

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 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: 001-40680

MeridianLink, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware

82-4844620

(State or Other Jurisdiction of
Incorporation or Organization)

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

3560 Hyland Avenue, Suite 200, Costa Mesa, CA

92626

(Address of Principal Executive Offices)

(Zip Code)

(714) 708-6950

(Registrant's Telephone Number, Including Area Code)

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

<i>Title of each class</i>	<i>Trading Symbol(s)</i>	<i>Name of each exchange on which registered</i>
Common stock, par value \$0.001 per share	MLNK	The New York Stock Exchange

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

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

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

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

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

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

As of May 3, 2024, there were 76,708,674 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

MeridianLink, Inc.

Table of Contents

	Page
PART I. FINANCIAL INFORMATION	
Item 1.	Financial Statements (unaudited) 3
	Condensed Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023 3
	Condensed Consolidated Statements of Operations for the three months ended March 31, 2024 and 2023 4
	Condensed Consolidated Statements of Stockholders' Equity for the three months ended March 31, 2024 and 2023 5
	Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2024 and 2023 7
	Notes to Condensed Consolidated Financial Statements 9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations 27
Item 3.	Quantitative and Qualitative Disclosures about Market Risk 41
Item 4.	Controls and Procedures 41
PART II. OTHER INFORMATION	
Item 1.	Legal Proceedings 43
Item 1A.	Risk Factors 43
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds 74
Item 3.	Defaults Upon Senior Securities 74
Item 4.	Mine Safety Disclosures 74
Item 5.	Other Information 74
Item 6.	Exhibits 75
	Signatures 76

This Quarterly Report on Form 10-Q includes trademarks, such as MeridianLink®, which are protected under applicable intellectual property laws and are the property of MeridianLink, Inc. or its subsidiaries. This Quarterly Report on Form 10-Q also contains trademarks, service marks, copyrights, and trade names of other companies, which are the property of their respective owners. Solely for convenience, our trademarks and trade names referred to in this Quarterly Report on Form 10-Q may appear without the ® or ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks and trade names.

PART I

Item 1. Financial Statements

MERIDIANLINK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(b unaudited)
(in thousands, except share and per share data)

	As of	
	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 62,285	\$ 80,441
Accounts receivable, net	36,623	32,412
Prepaid expenses and other current assets	12,238	11,574
Total current assets	111,146	124,427
Property and equipment, net	3,011	3,337
Right of use assets, net	967	1,140
Intangible assets, net	238,818	251,060
Goodwill	610,063	610,063
Other assets	6,495	6,224
Total assets	\$ 970,500	\$ 996,251
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,135	\$ 4,405
Accrued liabilities	28,369	30,673
Deferred revenue	37,683	17,224
Current portion of debt, net of debt issuance costs	3,543	3,542
Total current liabilities	73,730	55,844
Debt, net of debt issuance costs	419,102	420,004
Deferred tax liabilities, net	10,639	10,823
Long-term deferred revenue	257	792
Other long-term liabilities	439	541
Total liabilities	504,167	488,004
Commitments and contingencies (Note 5)		
Stockholders' Equity:		
Preferred stock, \$0.001 par value; 50,000,000 shares authorized; zero shares issued and outstanding at March 31, 2024 and December 31, 2023	—	—
Common stock, \$0.001 par value; 600,000,000 shares authorized, 76,338,829 and 78,447,701 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	127	129
Additional paid-in capital	662,403	654,634
Accumulated deficit	(196,197)	(146,516)
Total stockholders' equity	466,333	508,247
Total liabilities and stockholders' equity	\$ 970,500	\$ 996,251

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

MERIDIANLINK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2024	2023
Revenues, net	\$ 77,816	\$ 77,135
Cost of revenues:		
Subscription and services	21,344	23,501
Amortization of developed technology	4,729	4,454
Total cost of revenues	<u>26,073</u>	<u>27,955</u>
Gross profit	51,743	49,180
Operating expenses:		
General and administrative	25,179	22,555
Research and development	9,485	13,812
Sales and marketing	10,536	8,213
Restructuring related costs	3,191	2,904
Total operating expenses	<u>48,391</u>	<u>47,484</u>
Operating income	3,352	1,696
Other (income) expense, net:		
Interest and other income	(956)	(470)
Interest expense	9,582	9,031
Total other expense, net	<u>8,626</u>	<u>8,561</u>
Loss before income taxes	(5,274)	(6,865)
Provision for (benefit from) income taxes	32	(1,199)
Net loss	\$ (5,306)	\$ (5,666)
Net loss per share:		
Basic	\$ (0.07)	\$ (0.07)
Diluted	\$ (0.07)	\$ (0.07)
Weighted average common stock outstanding:		
Basic	77,335,072	80,659,978
Diluted	77,335,072	80,659,978

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

MERIDIANLINK, INC.
CONDENSED CONSOLIDATED STATEMENTS STOCKHOLDERS' EQUITY
(unaudited)
(in thousands, except share data)

	Common Stock		Paid-in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2023	78,447,701	\$ 129	\$ 654,634	\$ (146,516)	\$ 508,247
Vesting of restricted stock units ("RSUs")	261,847	—	—	—	—
Issuance of common stock due to exercise of stock options	26,856	—	191	—	191
Shares withheld related to net share settlement of RSUs	8,440	—	(294)	—	(294)
Repurchases of common stock	(2,406,015)	(2)	—	(44,375)	(44,377)
Share-based compensation expense	—	—	7,872	—	7,872
Net loss	—	—	—	(5,306)	(5,306)
Balance at March 31, 2024	76,338,829	\$ 127	\$ 662,403	\$ (196,197)	\$ 466,333

MERIDIANLINK, INC.
CONDENSED CONSOLIDATED STATEMENTS STOCKHOLDERS' EQUITY
(b unaudited)
(in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2022	80,644,452	\$ 128	\$ 621,396	\$ (42,433)	\$ 579,091
Vesting of restricted stock awards	59,558	4	—	—	4
Vesting of RSUs	65,770	—	—	—	—
Issuance of common stock due to exercise of stock options	97,412	—	594	—	594
Shares withheld related to net share settlement of RSUs	(1,769)	—	(24)	—	(24)
Repurchases of common stock	(228,529)	—	—	(3,499)	(3,499)
Share-based compensation expense	—	—	4,939	—	4,939
Net loss	—	—	—	(5,666)	(5,666)
Balance at March 31, 2023	80,636,894	\$ 132	\$ 626,905	\$ (51,598)	\$ 575,439

