

REFINITIV

DELTA REPORT

10-Q

AZPN - ASPEN TECHNOLOGY, INC.
10-Q - MARCH 31, 2024 COMPARED TO 10-Q - DECEMBER 31, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	890
CHANGES	384
DELETIONS	215
ADDITIONS	291

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended **December 31, 2023** **March 31, 2024**

or

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

For the transition period from to

Commission file number: 001-41400

ASPEN TECHNOLOGY, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

87-3100817

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

20 Crosby Drive

Bedford

Massachusetts

(Address of principal executive offices)

01730

(Zip Code)

(Registrant's telephone number, including area code): (781) 221-6400

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

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, \$0.0001 par value per share	AZPN	Nasdaq Global Select Market

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

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

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

Large accelerated filer

☒

Non-accelerated filer

☐

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 ☒

There were 63,548,821 63,327,853 shares of common stock outstanding as of January 31, 2024 April 30, 2024.

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Aspen Technology, Inc. ("AspenTech") has many registered trademarks including aspenONE and Aspen Plus. All other trade names, trademarks and service marks appearing in this Form 10-Q not owned by AspenTech are the property of their respective owners.

Our fiscal year ends on June 30th, and references to a specific fiscal year are to the twelve months ended June 30th of such year (for example, "fiscal 2024" refers to the year ending June 30, 2024).

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Condensed Consolidated Financial Statements (unaudited)

ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended December 31,	Six Months Ended December 31,
Three Months Ended March 31,	Nine Months Ended March 31,

	2023	2022	2023	2022	2024	2023	2024	2023
	(Dollars and Shares in Thousands, Except per Share Data)			(Dollars and Shares in Thousands, Except per Share Data)				
Revenue:	Revenue:			Revenue:				
License and solutions								
Maintenance								
Services and other								
Total revenue								
Cost of revenue:								
License and solutions								
License and solutions								
License and solutions								
Maintenance								
Services and other								
Total cost of revenue								
Gross profit								
Operating expenses:								
Selling and marketing								
Selling and marketing								
Selling and marketing								
Research and development								
General and administrative								
Total operating expenses								
Loss from operations								
Other (expense) income, net								
Other expense, net								
Interest income, net								
Loss before benefit for income taxes								
(Benefit) provision for income taxes								
Net loss								
Net loss per common share:								
Benefit for income taxes								
Net income (loss)								
Net income (loss) per common share:								
Basic								
Basic								
Basic								
Diluted								
Weighted average shares outstanding:								
Basic								
Basic								
Basic								
Diluted								

See accompanying notes to these unaudited condensed consolidated financial statements.

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ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS INCOME (LOSS)

	Three Months Ended December 31,	Six Months Ended December 31,
--	---------------------------------	-------------------------------

	2023	2022	2023	2022
	(Dollars in Thousands)			
Net loss	\$ (21,500)	\$ (66,197)	\$ (56,025)	\$ (77,441)
Other comprehensive income (loss):				
Foreign currency translation adjustments	4,870	6,710	(6,331)	(2,155)
Total other comprehensive income (loss)	4,870	6,710	(6,331)	(2,155)
Comprehensive loss	\$ (16,630)	\$ (59,487)	\$ (62,356)	\$ (79,596)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
	(Dollars in Thousands)			
Net income (loss)	\$ 1,556	\$ (57,635)	\$ (54,469)	\$ (135,076)
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(1,104)	5,845	(7,435)	3,690
Total other comprehensive (loss) income	(1,104)	5,845	(7,435)	3,690
Comprehensive income (loss)	\$ 452	\$ (51,790)	\$ (61,904)	\$ (131,386)

See accompanying notes to these unaudited condensed consolidated financial statements.

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ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2023
	December 31, 2023
	December 31, 2023
	March 31, 2024
	March 31, 2024
	March 31, 2024

ASSETS
ASSETS
ASSETS
Current assets:
Current assets:
Current assets:
Cash and cash equivalents
Cash and cash equivalents
Cash and cash equivalents
Accounts receivable, net
Accounts receivable, net
Accounts receivable, net
Current contract assets, net
Current contract assets, net
Current contract assets, net
Prepaid expenses and other current assets
Prepaid expenses and other current assets
Prepaid expenses and other current assets
Receivables from related parties
Receivables from related parties

Receivables from related parties
Prepaid income taxes
Prepaid income taxes
Prepaid income taxes
Total current assets
Total current assets
Total current assets
Property, equipment and leasehold improvements, net
Property, equipment and leasehold improvements, net
Property, equipment and leasehold improvements, net
Goodwill
Goodwill
Goodwill
Intangible assets, net
Intangible assets, net
Intangible assets, net
Non-current contract assets, net
Non-current contract assets, net
Non-current contract assets, net
Contract costs
Contract costs
Contract costs
Operating lease right-of-use assets
Operating lease right-of-use assets
Operating lease right-of-use assets
Deferred income tax assets
Deferred income tax assets
Deferred income tax assets
Other non-current assets
Other non-current assets
Other non-current assets
Total assets
Total assets
Total assets
LIABILITIES AND STOCKHOLDERS' EQUITY
LIABILITIES AND STOCKHOLDERS' EQUITY
LIABILITIES AND STOCKHOLDERS' EQUITY
Current liabilities:
Current liabilities:
Current liabilities:
Accounts payable
Accounts payable
Accounts payable
Accrued expenses and other current liabilities
Accrued expenses and other current liabilities
Accrued expenses and other current liabilities
Due to related parties
Due to related parties
Due to related parties
Current operating lease liabilities
Current operating lease liabilities

Current operating lease liabilities
Income taxes payable
Income taxes payable
Income taxes payable
Current contract liabilities
Current contract liabilities
Current contract liabilities
Total current liabilities
Total current liabilities
Total current liabilities
Non-current contract liabilities
Non-current contract liabilities
Non-current contract liabilities
Deferred income tax liabilities
Deferred income tax liabilities
Deferred income tax liabilities
Non-current operating lease liabilities
Non-current operating lease liabilities
Non-current operating lease liabilities
Other non-current liabilities
Other non-current liabilities
Other non-current liabilities
Stockholders' equity:
Stockholders' equity:
Stockholders' equity:
Common stock, \$0.0001 par value
Authorized—600,000,000 shares
Issued— 65,170,178 and 64,952,868 shares
Outstanding— 63,620,668 and 64,465,242 shares
Common stock, \$0.0001 par value
Authorized—600,000,000 shares
Issued— 65,170,178 and 64,952,868 shares
Outstanding— 63,620,668 and 64,465,242 shares
Common stock, \$0.0001 par value
Authorized—600,000,000 shares
Issued— 65,170,178 and 64,952,868 shares
Outstanding— 63,620,668 and 64,465,242 shares
Common stock, \$0.0001 par value
Authorized—600,000,000 shares
Issued— 65,255,754 and 64,952,868 shares
Outstanding— 63,418,003 and 64,465,242 shares
Common stock, \$0.0001 par value
Authorized—600,000,000 shares
Issued— 65,255,754 and 64,952,868 shares
Outstanding— 63,418,003 and 64,465,242 shares
Common stock, \$0.0001 par value
Authorized—600,000,000 shares
Issued— 65,255,754 and 64,952,868 shares
Outstanding— 63,418,003 and 64,465,242 shares
Additional paid-in capital
Additional paid-in capital
Additional paid-in capital
Accumulated deficit
Accumulated deficit
Accumulated deficit
Accumulated other comprehensive (loss) income
Accumulated other comprehensive (loss) income
Accumulated other comprehensive (loss) income

Stock-based
compensation

Balance December 31,
2023

Net income
Other comprehensive
loss
Issuance of shares of
common stock
Issuance of restricted
stock units and net share
settlement related to
withholding taxes
Repurchase of common
stock
Stock-based
compensation

Balance March 31, 2024

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Accumulated Other Comprehensive Loss	Accumulated Other Comprehensive Loss	Common Stock	Additional Paid-in Capital	Retained Earnings	Total Equity/Stockholders' Equity	Accumulated Other Comprehensive Loss	Common Stock	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Total Equity/Stockholders' Equity
	Number of Shares									
(Dollars in Thousands, Except Share Data)										
(Dollars in Thousands, Except Share Data)										
(Dollars in Thousands, Except Share Data)										

Balance June 30, 2022

Balance June 30, 2022

Balance June 30, 2022

Net loss
Other comprehensive loss
Issuance of shares of common
stock
Issuance of restricted stock units
and net share settlement related
to withholding taxes
Stock-based compensation

Balance September 30, 2022

Net loss
Other comprehensive income
Issuance of shares of common
stock
Issuance of restricted stock units
and net share settlement related
to withholding taxes
Stock-based compensation

Balance December 31, 2022

Net loss
Other comprehensive income
Issuance of shares of common
stock

Issuance of restricted stock units
and net share settlement related
to withholding taxes
Stock-based compensation
Balance March 31, 2023

See accompanying notes to these unaudited condensed consolidated financial statements.

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ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended December 31,	Six Months Ended December 31,	Six Months Ended December 31,	
	Nine Months Ended March 31,	Nine Months Ended March 31,	Nine Months Ended March 31,	
	2023	2022	2024	2023
	(Dollars in Thousands)	(Dollars in Thousands)		
Cash flows from operating activities:				
Net loss				
Net loss				
Net loss				
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization				
Depreciation and amortization				
Depreciation and amortization				
Reduction in the carrying amount of right-of-use assets				
Net foreign currency losses				
Realized gain on settlement of foreign currency forward contracts				
Stock-based compensation				
Deferred income taxes				
Provision for uncollectible receivables				
Other non-cash operating activities				
Changes in assets and liabilities:				
Accounts receivable				
Accounts receivable				
Accounts receivable				
Contract assets				
Contract costs				
Lease liabilities				
Prepaid expenses, prepaid income taxes, and other assets				
Liability from foreign currency forward contract				
Accounts payable, accrued expenses, income taxes payable and other liabilities				
Contract liabilities				
Net cash provided by operating activities				
Cash flows from investing activities:				
Purchases of property, equipment and leasehold improvements				
Purchases of property, equipment and leasehold improvements				
Purchases of property, equipment and leasehold improvements				
Proceeds from settlement of foreign currency forward contracts				

Proceeds from settlement of foreign currency forward contracts
Proceeds from settlement of foreign currency forward contracts
Payments for business acquisitions, net of cash acquired
Payments for business acquisitions, net of cash acquired
Payments for business acquisitions, net of cash acquired
Payments for equity method investments
Payments for equity method investments
Payments for equity method investments
Payments for capitalized computer software development costs
Payments for asset acquisitions
Payments for asset acquisitions
Payments for asset acquisitions
Net cash used in investing activities
Net cash used in investing activities
Purchase of other assets
Net cash used in investing activities
Cash flows from financing activities:
Issuance of shares of common stock
Issuance of shares of common stock
Issuance of shares of common stock
Repurchases of common stock
Payment of tax withholding obligations related to restricted stock
Deferred business acquisition payments
Repayments of amounts borrowed under term loan
Net transfers from Parent Company
Net transfers from (to) Parent Company
Payments of debt issuance costs
Net cash (used in) provided by financing activities
Net cash used in financing activities
Effect of exchange rate changes on cash and cash equivalents
Decrease in cash and cash equivalents
Cash and cash equivalents, beginning of period
Cash and cash equivalents, end of period
Supplemental disclosure of cash flow information:
Supplemental disclosure of cash flow information:
Supplemental disclosure of cash flow information:
Income taxes paid, net
Income taxes paid, net
Income taxes paid, net
Interest paid
Supplemental disclosure of non-cash activities:
Change in purchases of property, equipment and leasehold improvements included in accounts payable and accrued expenses
Change in purchases of property, equipment and leasehold improvements included in accounts payable and accrued expenses
Change in purchases of property, equipment and leasehold improvements included in accounts payable and accrued expenses
Lease liabilities arising from obtaining right-of-use assets
See accompanying notes to these unaudited condensed consolidated financial statements.

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ASPEN TECHNOLOGY, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

AspenTech, together with its subsidiaries (the "Company"), is a leading industrial software company that develops solutions to address complex industrial environments where it is critical to optimize the asset design, operations and maintenance lifecycle. The Company's unique combination of product capabilities, deep domain expertise and award-winning innovation helps customers across diverse end markets in capital-intensive industries improve their operational excellence while achieving sustainability goals.

The Company has had revenue from customers in 117 countries as of December 31, 2023, during fiscal 2024.

Basis of Presentation

The Company has prepared the accompanying unaudited condensed consolidated financial statements as of December 31, 2023 March 31, 2024, and for the second third quarter of fiscal 2024 and 2023 pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") and in accordance with generally accepted accounting principles in the United States ("GAAP"). All intercompany balances and transactions have been eliminated in consolidation.

These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated and combined financial statements and the notes thereto included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

The preparation of financial statements and related disclosures in conformity with GAAP requires us to make judgments, assumptions, and estimates that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. The actual results that the Company experiences may differ materially from these estimates.

Russia and Ukraine

The Company maintains limited operations in Russia and licenses software and provides related services to customers in Russia and areas of Ukraine that are not under sanction. The Company had revenue in Russia of approximately \$5.8 \$13.7 million and \$16.8 \$7.3 million for the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively, and \$13.0 \$27.7 million and \$26.8 \$34.0 million for the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively. The Company had total assets in Russia of approximately \$35.2 \$45.8 million and \$39.7 million as of December 31, 2023 March 31, 2024 and June 30, 2023, respectively, related to operations in Russia.

