reported financial information which required an accounting restatement (a "Clawback Policy"). Under the rules, a company must recover erroneously awarded incentive compensation "reasonably promptly" after such obligation is incurred. Rule 10D-1 also requires that the listing standards include disclosure requirements related to clawbacks.

On June 9, 2023, the SEC approved the NYSE's proposed clawback listing standards. Consistent with Rule 10D-1, the NYSE listing standards require NYSE-listed companies, to (i) adopt a compliant Clawback Policy, (ii) file the Clawback Policy as an exhibit to their annual reports, and (iii) provide certain disclosures relating to any compensation recovery triggered by the policy. Failure to comply with the NYSE listing standards could result in a suspension from trading on the NYSE and the commencement of delisting procedures. Listed companies are required to adopt a compliant Clawback Policy no later than December 1, 2023. The Company's board of directors is currently evaluating NYSE clawback policy requirements and will comply with the new requirements by December 1, 2023.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements. These condensed consolidated financial statements have been prepared following the requirements of GAAP for the interim period and require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, potential impairment of intangible assets and goodwill, and share-based compensation expense. As these are condensed financial statements, one should also read expanded information about our critical accounting policies and estimates provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our Form 10-K for the year ended December 31, 2022. There have been no material changes to our critical accounting policies and estimates from the information provided in our Form 10-K for the year ended December 31, 2022.

Reclassifications

As of January 1, 2023, we have elected to no longer report the appraisal services revenue and related costs as separate categories in the statement of income due to less significance on our overall operating results. Therefore, we have combined the appraisal services revenue category with the professional services revenue category; and the related cost of revenue category for appraisal services is now combined with the cost of revenue category related to subscriptions, maintenance, and professional services on the condensed consolidated statements of income for all reporting periods presented.

ANALYSIS OF RESULTS OF OPERATIONS

	Percent of Total Revenues	
	Three Months Ended September 30,	Nine Months Ended September 30,

	2023	2022	2023	2022
Revenues:				
Subscriptions	59.7 %	53.8 %	59.4 %	54.0 %
Maintenance	23.7	24.8	23.6	25.1
Professional services	12.4	15.2	12.8	15.3
Software licenses and royalties	2.1	4.3	2.1	3.7
Hardware and other	2.1	1.9	2.1	1.9
Total revenues	100.0	100.0	100.0	100.0
Cost of revenues:				
Subscriptions, maintenance, and professional services	50.1	51.9	51.4	52.9
Software licenses, royalties, and amortization of acquired software	2.5	3.2	2.4	3.2
Amortization of software development	0.6	0.3	0.6	0.3
Hardware and other	1.3	1.3	1.6	1.4
Sales and marketing expense	7.3	7.1	7.5	7.2
General and administrative expense	15.9	14.8	15.5	14.3
Research and development expense	5.7	5.3	5.7	5.2
Amortization of other intangibles	3.7	3.2	3.7	3.1
Operating income	12.9	12.9	11.6	12.4
Interest expense	(1.2)	(2.0)	(1.4)	(1.5)
Other income, net	0.2	—	0.2	0.1
Income before income taxes	11.9	10.9	10.4	11.0
Income tax provision (benefit)	2.4	(0.2)	1.8	1.5
Net income	9.5 %	11.1 %	8.6 %	9.5 %

Revenues

Subscriptions

The following table sets forth a comparison of our subscriptions revenue for the three and nine months ended September 30 (\$ in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	2023	2022	\$	%	2023	2022	\$	%
ES	\$ 165,923	\$ 135,336	\$ 30,587	23 %	\$ 468,889	\$ 384,346	\$ 84,543	22 %
PT	129,267	119,010	10,257	9	404,555	371,258	33,297	9
Total subscriptions revenue	\$ 295,190	\$ 254,346	\$ 40,844	16 %	\$ 873,444	\$ 755,604	\$ 117,840	16 %

Subscriptions revenue consists of revenue derived from our SaaS arrangements and transaction-based fees primarily related to digital government services and payment processing. We also provide electronic document filing solutions ("e-filing") that simplify the filing and management of court related documents for courts and law offices. E-filing revenue is derived from transaction fees and fixed fee arrangements.

Subscriptions revenue grew 16.1% and 15.6% for the three and nine months ended September 30, 2023, respectively, compared to the prior period, primarily due to an ongoing shift toward SaaS arrangements, along with growth in our transaction-based revenues. Subscription revenues from recent acquisitions contributed \$5.0 million or 2.0% and \$15.8 million or 2.1% to the increases for the three and nine months ended September 30, 2023, respectively.

Total subscriptions revenue derived from SaaS arrangements fees was \$138.5 million and \$387.0 million for the three and nine months ended September 30, 2023, respectively, compared to \$109.9 million and \$312.7 million for the three and nine months ended September 30, 2022, respectively. For the three and nine months ended September 30, 2023, respectively, SaaS fees grew \$28.6 million, or 26.0% and \$74.3 million, or 23.8% compared to prior period. New SaaS clients as well as existing on-premises clients who converted to our SaaS model provided the majority of the subscriptions revenue increase. In the three and nine months ended September 30, 2023, respectively, we added 161 and 476 new SaaS clients and 79 and 246 on-premises existing clients elected to convert to our SaaS model. Since September 30, 2022, we have added 616 new SaaS clients while 328 existing on-premises clients converted to our SaaS offerings. Our mix of new software contract mix for the nine months ended September 30, 2023, was approximately 19% perpetual software license arrangements and approximately 81% subscription-based arrangements compared to total new contract mix for the nine months ended September 30, 2022, of approximately 22% perpetual software license arrangements and approximately 78% subscription-based arrangements.