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

MERIDIANLINK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(b unaudited)
(in thousands)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (5,306)	\$ (5,666)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	14,524	14,531
Provision for expected credit losses	234	532
Amortization of debt issuance costs	212	235
Share-based compensation expense	7,803	4,891
Deferred income taxes	(184)	(1,198)
Loss on disposal of property and equipment	6	—
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(4,444)	(5,028)
Prepaid expenses and other assets	(960)	(1,636)
Accounts payable	(270)	2,717
Accrued liabilities	(2,501)	1,706
Deferred revenue	19,924	16,997
Net cash provided by operating activities	<u>29,038</u>	<u>28,081</u>
Cash flows from investing activities:		
Capitalized software additions	(1,837)	(1,924)
Purchases of property and equipment	(92)	(134)
Net cash used in investing activities	<u>(1,929)</u>	<u>(2,058)</u>
Cash flows from financing activities:		
Repurchases of common stock	(44,000)	(3,490)
Proceeds from exercise of stock options	191	594
Taxes paid related to net share settlement of restricted stock units	(294)	(24)
Principal payments of debt	(1,088)	(1,087)
Payments of deferred offering costs	(74)	—
Net cash used in financing activities	<u>(45,265)</u>	<u>(4,007)</u>
Net (decrease) increase in cash and cash equivalents	(18,156)	22,016
Cash and cash equivalents, beginning of period	<u>80,441</u>	<u>55,780</u>
Cash and cash equivalents, end of period	<u>\$ 62,285</u>	<u>\$ 77,796</u>

MERIDIANLINK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(b unaudited)
(in thousands)

	Three Months Ended March 31,	
	2024	2023
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 9,365	\$ 9,019
Cash paid for income taxes	32	50
Non-cash investing and financing activities:		
Shares withheld with respect to net settlement of restricted stock units	294	24
Excise taxes payable included in repurchases of common stock	377	9
Share-based compensation expense capitalized to software additions	69	48
Purchase price allocation adjustment related to income tax effects for StreetShares acquisition	—	245
Purchases of property and equipment included in accounts payable and accrued liabilities	44	79
Vesting of restricted stock awards and restricted stock units	—	4

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

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 – Organization and Description of Business

MeridianLink, Inc., and its wholly-owned subsidiaries, (collectively, the "Company") provides secure, cloud-based digital solutions that transform the ways in which traditional and emerging financial services providers engage with account holders and end users. The Company sells its solutions to financial institutions, including banks, credit unions, mortgage lenders, specialty lending providers, and consumer reporting agencies. The Company delivers its solutions to the substantial majority of its customers using a software-as-a-service ("SaaS") model under which its customers pay subscription fees for the use of the Company's solutions. The Company is headquartered in Costa Mesa, California.

Note 2 – Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany balances and transactions have been eliminated in consolidation.

The interim condensed consolidated balance sheet as of March 31, 2024, the condensed consolidated statements of operations and stockholders' equity for the three months ended March 31, 2024 and 2023, and the condensed consolidated statements of cash flows for the three months ended March 31, 2024 and 2023 are unaudited. The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect, in the opinion of management, all adjustments of a normal and recurring nature that are necessary for the fair presentation of the Company's condensed consolidated financial position as of March 31, 2024, its condensed consolidated results of operations for the three months ended March 31, 2024 and 2023 and its cash flows for the three months ended March 31, 2024 and 2023. The financial data and the other financial information disclosed in the notes to the condensed consolidated financial statements related to the three months ended March 31, 2024 and 2023 and as of March 31, 2024, are also unaudited. The condensed consolidated balance sheet as of December 31, 2023, included herein, and financial information as of December 31, 2023, disclosed in the notes to the condensed consolidated financial statements was derived from the audited consolidated financial statements as of that date.

The condensed consolidated results of operations for any interim period are not necessarily indicative of the results to be expected for the full year or for any other future annual or interim period. These interim condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2023, filed on March 12, 2024 ("2023 Annual Report on Form 10-K").

Operating and Reportable Segment

The Company operates and manages its business and financial information on a consolidated basis for the purposes of evaluating financial performance and the allocation of resources. The Company's management determined that it operates in one operating and reportable segment that is focused exclusively on providing cloud-based digital solutions in the United States. In reaching this conclusion, management considers the definition of the chief operating decision maker ("CODM"), how the business is defined by the CODM, the nature of the information provided to the CODM, and how that information is used to make operating decisions, allocate resources, and assess performance. The Company's CODM is the chief executive officer. The results of operations provided to and analyzed by the CODM are at the consolidated level, and accordingly, key resource decisions and assessment of performance are performed at the consolidated level. The Company assesses its determination of operating segments at least annually.

MERIDIANLINK, INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)****Use of Estimates**

The preparation of the accompanying condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses. Certain items subject to such estimates include the fair value of acquired intangible assets; the capitalization of software development costs; the useful lives of long-lived intangible assets; impairment of goodwill and long-lived assets; and income taxes, including the valuation allowance for deferred income taxes. In accordance with GAAP, management bases its estimates on historical experience and on various other assumptions that management believes are reasonable under the circumstances. Management regularly evaluates its estimates and assumptions using historical experience and other factors; however, actual results could differ significantly from those estimates.

Significant Accounting Policies

The Company's significant accounting policies are discussed in Note 2, "Significant Accounting Policies" in the Company's 2023 Annual Report on Form 10-K. There have been no changes to the Company's significant accounting policies described in the Company's 2023 Annual Report on Form 10-K that have had a material impact on its condensed consolidated financial statements and related notes.

Accounting Pronouncements Not Yet Adopted

The Company is an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") and has elected to use the extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies.

ASU 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures"

Accounting Standard Update ("ASU") 2023-09 is intended to enhance the transparency and decision usefulness of income tax disclosures. The amendments address investor requests for enhanced income tax information primarily through changes to the rate reconciliation and income taxes paid information. ASU 2023-09 is effective for the Company for annual periods beginning after December 15, 2025, on a prospective or retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact of this accounting standard update on its condensed consolidated financial statements and related disclosures.

ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures"

ASU 2023-07 requires enhanced disclosures about significant segment expenses and other segment items and requires companies to disclose all annual disclosures about segments in interim periods. The new standard also permits companies to disclose more than one measure of segment profit or loss, requires disclosure of the title and position of the CODM, and requires companies with a single reportable segment to provide all disclosures required by Topic 280. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted, and companies are required to apply the ASU retrospectively to all periods presented. The Company is currently evaluating the impact that adoption of this standard will have on its condensed consolidated financial statements and related disclosures.