The Company may be required to cease or suspend operations in Russia or should the conflict or the effects of sanctions, export control measures and business restrictions worsen, the Company we may voluntarily elect to do so, so, whether as a result of new sanctions and export-control measure packages or otherwise. There is also a risk that the Company may not be able to continue its business in Russia because it is unable to conduct banking activities in Russia. The Company has terminated all no longer provides engineering services in Russia, and the Company has limited its operations to contract renewals only with existing customers. While the Company continues to evaluate the impact of the various sanctions and restrictions imposed by the United States and other governments on the Company's its ability to conduct business in Russia, access cash held in Russia, maintain contracts with and pay vendors in Russia, pay employees in Russia, and receive payment from customers in Russia, there is no assurance that the Company will be able to do so in the future. Any disruption to, or suspension of, the Company's business and operations in Russia would result in the loss of revenue and assets or access to cash balances from the business in Russia and would negatively impact growth, our growth and profitability. The Company may also suffer reputational harm as a result of continued operations in Russia, which may adversely impact sales and other businesses in other countries.

2. Significant Accounting Policies

Our significant accounting policies are described in Note 2 to the consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023. There were no material changes to our significant accounting policies during the six nine months ended December 31, 2023 March 31, 2024.

(a) Revenue Recognition

Prior to the third quarter of fiscal 2023, Open Systems International, Inc. Digital Grid Management ("OSI Inc." DGM) software licenses were primarily sold with professional services and hardware to form an integrated solution for the customer. The professional services and hardware sold with the license significantly customized the underlying functionality and usability of the software. As such, none of the software license, hardware or professional services were considered distinct within the context of the contract and were therefore considered a single performance obligation. Because the integrated solution had no alternative use to the Company and the Company held an enforceable right to payment, revenue was recognized over time (typically one to two years) using an

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input measure of progress based on the ratio of actual costs incurred to date to the total estimated cost to complete. For integrated solution contracts executed prior to the third quarter of fiscal 2023, revenue continues to be recognized over time until the implementation is complete.

At the start of the third quarter of fiscal 2023, the Company completed a series of business transformation activities relating to OSI Inc. DGM products and services in conjunction with its ongoing integration activities. As part of a change in the related go-to-market strategy, the Company has invested in tools and processes to simplify and streamline the implementation services to significantly reduce the complexity and interdependency associated with its software. In addition, the Company has identified and trained several third-party implementation service partners to operate autonomously and directly with OSI Inc. DGM customers to implement its products.

Accordingly, effective January 1, 2023, following the completion of these business transformation activities, for all prospective OSI Inc. DGM contracts entered into after January 1, 2023, the Company accounts for the OSI Inc. DGM software license, hardware, maintenance, and professional services as separate and distinct performance obligations. Software license revenue is recognized at a point in time when control transfers to the customer, which generally aligns with the first day of the contractual term. Hardware revenue is recognized at the point in time when control transfers to the customer, which generally occurs upon delivery. The recognition of maintenance revenue at OSI Inc. DGM is unchanged and continues to be recognized ratably over the maintenance term. Professional services revenue is recognized over time (typically one to two years) using the proportional performance method by comparing the costs incurred to the total estimated project costs.

(b) Recently Issued Accounting Standards Not Yet Adopted

In October 2023, the FASB issued Accounting Standards Updated ("ASU") 2023-06, Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative ("ASU 2023-06"). ASU 2023-06 was issued to modify the disclosure or presentation requirements of a variety of topics in the

codification. The effective date for each amendment will be the date on which the SEC removal of the related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. The Company does not expect the adoption of ASU 2023-06 to have a material impact on its financial position or results of operations.

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures ("ASU 2023-07"). ASU 2023-07 expands segment disclosures by requiring disclosure of significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items, and interim disclosures of a reportable segment's profit or loss and assets. The disclosures required under ASU 2023-07 are also required for public entities with a single reportable segment. The ASU is effective for the Company's first fiscal year beginning after December 15, 2023 and for interim periods within the Company's first fiscal year beginning after December 15, 2024, with early adoption permitted. The Company does not expect the adoption of ASU 2023-07 to have a material impact on its financial position or results of operations.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures ("ASU 2023-09"). ASU 2023-09 requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as information on income taxes paid. The ASU is effective for the Company's first fiscal year beginning after December 15, 2024. The guidance will be applied on a prospective basis with the option to apply the standard retrospectively. Early adoption is permitted. The Company does not expect the adoption of ASU 2023-09 to have a material impact on its financial position or results of operations.

3. Revenue from Contracts with Customers

Contract Assets and Contract Liabilities

Contract assets are subject to credit risk and reviewed in accordance with Accounting Standards Codification ("ASC") 326, *Financial Instruments Credit Losses*. The Company monitors the credit quality of customer contract asset balances on an individual basis, at each reporting date, through credit characteristics, geographic location, and the industry in which they the customers operate. The Company recognizes an impairment on contract assets if, subsequent to contract inception, it becomes probable payment is not collectible. An allowance for expected credit loss reflects losses expected over the remaining term of the contract asset and is determined based upon historical losses, customer-specific factors, and current economic conditions. The potential impact of credit losses on contract assets was immaterial as of December 31, 2023 March 31, 2024.

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The Company's contract assets and contract liabilities were as follows as of December 31, 2023 March 31, 2024 and June 30, 2023:

	December 31, 2023	June 30, 2023
	March 31, 2024	June 30, 2023
	(Dollars in Thousands)	
	(Dollars in Thousands)	
	(Dollars in Thousands)	
Contract assets		
Contract liabilities		
Net contract assets		

The majority of the Company's contract balances are related to arrangements where revenue is recognized at a point in time and payments are made according to a contractual billing schedule. The change in the net contract asset balance during the six nine months ended December 31, 2023 March 31, 2024 was primarily due to greater revenue recognition as compared to billings. Revenue recognized from the contract liability balance as of June 30, 2023, was \$47.4 \$23.8 million and \$88.4 \$112.1 million for the three and six nine months ended December 31, 2023 March 31, 2024, respectively.

Transaction Price Allocated to Remaining Performance Obligations

The following table includes the aggregate amount of the transaction price allocated as of December 31, 2023 March 31, 2024 to the performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period:

Year Ending June 30,														
2024	2024	2025	2026	2027	2028	Thereafter	Total	2024	2025	2026	2027	2028	Thereafter	Total
	(Dollars in Thousands)													
	(Dollars in Thousands)													
	(Dollars in Thousands)													
License and solutions														
Maintenance														
Services and other														
Total														

Disaggregated Revenue Information

The table below reflects disaggregated revenues by business for the three months and six nine months ended December 31, 2023 March 31, 2024 and 2022: 2023:

Three Months Ended December 31,		Six Months Ended December 31,		
2023	2022	2023	2022	
Three Months Ended March 31,		Nine Months Ended March 31,		

	2024	2023	2024	2023
	(Dollars in Thousands)			
	(Dollars in Thousands)			
	(Dollars in Thousands)			
Heritage AspenTech				
Subsurface Science & Engineering				
OSI, Inc.				
DGM				
Total				

The Company did not have any customers that accounted for 10 percent or more of the Company's revenues for the three and **six** **nine** months ended **December 31, 2023** **March 31, 2024** and **2022**, **2023**, respectively.

4. Acquisitions

Inmation Software GmbH

On August 29, 2022, the Company completed the acquisition of inmotion Software GmbH ("inmotion") for total cash consideration of \$87.2 million. The purchase price consisted of \$78.9 million of cash paid at closing and an additional \$8.3 million in indemnification holdbacks, which was paid on August 18, 2023. The total cash acquired from inmotion was approximately \$6.4 million resulting in a net cash payment of \$72.5 million during the three months ended September 30, 2022. The Company recognized goodwill of \$63.0 million (none of which is expected to be tax deductible) and identifiable intangible assets of \$31.5 million, primarily consisting of developed technology and customer relationships, with a useful life of approximately five years for developed technology and seven years for customer relationships.

Inmation's revenue included in the Company's condensed consolidated statements of operations was \$0.8 million and \$0.9 million for the three months ended December 31, 2023 and 2022, respectively, and \$1.3 million and \$1.2 million for the six months ended December 31, 2023 and 2022, respectively. Inmation's net loss included in the Company's condensed consolidated statements of operations was \$2.2 million and \$0.9 million for the three months ended December 31, 2023 and

2022, respectively, and \$2.3 million and \$1.1 million for the six months ended December 31, 2023 and 2022, respectively. Results included amortization of developed technology and customer relationships of \$1.5 million and \$1.4 million for the three months ended December 31, 2023 and 2022 respectively, and \$2.9 million and \$1.9 million for the six months ended December 31, 2023 and 2022, respectively.

Prior to the closing date, Inmation was considered a related party to AspenTech as Emerson Electric Co. ("Emerson" or "Parent Company"), through one of its subsidiaries, held an equity-method investment in Inmation. At the time of close, \$17.6 million was paid to Emerson in exchange for all its shares in Inmation, with another \$1.9 million paid for an indemnification holdback 12 months after the close on August 18, 2023.

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5. Intangible Assets

Intangible assets consist of the following as of December 31, 2023 March 31, 2024 and June 30, 2023:

[illegible]

Developed Technology	Developed Technology	Trademarks	Customer Relationships and Backlog	Capitalized Software and Other	Total	Developed Technology	Trademarks	Customer Relationships and Backlog	Capitalized Software and Other	Total
		(Dollars in Thousands)								
		(Dollars in Thousands)								
		(Dollars in Thousands)								

Gross carrying amount

Less: Accumulated amortization

Net carrying amount

Of the total intangible assets net carrying amount of \$4.4 billion \$4.3 billion as of December 31, 2023 March 31, 2024, \$430.0 million relates to the registered trademarks associated with the Transaction (as defined in Note 15, "Related-Party Transactions") that are not subject to amortization. Total intangible asset amortization expense was \$121.7 \$122.0 million and \$121.2 \$121.7 million during the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively, and \$243.4 \$365.4 million and \$242.3 \$364.2 million during the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively.

6. Goodwill

The changes in the carrying amount of goodwill during the six nine months ended December 31, 2023 March 31, 2024 were as follows:

	Carrying Value
	(Dollars in Thousands)
Balance as of June 30, 2023	\$ 8,330,811
Foreign currency translation	(814) (1,312)
Balance as of December 31, 2023 March 31, 2024	\$ 8,329,997 8,329,499

7. Leases

On December 26, 2023, the Company entered into an amendment to its existing lease agreement at its principal executive offices located in Bedford, Massachusetts (the "Lease Amendment"). Under the Lease Amendment, the Company: (i) extended the term of the existing lease for approximately 132,000 rentable square feet from March 2025 to March 2038, and (ii) obtained an additional approximate 23,000 rentable square feet of office space, also through March 2038.

The Company accounted for the Lease Amendment as a lease modification. Accordingly, the right-of-use assets and lease liabilities were remeasured using an incremental borrowing rate at the date of modification. This lease modification resulted in the recording of an additional right-of-use asset and lease liability of \$32.9 million recognized on the condensed consolidated balance sheet, sheets as of the commencement date, which is reflected net of a \$25.4 million leasehold improvement incentive to be paid directly reimbursed to external vendors the Company by the landlord under the Lease Amendment. As invoices are paid by the landlord Company during construction of the improvements, the Company will increase the balances of the lease liability and construction-in-process assets, which is included within property, equipment and leasehold improvements, net in the condensed consolidated balance sheets. When placed into service, the construction-in-process assets will be reclassified to leasehold improvements and depreciated over the shorter of the remaining term of the lease Lease Amendment or the life of the underlying asset.

Operating lease costs are recognized on a straight-line basis over the term of the lease. The components of total lease expense for the three and six nine months ended December 31, 2023 March 31, 2024 and 2022 2023 are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
	(Dollars in Thousands)			
Operating lease expense	\$ 5,023	\$ 4,352	\$ 9,489	\$ 8,387
Variable lease expense	193	216	416	425
Short term lease expense	147	199	304	(96)
Total lease expense	\$ 5,363	\$ 4,767	\$ 10,209	\$ 8,716

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	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
	(Dollars in Thousands)			
Operating lease expense	\$ 5,199	\$ 4,495	\$ 14,688	\$ 12,882
Variable lease expense	281	245	697	670
Short term lease expense	142	167	447	71

Total lease expense	\$	5,622	\$	4,907	\$	15,832	\$	13,623
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The following table summarizes the balances of the Company's operating lease right-of-use assets and operating lease liabilities as of **December 31, 2023** **March 31, 2024** and June 30, 2023:

	December 31, 2023	June 30, 2023
	March 31, 2024	June 30, 2023
	(Dollars in Thousands)	
	(Dollars in Thousands)	
	(Dollars in Thousands)	

Operating lease right-of-use assets
Current operating lease liabilities
Non-current operating lease liabilities

The weighted-average remaining lease term for operating leases was approximately 12 years and 9 years, and the weighted-average discount rate was approximately 4.0% and 3.0% as of **December 31, 2023** **March 31, 2024** and June 30, 2023, respectively.