Total subscriptions revenue derived from transaction-based fees was \$156.7 million and \$486.4 million for the three and nine months ended September 30, 2023, respectively, compared to \$144.4 million and \$442.9 million for the three and nine months ended September 30, 2022, respectively. For the three and nine months ended September 30, 2023, respectively, transaction-based fees grew \$12.2 million, or 8.5% and \$43.6 million, or 9.8% compared to prior period. Contributing to the growth in transaction-based fees for the three and nine months ended September 30, 2023, respectively, are the increase of \$7.1 million and \$19.1 million, respectively, from online payments and e-filing services, and the impact of transaction-based fees from recent acquisitions of \$5.0 million and \$15.8 million, respectively, compared to prior period. The remainder of the increases for the three and

nine months ended September 30, 2023, are primarily attributable to the growth in transaction-based fees from our state enterprise contracts related to our digital solutions business unit. The increase for the nine months ended September 30, 2023, in transaction-based fees was offset by the decline of \$10.8 million, in COVID pandemic related transaction-based revenues compared to prior period.

Maintenance

The following table sets forth a comparison of our maintenance revenue for the three and nine months ended September 30 (\$ in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	2023	2022	\$	%	2023	2022	\$	%
ES	\$ 111,574	\$ 111,486	\$ 88	— %	\$ 331,609	\$ 332,941	\$ (1,332)	— %
PT	5,910	5,852	58	1	17,545	18,241	(696)	(4)
Total maintenance revenue	\$ 117,484	\$ 117,338	\$ 146	— %	\$ 349,154	\$ 351,182	\$ (2,028)	(1)%

We provide maintenance and support services for our software products and certain third-party software. Maintenance revenue remained flat for the three months ended September 30, 2023, and decreased 1% for the nine months ended September 30, 2023, respectively, compared to the prior period. For the nine months ended September 30, 2023, maintenance revenue slightly declined mainly due to the impact of clients converting from on-premises license arrangements to SaaS, partially offset by annual maintenance rate increases and maintenance associated with new software license sales.

Annualized Recurring Revenues

Subscriptions and maintenance are considered recurring revenue sources. Annualized recurring revenues (ARR) are calculated by annualizing the current quarter's recurring revenues from maintenance and subscriptions as reported in our statement of operations, income. Management believes ARR is an indicator of the annual run rate of our recurring revenues, as well as a measure of the effectiveness of the strategies we deploy to drive revenue growth over time. ARR is a metric we believe is widely used by companies in the technology sector and by investors, which we believe offers insight to the stability of our maintenance and subscription revenues to be recognized within the year, which are considered recurring in nature, with some seasonality.

Subscriptions revenue primarily consists of revenues derived from our SaaS arrangements and transaction-based fees, which relate to digital government services, e-filing transactions, and payment processing. These revenues are considered recurring because revenues from these sources are expected to re-occur in similar annual amounts for the term of our relationship with the client. Transaction-based fees are generally the result of multi-year contracts with our clients that result in fees generated by payment transactions and digital government services and are collected on a recurring basis during the contract term. Transaction-based fees are historically highest in the second quarter, which coincides with peak outdoor recreation seasons and statutory filing deadlines in many jurisdictions, and lowest in the fourth quarter due to fewer business days and lower transaction volumes around holidays. Because ARR is an annualized revenue amount, the metric can fluctuate from quarter to quarter due to this seasonality.

ARR was \$1.65 \$1.72 billion and \$1.49 \$1.58 billion as of September 30, 2023 March 31, 2024, and 2022 2023, respectively. ARR increased 11.0% 9% compared to the prior period primarily due to an increase in subscriptions revenue resulting from an ongoing shift toward SaaS arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements. These condensed consolidated financial statements have been prepared following the requirements of GAAP for the interim period and require us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, potential impairment of intangible assets and goodwill, and share-based compensation expense. As these are condensed financial statements, one should also read expanded information about our critical accounting policies and estimates provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in our Form 10-K for the year ended December 31, 2023. There have been no material changes to our critical accounting policies and estimates from the information provided in our Form 10-K for the year ended December 31, 2023.

ANALYSIS OF RESULTS OF OPERATIONS

	Percent of Total Revenues	
	Three Months Ended March 31,	
	2024	2023
Revenues:		
Subscriptions	61.2 %	59.4 %
Maintenance	22.9	24.4
Professional services	12.6	12.9
Software licenses and royalties	1.7	2.1
Hardware and other	1.6	1.2
Total revenues	100.0	100.0
Cost of revenues:		
Subscriptions, maintenance, and professional services	52.5	53.5
Software licenses, royalties, and amortization of acquired software	2.1	2.4
Amortization of software development	0.9	0.5

Hardware and other	0.9	1.2
Sales and marketing expense	7.1	7.9
General and administrative expense	14.2	15.3
Research and development expense	5.7	5.7
Amortization of other intangibles	3.5	4.0
Operating income	13.1	9.5
Interest expense	(0.4)	(1.6)
Other income, net	0.4	0.3
Income before income taxes	13.1	8.2
Income tax provision	2.4	1.7
Net income	10.7 %	6.5 %

Revenues

Subscriptions

The following table sets forth a comparison of our subscriptions revenue for the three months ended March 31 (\$ in thousands):

	Three Months Ended		Change	
	2024	2023	\$	%
ES	\$ 180,026	\$ 148,414	\$ 31,612	21 %
PT	133,217	132,051	1,166	1
Total subscriptions revenue	\$ 313,243	\$ 280,465	\$ 32,778	12 %

Subscriptions revenue consists of revenue derived from our SaaS arrangements and transaction-based fees primarily related to digital government services and payment processing. We also provide electronic document filing solutions ("e-filing") that simplify the filing and management of court related documents for courts and law offices. E-filing revenue is derived from transaction fees and fixed fee arrangements.

Subscriptions revenue grew 12% for the three months ended March 31, 2024, compared to the prior period, primarily due to an ongoing shift toward SaaS arrangements, along with growth in our transaction-based revenues. Subscription revenues from recent acquisitions contributed \$1.0 million or 0.4% to the increase for the three months ended March 31, 2024.