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

Note 3 – Revenue Recognition**Disaggregation of Revenue**

The following table disaggregates the Company's net revenues by solution type (in thousands):

	Three Months Ended March 31,	
	2024	2023
Lending Software Solutions	\$ 60,903	\$ 58,001
Data Verification Software Solutions	16,913	19,134
Total	77,816	77,135

The following table disaggregates the Company's net revenues by major source (in thousands):

	Three Months Ended March 31,	
	2024	2023
Subscription fees	\$ 65,912	\$ 66,405
Professional services	9,010	8,435
Other	2,894	2,295
Total	77,816	77,135

Contract Balances

The following table presents amounts related to customer contract-related arrangements, which are included on the condensed consolidated balance sheets as follows (in thousands):

	As of March 31,	As of January 1,	As of March 31,	As of January 1,
	2024	2024	2023	2023
Accounts receivable	\$ 34,441	\$ 30,314	\$ 35,722	\$ 29,010
Unbilled receivables	2,182	2,098	1,679	3,895
Accounts receivable, net	\$ 36,623	\$ 32,412	\$ 37,401	\$ 32,905
Deferred revenue, current	\$ 37,683	\$ 17,224	\$ 34,090	\$ 16,945
Long-term deferred revenue	\$ 257	\$ 792	\$ 992	\$ 1,141

Unbilled receivables primarily result from revenue being recognized when or as control of a solution or service is transferred to the customer, but where invoicing is contingent upon the completion of other performance obligations or where the contract provides that payment timing differs from the provisioning of services. Unbilled receivables and accounts receivable, net of the allowance for expected credit losses, are included within accounts receivable, net on the Company's consolidated balance sheets. Accounts receivable and unbilled receivables will increase or decrease based on the timing of invoices, customer payments, and recognition of revenue.

Deferred Revenue

The balance of deferred revenue will increase or decrease based on the timing of invoices and recognition of revenue. Significant changes in our deferred revenue balances during the three months ended March 31, 2024 and 2023 were as follows (in thousands):

[Table of Contents](#)

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

	As of March 31,	
	2024	2023
Deferred revenue, beginning balance	\$ 18,016	\$ 18,086
Billing of transaction consideration	97,740	94,131
Revenue recognized	(77,816)	(77,135)
Deferred revenue, ending balance	\$ 37,940	\$ 35,082
Deferred revenue, current	\$ 37,683	\$ 34,090
Long-term deferred revenue	257	992
Total deferred revenue	<u><u>\$ 37,940</u></u>	<u><u>\$ 35,082</u></u>

Accounts Receivable and Allowance for Credit Losses

A rollforward of the Company's allowance for expected credit losses balance for the three months ended March 31, 2024, and 2023, is as follows (in thousands):

	As of March 31,	
	2024	2023
Allowance for expected credit losses, beginning balance	\$ 514	\$ 165
Provision for expected credit losses	234	532
Write offs, net	(115)	(33)
Allowance for expected credit losses, ending balance	<u><u>\$ 633</u></u>	<u><u>\$ 664</u></u>

Assets Recognized from Costs to Obtain a Contract with a Customer

Current costs for assets recognized from costs to obtain a contract with a customer are included in prepaid expenses and other current assets, and non-current costs are included in other assets on the accompanying condensed consolidated balance sheets. The following table represents the changes in assets recognized from costs to obtain a contract with a customer, or contract cost assets (in thousands):

	As of March 31,	
	2024	2023
Beginning balance	\$ 8,018	\$ 6,539
Additions	1,024	1,151
Amortization	(980)	(747)
Ending balance	<u><u>\$ 8,062</u></u>	<u><u>\$ 6,943</u></u>
Contract cost assets, current	\$ 3,845	\$ 3,196
Contract cost assets, noncurrent	4,217	3,747
Total contract cost assets	<u><u>\$ 8,062</u></u>	<u><u>\$ 6,943</u></u>

There was no impairment of contract cost assets during the three months ended March 31, 2024, and 2023.

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

Note 4 – Balance Sheet Components**Prepaid Expenses and Other Current Assets**

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

	As of March 31,	As of December 31,
	2024	2023
Prepaid expenses	\$ 7,149	\$ 5,762
Contract cost assets, current	3,845	3,782
Income tax receivable	459	961
Other	785	1,069
Total prepaid expenses and other current assets	\$ 12,238	\$ 11,574

Cloud Computing Arrangements

Current costs for capitalized deferred implementation costs are included in prepaid expenses and other current assets, and non-current costs are included in other assets on the accompanying condensed consolidated balance sheets. Capitalized deferred implementation costs for cloud computing arrangements consisted of the following (in thousands):

	As of March 31,	As of December 31,
	2024	2023
Capitalized deferred implementation costs	\$ 2,054	\$ 1,779
Accumulated amortization	(233)	(208)
Capitalized deferred implementation costs, net	\$ 1,821	\$ 1,571

Amortization expense for capitalized deferred implementation costs was immaterial for both the three months ended March 31, 2024, and 2023.

Property and Equipment, Net

Property and equipment, net consisted of the following (in thousands):

	As of March 31,	As of December 31,
	2024	2023
Computer equipment and software	\$ 8,850	\$ 8,794
Leasehold improvements	2,424	2,732
Office equipment and furniture	991	990
Total	12,265	12,516
Accumulated depreciation	(9,254)	(9,179)
Property and equipment, net	\$ 3,011	\$ 3,337

Depreciation expense amounted to \$0.4 million, and \$0.5 million for the three months ended March 31, 2024, and 2023, respectively.

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

Intangible Assets, Net

Intangible assets, net consisted of the following (in thousands):

	As of March 31, 2024		
	Gross Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 343,300	\$ (175,032)	\$ 168,268
Developed technology	96,400	(54,845)	41,555
Trademarks	24,975	(13,430)	11,545
Non-competition agreements	5,500	(1,988)	3,512
Capitalized software	30,903	(16,965)	13,938
Total intangible assets, net	\$ 501,078	\$ (262,260)	\$ 238,818

	As of December 31, 2023		
	Gross Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 343,300	\$ (166,485)	\$ 176,815
Developed technology	96,400	(52,039)	44,361
Trademarks	24,975	(12,803)	12,172
Non-competition agreements	5,500	(1,743)	3,757
Capitalized software	28,997	(15,042)	13,955
Total intangible assets, net	\$ 499,172	\$ (248,112)	\$ 251,060

For the three months ended March 31, 2024 and 2023, the Company capitalized \$ 1.9 million, and \$2.0 million, respectively, related to internally developed software costs.