The following table represents the future maturities of the Company's operating lease liabilities as of **December 31, 2023** **March 31, 2024**:

Fiscal Year Ending June 30,		
Fiscal Year Ending June 30,		
Fiscal Year Ending June 30,	(Dollars in Thousands)	(Dollars in Thousands)
2024		
2025		
2025		
2025		
2026		
2026		
2026		
2027		
2027		
2027		
2028		
2028		
2028		
Thereafter		
Thereafter		
Thereafter		
Total lease payments		
Total lease payments		
Total lease payments		
Less: imputed interest		
Less: imputed interest		
Less: imputed interest		
Less: leasehold improvement incentives to be utilized		
Less: leasehold improvement incentives to be utilized		
Less: leasehold improvement incentives to be utilized		
Total lease maturities		
Total lease maturities		
Total lease maturities		

8. Fair Value

The Company determines fair value by utilizing a fair value hierarchy that ranks the quality and reliability of the information used in its determination. Fair values determined using "Level 1 inputs" utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined using "Level 2 inputs" utilize data points that are observable, such as quoted prices, interest rates and yield curves for similar assets and liabilities.

Cash equivalents are reported at fair value utilizing quoted market prices in identical markets, or "Level 1 Inputs." The Company's cash equivalents consist of short-term money market instruments.

Equity method investments are reported at fair value calculated in accordance with the market approach, utilizing market consensus pricing models with quoted prices that are directly or indirectly observable, or "Level 2 Inputs."

The following table summarizes financial assets and liabilities measured and recorded at fair value on a recurring basis in the accompanying condensed consolidated balance sheets as of **December 31, 2023** **March 31, 2024** and June 30, 2023, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

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	December 31, 2023		March 31, 2024	
	Level 1 Inputs		Level 2 Inputs	
	(Dollars in Thousands)			
Cash equivalents	\$	7,715	68,868	\$ —
Equity method investments	\$	—	\$	2,398 2,424
	June 30, 2023			
	Level 1 Inputs		Level 2 Inputs	
	(Dollars in Thousands)			
Cash equivalents	\$	132,918	\$	—
Equity method investments	\$	—	\$	2,673

Financial instruments not measured or recorded at fair value in the accompanying condensed consolidated financial statements consist of accounts receivable, accounts payable and accrued liabilities. The estimated fair value of these financial instruments approximates their carrying value. The estimated fair value of the borrowings under the Amended and Restated Credit Agreement (described below in Note 10, "Debt") approximates its carrying value due to the floating interest rate.

9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities in the accompanying condensed consolidated balance sheets consist of the following:

	December 31, 2023	June 30, 2023	March 31, 2024	June 30, 2023
	(Dollars in Thousands)	(Dollars in Thousands)		
Compensation-related				
Accrued taxes				
Professional fees				
Accrued taxes				
Acquisition related				
Royalties and outside commissions				
Acquisition-related				
Other				
Total accrued expenses and other current liabilities				

10. Debt

Credit Agreement with Related Party

On December 23, 2022, the Company entered into a credit agreement with Emerson (the "Emerson Credit Agreement"), which provided for an aggregate term loan commitment of \$630.0 million. Under the terms of the Emerson Credit Agreement, the Company would have used the proceeds from borrowings under the Emerson Credit Agreement to pay, in part, the cash consideration for funding the acquisition of Mining Software Holdings Pty Ltd ("Micromine") and to pay the fees and expenses incurred in connection with the Emerson Credit Agreement.

On August 18, 2023, the Emerson Credit Agreement was terminated in connection with the termination of the agreement to purchase Micromine. There was no amount outstanding under the Emerson Credit Agreement at the time it was terminated.

Amended and Restated Credit Agreement

The Company has an Amended and Restated Credit Agreement (the "Amended and Restated Credit Agreement") with JPMorgan Chase Bank, N.A. ("JPMorgan") that provides for a \$200.0 million secured revolving credit facility.

As of December 31, 2023 March 31, 2024, after taking into account considering eligible outstanding letters of credit allowable per the Amended and Restated Credit Agreement in the aggregate amount of \$2.6 \$2.3 million, the Company had \$197.4 \$197.7 million available for borrowing under the Amended and Restated Credit Agreement. Any outstanding balances of the indebtedness under the revolving credit facility will mature on December 23, 2024.

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The Amended and Restated Credit Agreement contains customary affirmative and negative covenants, including restrictions on incurring additional debt, liens, fundamental changes, asset sales, restricted payments (including dividends) and transactions with affiliates. There are also financial covenants measured at the end of each fiscal quarter including a maximum leverage ratio of 3.50 to 1.00 and a minimum interest coverage ratio of 2.50 to 1.00. As of December 31, 2023 March 31, 2024, the Company was in compliance with these covenants.

11. Stock-Based Compensation

The stock-based compensation expense under all equity plans and its classification in the condensed consolidated statements of operations for the three and six nine months ended December 31, 2023 March 31, 2024 and 2022 2023 are as follows:

	Three Months Ended December 31,				Six Months Ended December 31,				
	Three Months Ended March 31,				Nine Months Ended March 31,				
	2023	2022		2023	2022	2024	2023	2024	2023
	(Dollars in Thousands)				(Dollars in Thousands)				
Cost of license and solutions									
Cost of maintenance									
Cost of services and other									
Selling and marketing									
Research and development									
General and administrative									
Total stock-based compensation									

Stock Options

The table below summarizes activities related to stock options for the six nine months ended December 31, 2023 March 31, 2024:

	Number of Shares	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ⁽¹⁾	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ⁽¹⁾		
		(in years)				(in years)	(in thousands)			(in years)	(in thousands)
Outstanding as of June 30, 2023											
Granted											
Exercised											
Exercised											
Exercised											
Cancelled / Forfeited											
Cancelled / Forfeited											
Cancelled / Forfeited											
Outstanding as of December 31, 2023											
Outstanding as of December 31, 2023											
Outstanding as of December 31, 2023											
Exercisable as of December 31, 2023											

Vested and expected to vest as of December 31, 2023
Outstanding as of March 31, 2024
Outstanding as of March 31, 2024
Outstanding as of March 31, 2024
Exercisable as of March 31, 2024
Vested and expected to vest as of March 31, 2024

(1) The aggregate intrinsic value in this table represents any excess of the closing market price of the Company's common stock as of December 31, 2023 March 31, 2024 (\$220.15) 213.28 over the exercise price of the underlying options.

Restricted Stock Units and Performance Stock Units

Restricted stock units and performance stock units are not included in issued and outstanding common stock until the units are vested and the underlying shares are settled. The table below summarizes activities related to restricted stock units and performance stock units for the six nine months ended December 31, 2023 March 31, 2024:

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	Number of Shares Underlying Restricted Units — Performance-Based Awards	Number of Shares Underlying Restricted Units — Time-Based Awards
	Number of Shares Underlying Performance Stock Units	Number of Shares Underlying Restricted Stock Units
	(Dollars in Thousands)	
	(Dollars in Thousands)	
	(Dollars in Thousands)	
Outstanding as of June 30, 2023		
Granted		
Settled		
Cancelled / Forfeited		
Outstanding as of December 31, 2023		
Forfeited		
Outstanding as of March 31, 2024		
Weighted average remaining recognition period of outstanding restricted units (in years)	Weighted average remaining recognition period of outstanding restricted units (in years) 2.50	Weighted average remaining recognition period of outstanding restricted units (in years) 2.25 2.38
Unrecognized stock-based compensation expense of outstanding restricted units		

Aggregate intrinsic value of outstanding restricted units

The weighted average grant date fair value per restricted stock unit was \$192.21 \$200.73 and \$246.15 \$201.72 during the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively, and \$193.74 \$193.86 and \$209.79 \$208.79 during the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively. The weighted average grant date fair value per performance stock unit was \$199.06 \$194.03 during the nine months ended March 31, 2024. There were no performance stock units granted during the three months ended March 31, 2024, and \$194.03 there were no performance stock units granted or outstanding during the three and six nine months ended December 31, 2023, respectively, and there were no granted or outstanding performance stock units during the three and six months ended December 31, 2022 March 31, 2023.

Beginning in fiscal 2024, the Company granted performance stock units with a performance condition and service condition. These performance stock units vest on a cliff basis in three years based upon the achievement of predefined performance goals, with the ability for 25% of granted awards to vest on an accelerated basis in each of the first two years. The performance goal relates to the sum of (i) annual contract value growth and (ii) free cash flow margin over the performance period. Up to 175% of the performance stock units could vest upon achievement of the performance goals. Conversely, if a minimum performance goal is not met, none of the performance stock units will vest. On a quarterly basis, management evaluates the probability that the threshold performance goals will be achieved, if at all, and the anticipated level of attainment to determine the amount of compensation expense to record in the condensed consolidated financial statements.

12. Net Loss Income (Loss) Per Share

Basic **income (loss) income** per share is determined by dividing net **income (loss) income** by the weighted average common shares outstanding during the period. Diluted **income (loss) income** per share is determined by dividing net **income (loss) income** by diluted weighted average shares outstanding during the period. Diluted weighted average shares reflect the dilutive effect, if any, of potential common shares. To the extent their effect is dilutive, employee equity awards and other commitments to be settled in common stock are included in the calculation of diluted net **income (loss) income** per share based on the treasury stock method.

The calculations of basic and diluted net loss per share and basic and **dilutive diluted** weighted average shares outstanding for the three and **six nine** months ended **December 31, 2023** March 31, 2024 and **2022 2023** are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
	(Dollars and Shares in Thousands, Except per Share Data)		(Dollars and Shares in Thousands, Except per Share Data)	
Net loss				
Net income (loss)				
Basic weighted average shares outstanding				
Basic weighted average shares outstanding				
Basic weighted average shares outstanding				
Dilutive impact from:				
Dilutive impact from:				
Dilutive impact from:				
Employee equity awards				
Dilutive weighted average shares outstanding				
Dilutive weighted average shares outstanding				
Dilutive weighted average shares outstanding				
Net loss per share				
Net loss per share				
Net loss per share				
Net income (loss) per share				
Net income (loss) per share				
Net income (loss) per share				
Basic				
Dilutive				

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For the three and **six nine** months ended **December 31, 2023** March 31, 2024, and **2022 2023**, certain employee equity awards were anti-dilutive based on the treasury stock method. The following employee equity awards were excluded from the calculation of **dilutive diluted** weighted average shares outstanding because their effect would be anti-dilutive as of **December 31, 2023** March 31, 2024 and **2022 2023**:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
	(Shares in Thousands)		(Shares in Thousands)	

Employee equity awards

13. Stock Repurchases

On May 5, 2023, the Company entered into an accelerated share repurchase program ("ASR Program") with JPMorgan to repurchase an aggregate of \$100.0 million of the Company's common stock. Pursuant to the terms of the ASR Program, the Company made an initial payment to JPMorgan and received an initial delivery of 487,626 shares of the Company's common stock, which represented approximately 80% of the total number of shares of the Company's common stock expected to be purchased under the ASR Program.

The ASR Program was settled on August 7, 2023, resulting in an additional delivery of 107,045 shares of the Company's common stock. The Company repurchased in total 594,671 shares of common stock for \$100.0 million as part of the ASR Program. The \$100.0 million payment made to JPMorgan was recognized as a reduction to stockholders' equity, consisting of an increase in treasury stock representing the value of the 594,671 shares received upon settlement, offset by an increase to additional-paid-in-capital for the value of the shares repurchased in excess of the \$100.0 million payment.

On August 1, 2023, the Company announced that its Board of Directors approved a share repurchase program (the "Share Repurchase Authorization") pursuant to which an aggregate \$300.0 million of its common stock may be repurchased, by means of open market transactions, block transactions, privately negotiated purchase transactions or any other purchase techniques, including 10b5-1 trading plans. The timing and amount of any shares repurchased under the Share Repurchase Authorization are based on market conditions and other factors. All shares of the Company's common stock repurchased have been recorded as treasury stock under the cost method. The Company reflects share repurchases in its condensed consolidated financial statements once the transaction is settled.

During the **second third** quarter of fiscal 2024, the Company repurchased **375,041 288,241** shares for **\$72.1 \$56.7** million under the Share Repurchase Authorization. As of **December 31, 2023 March 31, 2024**, a total of **954,839 1,243,080** shares have been repurchased under the Share Repurchase Authorization for **\$186.3 \$243.1** million, with the total remaining value being **\$113.7 \$56.9** million.

14. **(Benefit) Provision Benefit for Income Taxes**

The Company computes its tax provision (benefit) for interim periods by applying the estimated annual effective tax rate ("AETR") to year-to-date income from operations and adjusting for discrete items arising in that quarter. However, if the Company is unable to make a reliable estimate of its AETR, then the actual effective tax rate for the year-to-date period may be the best estimate. For the three months ended September 30, 2022, the Company computed its tax provision (benefit) using the AETR approach. However, starting with the six months ended December 31, 2022, the Company recorded the actual effective tax rate as it was determined that the AETR approach was not the most appropriate estimate to be applied to the year-to-date **pretax pre-tax** (loss) income given small changes in the forecast of pre-tax (loss) income would result in significant changes in the AETR. For the three and **six nine** months ended **December 31, 2023 March 31, 2024**, the Company again recorded the actual effective tax rate as it was determined that the AETR approach was not the most appropriate estimate.

Benefit for income taxes was **\$15.7 \$9.1 million and \$24.2** million for the three months ended **December 31, 2023 March 31, 2024** and **income tax expense was \$49.6 million** for the three months ended December 31, 2022, resulting in effective tax rates of 42.1% and (298.0)%, respectively. Income tax benefit primarily increased due to the prior year's change in the Company's approach to computing its tax provision (benefit) for interim periods to an actual effective tax rate method.