Total subscriptions revenue derived from SaaS arrangements fees was \$148.8 million for the three months ended March 31, 2024, compared to \$121.9 million for the three months ended March 31, 2023. For the three months ended March 31, 2024, SaaS fees grew \$26.9 million, or 22% compared to prior period. New SaaS clients as well as existing on-premises clients who converted to our SaaS model provided the majority of the subscriptions revenue increase. In the three months ended March 31, 2024, we added 200 new SaaS clients and 90 on-premises existing clients elected to convert to our SaaS model. Since March 31, 2023, we have added 687 new SaaS clients while 355 existing on-premises clients converted to our SaaS offerings. Our new software contract mix for the three months ended March 31, 2024, was approximately 8% perpetual software license arrangements and approximately 92% subscription-based arrangements compared to total new contract mix for the three months ended March 31, 2023, of approximately 17% perpetual software license arrangements and approximately 83% subscription-based arrangements.

Total subscriptions revenue derived from transaction-based fees was \$164.5 million for the three months ended March 31, 2024, compared to \$158.6 million for the three months ended March 31, 2023. For the three months ended March 31, 2024, transaction-based fees grew \$5.9 million, or 4% compared to prior period. Contributing to the growth in transaction-based fees for the three months ended March 31, 2024, are the new transaction customers and volume increases from online payments and e-filing services and the impact of transaction-based fees from recent acquisitions of \$1.0 million, compared to prior period.

Maintenance

The following table sets forth a comparison of our maintenance revenue for the three months ended March 31 (\$ in thousands):

	Three Months Ended		Change	
	2024	2023	\$	%
ES	\$ 111,182	\$ 110,081	\$ 1,101	1 %
PT	6,036	5,049	987	20
Total maintenance revenue	\$ 117,218	\$ 115,130	\$ 2,088	2 %

We provide maintenance and support services for our software products and certain third-party software. Maintenance revenue increased 2% for the three months ended March 31, 2024, compared to the prior period. For the three months ended March 31, 2024, maintenance revenue grew mainly due to annual maintenance rate increases and maintenance associated with new software license sales, partially offset by the impact of clients converting from on-premises license arrangements to SaaS.

Professional services

The following table sets forth a comparison of our professional services revenue for the three and nine months ended September 30 March 31 (\$ in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	2023	2022	\$	%	2023	2022	\$	%
Three Months Ended								
Three Months Ended								
Three Months Ended								
2024								
2024								
2024								
ES								
ES								
ES	ES	\$ 52,413	\$ 51,079	\$ 1,334	3 %	\$ 159,168	\$ 152,899	\$ 6,269 4 %
PT	PT	8,713	20,739	(12,026)	(58)	29,307	60,871	(31,564) (52)
PT								
PT								
Total professional services revenue								
Total professional services revenue	Total professional services revenue	\$ 61,126	\$ 71,818	\$ (10,692)	(15) %	\$ 188,475	\$ 213,770	\$ (25,295) (12) %

Professional services revenue primarily consists of professional services billed in connection with implementing our software, converting client data, training client personnel, custom development activities, consulting and property appraisal outsourcing services. New clients who purchase our proprietary software licenses or subscriptions generally also contract with us to provide the related professional services. Existing clients also periodically purchase additional training, consulting and minor programming services.

Professional services revenue decreased 15% and 12% increased 6% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to the prior period that increase is primarily attributed attributable to lower revenues generated by the COVID pandemic-related rent relief services, which declined \$11.7 million and \$36.7 million, respectively, compared to prior period. The decline is partially offset by higher new contract volume with increased billable travel revenue as onsite rates and the addition of professional services have increased post-pandemic staff to grow our capacity to deliver backlog.

Software licenses and royalties

The following table sets forth a comparison of our software licenses and royalties revenue for the three and nine months ended September 30 March 31 (\$ in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	2023	2022	\$	%	2023	2022	\$	%
Three Months Ended								
Three Months Ended								
Three Months Ended								
2024								
2024								
2024								
ES								
ES								
ES	ES	\$ 7,531	\$ 17,166	\$ (9,635)	(56) %	\$ 25,078	\$ 47,893	\$ (22,815) (48) %
PT	PT	3,023	3,103	(80)	(3)	5,385	3,891	1,494 38
PT								
PT								
Total software licenses and royalties revenue								
Total software licenses and royalties revenue								

Total software licenses and royalties revenue	Total software licenses and royalties revenue	\$ 10,554	\$ 20,269	\$ (9,715)	(48) %	\$ 30,463	\$ 51,784	\$ (21,321)	(41) %
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Software licenses and royalties revenue decreased 48% and 41% 14% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to the prior period. The decrease is primarily attributed to the shift in the mix of new software contracts toward more subscription-based agreements compared to the prior period.

Although the mix of new contracts between subscription-based and perpetual license arrangements may vary from quarter to quarter and year to year, we expect the decline in software license revenues will accelerate as we continue to shift our model away from perpetual licenses to SaaS. Subscription-based arrangements result in lower software license revenue in the initial year as compared to perpetual software license arrangements but generate higher overall revenue over the term of the contract.

Cost of revenues and overall gross margin

The following table sets forth a comparison of the key components of our cost of revenues for the three and nine months ended September 30 March 31 (\$ in thousands):

	Three Months Ended		Change		Nine Months Ended		Change		
	2023	2022	\$	%	2023	2022	\$	%	
Three Months Ended									
Three Months Ended									
Three Months Ended									
2024									
2024									
2024									
Subscriptions, maintenance, and professional services									
Subscriptions, maintenance, and professional services									
Subscriptions, maintenance, and professional services	Subscriptions, maintenance, and professional services	\$ 247,781	\$ 245,711	\$ 2,070	1 %	\$ 755,985	\$ 738,712	\$ 17,273	2 %
Software licenses and royalties	Software licenses and royalties	3,120	1,655	1,465	89	7,865	4,647	3,218	69
Software licenses and royalties									
Software licenses and royalties									
Amortization of software development									
Amortization of software development									
Amortization of software development	Amortization of software development	3,083	1,507	1,576	105	8,568	3,993	4,575	115
Amortization of acquired software	Amortization of acquired software	9,035	13,622	(4,587)	(34)	26,879	40,882	(14,003)	(34)
Amortization of acquired software									
Amortization of acquired software									
Hardware and other									
Hardware and other									
Hardware and other	Hardware and other	6,505	6,033	472	8	23,346	19,219	4,127	21
Total cost of revenues	Total cost of revenues	\$ 269,524	\$ 268,528	\$ 996	— %	\$ 822,643	\$ 807,453	\$ 15,190	2 %
Total cost of revenues									