The weighted average remaining useful lives for intangible assets as of March 31, 2024, were as follows:

	Weighted Average Remaining Useful Life (in years)	
	2024	2023
Customer relationships	5	
Developed technology	6	
Trademarks	5	
Non-competition agreements	4	
Capitalized software	2	

Amortization expense related to intangible assets was as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Cost of revenues	\$ 4,729	\$ 4,454
General and administrative expense	9,419	9,582
Total amortization expense	\$ 14,148	\$ 14,036

[Table of Contents](#)

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

The estimated future amortization of intangible assets as of March 31, 2024, was as follows (in thousands):

Years ending December 31,		
2024 (remaining nine months)	\$	42,210
2025		50,697
2026		44,872
2027		42,272
2028		24,901
Thereafter		33,866
Total amortization expense	\$	<u>238,818</u>

No impairment of long-lived assets was recorded during either the three months ended March 31, 2024 or 2023.

Accrued Liabilities

Accrued liabilities consisted of the following (in thousands):

	As of March 31,		As of December 31,	
	2024	2023	2024	2023
Accrued payroll and payroll-related expenses	\$ 8,237	\$ 9,501		
Accrued operating costs	4,371	3,655		
Sales tax liabilities from acquisitions	3,383	3,383		
Accrued costs of revenues	2,576	2,003		
Accrued bonuses	2,476	6,424		
User conference accrual	1,861	1,073		
Customer deposits	1,243	1,302		
Operating lease liabilities – current	778	773		
Other sales tax liabilities	436	404		
Excise taxes payable	756	379		
Other accrued liabilities	2,252	1,776		
Total accrued liabilities	<u>\$ 28,369</u>	<u>\$ 30,673</u>		

Note 5 – Commitments and Contingencies

Legal Matters

The Company is, and from time to time may be, involved in legal proceedings and claims arising out of the Company's operations in the ordinary course of business. The Company accrues estimates for resolution of legal proceedings and other contingencies when we determine that the likelihood of an unfavorable outcome is probable and the amount of loss is reasonably estimable. Management is not currently aware of any legal proceedings or claims against it that could have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

Other Contractual Commitments

The Company's contractual commitments primarily consist of third-party cloud infrastructure agreements and service subscription arrangements used to support operations at the enterprise level. Future minimum payments under the Company's non-cancelable purchase commitments as of March 31, 2024, are as follows (in thousands):

	Contractual Commitments
Years ending December 31,	
2024 (remaining nine months)	\$ 2,398
2025	1,115
2026	975
Thereafter	—
Total	\$ 4,488

Note 6 – Debt

Debt consisted of the following (in thousands):

	As of March 31,	As of December 31,
	2024	2023
2021 Term loan	\$ 426,300	\$ 427,388
Debt issuance costs	(3,655)	(3,842)
Total debt, net	422,645	423,546
Less: Current portion of debt		
2021 Term loan	4,350	4,350
Debt issuance costs	(807)	(808)
Total current portion of debt, net	3,543	3,542
Total non-current portion of debt, net	\$ 419,102	\$ 420,004

Amortization of debt issuance costs was \$0.2 million and \$0.2 million for the three months ended March 31, 2024, and 2023, respectively. Total interest expense, excluding amortization of debt issuance costs, was \$9.4 million and \$8.9 million for the three months ended March 31, 2024 and 2023, respectively.

2021 Credit Agreement

On November 10, 2021, the Company entered into a credit agreement (the "2021 Credit Agreement"), which provides for a term loan facility (the "2021 Term Loan") in an aggregate principal amount of \$435.0 million, and a revolving credit facility (the "2021 Revolving Credit Facility") in an aggregate principal amount of \$50.0 million, inclusive of a \$10.0 million letter of credit sub-facility. The Company used the proceeds from the 2021 Term Loan to pay all outstanding amounts due under the Company's previous 2018 First Lien plus certain fees and expenses. The 2021 Term Loan and 2021 Revolving Credit Facility mature on November 10, 2028, and November 10, 2026, respectively. The Company has not drawn on the 2021 Revolving Credit Facility as of March 31, 2024.

During the second quarter of 2023, the Company entered into a conforming changes amendment to the 2021 Credit Agreement that established the Secure Overnight Financing Rate ("SOFR") as the benchmark rate used in the definition of the Eurocurrency Rate for its 2021 Term Loan and 2021 Revolving Credit Facility. Under the terms of the conforming changes amendment, SOFR will be used as the benchmark rate for interest periods beginning on or after June 30, 2023. In connection with the amendment, the Company incurred \$0.1 million of financing fees that was expensed during the three months ended June 30, 2023.

The obligations under the 2021 Credit Agreement are secured by a lien on substantially all tangible and intangible property of the Company, subject to customary exceptions, limitations, and exclusions from the collateral.

MERIDIANLINK, INC.**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

The 2021 Credit Agreement contains customary affirmative covenants, negative covenants and events of default, including covenants and restrictions that, among other things, require the Company to satisfy a financial covenant, and restricts or limits the ability of the Company to grant or incur liens, incur additional indebtedness, enter into joint ventures or partnerships, engage in mergers and acquisitions, engage in asset sales, and declare dividends on its capital stock, subject in each case to certain customary exceptions. A failure to comply with covenants could permit the lenders to declare the 2021 Term Loan, and any then outstanding borrowings on the 2021 Revolving Credit Facility, together with accrued interest and fees thereon, to be immediately due and payable. The Company was in compliance with all financial covenants of the 2021 Credit Agreement at March 31, 2024.

2021 Term Loan

Borrowings under the 2021 Term Loan bear interest at a variable rate, elected by the Company, equal to the Base Rate (as defined in the 2021 Credit Agreement) or the Eurocurrency Rate (as defined in the 2021 Credit Agreement), plus, an initial margin based on the Company's Consolidated First Lien Net Leverage Ratio (as defined by the 2021 Credit Agreement), which was 3.00% at March 31, 2024. Beginning in June 2022, the Company is required to make quarterly principal payments equal to 0.25% of the original principal, with the remainder due at maturity.

Debt issuance costs of \$7.6 million were included as a reduction of the debt balance on the condensed consolidated balance sheets and are amortized into interest expense over the contractual life of the loans using the effective interest method. Included in the debt issuance costs were \$4.8 million incurred in connection with the 2021 Term Loan, and \$2.8 million carried forward from the Company's previous 2018 First Lien. The Company recognized \$0.2 million and \$0.2 million, of amortization of debt issuance costs for the 2021 Term Loan during the three months ended March 31, 2024 and 2023, respectively. The effective interest rate on the 2021 Term Loan was 8.9% as of March 31, 2024.

2021 Revolving Credit Facility

Borrowings under the 2021 Revolving Credit Facility bear interest, at the election of the Company, at a rate equal to the Base Rate (as defined in the 2021 Credit Agreement) or the Eurocurrency Rate (as defined in the 2021 Credit Agreement), plus, in each case, the Applicable Rate (as defined in the 2021 Credit Agreement), which shall vary based on the Company's Consolidated First Lien Net Leverage Ratio.