Benefit for income taxes was **\$33.1 million and \$44.0 million** for the six months ended **December 31, 2023 and 2022, 2023**, respectively, resulting in effective tax rates of **37.2% 120.6% and 36.2% 29.5%**, respectively. Income tax benefit decreased primarily due to an increase in **year-to-date earnings pre-tax profitability in our domestic and a reduced Foreign-Derived Intangible foreign operations**.

Benefit for income taxes was **\$42.2 million and \$68.1 million** for the nine months ended **March 31, 2024 and 2023**, respectively, resulting in effective tax rates of 43.7% and 33.5%, respectively. Income **("FDII") deduction recorded tax benefit** decreased primarily due to an increase in **the current period, pre-tax profitability in our domestic and foreign operations**.

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15. **Related-Party Transactions**

On October 10, 2021, Emerson entered into a definitive agreement (the "Transaction Agreement") with AspenTech Corporation (f/k/a Aspen Technology, Inc.) ("Heritage AspenTech") to contribute the Emerson industrial software business (the "Industrial Software Business"), along with \$6.014 billion in cash, to create AspenTech (the "Transaction"). The Industrial Software Business included **OSI Inc, the DGM business and the Geological Simulation Software business ("GSS")**, which the Company has renamed as **Subsurface Science & Engineering ("SSE") business**. The Transaction closed on May 16, 2022 ("Closing Date"). Emerson owned approximately 56% of AspenTech on a fully diluted basis as of **December 31, 2023 March 31, 2024**.

The Company utilizes some aspects of Emerson's centralized treasury function to manage the working capital and financing needs of its business operations. This function oversees a cash pooling arrangement which sweeps certain Company cash accounts into pooled Emerson cash accounts on a daily basis and are reflected as receivables from related parties in the condensed consolidated balance **Sheet. sheets**. Conversely, any cash funded to the Company from these pooled Emerson cash accounts are reflected as due to related parties in the condensed consolidated balance **sheet. sheets**. The aggregate net activity between the Company and Emerson associated with the cash pooling arrangement is reflected within cash flows from financing activities as net transfers from parent within the condensed consolidated statements of cash flows.

Before the closing of the Transaction, the Industrial Software Business was charged for costs directly attributable to the **DGM and SSE business and OSI Inc. businesses** and was allocated a portion of Emerson's costs, including general corporate costs, information technology costs, insurance and other benefit costs, and shared service and other costs. All of these costs are reflected in the Company's condensed consolidated financial statements. Management believes the methodologies and assumptions used to allocate these costs are reasonable.

At the closing of the Transaction, Emerson and the Company entered into a transition service agreement (the "Transition Service Agreement") for the provision of certain transitional services from Emerson to the Company. Pursuant to the Transition Service Agreement, Emerson provides the Company with certain services, including information technology, human resources and other specified services, as well as access to certain of Emerson's existing facilities. Transition Service Agreement related activities have been recorded as cost of goods sold or operating expenses from related parties and resulting balances have been presented as receivable from or due to related parties in the condensed consolidated financial **statements presented. statements**.

In connection with the closing of the Transaction, the Company entered into a registration rights agreement (the "Registration Rights Agreement") and a tax matters agreement (the "Tax Matters Agreement") with Emerson. The Registration Rights Agreement grants Emerson certain market registration rights, including demand registration rights and piggyback registration rights, with respect to its registrable securities. The Company has agreed to pay out-of-pocket fees and expenses in connection with such registration, subject to certain exceptions. The Tax Matters Agreement governs the rights and obligations that the Company and Emerson have with respect to taxes of the Company and certain Emerson subsidiaries. In addition, under the terms of the Tax Matters Agreement, the Company agreed to indemnify Emerson and its affiliates against any and all tax-related liabilities incurred by them relating to the Transaction and certain related business reorganizations to the extent such tax-related liabilities are caused by any action taken by the Company.

Receivables from related parties and due to related parties reported in the condensed consolidated balance sheets as of **December 31, 2023 March 31, 2024** and June 30, 2023 include the following:

	December 31, 2023	June 30, 2023
	March 31, 2024	June 30, 2023
	(Dollars in Thousands)	
	(Dollars in Thousands)	
	(Dollars in Thousands)	
Interest bearing receivables from related parties		
Trade receivables from related parties		
Receivables from related parties		
Interest bearing payables to related parties		
Interest bearing payables to related parties		
Interest bearing payables to related parties		
Trade payables to related parties		
Due to related parties		

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Allocations and charges from Emerson are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
	(Dollars in Thousands)			
	(Dollars in Thousands)			
	(Dollars in Thousands)			

Information technology
Information technology
Information technology
Shared services and other
Shared services and other
Shared services and other

Corporate costs, human resources, and insurance and other benefits are recorded in general and administrative expenses and information technology, facility charges, and shared services and other are allocated to cost of goods sold and operating expenses based on systemic methods.

Before the closing of the Transaction, OSI Inc, the DGM and the SSE business businesses engaged in various transactions to sell software and purchase goods in the ordinary course of business with affiliates of Emerson. At the closing, the Company and Emerson entered into a commercial agreement to allow Emerson to distribute software and services from the Company (the "Commercial Agreement"). Pursuant to the Commercial Agreement as amended from time to time in accordance with the Stockholders Agreement (as defined below), AspenTech grants Emerson the right to distribute, on a non-exclusive basis, certain (i) existing Heritage AspenTech products, (ii) existing Emerson products transferred to AspenTech pursuant to the Transaction Agreement and (iii) future AspenTech products as mutually agreed upon, in each case, to end-users through Emerson acting as an agent, reseller or original equipment manufacturer. Commercial Agreement-related activities have been recorded as revenues and expenses from related parties and resulting trade balances have been presented as trade receivables from related parties in the condensed consolidated financial statements presented. Revenue and purchases from Emerson affiliates for the three and nine months ended December 31, 2023 March 31, 2024 and 2022 2023 are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
	(Dollars in Thousands)			
	(Dollars in Thousands)			
	(Dollars in Thousands)			

Revenue from Emerson affiliates
Purchases from Emerson affiliates
Purchases from Emerson affiliates
Purchases from Emerson affiliates
Emerson Share Maintenance Rights

Immediately following the closing of the Transaction, Emerson beneficially owned 55% of the fully diluted shares of AspenTech common stock. At the Closing Date, the Company and Emerson entered into a stockholders agreement (the "Stockholders Agreement"), which sets forth, among other matters, the right of Emerson to nominate directors to the Company's board of directors, the right of Emerson to nominate the chair of the Company's board of directors, the composition of the committees of the Company's board of directors, certain consent rights of Emerson to certain material actions taken by the Company and consent rights with respect to modifications or changes to the Company's business strategy. Under the Stockholders Agreement, Emerson also has the right to acquire additional equity securities of AspenTech pursuant to pre-agreed procedures and rights in order to maintain its 55% ownership interest. No additional shares of common stock, or any other equity securities of AspenTech, were issued by the Company to Emerson subsequent to the closing of the Transaction through December 31, 2023 March 31, 2024.

Business Combination with Related Party

The Inmation acquisition completed on August 29, 2022 was considered a related party transaction. Refer to Note 4, "Acquisitions", to our condensed consolidated financial statements for further discussion.

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Credit Agreement with Related Party

On December 23, 2022, the Company entered into the Emerson Credit Agreement with Emerson, which provided for an aggregate term loan commitment of \$630.0 million, and on August 18, 2023, the Emerson Credit Agreement was terminated in connection with the termination of the agreement to purchase Micromine. There was no amount outstanding under the Emerson Credit Agreement at the time it was terminated. Refer to Note 10, "Debt", to our condensed consolidated financial statements for further discussion.

Plantweb Optics Analytics

On July 28, 2023, the Company entered into the Plantweb Optics Analytics Assignment and License Agreement with Emerson for the purchase of Emerson's Plantweb Optics Analytics software and the perpetual and royalty-free licensing of other Emerson intellectual property for \$12.5 million in the aggregate.

The Company is currently integrating continuing to integrate the purchased software and licensed intellectual property with its existing asset performance management product suite and accordingly has capitalized the full purchase price in accordance with ASC 985-20, "Costs of Software to be Sold, Leased, or Marketed."

16. Segment and Geographic Information

The Company operates in one operating and reportable segment. The Company's chief operating decision maker is its President and Chief Executive Officer, who makes operating decisions, assesses performance and allocates resources on a consolidated basis.

Geographic Information

Summarized below is information about the Company's geographic operations:

	Revenue by Destination			
	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2024	2023	2024	2023
	(Dollars in Thousands)			
	(Dollars in Thousands)			
	(Dollars in Thousands)			

Americas
Asia, Middle East and Africa
Europe
Total

Americas included revenue in the United States of \$132.7 \$104.1 million and \$88.1 \$89.4 million for the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively, and \$228.7 \$332.8 million and \$200.4 \$289.9 million for the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively.

	Property, Equipment, and		Leasehold Improvements, Net
	December 31, 2023	June 30, 2023	
	March 31, 2024	June 30, 2023	
	(Dollars in Thousands)		
	(Dollars in Thousands)		
	(Dollars in Thousands)		

Americas
Asia, Middle East and Africa
Europe
Total

Property, equipment, and leasehold improvements, net located in the United States were \$11.8 \$11.3 million and \$13.4 million as of December 31, 2023 March 31, 2024 and June 30, 2023, respectively.

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

Caution Concerning Forward-Looking Statements

Statements in this Quarterly Report on Form 10-Q that are not strictly historical may be "forward-looking" statements for purposes of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, which involve risks and uncertainties, and AspenTech undertakes no obligation to update any such statements to reflect later developments. In some cases, you can identify forward-looking statements by the following words: "may," "will," "could," "would," "should," "expect," "intend," "plan," "strategy," "anticipate," "believe," "estimate," "predict," "project," "potential," "continue," "ongoing," "opportunity" or the negative of these terms or other comparable terminology, although not all forward-looking statements contain these words. These risks and uncertainties include, without limitation: the failure to realize the anticipated benefits of our transaction with Emerson; risks resulting from our status as a controlled company; the scope, duration and ultimate impacts of the Russia-Ukraine war and the Israeli-Hamas conflict; as well as economic and currency conditions, market demand (including related to the pandemic and adverse changes in the process or other capital-intensive industries such as materially reduced spending budgets due to oil and gas price declines and volatility), pricing, protection of intellectual property, cybersecurity, natural disasters, tariffs, sanctions, competitive and technological factors, inflation; and others, including those described in "Item 1A. Risk Factors" of Part II in this Quarterly Report on Form 10-Q and those described in our most recent Annual Report on Form 10-K and subsequent reports filed with the SEC. You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

Any forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to update any forward-looking statements, whether as a result of new information or developments, future events or otherwise, except as required by law. You should read the following discussion in conjunction with our condensed consolidated financial statements and related notes thereto contained in this report. You should also read "Item 1A. Risk Factors" of Part II in this Quarterly Report on Form 10-Q for a discussion of important factors that could cause our actual results to differ materially from our expectations.

Our fiscal year ends on June 30, and references in this Quarterly Report on Form 10-Q to a specific fiscal year are to the twelve months ended June 30 of such year (for example, "fiscal 2024" refers to the year ending June 30, 2024).

Business Overview

We are a global leader in industrial software focused on helping customers in asset-intensive industries address the world's dual challenge of meeting the increasing demand for resources from a rapidly growing population with the expectation of a higher living standard in a profitable and sustainable manner. Our solutions address complex environments where it is critical to optimize across the full asset lifecycle-asset lifecycle - asset design, operation, and maintenance - enabling customers to run their assets safer, greener, longer and faster. Thousands of companies, ranging from multi-national corporations to start-ups, rely on our software to help them run their assets more profitably, resiliently, and sustainably to meet their operational excellence and sustainability goals.

We help customers solve some of their most critical challenges via our purpose-built software that combines engineering first principles, deep industry domain knowledge, and advanced technologies. We drive significant value creation through our decades of experience in modeling, simulation, and optimization technologies. The operational challenges we help our customers solve include, among others, how to maintain maximum efficiency in process operations, manage electrical grids amid the growth in renewable energy sources, ensure supply chain resiliency, and reduce carbon emissions.

Our software also seeks to help companies develop new processes that can be scaled to support the energy transition and a net zero future, such as green hydrogen, biofuels, carbon capture utilization and storage and circularity of plastics.

By combining the software capabilities, deep domain expertise and leadership of Heritage AspenTech with the DGM and SSE businesses, we expanded our served markets, augmented our expertise and sales channels, and broadened our portfolio to include five product suites: Performance Engineering ("ENG"), Manufacturing and Supply Chain ("MSC"), Asset Performance Management ("APM"), DGM, and SSE. These suites are supported by DataWorks Industrial Data Management ("DataWorks"), our industry-leading platform with advanced capabilities in data contextualization, structuring and cleansing, and enables AspenTech customers to better manage their industrial data at scale.

Recent Events

On August 1, 2023, the Company announced that its Board of Directors approved the Share Repurchase Authorization pursuant to which an aggregate \$300.0 million of its common stock may be repurchased. During the second third quarter of fiscal 2024,

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the Company repurchased 375,041 288,241 shares for \$72.1 \$56.7 million under the Share Repurchase Authorization. As of December 31, 2024 March 31, 2024, a total of 954,839 1,243,080 shares have been repurchased under the Share Repurchase Authorization for \$186.3 \$243.1 million, with the total remaining value being \$113.7 \$56.9 million.