Total cost of revenues

Subscriptions, maintenance, and professional services. Cost of subscriptions, maintenance and professional services primarily consist of personnel costs related to installation of our software, conversion of client data, training client personnel and support activities, including enhancing existing solutions, and various other services such as custom client development, on-going operation of SaaS, property appraisal outsourcing activities, digital government services, and other transaction-based services such as e-filing. Other costs included are interchange fees required to process credit/debit card transactions and bank fees to process automated clearinghouse transactions related to our payments business.

The cost of subscriptions, maintenance, and professional services for the three and nine months ended **September 30, 2023** **March 31, 2024**, increased **\$2.1 million** **\$16.5 million** or **1% 7%**, and **\$17.3 million** or **2%**, respectively, compared to the prior period. The impact from recent acquisitions was **\$3.4 million** and **\$10.5 million**, respectively, **\$1.5 million** for the three and nine months ended **September 30, 2023** **March 31, 2024**. The remaining **substitutions, maintenance and professional services expenses remained flat** and **increased 1% 6%** for the three and nine months ended **September 30, 2023** **March 31, 2024**, respectively, due to **duplicate hosting costs** as we transition from our proprietary data centers to the public cloud and higher personnel costs. Excluding employees from recent acquisitions, our professional services staff grew by **105** **96** employees since **September 30, 2022** **March 31, 2023**, as we increased hiring to ensure that we are well-positioned to deliver our current backlog and anticipated new business.

Software licenses and royalties. Costs of software licenses and royalties primarily consist of direct **third party** **third-party** software costs. We do not have any direct costs associated with royalties.

The cost of software licenses and royalties for the three and nine months ended **September 30, 2023** **March 31, 2024**, increased **\$1.5 million** decreased **\$0.7 million** or **89%** and increased **\$3.2 million** or **69% 32%**, respectively, compared to the prior period due to **higher third party** **lower third-party** software costs.

Amortization of software development. Software development costs included in cost of revenues primarily consist of personnel costs. We begin to amortize capitalized costs when a product is available for general release to customers. Amortization expense is determined on a product-by-product basis at a rate not less than straight-line basis over the software's remaining estimated economic life of, generally, three to five years.

For the three and nine months ended **September 30, 2023** **March 31, 2024**, amortization of software development costs increased **\$1.6 million** **\$1.8 million** or **105%** and increased **\$4.6 million** or **115% 69%**, respectively, compared to the prior period and is attributable to new capitalized software development projects going into service in the past year.

Amortization of acquired software. Amortization expense related to acquired software attributed to business combinations is included with cost of revenues. The estimated useful lives of other intangibles range from five to 10 years.

For the three and nine months ended **September 30, 2023** **March 31, 2024**, amortization of acquired software declined **\$4.6 million** increased **\$0.3 million** or **34%** and **\$14.0 million** or **34% 4%**, respectively, compared to the prior period due to assets becoming fully amortized in the fourth quarter 2022, offset by amortization of newly acquired software from recent acquisitions completed in fiscal year 2023, and late 2022.

offset by assets becoming fully amortized in the fourth quarter 2023.

The following table sets forth a comparison of overall gross margin for the periods presented as of **September 30**: **March 31**:

	Three Months Ended			Nine Months Ended		
	2023	2022	Change	2023	2022	Change
Overall gross margin	45.5 %	43.3 %	2.2 %	44.1 %	42.2 %	1.9 %
Three Months Ended						
		2024		2023		Change
Overall gross margin		43.7 %		42.4 %		1.3 %

Overall Gross Margin. For the three and nine months ended **September 30, 2023** **March 31, 2024**, our overall gross margin increased **2.2%** and **1.9% 1.3%**, respectively, compared to the prior period. The **increases** **increase** in overall gross margin compared to the prior period is due to **attributed to growth in a higher revenue mix for subscription revenues** and the **decline in low margin COVID-related revenues and related costs**. Also contributing to the **increases** in overall gross margin is the **decline in amortization of acquired software expense** compared to the prior period. **period resulting in an increase in incremental margin related to software services, maintenance and subscriptions. Costs related to maintenance and various other services such as SaaS typically grow at a slower rate than related revenue due to leverage in the utilization of support and maintenance staff and economies of scale.** The margin increases are partially offset by lower revenue from software licenses, and maintenance, higher software development amortization expense, duplicate hosting costs as we transition from our proprietary data centers to the public cloud, and higher personnel costs.

Sales and marketing expense

Sales and marketing expense ("S&M") consists primarily of salaries, employee benefits, travel, share-based compensation expense, commissions and related overhead costs for sales and marketing employees, as well as professional fees, trade show activities, advertising costs and other marketing costs. The following table sets forth a comparison of our S&M expense for the three and nine months ended **September 30** **March 31** (\$ in thousands):

	Three Months Ended		\$	%	Nine Months Ended		\$	%
	2023	2022			2023	2022		
Sales and marketing expense	\$ 35,898	\$ 33,688	\$ 2,210	7 %	\$ 110,104	\$ 100,776	\$ 9,328	9 %

	Three Months Ended		Change	
	2024	2023	\$	%
Sales and marketing expense	\$ 36,427	\$ 37,103	\$ (676)	(2)%

S&M as a percentage of revenues was 7.3% and 7.5% 7.1% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to 7.1% and 7.2% 7.9% for the three and nine months ended September 30, 2022, respectively, March 31, 2023. For the three and nine months ended September 30, 2023 March 31, 2024, S&M expense increased decreased approximately 7% and 9% 2%, respectively, compared to the prior period. Increases The decrease in S&M for the three and nine months ended September 30, 2023 March 31, 2024, are is primarily attributed to lower professional fees and trade-show event activities, offset by higher bonus and commission expense and bonus expense resulting from improved operating results and increased share-based compensation expense, expenses.