In connection with the 2021 Revolving Credit Facility, the Company incurred \$ 0.5 million in debt issuance costs. Expenses associated with the issuance of the revolving credit facility are presented in the accompanying condensed consolidated balance sheets in prepaid expenses and other current assets and other assets, and are amortized to interest expense over the life of the 2021 Revolving Credit Facility using the straight-line method. The remaining unamortized debt issuance costs were \$0.3 million and \$0.3 million as of March 31, 2024, and December 31, 2023, respectively.

The 2021 Revolving Credit Facility also requires a quarterly commitment fee based on the Company's consolidated first lien net leverage ratio. As of March 31, 2024, the applicable rate was 0.5%, which was applied against the \$50.0 million unused revolving credit facility balance.

Future Principal Payments

Future principal payments of debt as of March 31, 2024, were as follows (in thousands):

Years ending December 31,		
2024 (remaining nine months)	\$	3,262
2025		4,350
2026		4,350
2027		4,350
2028		409,988
Total	\$	426,300

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

Note 7 - Stockholders' Equity**Stock Repurchase Programs**

In May 2022, the Company's board of directors authorized a stock repurchase program to acquire up to \$ 75.0 million of the Company's common stock, with no fixed expiration date and no requirement to purchase any minimum number of shares (the "2022 Stock Repurchase Program"). In January 2024, the Company's board of directors authorized a stock repurchase program to acquire up to \$125.0 million of the Company's common stock, with no fixed expiration date and no requirement to purchase any minimum number of shares (the "2024 Stock Repurchase Program").

The manner, timing, and actual number of shares repurchased under the programs will depend on a variety of factors, including price, working capital needs, general business and market conditions, regulatory requirements, and other investment opportunities. Shares may be repurchased through privately negotiated transactions, or open market purchases, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934. The repurchase programs may be commenced, suspended, or terminated at any time by the Company at its discretion without prior notice.

Approximately \$44.4 million (including excise taxes) of the 2024 Stock Repurchase Program was used for the stock repurchase in connection with the Secondary Offering (defined below).

For both the 2022 Stock Repurchase Program and 2024 Stock Repurchase Program, the Company retires the repurchased shares, which automatically return to the status of authorized but unissued shares of common stock. The cost of the repurchased shares, including commissions, fees, and excise taxes are recorded as an adjustment to accumulated deficit on the Company's condensed consolidated balance sheets and statements of stockholders' equity.

Secondary Offering by Selling Stockholders and Related Common Stock Repurchase

On February 9, 2024, the Company completed an underwritten secondary offering for the sale of 6,906,015 shares of common stock by certain of its existing stockholders, at an offering price of \$19.00 per share (the "Secondary Offering"). The selling stockholders also granted the underwriters a 30-day option to purchase up to an additional 675,000 shares of common stock from the selling stockholders at the public offering price, less underwriting discounts and commissions. The underwriters did not exercise their option to purchase any additional shares before the expiration of the 30-day window. The Company did not receive any proceeds from the sale of its common stock by the selling stockholders in the Secondary Offering. During the three months ended March 31, 2024, the Company incurred costs of \$1.4 million in connection with the Secondary Offering. These costs are included within general and administrative expenses on the Company's condensed consolidated statements of operations.

The Secondary Offering was made pursuant to an effective shelf registration statement on Form S-3 (Registration No. 333-276336), which was filed with the Securities and Exchange Commission on December 29, 2023 and became effective on January 8, 2024.

On February 9, 2024, in connection with the Secondary Offering and pursuant to the 2024 Repurchase Program, the Company purchased 2,406,015 shares of its common stock from the underwriters at a price per share equal to \$18.2875, which is equal to the per share price at which the underwriters purchased the shares from the selling stockholders in the Secondary Offering, resulting in an aggregate purchase price of approximately \$44.4 million (including excise taxes).

Stock Repurchase Activity

A summary of repurchased share activity during the three months ended March 31, 2024 and 2023, is as follows (in thousands except share data):

	Three Months Ended March 31,	
	2024	2023
Total number of shares repurchased	2,406,015	228,529
Total cost of shares repurchased, including commissions, fees, and excise taxes	\$ 44,377	\$ 3,499

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

As of March 31, 2024, there was a total of \$ 91.1 million remaining for repurchase under the Company's stock repurchase programs.

Note 8 – Share-based Compensation

2021 Stock Option and Incentive Plan

The 2021 Stock Option and Incentive Plan (the "2021 Plan") was adopted by the board of directors and approved by the Company's stockholders following the corporate conversion effected in connection with the Company's initial public offering and became effective as of July 26, 2021. The 2021 Plan replaced both the Company's 2019 Equity Option Plan (the "2019 Plan") and the Project Angel Parent, LLC Equity Plan (the "2018 Plan"). Outstanding options to purchase Class B Units granted under the 2019 Plan were converted into options to purchase shares of common stock, and all outstanding Carried Equity Units granted under the 2018 Plan were converted into restricted stock awards ("RSAs"), both of which have been granted under the 2021 Plan.

The Company had initially reserved 13,171,588 shares of its common stock for the issuance of awards under the 2021 Plan. The 2021 Plan provides that the number of shares reserved and available for issuance under the 2021 Plan will automatically increase on January 1, 2022, and each January 1 thereafter, by 5% of the outstanding number of shares of common stock on the immediately preceding December 31, or such lesser number of shares as determined by the Company's compensation committee. The number of shares reserved under the 2021 Plan is subject to adjustment in the event of a stock split, stock dividend, or other change in the Company's capitalization.

The 2021 Plan provides flexibility to the Company's compensation committee to use various equity-based incentive awards as compensation tools to motivate the Company's workforce. The incentive awards that may be granted under the 2021 Plan include, but are not limited to, options to purchase common stock, stock appreciation rights, restricted shares of common stock, restricted stock units, and cash bonuses.

Stock Options

A summary of stock option activity during the three months ended March 31, 2024, is as follows (in thousands, except options, price per option, and term amounts):

	Number of Options	Weighted Average Exercise Price	Weighted Average		Aggregate Intrinsic Value
			Remaining Contract Term (in years)		
Outstanding – January 1, 2024	3,976,372	\$ 12.53	6.68	\$ 49,670	
Granted	—	—			
Exercised	(26,856)	7.12			
Forfeited	(18,964)	22.19			
Outstanding – March 31, 2024	3,930,552	\$ 12.52	6.39	\$ 30,230	
Vested and expected to vest in the future at March 31, 2024	3,930,552	12.52	6.39	\$ 30,230	
Exercisable at March 31, 2024	3,189,348	\$ 10.62	6.05	\$ 29,546	

The total fair value of options that vested during the three months ended March 31, 2024 and 2023 was \$ 1.2 million and \$1.1 million, respectively.