Key Business Metrics

Background

We utilize key business metrics to track and assess the performance of our business. We have identified the following set of appropriate business metrics in the context of our evolving business:

- Annual contract value ("ACV")

- Total contract value ("TCV")
- Bookings

We also use the following non-GAAP business metrics in addition to GAAP measures to track our business performance:

- Free cash flow
- Non-GAAP income from operations

We make these measures available to investors and none of these metrics should be considered as an alternative to any measure of financial performance calculated in accordance with GAAP.

Annual Contract Value

ACV is an estimate of the annual value of our portfolio of term license and software maintenance and support ("SMS") contracts, the annual value of SMS agreements purchased with perpetual licenses, and the annual value of standalone SMS agreements purchased with certain legacy term license agreements, which have become an immaterial part of our business.

Comparing ACV for different dates can provide insight into the growth and retention rates of our recurring software business because ACV represents the estimated annual billings associated with our recurring license and maintenance SMS agreements at any point in time. Management uses the ACV business metric to evaluate the growth and performance of our business as well as for planning and forecasting purposes. We believe that ACV is a useful business metric to investors as it provides insight into the growth component of our software business.

ACV generally increases as a result of new term license and SMS agreements with new or existing customers, renewals or modifications of existing term license agreements that result in higher license fees due to contractually-agreed price escalation or an increase in the number of tokens (units of software usage) or products licensed, or an increase in the value of licenses delivered.

ACV is adversely affected by term license and SMS agreements that are renewed at a lower entitlement level or not renewed, a decrease in the value of licenses delivered, and, to a lesser extent, by customer agreements that become inactive during the agreement's term because, in our determination, amounts due (or which will become due) under the agreement are not collectible. As ACV is an estimate of annual billings, it will generally not include contracts with a term of less than one year. Because ACV represents all other active term software and SMS agreements, it may include amounts under agreements with customers that are delinquent in paying invoices, that are in bankruptcy proceedings, and agreements that are subject to termination by the customer or where payment is otherwise in doubt.

As of December 31, 2023 March 31, 2024, customer agreements representing approximately 85% 84.5% of our ACV (by value) were denominated in U.S. dollars. For agreements denominated in other currencies, we use a fixed historical exchange rate to calculate ACV in U.S. dollars rather than using current exchange rates, so that our calculation of growth in ACV is not affected by fluctuations in foreign currencies.

For term license agreements that contain professional services or other products and services, we have included the portion of those agreements that are reflective of the relative fair value of the term license, rather than the portion of the actual invoice attributed to the term license, as outlined in the agreement within ACV. We believe that this methodology more accurately allocates any discounts or premiums to the different elements of the agreement.

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We estimate that ACV grew by approximately 9.6% 9.5%, from \$833.7 million \$854.6 million as of December 31, 2022 March 31, 2023 to \$914.1 million \$936.1 million as of December 31, 2023 March 31, 2024.

Total Contract Value

TCV is the aggregate value of all payments received or to be received under all active term license and perpetual SMS agreements, including maintenance and escalation. TCV was \$3.8 \$3.9 billion and \$3.4 \$3.5 billion as of December 31, 2023 March 31, 2024 and 2022, 2023, respectively.

Bookings

Bookings is the total value of customer term license and perpetual license SMS contracts signed and delivered in the current period, less the value of such contracts signed in the current period where the initial licenses and SMS agreements are not yet deemed delivered, plus the value of term license contracts and perpetual license SMS contracts signed in a previous period for which the initial licenses are deemed delivered in the current period.

Bookings were \$233.4 \$301.2 million during the three months ended December 31, 2023 March 31, 2024, compared to \$242.8 \$231.3 million during the three months ended December 31, 2022 March 31, 2023. Bookings were \$445.2 \$746.4 million during the six nine months ended December 31, 2023 March 31, 2024, compared to \$466.9 \$698.1 million during the six nine months ended December 31, 2022 March 31, 2023. The change in bookings is related to the timing of renewals.

Non-GAAP Business Metrics

Free cash flow (non-GAAP) excludes certain non-cash and non-recurring expenses, and is used as a supplement to net cash provided by operating activities presented on a GAAP basis. We believe that free cash flow (non-GAAP) is a useful financial measure because it permits investors to view our performance using tools that our management uses to gauge progress in achieving goals and as an indication of cash flow that may be available to fund future investments and other capital uses, such as to repay borrowings under our credit facilities or to fund acquisitions or share repurchase programs.

The following table provides a reconciliation of net cash provided by operating activities (GAAP) to free cash flow (non-GAAP) for the indicated periods:

	Six Months Ended December 31,		Nine Months Ended March 31,	
	2023	2022	2024	2023
	(Dollars in Thousands)			
	(Dollars in Thousands)			
	(Dollars in Thousands)			
Net cash provided by operating activities (GAAP)				
Purchase of property, equipment, and leasehold improvements				
Payments for capitalized computer software development costs				
Free cash flow (non-GAAP) ⁽¹⁾				

⁽¹⁾ For the interim period beginning January 1, 2023, we no longer exclude acquisition and integration planning related payments from our computation of free cash flow. Free cash flow for all prior periods presented has been revised to the current period computation methodology.

Non-GAAP income from operations excludes certain non-cash and non-recurring expenses, and is used as a supplement to **income loss** from operations presented on a GAAP basis. We believe that non-GAAP income from operations is a useful financial measure because removing certain non-cash and other items provides additional insight into recurring profitability and cash flow from operations.

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The following table provides a reconciliation of GAAP loss from operations to non-GAAP income from operations for the indicated periods:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2023	2022	2023	2022
	(Dollars in Thousands)			
	(Dollars in Thousands)			
	(Dollars in Thousands)			
GAAP loss from operations				
Plus:				
Stock-based compensation				
Stock-based compensation				
Stock-based compensation				
Amortization of intangibles ⁽¹⁾				
Acquisition and integration planning related fees				
Non-GAAP income from operations				

GAAP loss from operations
Plus:
Stock-based compensation
Stock-based compensation
Stock-based compensation
Amortization of intangibles ⁽¹⁾
Acquisition and integration planning related fees
Non-GAAP income from operations

⁽¹⁾ The Company has increased amortization of intangible assets following the close of the Transaction with Emerson. As a result, the Company expects its amortization of intangibles assets to remain at higher levels for the next several years as the related asset balance is amortized over the respective expected useful lives of the intangible assets.

Critical Accounting Estimates and Judgments

Note 2, "Significant Accounting Policies," to the audited consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023 describes the significant accounting policies and methods used in the preparation of the condensed consolidated financial statements appearing in this report. The accounting policies that reflect our critical estimates, judgments and assumptions in the preparation of our condensed consolidated financial statements are described in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of our Annual Report on Form 10-K for the fiscal year ended June 30, 2023.

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Results of Operations

Comparison of the Three Months Ended **December 31, 2023** **March 31, 2024** and **2022** **2023**

The following table sets forth the results of operations, the period-over-period percentage change, and the results of operations as a percentage of total revenue in certain financial data for the three months ended **December 31, 2023** **March 31, 2024** and **2022**; **2023**:

	Three Months Ended December 31,		Increase / (Decrease) Change		(% of Revenue)												
	Three Months Ended March 31,		Increase / (Decrease) Change		(% of Revenue)												
	2023	2022	\$	\$	%	%	2023	2022	2024	2023	\$	%	%	2024	2023		
Revenue:																	
Revenue:																	
Revenue:																	
License and solutions	License and solutions	\$152,463	\$	\$	149,843	\$	\$	2,620	1.7			1.7	%	59.3	%	61.7	%
Maintenance																	
Services and other																	
Total revenue																	
Cost of revenue:																	
License and solutions																	
License and solutions																	
License and solutions																	
Maintenance																	
Services and other																	
Total cost of revenue																	
Gross profit																	
Operating expenses:																	
Selling and marketing																	
Selling and marketing																	
Selling and marketing																	
Research and development																	
General and administrative																	
Total operating expenses																	
Loss from operations																	
Other (expense) income, net																	
Other expense, net																	
Interest income, net																	
Loss before benefit for income taxes																	
(Benefit) provision for income taxes																	



Net loss	\$ (21,500)	\$ (66,197)	\$ 44,697	(67.5) %	(8.4) %	(27.3) %
Benefit for income taxes						
Net income (loss)	\$ 1,556	\$ (57,635)	\$ 59,191	(102.7) %	0.6 %	(25.1) %

Revenue

Total revenue increased by **\$14.3 million** \$48.2 million, or **5.9%** 21.0%, during the three months ended **December 31, 2023** March 31, 2024, as compared to the same period in the prior fiscal year, due to an increase of **\$6.4 million** \$33.2 million in **maintenance** license and solutions revenue, an increase of **\$5.3 million** \$9.0 million in **services and other** maintenance revenue, and an increase of **\$2.6 million** \$6.1 million in **license and solutions revenue, services.**

License and Solutions Revenue

License and solutions revenue increased by **\$2.6 million** \$33.2 million, or **1.7%** 24.3%, during the three months ended **December 31, 2023** March 31, 2024, as compared to the same period in the prior fiscal year, primarily attributable to new term license orders in the **second** third quarter of fiscal 2024.

Maintenance Revenue

Maintenance revenue increased by **\$6.4 million** \$9.0 million, or **8.2%** 11.6%, during the three months ended **December 31, 2023** March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to growth of our base of **customer** arrangements.

Services and Other Revenue

Services and other revenue increased by **\$5.3 million** \$6.1 million, or **36.7%** 37.3%, during the three months ended **December 31, 2023** March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to the timing and volume of professional services engagements, and increased activities from certain customer contracts where the related professional services revenue is recognized as a distinct performance **obligation effective beginning in the third quarter of fiscal 2023, obligation.**

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Cost of Revenue

Total cost of revenue **increased** decreased by **\$1.8 million** \$0.9 million, or **2.0%** 0.9%, during the three months ended **December 31, 2023** March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to **increased compensation costs and headcount, year.**

Cost of License and Solutions Revenue

Cost of license and solutions revenue decreased **\$3.5 million** by \$3.4 million, or 5.0%, during the three months ended **December 31, 2023** March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to the business transformation activities in which we began recognizing distinct performance obligations for certain customer contracts effective beginning in the third quarter of fiscal 2023. Gross profit margin on license and solutions revenue increased to **55.8%** 61.3% from **52.7%** 49.4% for the three months ended **December 31, 2023** 2022, March 31, 2024 and 2023, respectively, due to higher license and solutions revenue.

Cost of Maintenance Revenue

Cost of maintenance revenue **increased** decreased by **\$1.1 million** \$0.7 million, or **11.3%** 7.5%, during the three months ended **December 31, 2023** March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to **higher compensation costs related to salaries, benefits, and stock-based compensation, year.** Gross profit margin on maintenance revenue **remained consistent at 87.5%** increased to 90.3% from 88.3% for the three months ended **December 31, 2023** as compared **March 31, 2024 and 2023, respectively, due to 87.8%** for the same period in the prior fiscal year. **higher maintenance revenue.**

Cost of Services and Other Revenue

Cost of services and other revenue increased by **\$4.3 million** \$3.2 million, or **33.6%** 20.6%, for the three months ended **December 31, 2023** March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to **higher compensation costs related to salaries, benefits, and bonuses and** the increased activities from customer contracts where the related professional services revenue is recognized as a distinct performance obligation. Gross profit margin on services and other revenue increased to **13.7%** 14.9% from **11.6%** 3.1% for the three months ended **December 31, 2023** March 31, 2024 and **2022, 2023,** respectively, due to **an increase in** higher services and other revenue.

Gross Profit

Overall gross profit increased by **\$12.5 million** \$49.1 million, or **8.3%** 36.1%, for the three months ended **December 31, 2023** March 31, 2024, as compared to the same period in the prior fiscal year. Gross profit margin increased to **63.1%** 66.6% from 59.2% for the three months ended **December 31, 2023,** from 61.7% for the same period in the prior fiscal year. **March 31, 2024 and 2023, respectively.** The increase was **mainly** driven by an increase in licensing, **maintenance,** and services and other revenue compared to the same period in the prior fiscal year, as well as a decrease in licensing and maintenance costs of revenue.

Operating Expenses

Selling and Marketing Expense

Selling and marketing expense increased by **\$4.3 million** \$1.3 million, or **3.6%** 1.1%, during the three months ended **December 31, 2023** March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to higher compensation costs of **\$4.4** \$3.4 million related to salaries and benefits as we continue due to **expand** the expansion of our sales capacity in new and existing markets, partially offset by a decrease in stock-based **compensation, compensation, benefits, and bonuses of \$2.4 million.**

Research and Development Expense

Research and development expense ~~increased~~ decreased by ~~\$3.2 million~~ \$4.7 million, or ~~6.4%~~ 8.7%, during the three months ended ~~December 31, 2023~~, as compared to the same period in the prior fiscal year, primarily due to higher compensation costs of \$4.2 million, related to salaries and benefits, partially offset by a decrease in stock-based compensation.

General and Administrative Expense

General and administrative expense decreased by \$5.1 million, or 12.5%, during the three months ended ~~December 31, 2023~~ March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to lower compensation costs of ~~\$5.2~~ \$5.3 million, related to ~~lower~~ benefits, bonuses, and stock-based compensation in the current period, partially offset by an increase in salaries compensation.