General and administrative expense

General and administrative ("G&A") expense consists primarily of personnel salaries and share-based compensation expense for general corporate functions, including senior management, finance, accounting, legal, human resources and corporate development as well as third party third-party professional fees, travel-related expenses, insurance, allocation of depreciation, facilities and IT support costs, amortization of software development for internal use, acquisition-related expenses and other administrative expenses. The following table sets forth a comparison of our G&A expense for the three and nine months ended September 30 March 31 (\$ in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	2023	2022	\$	%	2023	2022	\$	%
General and administrative expense	\$ 78,519	\$ 69,931	\$ 8,588	12 %	\$ 228,560	\$ 200,440	\$ 28,120	14 %

	Three Months Ended		Change	
	2024	2023	\$	%
General and administrative expense	\$ 72,710	\$ 72,360	\$ 350	— %

G&A as a percentage of revenue was 15.9% and 15.5% 14.2% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to 14.8% and 14.3% 15.3% for the three and nine months ended September 30, 2022, respectively, March 31, 2023. G&A expense increased approximately 12% and 14% remained flat for the three and nine month months ended September 30, 2023 March 31, 2024, respectively, compared to the prior period. The increases decrease in G&A are as a percentage of revenue is primarily attributed to increases lower share-based compensation expense as a result of a lower number of awards granted and lower facilities costs from lease restructuring compare to prior period, offset by increase in total revenue, higher amortization of software development for internal use increases in travel-related expenses and other administrative costs, higher personnel costs from increased employee headcount, increased costs of health benefits, higher bonus expense due to improved operating results, and increased share-based compensation expense. Our administrative staff grew by 36 employees since September 30, 2022. For the three and nine months ended September 30, 2023, respectively, G&A expense also included \$3.1 million and \$4.5 million related to lease restructuring and other asset write-offs.

results.

Research and development expense

Research and development expense consists primarily of salaries, employee benefits and related overhead costs associated with new product development. Research and development expense consists mainly of costs associated with development of new products and technologies from which we do not currently generate significant revenue.

The following table sets forth a comparison of our research and development expense for the three and nine months ended September 30 March 31 (\$ in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	2023	2022	\$	%	2023	2022	\$	%
Research and development expense	\$ 28,282	\$ 25,190	\$ 3,092	12 %	\$ 83,421	\$ 72,517	\$ 10,904	15 %

	Three Months Ended		Change	
	2024	2023	\$	%
Research and development expense	\$ 29,433	\$ 26,987	\$ 2,446	9 %

Research and development expense increased 12% and 15% 9% for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to the prior period, mainly due to a number of new Tyler product development initiatives across our product suites, including increased investments in shifting from capitalized development projects to projects that are expensed to research and development.

Amortization of other intangibles

Other intangibles are comprised of the excess of the purchase price over the fair value of net tangible assets acquired that are allocated to acquired software and customer related, trade name, and leases acquired intangibles. The remaining excess purchase price is allocated to goodwill that is not subject to amortization. Amortization expense related to acquired software is included with cost of revenues while amortization expense of customer related, trade name, and leases acquired intangibles is recorded as operating expense. The estimated useful lives of other intangibles range from one to 25 years. The following table sets forth a comparison of amortization of other intangibles for the three and nine months ended **September 30** **March 31** (\$ in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	2023	2022	\$	%	2023	2022	\$	%
Amortization of other intangibles	\$ 18,526	\$ 14,941	\$ 3,585	24 %	\$ 55,300	\$ 43,259	\$ 12,041	28 %

	Three Months Ended		Change	
	2024	2023	\$	%
Amortization of other intangibles	\$ 18,118	\$ 18,407	\$ (289)	(2)%

For the three and nine months ended **September 30, 2023** **March 31, 2024**, respectively, amortization of other intangibles increased decreased compared to the prior period due to the impact of intangibles added with recent acquisitions and the accelerated amortization of certain trade name intangibles due to branding changes assets becoming fully amortized as a result of accelerated amortization expense in 2023, the fourth quarter of 2023 and partially in 2024.

Interest expense

The following table sets forth a comparison of our interest expense for the three and nine months ended **September 30** **March 31** (\$ in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	2023	2022	\$	%	2023	2022	\$	%
Interest expense	\$ (5,808)	\$ (9,258)	\$ 3,450	(37)%	\$ (19,879)	\$ (20,276)	\$ 397	(2)%

	Three Months Ended		Change	
	2024	2023	\$	%
Interest expense	\$ (2,184)	\$ (7,684)	\$ 5,500	(72)%

Interest expense is comprised of interest expense and non-usage and other fees associated with our borrowings. The change in interest expense in the three and nine months ended **September 30, 2023** **March 31, 2024**, compared to the prior period is primarily attributable to lower interest incurred as a result of our accelerated repayment of the term loans, offset by accelerated amortization expense related to debt issuance costs and an increase in interest rates in 2023 compared to 2022. loans.

Other income, net

The following table sets forth a comparison of our other income, net, for the three and nine months ended **September 30** **March 31** (\$ in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	2023	2022	\$	%	2023	2022	\$	%
Other income, net	\$ 787	\$ 131	\$ 656	501 %	\$ 2,676	\$ 712	\$ 1,964	276 %

	Three Months Ended		Change	
	2024	2023	\$	%
Other income, net	\$ 1,845	\$ 1,246	\$ 599	48 %

Other income, net, is primarily comprised of interest income from invested cash. The change in other income, net, in the three and nine months ended **September 30, 2023** **March 31, 2024**, compared to the prior period is due to increased interest income generated from invested cash as a result of higher interest rates in 2023 2024 compared to 2022 2023.