The total intrinsic value of options exercised during the three months ended March 31, 2024 and 2023 was \$ 0.4 million and \$0.9 million, respectively.

The Company recognized \$1.3 million and \$1.3 million in share-based compensation expense related to time-based and performance-based stock options for the three months ended March 31, 2024 and 2023, respectively. During the three months ended March 31, 2024 and 2023, performance-based options were probable of vesting and, therefore, were included as part of share-based compensation expense.

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

As of March 31, 2024, there was \$7.9 million of unrecognized share-based compensation expense related to stock options, which is expected to be recognized over a weighted-average period of 1.7 years.

Restricted Stock Units

A summary of restricted stock unit ("RSU") activity during the three months ended March 31, 2024, is as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value
Non-vested – January 1, 2024	4,919,744	\$ 17.19
Granted	85,949	19.01
Vested	(261,847)	17.86
Forfeited	(174,781)	17.18
Non-vested – March 31, 2024	<u>4,569,065</u>	<u>\$ 17.18</u>

Each RSU represents the right to receive one share of the Company's common stock upon vesting and settlement. As of March 31, 2024, 4,569,065 RSUs are expected to vest. The Company recognized \$6.4 million and \$3.4 million in share-based compensation expense related to RSUs for the three months ended March 31, 2024 and 2023, respectively.

As of March 31, 2024, there was \$62.1 million of unrecognized share-based compensation expense related to RSUs, which is expected to be recognized over a weighted-average period of 2.65 years.

Employee Stock Purchase Program

As of March 31, 2024, the Company has issued 0 shares of common stock pursuant to the 2021 Employee Stock Purchase Plan under its employee stock purchase program ("ESPP"). As of March 31, 2024, there was \$0.1 million of unrecognized share-based compensation related to the ESPP that is expected to be recognized over the remaining term of the current offering period. The Company recognized \$0.2 million and \$0.1 million of share-based compensation expense related to the ESPP for both the three months ended March 31, 2024 and 2023, respectively.

Share-Based Compensation

Share-based compensation for share-based awards granted to participants has been recorded in the condensed consolidated statements of operations for the three months ended March 31, 2024 and 2023 as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Cost of revenues	\$ 782	\$ 853
General and administrative	4,393	2,264
Research and development ⁽¹⁾	1,502	1,783
Sales and marketing	1,259	290
Restructuring related costs ⁽²⁾	(133)	(299)
Total share-based compensation expense	<u>\$ 7,803</u>	<u>\$ 4,891</u>

(1) Net of \$0.1 million additions to capitalized software on the Company's condensed consolidated balance sheets during both the three months ended March 31, 2024 and 2023, respectively.

(2) Relates to unvested stock compensation that was forfeited as part of the 2024 Realignment Plan and 2023 Restructuring Plan. See Note 12, "Restructuring."

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

Note 9 – Income Taxes

In accordance with applicable accounting guidance, the Company is required to use an estimated annual effective tax rate to compute its tax provision during an interim period. However, there is an exception to the use of this method when a reliable estimate of its ordinary income (loss) or related tax (benefit) for the year cannot be determined. In that case, an entity may report the actual tax or benefit applicable when annual income cannot be estimated, as a discrete item in the interim period. This exception was used in determining the tax provision for the three months ended March 31, 2024.

Using the discrete method for the current year, and the annual effective tax rate method for the prior year, the Company's provision for income taxes reflected an effective tax rate of (0.6)% and 17.5% for the three months ended March 31, 2024 and 2023, respectively.

During the three months ended March 31, 2024, the Company's effective tax rate differs from the U.S. federal statutory rate primarily due to research and development credits, state income taxes, permanent unfavorable differences related to share-based compensation expense, certain employee remuneration under section 162(m) of the Internal Revenue Code, and other expected permanent differences; primarily offset by a change in the valuation allowance. During the three months ended March 31, 2023, the Company's effective tax rate differs from the U.S. federal statutory rate primarily due to R&D credits, state taxes, permanent unfavorable differences related to share-based compensation expense, certain employee remuneration under section 162(m) of the Internal Revenue Code, and other expected permanent differences.

The Company regularly assesses whether a valuation allowance should be recorded against its deferred tax assets based on the consideration of all available evidence, both positive and negative, using a "more likely than not" realization standard. In making such a determination, all available positive and negative evidence are considered, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. In making such judgements, significant weight is given to evidence that can be objectively verified. After analyzing all available evidence, including the past and current trend in volatility in the Company's business operating environment, which has impacted the Company's current ability and expectation to generate sufficient future taxable income to fully realize its deferred tax assets, the Company continues to maintain that it is more likely that it would not be able to utilize all of the deferred tax assets as of March 31, 2024 and December 31, 2023, and, therefore, has a partial valuation allowance against its deferred tax assets. The Company's valuation allowance was \$31.3 million and \$29.4 million as of March 31, 2024 and December 31, 2023, respectively. During the three months ended March 31, 2024, the Company increased its valuation allowance on deferred tax assets by \$1.9 million. Adjustments to the valuation allowance are recorded as an adjustment to provision for (benefit from) income taxes on the Company's condensed consolidated statements of operations.

The Company has gross unrecognized tax benefits with respect to research and development credits of \$ 3.7 million as of March 31, 2024, and \$3.5 million as of December 31, 2023. We have recorded an immaterial amount of penalties and interest to income tax expense as the credits have started to be utilized in certain jurisdictions, however almost all credits have no penalties or interest recorded as the credits have not yet been fully utilized.

Note 10 – Related Party Transactions

In the course of its business operations, transactions are conducted with parties with which the Company has a close association that may be deemed to be related party transactions.

The following table presents the impact of related party transactions on the Company's consolidated statements of operations (in thousands):

	Three Months Ended March 31,	
	2024	2023
Cost of revenues	\$ 364	\$ 319
General and administrative	166	248
Research and development	25	162
Total related party expenses	<u>\$ 555</u>	<u>\$ 729</u>

[Table of Contents](#)

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

The following table presents the impact of related party transactions on the Company's condensed consolidated balance sheets (in thousands):

	As of March 31,	As of December 31,	
	2024	2023	
Prepaid expenses and other current assets	\$ 269	\$ 38	
Total current assets	<u>\$ 269</u>	<u>\$ 38</u>	
Accounts payable	\$ 225	\$ 110	
Accrued liabilities	<u>146</u>	<u>243</u>	
Total current liabilities	<u>\$ 371</u>	<u>\$ 353</u>	

Under the terms of these related-party transactions, all amounts incurred and recognized are expected to be settled within one year from the date of the accompanying consolidated balance sheets.