General and ~~benefits~~, Administrative Expense

Non-Operating (Expense) Income

Other (Expense) Income, Net

Other (expense) income, net ~~General and administrative expense~~ decreased by ~~\$38.8 million~~ \$6.7 million, or ~~100.5%~~ 16.4%, during the three months ended ~~December 31, 2023~~ March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to ~~a~~ ~~\$34.9~~ lower compensation costs of \$8.0 million related to lower stock-based compensation, benefits, and bonuses in the current period, offset in part by an increase of \$3.6 million in bad debt expenses incurred in the current quarter.

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Non-Operating (Expense) Income

Other Expense, Net

Other expense, net decreased by \$11.3 million, or 85.0%, during the three months ended March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to \$14.3 million in net unrealized ~~gain~~ gains on foreign currency forward contracts in the prior year that were terminated in June 2023, ~~as well as decreases~~ offset in part by ~~\$3.1 million~~ in unrealized and realized foreign currency exchange ~~gains~~, losses.

Interest Income, Net

Interest income, net increased by ~~\$8.2 million~~ \$3.8 million, or ~~198.1%~~ 37.7%, during the three months ended ~~December 31, 2023~~ March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to an increase in interest income earned on cash and cash equivalent balances of \$2.4 million, an increase in interest income earned on long-term revenue contracts of \$2.1 million, and a decrease in interest expense of \$4.6 million due to the repayment of our term loan facility under the Amended and Restated Credit Agreement in the third quarter of fiscal 2023, ~~\$2.5 million~~.

Benefit (Provision) for Income Taxes

The Company computes its tax provision (benefit) for interim periods by applying the estimated AETR to year-to-date income from operations and adjusting for discrete items arising in that quarter. However, if the Company is unable to make a reliable estimate of its AETR, then the actual effective tax rate for the year-to-date period may be the best estimate. For the three months ended ~~December 31, 2022~~ March 31, 2023, the Company recorded the actual effective tax rate as it was determined that the AETR approach was not the most appropriate estimate to be applied to the year to date ~~pretax~~ pre-tax (loss) income given small changes in the forecast of pre-tax (loss) income would result in significant changes in the AETR. For the three months ended ~~December 31, 2023~~ March 31, 2024, the Company again recorded the actual effective tax rate as it was determined that the AETR approach was not the most appropriate estimate.

Benefit for income taxes was ~~\$15.7~~ \$9.1 million and \$24.2 million for the three months ended ~~December 31, 2023~~ March 31, 2024 and income tax expense was \$49.6 million for the three months ended December 31, 2022, 2023, respectively, resulting in effective tax rates of ~~42.1%~~ 120.6% and ~~(298.0)%~~ 29.5%, respectively. Income tax benefit decreased primarily increased due to the prior year's change an increase in the Company's approach to computing its tax provision (benefit) for interim periods to an actual effective tax rate method, pre-tax profitability in our domestic and foreign operations.

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Comparison of the ~~Six~~ Nine Months Ended ~~December 31, 2023~~ March 31, 2024 and ~~2022~~ 2023

The following table sets forth the results of operations, the period-over-period percentage change, and the results of operations as a percentage of total revenue in certain financial data for the ~~six~~ nine months ended ~~December 31, 2023~~ March 31, 2024 and ~~2022~~ 2023:

Six Months		
Ended	Increase /	
December	(Decrease)	(% of
31,	Change	Revenue)

[illegible]

Selling and marketing expense increased by ~~\$8.4 million~~ \$9.7 million, or ~~3.6%~~ 2.7%, during the ~~six~~ nine months ended ~~December 31, 2023~~ March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to higher compensation costs of ~~\$8.9~~ \$11.8 million related to salaries and benefits ~~as we continue~~ due to ~~expand~~ the expansion of our sales capacity in new and existing markets ~~and a \$2.5 million increase in commission costs related to the continued transition in commission structure~~, partially offset by a ~~\$2.8 million~~ decrease in stock-based compensation.

Research and Development Expense

Research and development expense increased by ~~\$7.1 million~~ \$2.4 million, or ~~7.1%~~ 1.6%, during the ~~six~~ nine months ended ~~December 31, 2023~~ March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to higher compensation costs of ~~\$7.1~~ \$6.4 million related to salaries, ~~partially offset by a decrease in stock-based compensation and benefits~~, bonuses of \$3.3 million.

General and Administrative Expense

General and administrative expense decreased by ~~\$12.6 million~~ \$19.2 million, or ~~15.0%~~ 15.4%, during the ~~six~~ nine months ended ~~December 31, 2023~~ March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to lower ~~stock-based compensation and benefit~~ costs of ~~\$6.7~~ \$14.4 million ~~related to stock-based compensation~~, and a decrease in acquisition and integration expenses of ~~\$6.0~~ \$5.8 million related to the Transaction with Emerson.

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Non-Operating (Expense) Income

Other Expense, Net

Other expense, net decreased by ~~\$14.0 million~~ \$25.3 million, or ~~69.8%~~ 75.9%, during the ~~six~~ nine months ended ~~December 31, 2023~~ March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to ~~\$15.3~~ \$29.6 million ~~of in net unrealized loss~~ losses on foreign currency forward contracts in the prior year that were terminated in June 2023, ~~as well as increases~~ partially offset by \$4.5 million in unrealized and realized foreign currency exchange ~~losses~~, gains on foreign currency forward contracts.

Interest Income, Net

Interest income, net increased by ~~\$17.2 million~~ \$20.9 million, or ~~188.0%~~ 109.6%, during the ~~six~~ nine months ended ~~December 31, 2023~~ March 31, 2024, as compared to the same period in the prior fiscal year, primarily due to an increase in interest income earned on cash and cash equivalent balances of \$4.7 million, an increase in interest income ~~earned on long-term revenue contracts of \$4.6 million~~, and a decrease in interest expense of ~~\$8.7~~ \$10.6 million due to the repayment of our term loan facility under the Amended and Restated Credit Agreement in the third quarter of fiscal ~~2023~~, 2023, an increase in interest income earned on long-term revenue contracts of \$7.1 million, and an increase in ~~interest income earned on cash and cash equivalent balances of \$1.8 million~~.

Benefit for Income Taxes

The Company computes its tax provision (benefit) for interim periods by applying the estimated AETR to year-to-date income from operations and adjusting for discrete items arising in that quarter. However, if the Company is unable to make a reliable estimate of its AETR, then the actual effective tax rate for the year-to-date period may be the best estimate. For the three months ended September 30, 2022, the Company computed its tax provision (benefit) using the AETR approach. However, starting with the six months ended December 31, 2022, the Company recorded the actual effective tax rate as it was determined that the AETR approach was not the most appropriate estimate to be applied to the year to date ~~pretax pre-tax~~ (loss) income given small changes in the forecast of pre-tax (loss) income would result in significant changes in the AETR. For the ~~six~~ nine months ended ~~December 31, 2023~~ March 31, 2024, the Company again recorded the actual effective tax rate as it was determined that the AETR approach was not the most appropriate estimate.

Benefit for income taxes was ~~\$33.1 million~~ \$42.2 million and ~~\$44.0 million~~ \$68.1 million for the ~~six~~ nine months ended ~~December 31, 2023~~ March 31, 2024 and ~~2022~~, 2023, respectively, resulting in effective tax rates of ~~37.2%~~ 43.7% and ~~36.2%~~ 33.5%, respectively. Income tax benefit decreased primarily due to an increase in ~~year-to-date earnings pre-tax profitability in our domestic~~ and a reduced Foreign-Derived Intangible Income ("FDII") deduction recorded in the current period, foreign operations.

Liquidity and Capital Resources

Resources

As of ~~December 31, 2023~~ March 31, 2024 and June 30, 2023, our principal sources of liquidity consisted of ~~\$130.8~~ \$177.6 million and \$241.2 million, in cash and cash equivalents, respectively.

We believe our existing cash on hand and cash flows generated by operations are sufficient for at least the next 12 months to meet our operating requirements, including those related to salaries and wages, working capital, capital expenditures, and other liquidity requirements associated with operations. We may need to raise additional funds if we decide to make one or more acquisitions of businesses, technologies or products. If additional funding for such purposes is required beyond existing resources and our Amended and Restated Credit Agreement described below, we may not be able to affect a receivable, equity or debt financing on terms acceptable to us or at all.

Amended and Restated Credit Agreement

The Amended and Restated Credit Agreement provides for a \$200.0 million secured revolving credit facility, of which the Company had ~~\$197.4~~ \$197.7 million available for borrowing as of ~~December 31, 2023~~ March 31, 2024. For a more detailed description of the Amended and Restated Credit Agreement, see Note 10, "Debt" to our condensed consolidated financial statements.

Cash Flows

Operating Cash Flows

Net cash provided by operating activities decreased by \$7.8\$0.7 million during the six nine month period ended December 31, 2023 March 31, 2024, as compared to the same period in prior fiscal year, primarily driven by a decrease of \$36.3\$103.4 million in cash due to unfavorable changes in working capital, primarily due to the timing of contract cycle renewals, billings and billings, the timing of settlement on the foreign currency forward contract in the prior year, partially offset by an increase of \$28.5\$102.7 million in cash provided due to higher income before non-cash charges.

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Investing Cash Flows

Net cash used in investing activities decreased by \$55.7\$44.5 million during the six nine month period ended December 31, 2023 March 31, 2024, as compared to the same period in prior fiscal year, primarily driven by a decrease of \$66.7\$64.2 million in cash used for business acquisitions, and \$1.4 million in cash used for capital expenditures, partially offset by an increase of \$12.5 million in cash used for the asset acquisition of Plantweb Optics Analytics software, software and a decrease in the proceeds from the settlement of foreign currency forward contracts of \$10.8 million.

Financing Cash Flows

Net cash used in financing activities increased decreased by \$151.5\$56.0 million during the six nine month period ended December 31, 2023 March 31, 2024, as compared to the same period in prior fiscal year, primarily driven by a decrease in funds used for the repayment of the term loan of \$276.0 million and an increase of \$186.3 million in cash used for common stock repurchases, partially offset by an increase of \$38.9\$38.3 million in cash provided from our cash pooling arrangements with related parties. parties, offset in part by an increase of \$243.1 million in cash used for common stock repurchases.

Free Cash Flows

Free cash flow (non-GAAP) decreased \$6.2 million increased by \$1.5 million during the six nine month period ended December 31, 2023 March 31, 2024, as compared to the same period in the prior fiscal year, primarily driven by the decrease in net cash provided by operating activities (GAAP), partially offset by a decrease in used for capital expenditures.

The following table provides a reconciliation of net cash provided by operating activities (GAAP) to free cash flow (non-GAAP) for the indicated periods:

	Six Months Ended December 31,		Nine Months Ended March 31,	
	2023	2022	2024	2023
	(Dollars in Thousands)			
	(Dollars in Thousands)			
	(Dollars in Thousands)			
Net cash provided by operating activities (GAAP)				
Purchase of property, equipment, and leasehold improvements				
Payments for capitalized computer software development costs				
Free cash flow (non-GAAP) ⁽¹⁾				

⁽¹⁾ For the interim period beginning January 1, 2023, we no longer exclude acquisition and integration planning related payments from our computation of free cash flow. Free cash flow for all prior periods presented has been revised to the current period computation methodology.

Contractual Obligations

Letters of Credit

Standby letters of credit in the aggregate amounts of \$31.5\$30.8 million and \$39.0 million secured our performance on professional services contracts, certain facility leases and potential liabilities as of December 31, 2023 March 31, 2024 and June 30, 2023, respectively. The letters of credit expire at various dates through fiscal 2031.

Effects of Inflation

We do not believe that inflation has had a material impact on our business or operating results during the periods presented. However, inflation may in the future have an impact on our ability to execute on our acquisition strategy. Inflationary costs could adversely affect our business, financial condition and results of operations. In addition, increased inflation has had, and may continue to have, an effect on interest rates. Increased interest rates may adversely affect our borrowing rate and our ability to obtain, or the terms under which we can obtain, any potential additional funding.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Risk

During the three months ended December 31, 2023 March 31, 2024 and 2022, 12.1% 2023, 14.6% and 8.3% 8.7% of our total revenue was denominated in a currency other than the U.S. dollar, respectively. During the six nine months ended December 31, 2023 March 31, 2024 and 2022, 9.9% 2023, 11.7% and 10.0% 9.6% of our total revenue was denominated in a currency other than the U.S. dollar, respectively. In addition, certain of our operating costs incurred outside the United States are denominated in currencies other

than the U.S. dollar. We conduct business on a worldwide basis and as a result, a portion of our revenue, earnings, net assets, and net investments in foreign affiliates is exposed to changes in foreign currency exchange rates. We measure our net exposure for cash balance positions and for cash inflows and outflows in order to evaluate the need to mitigate our foreign exchange risk. We may enter into foreign currency forward contracts to minimize the impact related to unfavorable exchange rate movements related to our cash positions and cash flows, although we have not done so during the three months ended **December 31, 2023** **March 31, 2024** and **2022, 2023**. Currently, our largest exposures to foreign exchange rates exist primarily with the Euro, Pound Sterling, **Norwegian Krone**, Japanese Yen, **Canadian Dollar**, **Russian Ruble**, Indonesian Rupiah, **Australian Dollar**, and **Norwegian Krone**, **Kuwaiti Dinar**.