Income tax provision

The following table sets forth a comparison of our income tax provision for the three and nine months ended **September 30** **March 31** (\$ in thousands):

	Three Months Ended		Change		Nine Months Ended		Change	
	2023	2022	\$	%	2023	2022	\$	%

Income tax (benefit) provision	\$ 11,903	\$ (1,447)	\$ 13,350	(923)	%	\$ 26,570	\$ 20,811	\$ 5,759	28%
Three Months Ended									
Three Months Ended									
Three Months Ended									
2024									
2024									
2024									
Income tax provision									
Income tax provision									
Income tax provision									
Effective income tax rate	Effective income tax rate	20.2 %	(2.8) %			17.3 %	13.5 %		
Effective income tax rate									
Effective income tax rate									

The increase decrease in the effective tax rate for the three and nine months ended September 30, 2023 March 31, 2024, as compared to the prior periods, was period, is due to a favorable true-up adjustment associated with the increase in research tax credits recorded in the third quarter of 2022, offset by liabilities for uncertain tax positions, and a decrease in state income taxes and excess tax benefits related to stock incentive awards in the current year, offset by liabilities for uncertain tax positions, an increase in state income taxes, and an increase in non-deductible business expenses.

The effective income tax rates for the periods presented were different from the statutory United States federal income tax rate of 21% primarily due to research tax credits and excess tax benefits related to stock incentive awards, offset by state income taxes, liabilities for uncertain tax positions, and non-deductible business expenses.

FINANCIAL CONDITION AND LIQUIDITY

As of September 30, 2023 March 31, 2024, we had cash and cash equivalents of \$131.5 million \$188.2 million compared to \$173.9 million \$165.5 million at December 31, 2022 December 31, 2023. We also had \$21.2 million \$14.2 million invested in investment grade corporate bonds, municipal bonds and asset-backed securities as of September 30, 2023 March 31, 2024. These investments have varying maturity dates through 2027 and are held as available-for-sale. As of September 30, 2023, we had \$140.0 million outstanding borrowings under our 2021 Credit Agreement and one outstanding letter of credit totaling \$750,000 in favor of a client contract. contract as of March 31, 2024. We believe our cash on hand, cash from operating activities, availability under our revolving line of credit, and access to the capital markets provide us with sufficient flexibility to meet our long-term financial needs.

The following table sets forth a summary of cash flows for the nine three months ended September 30: March 31:

	2023	2022							
	2023	2022	2024						2023
Cash flows provided by:	Cash flows provided by:								
Operating activities	Operating activities								
Investing activities	Investing activities								
Financing activities	Financing activities								
Net decrease in cash and cash equivalents	\$ (42,371)	\$ (123,244)							
Net increase (decrease) in cash and cash equivalents									

Net cash provided by operating activities continues to be our primary source of funds to finance operating needs and capital expenditures. Other potential capital resources include cash on hand, public and private issuances of debt or equity securities, and bank borrowings. It is possible that our ability to access the capital and credit markets in the future may

be limited by economic conditions or other factors. We currently believe that our cash on hand, cash provided by operating activities, and available credit are sufficient to fund our working capital requirements, capital expenditures, income tax obligations, and share repurchases for at least the next twelve months.

For the **nine three** months ended **September 30, 2023** **March 31, 2024**, operating activities provided cash of **\$233.0 million** **\$71.8 million**. Operating activities that provided cash were primarily comprised of net income of **\$127.0 million** **\$54.2 million**, non-cash depreciation and amortization charges of **\$114.2 million** **\$40.1 million**, non-cash share-based compensation expense of **\$80.9 million** **\$26.9 million** and non-cash amortization of operating lease right-of-use assets of **\$12.3 million** **\$2.5 million**. Working capital, excluding cash, decreased approximately **\$101.8 million** **\$51.8 million** mainly due to the decline in deferred revenue balances, timing of higher prepaid renewals, timing of bonus payments, timing of payroll related tax payments, and deferred taxes associated with IRC Section 174, higher accounts receivable from seasonally high maintenance billings, the timing of prepaid expenses, the timing of payroll expenses, decreases in operating lease liabilities and deferred taxes associated with stock option activity during the period. These decreases were offset by the timing of income tax payments and timing of collections of annual maintenance renewals and subscription renewal billings that are billed in the fourth quarter. In general, changes in deferred revenue are cyclical and primarily driven by the timing of our maintenance renewal billings. Our renewal dates occur throughout the year, but our largest renewal billing cycles occur in the second and fourth quarters. In addition, subscription renewals are billed throughout the year.

Days sales outstanding ("DSO") in accounts receivable were 112 days at September 30, 2023, compared to 115 days at December 31, 2022, and 107 days at September 30, 2022. DSO is calculated based on quarter-end accounts receivable divided by the quotient of annualized quarterly revenues divided by 360 days. The decrease in DSO compared to December 31, 2022 is attributed to improved collection efforts. The increase in DSO compared to September 30, 2022, is attributed to the timing of payments from certain large clients and receipts from our state government partners.

Investing activities used cash of approximately **\$40.6 million** **\$12.7 million** in the **nine three** months ended **September 30, 2023** **March 31, 2024**. We invested **\$10.6 million** and received **\$45.5 million** **\$3.3 million** in proceeds from investment grade corporate bonds, municipal bonds and asset-backed securities with maturity dates ranging from 2023 through 2027. securities. Approximately **\$27.4 million** **\$7.4 million** of software development costs were capitalized. Approximately **\$12.5 million** **\$7.3 million** was invested in property and equipment, including **\$7.9 million** **\$2.7 million** related to real estate. We also paid **\$1.3 million** primarily for working capital holdbacks related to acquisitions completed in 2023. The remaining additions were for computer equipment and furniture and fixtures in support of growth, particularly as we transition from our proprietary data centers to the public cloud. On August 8, 2023, we acquired CSI for the total purchase price of approximately **\$36.3 million**, net of cash acquired of **\$415,000**, consisting of **\$33.4 million** paid in cash and **\$3.3 million** related to indemnity holdbacks, subject to certain post-closing adjustments. We also paid **\$2.6 million** primarily related to a small acquisition completed during first quarter 2023 and holdbacks related to other acquisitions completed in 2022. growth.