Note 11 – Net Loss Per Share

The following table presents the calculation of basic and diluted net loss per share (in thousands, except share and per share data):

	Three Months Ended March 31,	
	2024	2023
Basic and diluted net loss per share		
Numerator:		
Net loss attributable to common stockholders	\$ (5,306)	\$ (5,666)
Denominator:		
Weighted average common stock outstanding:		
Basic	77,335,072	80,659,978
Diluted	77,335,072	80,659,978
Net loss per share:		
Basic	\$ (0.07)	\$ (0.07)
Diluted	\$ (0.07)	\$ (0.07)

A reconciliation of the denominator used in the calculation of basic and diluted earnings per share is as follows:

	Three Months Ended March 31,	
	2024	2023
Weighted average shares outstanding for basic loss per share	77,335,072	80,659,978
Effect of dilutive securities:		
Options outstanding, unexercised	—	—
RSAs unvested	—	—
RSUs unvested	—	—
Purchase rights committed under the ESPP	—	—
Weighted average shares outstanding for diluted loss per share	<u>77,335,072</u>	<u>80,659,978</u>

MERIDIANLINK, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

The following outstanding potentially dilutive securities were excluded from the calculation of diluted net loss per share attributable to common stockholders because their impact would have been anti-dilutive for the periods presented:

	Three Months Ended March 31,	
	2024	2023
Options to purchase common stock outstanding, unexercised	3,930,552	2,017,496
Restricted stock units, unvested	4,569,065	600,981
Purchase rights committed under the ESPP	18,293	—
Total	8,517,910	2,618,477

Note 12 – Restructuring Activities

2024 Realignment Plan

In January 2024, the Company's board of directors authorized an organizational realignment plan (the "2024 Realignment Plan") that is designed to manage operating costs, enable efficient delivery on business objectives, and allow for growth in areas of strategic importance. The 2024 Realignment Plan included a reduction of the Company's current workforce by approximately 9%.

The Company estimated that it would incur charges of approximately \$ 3.3 million to \$4.3 million in connection with the 2024 Realignment Plan, consisting primarily of cash expenditures and relating to employee severance payments, employee benefits, and employee transition costs. Restructuring charges of \$3.2 million for severance and related costs, net of \$ 0.1 million previously vested share-based compensation, was recognized during the three months ended March 31, 2024, and are reflected in restructuring related costs on the Company's condensed consolidated statements of operations. Accrued severance and related costs as of March 31, 2024 were \$0.2 million. The Company expects to complete the 2024 Realignment Plan during the second quarter of 2024.

A rollforward of the Company's restructuring reserve balance for the three months ended March 31, 2024 is as follows (in thousands):

	As of March 31,	
	2024	
Beginning balance	\$	—
Restructuring related costs		3,191
Payments		(3,014)
Ending balance	\$	177

2023 Restructuring Plan

In February 2023, the Company's board of directors authorized a restructuring plan (the "2023 Restructuring Plan") that was designed to consolidate the Company's functions and investments to prioritize customer-centric areas of the Company's organization, align teams with the Company's highest business priorities, and improve efficiencies. The Restructuring Plan included a reduction of the Company's then-current workforce by approximately 11%. Restructuring charges of \$2.9 million, consisting primarily of cash expenditures and relating to severance payments, employee, benefits, and employee transition costs, net of \$0.3 million previously vested share-based compensation, were recognized during the three months ended March 31, 2023. Accrued severance and related costs as of March 31, 2023, were \$0.6 million. These costs are reflected in restructuring related costs on the Company's consolidated statements of operations. The Company completed the 2023 Restructuring Plan in the second quarter of 2023.

MERIDIANLINK, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

Note 13 – Subsequent Events

Equity Grants

Pursuant to approval by the Company's compensation committee and board of directors, in April 2024, the Company awarded \$ 61.4 million of service-based RSUs to its employees under the 2021 Plan. Service-based RSUs generally vest over four years.

Special Note about Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans, and objectives of management are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "may," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2023, or our 2023 Annual Report on Form 10-K, and our other filings with the Securities and Exchange Commission, or SEC. These forward-looking statements are based on management's current beliefs, based on currently available information, as to the outcome and timing of future events. You should not rely upon forward-looking statements as predictions of future events. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, gross profit or gross margin, operating expenses, ability to generate cash flow, revenue mix, and ability to achieve and maintain future profitability;
- our ability to execute on our strategies, plans, objectives, and goals;
- our ability to compete with existing and new competitors in existing and new markets and offerings;
- our ability to develop and protect our brand;
- our ability to effectively manage privacy and information and data security;
- the concentration of our customer base in the financial institution industry, and spending by financial institutions on cloud-based technology;
- anticipated trends and growth rates in our business and in the markets in which we operate;
- our ability to maintain and expand our customer base and our partner network;
- our ability to sell our applications and expand internationally;
- our ability to comply with laws and regulations;
- our ability to anticipate market needs and successfully develop new and enhanced solutions to meet those needs;
- the impact of global financial, economic, public health, and political events on our industry, business, and results of operations;
- our ability to successfully identify, acquire, and integrate complementary businesses and technologies, and our expectations regarding the expected impact of such acquisitions on our business;
- our ability to hire and retain necessary qualified employees to grow our business and expand our operations;
- our ability to maintain effective internal control over financial reporting and disclosure controls and procedures, including our ability to remediate the identified material weakness in our internal control over financial reporting;
- our stock repurchase programs, including the execution and amount of repurchases and financing sources for any such repurchases;
- the execution of restructuring plans, including expected or contemplated associated timing, benefits, and costs;
- the evolution of technology affecting our applications, platform, and markets;
- economic and industry trends, including the impact of rising inflation rates on our customers and consumers generally;
- seasonal fluctuations in consumer borrowing trends and impact of changes in interest rates;
- our ability to adequately protect our intellectual property; and
- our ability to service our debt obligations.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on

our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events, or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we, in the future, may file with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

In this Quarterly Report on Form 10-Q, the terms "MeridianLink," "we," "us," and "our" refer to MeridianLink, Inc. and its subsidiaries, unless the context indicates otherwise.

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

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that could impact our business. In particular, we encourage you to review the risks and uncertainties described in the section titled "Risk Factors" included elsewhere in this Quarterly Report on Form 10-Q and in our 2023 Annual Report on Form 10-K. These risks and uncertainties could cause actual results to differ materially from those projected in forward-looking statements contained in this report or implied by past results and trends. Our fiscal year ends on December 31. Our historical results are not necessarily indicative of the results that may be expected for any period in the future, and our interim results are not necessarily indicative of the results we expect for the full fiscal year or any other period.