We recorded net foreign currency exchange losses of **\$0.3 million** **\$2.1 million** and **\$3.6 million** **\$1.0 million**, respectively, during the three months ended **December 31, 2023** **March 31, 2024** and **2022, 2023**, and **\$6.2 million** **\$8.2 million** and **\$4.7 million** **\$3.7 million**, respectively, during the **six nine** months ended **December 31, 2023** **March 31, 2024** and **2022, 2023**, related to the settlement and remeasurement of transactions denominated in currencies other than the functional currency of our operating units. Our analysis of operating results transacted in various foreign currencies indicated that a hypothetical 10% change in the foreign currency exchange rates could have increased or decreased our results of operations by approximately **\$3.0** **\$3.2 million** and **\$3.1** **\$10.1 million** for the three months ended **December 31, 2023** **March 31, 2024** and **2022, 2023**, respectively, and by approximately **\$4.8** **\$8.1 million** and **\$5.6** **\$15.7 million** for the **six nine** months ended **December 31, 2023** **March 31, 2024** and **2022, 2023**, respectively.

Interest Rate Risk

We place our investments in money market instruments. Our analysis of our investment portfolio and interest rates as of **December 31, 2023** **March 31, 2024** indicated that a hypothetical 100 basis point increase or decrease in interest rates would not have a material impact on the fair value of our investment portfolio determined in accordance with an income-based approach utilizing portfolio future cash flows discounted at the appropriate rates.

Investment Risk

We own an interest in a limited partnership investment fund. The primary objective of this partnership is investing in equity and equity-related securities (including convertible debt) of venture growth-stage businesses. We account for the investment in accordance with Topic 323, *Investments - Equity Method and Joint Ventures*. Our total commitment under this partnership is \$5.0 million CAD, or \$3.7 million USD. Under the conditions of the equity method investment, unfavorable future changes in market conditions could lead to a potential loss up to the full value of our \$5.0 million CAD, or \$3.7 million USD commitment. As of **December 31, 2023** **March 31, 2024**, the fair value of this investment was **\$3.2** **\$3.3 million** CAD, or \$2.4 million USD, representing our payment towards the total commitment, and is recorded in non-current assets in our condensed consolidated balance sheets.

Item 4. Controls and Procedures.

a) Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and interim chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of **December 31, 2023** **March 31, 2024**. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act") means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of **December 31, 2023** **March 31, 2024**, our chief executive officer and interim chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective.

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b) Changes in Internal Controls Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the three months ended **December 31, 2023** **March 31, 2024**, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We will continue to review and document our disclosure controls and procedures, including our internal control over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

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PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 1A. Risk Factors.

The risks described in "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2023, could materially and adversely affect our business, financial condition and results of operations. These risk factors do not identify all risks that we face—our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. The Risk Factors section of our 2023 Annual Report on Form 10-K remains current in all material respects, with the exception of the risk factors described below.

In addition, the ongoing conflict in Ukraine could adversely impact our business, financial position, cash flows and results of operations in Russia and Ukraine which may in turn spread and impact our overall business, financial position, cash flows and results of operations.

We maintain limited operations in Russia and license software and provide related services to customers in Russia and areas of Ukraine that are not under sanction. Russia. We had revenue in Russia of approximately \$44.6 million and \$9.9 million for fiscal 2023 and 2022, respectively, and \$5.8 \$13.7 million and \$16.8 \$7.3 million for the three months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively, and \$13.0 \$27.7 million and \$26.8 \$34.0 million for the six nine months ended December 31, 2023 March 31, 2024 and 2022, 2023, respectively. We also had total assets in Russia of approximately \$35.2 \$45.8 million and \$39.7 million as of December 31, 2023 March 31, 2024 and June 30, 2023, respectively, related to operations in Russia.

As a result of the conflict between Russia and Ukraine, the United States, the European Union, the United Kingdom and other governments, among others, have developed coordinated sanctions and export-control measure packages. These packages include, include: comprehensive financial sanctions against major Russian banks (including SWIFT cut off); designations of individuals and entities involved in Russian military activities; additional designations of Russian individuals including but not limited to those with significant business interests and government connections; and enhanced export controls and trade sanctions targeting Russia's imports of a wide range of goods as a whole, including tighter controls on exports and reexports of items previously subject to only a low level of control, stricter licensing policy with respect to issuing export licenses, and/or increased use of "end-use" controls to block or impose licensing requirements on exports.

We may be required to cease or suspend operations in Russia or should the conflict or the effects of sanctions, export control measures and business restrictions worsen, we may voluntarily elect to do so. so, whether as a result of new sanctions and export-control measure packages or otherwise. There is also a risk that we may not be able to continue our business in Russia because we are unable to conduct banking activities in Russia. We no longer provide engineering services to customers in Russia, which may impact our ability to renew existing contracts and provide support to those customers. In addition, we have limited our operations in Russia to contract renewals only with existing customers. While we continue to evaluate the impact of the various sanctions and restrictions imposed by the United States, other governments, and financial institutions on our ability to do conduct business in Russia, and areas of Ukraine that are not under sanction, access cash held in Russia, maintain contracts with and pay vendors and in Russia, pay employees in Russia, and receive payment from customers in Russia, and areas of Ukraine that are not under sanction, there is no assurance that we will be able to do so in the future. Any disruption to, or suspension of, our business and operations in Russia would result in the loss of revenue or access to our cash balances from the business in Russia and would negatively impact our growth. growth and profitability. We also may suffer reputational harm as a result of our continued operations in Russia, which may adversely impact our sales and other businesses in other countries.

We assess our operations for potential asset impairment in accordance with our accounting practices, and are periodically evaluating the impact of the various sanctions and restrictions imposed by the United States and other governments on our ability to conduct business in Russia. The outcome of these assessments, which may include a write-off of our remaining assets that are related to the operations in Russia, and their potential impact on our ability to continue to conduct business to the same extent as currently conducted will depend on how the conflict evolves and on further actions that may be taken by the United States, Russia, other governments, and others.

Furthermore, the ongoing military conflict and sanctions on Russia have resulted in adverse macroeconomic effects which have in the past and may in the future have an adverse effect on our business. For example, the war between Russia and Ukraine has already resulted in significant volatility in financial markets and depreciation of the Russian ruble and the Ukrainian hryvnia against the U.S. dollar, as well as an increase in energy and commodity prices globally and restrictions on our ability to withdraw and move funds from Russian bank accounts. The conflict may also result in additional consequences including, but not limited to, supply shortages, further increases in prices of commodities, reduced consumer purchasing power, significant disruptions in logistics infrastructure, telecommunications services and risks relating to the availability of information technology systems and infrastructure. Other potential consequences include, but are not limited to, growth in the number of popular uprisings in the region, increased political discontent, especially in the regions most affected by the conflict or economic sanctions, increase in cyberterrorism activities and attacks, displacement of persons to regions close to the areas of conflict and an increase in the number of refugees fleeing across Europe, among other unforeseen social and humanitarian effects.

Continued conflict between Russia and Ukraine and any escalation of that conflict, could have a material adverse impact on our business, financial condition, cash flows and results of operations and could cause the market value of our securities to decline.

An escalation

Table of the Israeli-Hamas conflict may have a material adverse impact on the Company's business and operations in the region.Contents

We have operations and customers in the Middle East. A further escalation of the current Israeli-Hamas conflict could result in additional armed conflict, terrorist activities, and political or macroeconomic instability in the Middle East region. This, in turn, could cause our customers in the region to reduce their capital expenditures, resulting in a reduction of our sales to such customers. A decline in our sales to our customers in the affected region and any further impact of such conflict or instability on our operations could have a material adverse impact on our business and operations in the region, results of operations or financial condition.

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

Purchases of Equity Securities by the Issuer

On May 5, 2023, we entered into the ASR Program with JPMorgan to repurchase an aggregate of \$100.0 million of our common stock. For more details on the ASR Program, refer to Note 13, "Stock Repurchases" to our condensed consolidated financial statements. During fiscal 2023, we repurchased 487,626 shares of our common stock for \$100.0 million pursuant to the ASR Program, and on August 7, 2023 the ASR Program settled, resulting in an additional delivery of 107,045 shares of our common stock to us.

On August 1, 2023, we announced that our board of directors approved the Share Repurchase Authorization, pursuant to which an aggregate \$300.0 million of our common stock may be repurchased. During the second third quarter of fiscal 2024, the Company repurchased 375,041 288,241 shares for \$72.1 \$56.7 million under the Share Repurchase Authorization. As of December 31, 2024 March 31, 2024, a total of 954,839 1,243,080 shares have been repurchased under the Share Repurchase Authorization for \$186.3 \$243.1 million, with the total remaining value being \$113.7 \$56.9 million. For more details on the Share Repurchase Authorization, refer to Note 13, "Stock Repurchases" to our condensed consolidated financial statements.

The following is a summary of stock repurchases for each month during the second third quarter of fiscal 2024:

Period	Total Number of Shares Period Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value that May Yet Be Purchased Under the Plans or Programs (1)	Total Number of Shares Period Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value that May Yet Be Purchased Under the Plans or Programs (1)

(Dollars in Thousands, Except Shares and per Share Data)
(Dollars in Thousands, Except Shares and per Share Data)
(Dollars in Thousands, Except Shares and per Share Data)

October 1, 2023 to October 31, 2023
November 1, 2023 to November 30, 2023
December 1, 2023 to December 31, 2023
January 1, 2024 to January 31, 2024
February 1, 2024 to February 29, 2024
March 1, 2024 to March 31, 2024
Total

(1) On August 1, 2023, the Company announced that its Board of Directors approved the Share Repurchase Authorization, pursuant to which an aggregate \$300.0 million of its common stock may be repurchased.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

During the three months ended December 31, 2023 March 31, 2024, none of our directors or officers adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement.

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Item 6. Exhibits.

Exhibit Number	Description
10.1^	Aspen Technology, Inc. Executive Retention Plan
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of President and Chief Executive Officer and Senior Vice President and Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)
^	Management contract or compensatory plan or arrangement

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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.

Aspen Technology, Inc.

Date: February 6, 2024 May 7, 2024

By: Is/ ANTONIO J. PIETRI
Antonio J. Pietri
President and Chief Executive Officer
(Principal Executive Officer)

Date: February 6, 2024 May 7, 2024

By: Is/ CHRISTOPHER STAGNO
Christopher Stagno
Senior Vice President, Interim Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT 10.1 Aspen Technology, Inc. Executive Retention Plan



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2 Aspen Technology, Inc. Executive Retention Plan EFFECTIVE DATE; PURPOSE This Aspen Technology, Inc. Executive Retention Plan (the "Plan") is effective as of May 2, 2024 (the "Effective Date"). Capitalized terms used but not otherwise defined have the meanings given to them in the "Definitions" section of this Plan. ELIGIBILITY The Board may designate employees of the Company or a subsidiary as participants in the Plan (the "Participants"), and the Board may amend the list of Participants from time to time, unless otherwise agreed in writing with a Participant. The Board may delegate the authority to administer the Plan and to select Participants to the Human Capital Committee. No employee who has been selected as a Participant may be removed as a Participant during the twelve-month period immediately following a Change in Control or a Control Event. The Participants are set forth on Exhibit A hereto, which Exhibit shall be updated from time to time to reflect designations by the Board or the Human Capital Committee. QUALIFYING TERMINATION Participants will become entitled to payments and benefits hereunder upon a "Qualifying Termination," which means the termination of the Participant's employment by the Company without Cause or by the Participant for Good Reason. SEVERANCE BENEFITS A Participant who experiences a Qualifying Termination will be entitled to payments and benefits under only one of paragraphs (a), (b) and (c) below, subject to the other terms of this Plan. (a) Qualifying Termination. If a Participant has a Qualifying Termination not described in paragraph (b) or (c) then, subject to the execution and non-revocation of the Release Agreement, the Company will pay the Participant the following: (i) The Accrued Amounts. (ii) Cash severance, payable during the 12-month period following the Participant's termination date in substantially equal installments on the Company's normal payroll schedule, equal to the sum of (A) 12 months of the Participant's base salary and (b) the Participant's target annual cash bonus, pro-rated for the portion of the fiscal year which has elapsed as of the date of the Qualifying Termination and less any portion of actual cash bonus earned with respect to the year of termination that has previously been paid to the Participant (in either case without giving effect to any reductions constituting Good Reason) (the "Salary Severance").