Financing activities used cash of **\$234.8 million** **\$36.4 million** in the **nine three** months ended **September 30, 2023** **March 31, 2024**, primarily which is attributable to repayment of **\$255.0 million** **\$50.0 million** of term debt, partially offset by payments received from stock option exercises, net of withheld shares for taxes upon vesting of equity awards and employee stock purchase plan activity.

In February 2019, our board of directors authorized the repurchase of 1.5 million shares of our common stock. The repurchase program, which was approved by our board of directors, was originally announced in October 2002 and was amended at various times from 2003 through 2019. As of **November 1, 2023** **April 24, 2024**, we have authorization from our board of directors to repurchase up to **2.3 million** **2.2 million** additional shares of our common stock. Our share repurchase program allows us to repurchase shares at our discretion. Market conditions influence the timing of the buybacks and the number of shares repurchased, as well as the volume of employee stock option exercises. Share repurchases are generally funded using our existing cash balances and borrowings under our credit facility and may occur through open market purchases and transactions structured through investment banking institutions, privately negotiated transactions and/or other mechanisms. There is no expiration date specified for the authorization.

As of **September 30, 2023** **March 31, 2024**, we had \$600 million in outstanding principal for the Convertible Senior Notes due 2026.

On January 28, 2023, we amended our 2021 Credit Agreement to replace the LIBOR reference rate with the Secured Overnight Financing Rate ("SOFR") reference rate.

Under our amended 2021 Credit Agreement, we had \$140 million in outstanding principal for We repaid all amounts due under the Term Loans and have no outstanding borrowings under the 2021 Revolving Credit Facility and with an available borrowing capacity of \$500 million as of **September 30, 2023** **March 31, 2024**. As of **September 30, 2023** **March 31, 2024**, we had one outstanding letter of credit totaling \$750,000. The letter of credit, which guarantees our performance under a client contract, renews annually and expires in the third quarter of 2026.

In the **nine three** months ended **September 30, 2023** **March 31, 2024**, and **2022**, respectively, **2023**, we paid interest of **\$16.8 million** and **\$14.7 million** **\$1.7 million**. See Note 8, "Debt," to the condensed consolidated financial statements for discussions of the Convertible Senior Notes and the Amended 2021 Credit Agreement.

We paid received income taxes, tax refunds, net of refunds received, taxes paid, of **\$118.0 million** **\$680,000** and **\$35.3 million** **\$548,000** in the **nine three** months ended **September 30, 2023** **March 31, 2024**, and **2022**, **2023**, respectively. In the **nine three** months ended **September 30, 2023** **March 31, 2024**, stock option exercise activity generated net tax benefits of **\$5.6 million** **\$2.7 million** and reduced tax payments accordingly, as compared to **\$6.0 million** **\$703,000** in the same period in **2022**.

For tax years beginning on or after January 1, 2022, the Tax Cuts and Jobs Act of 2017 ("TCJA") eliminates the option to currently deduct research and development expenses and requires taxpayers to capitalize and amortize them over five years for research activities performed in the United States and 15 years for research activities performed outside the United States pursuant to IRC Section 174. The requirement temporarily increases our U.S. federal and state cash tax payments and reduces cash flows in fiscal year 2023 and future years until the amortization deduction normalizes. **2023**.

We anticipate that **2023** **2024** capital spending will be between **\$58 million** **\$48 million** and **\$60 million** **\$50 million**, including approximately **\$35 million** **\$30 million** of software development. We expect the majority of the other capital spending will consist of computer equipment and software for infrastructure replacements and expansion. We also expect cash tax payments to be higher as a result of IRC Section 174. Capital spending and cash tax payments are expected to be funded from existing cash balances and cash flows from operations.

On October 31, 2023, we completed two acquisitions for the total consideration of approximately \$38 million, paid in all cash for one transaction and a mix of cash and stock for the other transaction. From time to time we engage in discussions with potential acquisition candidates. In order to pursue such opportunities, which could require significant commitments of capital, we may be required to incur debt or to issue additional potentially dilutive securities in the future. No assurance can be given as to our future acquisition opportunities and how such opportunities will be financed.

We lease office facilities for use in our operations, as well as transportation and other equipment. Most of our leases are non-cancelable operating lease agreements and they expire from with remaining terms of one to 11 years. Some of these leases include options to extend for up to six years.

Other than the accelerated repayment of \$255.0 million of the Term Loans under the amended 2021 Credit Agreement, there were no material changes to our future minimum contractual obligations since December 31, 2022 December 31, 2023, as previously disclosed in our Annual Report on Form 10-K filed with the SEC on February 22, 2023 February 21, 2024. Our estimated future obligations consist of debt, uncertain tax positions, leases, and purchase commitments as of September 30, 2023 March 31, 2024. Refer to Note 8, "Debt," Note 12, "Income Tax," Note 15, "Leases," and Note 17, "Commitment and Contingencies," to the condensed consolidated financial statements for related discussions.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may affect us due to adverse changes in financial market prices and interest rates.

As of September 30, 2023 During the three months ended March 31, 2024, we had \$140.0 million of outstanding the effective interest rate for our borrowings under our amended 2021 Credit Agreement and available borrowing capacity under the 2021 Credit Agreement was \$500.0 million 8.66%.

In accordance with our amended 2021 Credit Agreement, the borrowings under the Revolving Credit Facility and the Term Loan A-1 bear interest, at the Company's option, at a per annum rate of either (1) the Administrative Agent's prime commercial lending rate (subject to certain higher rate determinations) (the "Base Rate") plus a margin of 0.125% to 0.75% or (2) the one-, three-, six-, or, subject to approval by all lenders, twelve-month SOFR rate plus a margin of 1.125% to 1.75%.

As of September 30, 2023 March 31, 2024, we have fully repaid amounts due had no outstanding borrowings under Term Loan A-2.

During the nine months ended September 30, 2023, the effective interest rate for our borrowings was 7.43%. Based on the aggregate outstanding principal balance amended 2021 Credit Agreement with available borrowing capacity under the 2021 Credit Agreement as of September 30, 2023, of \$140.0 million, each quarter point change in \$500.0 million and therefore are not subject to any interest rates would result in a \$350,000 change in annual interest expense. risk.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act) designed to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. These include controls and procedures designed to ensure that this information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosures. Management, with the participation of the chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2023 March 31, 2024. Based on this evaluation, the chief executive officer and chief financial officer have concluded that our disclosure controls and procedures were effective as of September 30, 2023 March 31, 2024.

Changes in Internal Control over Financial Reporting

The Company has implemented new accounting and financial management software effective July 1, 2023, which is expected to improve the efficiency of certain financial and related business processes. The implementation of our new system was not made in response to any identified deficiency or weakness in our internal controls over financial reporting. The implementation was subject to various testing and review procedures prior to and after execution. We have updated our internal controls over financial reporting, as necessary, to accommodate any modifications to our business processes or accounting procedures due to the implementation. Management will continue to monitor, test and evaluate the operating effectiveness of internal controls related to the new accounting and financial management software during the post-implementation period to ensure that effective controls over financial reporting continue to be maintained.

Other than as described in the preceding paragraph, there There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended September 30, 2023 March 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II. OTHER INFORMATION

ITEM 1. Legal Proceedings

During the first quarter of 2022, we received a notice of termination for convenience under a contractual arrangement with a state government client. Upon receipt of the termination notice, we ceased performing services under the contractual arrangement and sought payment of contractually owed fees of approximately \$15 million in connection with the termination for convenience.

The client was unresponsive to our outreach for several months. On August 23, 2022, we filed a lawsuit to enforce our rights and remedies under the applicable contractual arrangement, and since arrangement. At the client's invitation, we then have been engaged directly with the client on payment resolution. The engagement was not successful. On March 20, 2024, reinitiated our lawsuit. Although we believe our products and services were delivered in accordance with the terms of our contract and that we are entitled to payment in connection with the termination for convenience, at this time the matter remains unresolved. We can provide no assurances that we will not incur additional costs as we pursue our rights and remedies under the contract.

ITEM 1A. Risk Factors

In addition to the other information set forth in this report, one should carefully consider the discussion of various risks and uncertainties contained in Part I, "Item 1A. Risk Factors" in our 2022 2023 Annual Report on Form 10-K. We believe those risk factors are the most relevant to our business and could cause our results to differ materially from the forward-looking statements made by us. Please note, however, that those are not the only risk factors facing us. Additional risks that we do not consider material, or of which we are not

currently aware, may also have an adverse impact on us. Our business, financial condition and results of operations could be seriously harmed if any of these risks or uncertainties actually occurs or materializes. In that event, the market price for our common stock could decline, and our shareholders may lose all or part of their investment. During the **nine** **three** months ended **September 30, 2023** **March 31, 2024**, there were no material changes in the information regarding risk factors contained in our Annual Report on Form 10-K for the year ended **December 31, 2022** **December 31, 2023**.

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

None

ITEM 3. Defaults Upon Senior Securities

None

ITEM 4. **Submission of Matters to a Vote of Security Holders** **Mine Safety Disclosures**

None

ITEM 5. Other Information

(c) Trading Plans

None

ITEM 6. Exhibits

[Exhibit 31.1](#)

[Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

[Exhibit 31.2](#)

[Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002](#)

[Exhibit 32.1](#)

[Certifications Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002](#)

Exhibit 101.INS

Inline XBRL Instance Document - the Instance Document does not appear in the interactive data file because its XBRL tags, including Cover Page XBRL tags, are embedded within the Inline XBRL Document.

Exhibit 101.SCH

Inline XBRL Taxonomy Extension Schema Document.

Exhibit 101.CAL

Inline XBRL Taxonomy Extension Calculation Linkbase Document.

Exhibit 101.LAB

Inline XBRL Extension Labels Linkbase Document.

Exhibit 101.DEF

Inline XBRL Taxonomy Extension Definition Linkbase Document.

Exhibit 101.PRE

Inline XBRL Taxonomy Extension Presentation Linkbase Document.

Exhibit 104

Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

*File 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.

TYLER TECHNOLOGIES, INC.

By: /s/ Brian K. Miller

Brian K. Miller

Executive Vice President and Chief Financial Officer

(principal financial officer and an authorized signatory)

Date: **November 1, 2023** **April 24, 2024**

4235

Exhibit 31.1

CERTIFICATIONS

I, H. Lynn Moore, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tyler Technologies, 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 quarterly 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 our financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Tyler 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 divisions, 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 first quarter in the case of this quarterly 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 function):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

Date: **November 1, 2023** **April 24, 2024**

By: **/s/ H. Lynn Moore, Jr.**

H. Lynn Moore, Jr.
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Brian K. Miller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tyler Technologies, 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 quarterly 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 our financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for Tyler 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 divisions, 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 first quarter in the case of this quarterly 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 function):

- a. All significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

Date: **November 1, 2023** **April 24, 2024**

By: /s/ Brian K. Miller

Brian K. Miller

Executive Vice President and Chief Financial Officer

Exhibit 32.1

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

H. Lynn Moore, Jr., President and Chief Executive Officer of Tyler Technologies, Inc., (the "Company") and Brian K. Miller, Executive Vice President and Chief Financial Officer of the Company, each certify pursuant to section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended **September 30, 2023** **March 31, 2024**, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **November 1, 2023** **April 24, 2024**

By: /s/ H. Lynn Moore, Jr.

H. Lynn Moore, Jr.

President and Chief Executive Officer

Date: **November 1, 2023** **April 24, 2024**

By: /s/ Brian K. Miller

Brian K. Miller

Executive Vice President and Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Tyler Technologies, Inc. and will be retained by Tyler Technologies, Inc. and furnished to the Securities and Exchange Commission upon request.

DISCLAIMER

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