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3. (iii) An additional cash payment, payable in a lump sum, within 10 business days following the effectiveness of the Release Agreement, in an amount equal to 12 times the monthly employer portion of the premium for the same level of coverage, including dependents, provided to the Participant under the Company's group health benefit plans immediately before the termination date (the "Benefits Severance"); and (iv) If and to the extent determined to be appropriate by the Board, Company-paid outplacement services (the "Outplacement Services"). (b) Qualifying Termination following a Change in Control. If a Participant has a Qualifying Termination during the 12 month period immediately following the consummation of a Change in Control, then: (i) The Company will pay the Participant the Accrued Amounts, Salary Severance, Benefits Severance and Outplacement Services, except that the Salary Severance will be payable in a lump sum, within 10 business days following the effectiveness of the Release Agreement (to the extent permissible without violating Section 409A of the Code); and (ii) Also subject to the execution and non-revocation of the Release Agreement, each then unvested equity or equity-based award held by the Participant will, upon the effectiveness of the Release Agreement, become fully vested (and, if applicable, such awards will be fully exercisable), with any awards that are subject to the attainment of performance criteria vesting at the target level of performance (or, if determinable and greater, the actual level of performance). Any outstanding stock option held by the Participant on her or her termination date will continue to be exercisable until the earlier of 90 days following the Participant's termination date or the original expiration date of the stock option. (c) Qualifying Termination Following a Control Event. If a Participant has a Qualifying Termination within the one year period commencing upon the occurrence of a Control Event (a "Covered Termination") and subsection (b) does not apply to the Participant's termination, then: (i) The Company will pay the Participant the Accrued Amounts, Salary Severance, Benefits Severance and Outplacement Services, except that the Salary Severance and the Benefits Severance will each be payable in a lump sum, within 10 business days following the effectiveness of the Release Agreement (to the extent permissible without violating Section 409A of the Code); and



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4. (i) Each Specified Equity Award held by the Participant will (subject to the execution and non-revocation of the Release Agreement) become vested and, if applicable, exercisable, as follows: (1) Each Specified Award which is subject to only time-based vesting conditions will vest in with respect to the portion of the award which would have become vested in the one year period immediately following the Covered Termination had the Participant remained employed, with the vesting to occur immediately prior to the Covered Termination and, in the case of Specified Awards which are stock options, the options will remain exercisable for 90 days following the Covered Termination (but not beyond the maximum term of the applicable stock option); and (2) Each Specified Award which is subject to performance-based vesting conditions will, upon the Covered Termination, (A) be converted into a time vesting award, vesting in equal annual tranches at the target level of performance and (B) be immediately vested as to the portion of the award which would have vested on the time vesting schedule described in clause (A), commencing on the date of grant and ending on the one-year anniversary of the Covered Termination. Except as may be required by Section 409A of the Code, shares (or cash or other property into which the awards are equitably adjusted) subject to awards which become vested pursuant to subsection (b) subsection (c) (other than stock options or stock appreciation rights which remain outstanding) will be delivered on or as soon as practicable following vesting. The Participant will not have to mitigate the amount of any payment or benefits payable under this Plan by seeking other employment or otherwise. Further, the amount of any payment or benefits payable under this Plan will not be reduced by any compensation earned by the Participant from employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Participant to the Company or otherwise. DEFINITIONS "Accrued Amounts" means (i) any unpaid base salary accrued by the Participant through the Participant's termination date; (ii) any unpaid annual incentive bonus earned by the Participant for a prior fiscal year; and (iii) any vested employee benefits that the Participant is entitled to receive as of the termination date under any employee benefit plan of the Company or one of its subsidiaries (in accordance with the terms of the plan); "Board" means the Board of Directors of the Company; "Cause" means (a) the Participant's repeated failure to perform the Participant's assigned duties; (b) the Participant's engagement in illegal conduct or gross misconduct which is materially harmful to the Company's business or reputation; (c) the Participant materially fails to comply with any written policy applicable to the Participant, including, but not limited to, the Company's Code of Business Ethics and Conduct or Insider Trading Policy; or (d) the Participant's commission of a felony under the laws of the United States or any State of the United States. Notwithstanding the foregoing, if the



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5 Participant has an effective employment agreement with the Company or a subsidiary which contains a Cause definition, that definition will govern for purposes of the Plan. "Change in Control" has the meaning set forth in the Aspen Technology, Inc. 2022 Omnibus Incentive Plan, as in effect on the Effective Date; provided that, if at any time following the Effective Date, EMR Worldwide, Inc. ceases to be the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended) of 50% or more of either (a) the then-outstanding shares of common stock of the Company or (y) the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of directors, then at the time the beneficial ownership falls below either that 50% level, then after that date the following clauses will be deemed to have been deleted from such definition for purposes of this Plan: (1) clause (D) of Section 15.3.2(i), the proviso to Section 15.3.2(ii) and (3) clause (B) of Section 15.3.2(iii). "Code" means the Internal Revenue Code of 1986, as amended. Any reference to a section of the Code includes a reference to any related regulations. A "Control Event" will occur upon the first date following the Effective Date when EMR Worldwide, Inc. and its affiliates hold 90% or more of either (x) the then-outstanding shares of common stock of the Company or (y) the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of directors. "Good Reason" means the occurrence of any of the following without the prior written consent of the Participant: (a) a reduction in the Participant's annual base salary or annual cash bonus opportunity as in effect on the Effective Date or, if later, the date upon which the Participant is selected as a Participant (and as Participant's base salary may be increased from time to time), other than pursuant to an across-the-board reduction in base salary for all similarly-situated executives of the Company and its affiliates; (b) a change by the Company to the Participant's primary work location to a new location that is more than 50 miles away from Participant's primary work location immediately prior to the change; or (c) a material reduction in the Participant's authority, duties or responsibilities as of immediately before the Effective Date or, if later, the date upon which the Participant is selected as a Participant (and as Participant's authority, duties or responsibilities may be increased from time to time); provided however, that following a Control Event, "Good Reason" does not exist if the Participant is employed by the Company with substantially the same authority, duty and responsibilities with respect to the Company's business that participant had immediately prior to the Effective Date (or, if later, the date upon which the Participant is selected as a Participant (and as Participant's authority, duties or responsibilities may be increased from time to time)) and shall not be deemed to exist solely because the Participant's title or reporting relationship is revised to reflect the Participant's placement, solely by virtue of a Control Event, within the overall corporate hierarchy of the post-transaction entity.



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6 Notwithstanding the foregoing, if the Participant has an effective employment agreement with the Company or a subsidiary which contains a Good Reason definition, that definition will govern for purposes of the Plan. In order for a resignation by a Participant to constitute a termination for Good Reason hereunder, the Participant must give notice to the Company of the event or circumstance constituting Good Reason within 30 days of the occurrence of that event or circumstance and the Company must have failed to cure the event or circumstance within the 30-day period following receipt of notice (and the Participant must have resigned within the 30-day period immediately following the expiration of the cure period). "Release Agreement" means a General Release of Claims in a form acceptable to the Company, in its sole discretion. "Specified Equity Awards" means unvested equity or equity-based compensation awards from the Company, whenever granted, unless both (1) the award is granted following the Effective Date and (2) the award agreement for the subsequent award specifically exempts the award from the application of subsection (c) of the Severance Benefits section of this Plan. SECTION 280G If it is determined that any payment or benefit provided to the Participant or for the Participant's benefit (whether or not paid under this Plan) (the "Total Payments") would be subject to the excise tax imposed by Section 4999 of the Code, (the "Excise Tax"), then the Total Payments payable under this Plan will be reduced to the highest amount which would not be subject to the Excise Tax, but only if the reduction would result in the Participant keeping a larger amount, on an after-tax basis (accounting for federal, state and local income taxes and the imposition of the Excise Tax), than if the Participant received all of the Total Payments. Any reduction will be effected in a manner which is intended to comply with any applicable requirements under Section 409A of the Code. NOTICES All notices, instructions and other communications related to the Plan will be in writing. Any notice, instruction or communication will be sent either (i) by registered or certified mail, return receipt requested, postage prepaid, or (ii) prepaid via a reputable nationwide overnight courier service, in each case addressed to the Company, at Aspen Technology, Inc., ATTN: Secretary (or, if the Participant is the Secretary, to the attention of the President), 20 Crosby Drive, Bedford MA 01730, and to the Participant at the address the Company has on file for the Participant. Any notice, instruction or communication will be deemed to have been delivered five business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day after it is sent via a reputable nationwide overnight courier service. CLAIMS; DISPUTES All claims by a Participant for benefits under the Plan will be directed to the Board and will be in writing. Any rejection by the Board of a claim will be delivered to the Participant in writing and will set forth the specific reasons for the rejection and the specific provisions of this Plan relied on.



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7.832911-BOSSR01A - MSW EXPENSES Before a Change in Control has occurred, all legal, accounting and other fees and expenses which a party may reasonably incur as a result of any claim or contest (regardless of the outcome thereof) by the Company, the Participant or others regarding the validity or enforceability of, or liability under, any provision of this Plan or any guarantee of performance thereof (including as a result of any contest by the Participant regarding the amount of any payment or benefits pursuant to this Plan), will be the responsibility of the non-prevailing party. After a Change in Control has occurred, the Company will pay as incurred all legal, accounting and other fees and expenses which the Participant may reasonably incur as a result of any claim or contest (regardless of the outcome thereof) by the Company, the Participant or others regarding the validity or enforceability of, or liability under, any provision of this Plan. ADMINISTRATION The Board has the authority to administer and interpret the Plan. The Board has all powers necessary to carry out its responsibilities under the Plan, including to (i) administer the Plan according to its terms and to interpret Plan policies and procedures; (ii) resolve and clarify inconsistencies, ambiguities and omissions in the Plan and between the Plan and other related documents; (iii) take all actions and make all decisions about eligibility to participate in the Plan and entitlement to receive benefits under the Plan, and benefit amounts; (iv) make, amend, interpret, and enforce all rules and regulations for the administration of the Plan; (v) process and approve or deny all claims for benefits; and (vi) resolve questions that arise in connection with the Plan. The Board may delegate any of its duties related to the Plan to any person or group that it designates. Any delegation will be in writing. If the Board has delegated duties under the Plan, any reference to the Board in this Plan document will instead reference the delegate. AMENDMENT; TERMINATION The Plan may be amended or terminated by the Board at any time, provided, however, that the Plan may not be amended or terminated during the 12 months immediately after a Change in Control or Control Event. TAX MATTERS Withholding. The Company will have the right to withhold from any amount payable under the Plan any Federal, state and local taxes in order for the Company to satisfy any withholding tax obligation it may have under any applicable law or regulation. Section 409A. The intent of the parties is that payments and benefits under this Plan be exempt from, or comply with, Section 409A of the Code, and accordingly, to the maximum extent permitted, this Plan will be interpreted and administered to be in accordance with Section 409A. Notwithstanding anything contained in this Plan to the contrary, the Participant will not be considered to have terminated employment with the Company for purposes of any payments under this Plan which are subject to Section 409A of the Code until the Participant would be considered to have has a "separation from service" from the Company within the meaning of Section 409A of the Code. Each amount to be paid or benefit to be provided under this Plan will be construed as a separate payment for purposes of Section 409A of the Code, and any payments described in this Plan that are due within the "short term deferral period" as defined in Section 409A of the Code will not be treated as deferred compensation unless applicable law requires otherwise. Without limiting the



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3. Notwithstanding anything contained in this Plan to the contrary, if needed in order to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, amounts that would otherwise be payable and benefits that would otherwise be provided pursuant to this Plan during the 6- month period immediately after a Participant's separation from service will instead be paid on the first business day after the date that is 6 months after the Participant's separation from service (or, if earlier, death). If needed to avoid accelerated taxation and/or tax penalties under Section 409A of the Code, amounts reimbursable to the Participant under this Plan will be paid to the Participant on or before the last day of the year after the year in which the expense was incurred and the amount of expenses eligible for reimbursement (and in-kind benefits provided) during any one year may not effect amounts reimbursable or provided in any subsequent year. The Company makes no representation that any or all of the payments described in this Plan will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to any payment. The Participant will be solely responsible for the payment of any taxes and penalties incurred under Section 409A. GENERAL PROVISIONS At-Will Employment. The Plan does not alter the status of each Participant as an at-will employee of the Company. Nothing in the Plan gives any Participant the right to remain employed by the Company or limits the Company's right to terminate the employment of any Participant at any time, with or without Cause. Severability. The invalidity or unenforceability of any provision of the Plan will not affect the validity or enforceability of any other provision of the Plan. If any provision of the Plan is held by a court of competent jurisdiction to be unenforceable, the provision will be deemed modified as needed to make the provision legal, valid and enforceable, and the other remaining provisions of the Plan will not be affected. Successors. The Plan will be binding upon any successor to the Company, its assets, its businesses or its interest (whether as a result of a Change in Control or otherwise), as if no succession had taken place. If any successor would not automatically be bound by the Plan, the Company will require the successor to expressly assume the Plan in writing and honor the obligations of the Company under the Plan under the Plan, as if no succession had taken place. All payments and benefits that become due to a Participant under the Plan will inure to the benefit of his or her heirs, assigns, designees or legal representatives. Compensation Recovery Policy. Payments and benefits hereunder shall be subject to the Company's Compensation Recovery Policy or or incentive compensation recoupment policy as in effect from time to time. Transfer and Assignment. Neither a Participant nor any other person will have any right to sell, assign or otherwise transfer any amounts payable under the Plan before the date that the amounts are paid, except that, if a Participant dies, those amounts will be paid to the Participant's beneficiaries.



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9 Governing Law. If not pre-empted by federal law, the Plan will be governed by the internal laws of The Commonwealth of Massachusetts, without regard to conflicts of law principles.



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

I, Antonio J. Pietri, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aspen Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2024 May 7, 2024

/s/ ANTONIO. J. PIETRI

Antonio J. Pietri

President and Chief Executive Officer

(Principal Executive Officer)

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

I, Christopher Stagno, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Aspen Technology, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 6, 2024 May 7, 2024

/s/ CHRISTOPHER STAGNO

Christopher Stagno

Senior Vice President, Interim Chief Financial Officer
(Principal 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

In connection with the Quarterly Report on Form 10-Q of Aspen Technology, Inc. (the "Company") for the quarter ended December 31, 2023 March 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies in his capacity as an officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

Date: February 6, 2024 May 7, 2024

/s/ ANTONIO J. PIETRI

Antonio J. Pietri

President and Chief Executive Officer
(Principal Executive Officer)

Date: February 6, 2024 May 7, 2024

/s/ CHRISTOPHER STAGNO

Christopher Stagno

Senior Vice President, Interim Chief Financial Officer

(Principal Financial Officer)

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

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