Overview

We are a leading provider of secure, cloud-based software solutions for financial institutions, including banks, credit unions, mortgage lenders, specialty lending providers, and credit reporting agencies, or CRAs. Financial institutions are undergoing digital transformation as they seek to transition business models, create new revenue streams, and increase customer engagement. We support our customers' digital transformations by helping them create a superior consumer experience with our mission-critical loan origination system, or LOS, digital lending platform, data verification solutions, and data analytics. Our solutions allow our customers to meet their clients' financial needs across the institution, which enables improved client acquisition and retention. Additionally, our solutions allow our customers to operate more efficiently by enabling automated loan decisioning and enhanced risk management.

The effective delivery and management of secure and advanced digital solutions in the complex and heavily regulated financial services industry requires significant resources, personnel, and expertise. We provide digital solutions that are designed to be highly configurable, scalable, and adaptable to the specific needs of our customers. We design and develop our solutions with an open platform approach intended to provide comprehensive integration among our solution offerings and our customers' internal systems and third-party systems. Our multi-product platform, MeridianLink One, can be tailored to meet the needs of our customers as they digitally transform their organizations and adapt to changing business and consumer demands. Moreover, our expert consultants offer strategic guidance and customized solutions through our modular platform to help our customers more quickly reduce costs and increase revenue, efficiency, and satisfaction of their clients.

Our solutions are central to the financial institution's technology ecosystem and help drive additional business volume for our customers both directly and indirectly through our Partner Marketplace. Our omni-channel borrowing experience seamlessly integrates all the touch points a borrower may have with the financial institution (remote via the web or an app, in person at a branch, or telephonically through an operator). In addition to our streamlined workflow, which has been refined over twenty years with input from across our customer base, our Partner Marketplace provides our customers optional integrations, the collective capabilities of which we believe further distinguish our solution from that of competitors.

We deliver our solutions to the substantial majority of our customers using a software-as-a-service, or SaaS, model under which our customers pay subscription fees for the use of our solutions as well as fees for transactions processed using our solutions. Our subscription fees consist of revenues from software solutions that are governed by pricing and terms contained in contracts between us and our customers. The initial term of our contracts is typically three years, but may range from one to seven years. Our customer contracts are typically not cancellable without penalty. Our contracts almost always contain an evergreen auto-renewal term that is often for a one-year extension after the initial term, but can extend the auto-renewal of the contract up to the length of the original term. Our subscription fee revenues include annual base fees, platform partner fees, and, depending on the product, fees per search or per loan application or per closed loan (with contractual minimums based on volume) that are charged on a monthly basis, which we refer to as volume-based fees. We earn additional revenues based on the volume of applications or closed loans processed above our customers' contractual minimums.

As a result of this pricing approach, our revenues from our customers grow as our customers add additional transaction types, purchase more modules, utilize more of our partner integrations, or see increased transaction volume. We generally sell our solutions through our direct sales organization or channel partners and recognize our subscription fee revenues over the terms of the customer agreements.

Our revenues per customer vary from period to period based on the length and timing of customer implementations, sales of additional solutions to existing customers, changes in the number of transactions processed (including impacts from seasonality and cyclical), and variations among existing customers and new customers with respect to the mix of purchased solutions and related pricing.

We seek to strengthen and grow our customer relationships by providing consistent, high-quality implementations and customer support services, which we believe drive higher customer retention and incremental sales opportunities within our existing customer base. We have migrated our solutions onto the public cloud, which helps to extend our innovation and security posture. We believe that our increased focus on our go-to-market strategy and strategic partnerships will drive incremental opportunities for revenue and accelerate customer cross-sell growth.

In addition, we believe there is untapped market potential in the loan origination and digital banking markets. We believe significant opportunity for additional customer acquisition and revenue growth exists as financial institutions continue to adopt online lending and account opening practices and require more efficient technologies. We provide these services to institutions of all sizes and complexities, but currently focus on the middle market. By focusing on better sales execution, providing and allocating resources where needed, and improving marketing efforts, we are confident in our ability to expand our customer base within our current target market.

We cater largely to financial institutions such as community banks and credit unions with assets under management between \$100 million and \$10 billion. For these institutions, lending is often the single most important revenue driver with approximately 70% of revenue for the full-year 2023 attributable to lending activities, according to the Federal Deposit Insurance Corporation as of April 3, 2024. In recent years, community banks have continued to compete with their typically larger non-community bank competitors. A large opportunity exists in expanding our target market to new customers with less than \$100 million or greater than \$10 billion in assets under management. In our down-market, smaller institutions commonly use spreadsheets or other inexpensive alternatives. These companies have a smaller volume of loans per month, but there is opportunity to right size our solutions to offer competitive pricing and functionality in order to expand into this market.

We have a build, buy, or partner capital allocation strategy for delivering value to customers and stockholders. For more than two decades, we have continuously invested in expanding and improving our solutions to expand our portfolio capabilities and reach into the consumer lending markets. For example, we designed a patented debt optimization engine to deepen the integration of our data verification and LOS solutions to empower loan officers to maximize loan acceptance rates, boost cross-sell opportunities, and deepen their relationships with clients.

In addition to developing our solutions organically, we may selectively pursue acquisitions, joint ventures, or other strategic transactions that provide additional capabilities or customers, or both. Acquisitions to date have included CRIF Lending Solutions, or CRIF, in June 2018, our closest competitor in consumer lending at the time. In November 2020, we acquired Teledata Communications, Inc., or TCI, the creator of DecisionLender, an industry-trusted LOS that improved our indirect lending capabilities. In December 2020, we acquired all of the assets of TazWorks, LLC, or TazWorks. TazWorks provides software and data solutions to CRAs focused on the employment and tenant screening market, a market that is adjacent and complementary to our current solutions for credit-focused CRAs. In April 2021, we acquired Saylent, a data analytics and marketing solution that enabled us to more rapidly bring to market our MeridianLink Engage product. In April 2022, we acquired StreetShares, Inc., or StreetShares, a financial technology company that enhances our MeridianLink Business capabilities. In November 2022, we acquired Beanstalk Networks LLC, doing business as OpenClose, or OpenClose, a leader in mortgage lending technology, with a particular focus on supporting depository institutions. This transaction has improved our platform by providing more customer-friendly capabilities, particularly through our Point of Sale solution, MeridianLink Mortgage Access, and has helped solidify our position in the depository market.

We have designed our Partner Marketplace to act as the gateway for third parties to access our customers, which allows our customers to leverage the capabilities from these third parties to enable an accelerated loan process with improved efficiency and reduced cost. We are able to capitalize on one-time service fees from our partners upon their integration into our Partner Marketplace and a revenue share from our partners as they derive revenues from our software solutions. As we grow our business, we expect to add additional product partners and drive additional monetization opportunities. We also intend to cultivate and leverage existing and future partners to grow our market presence.

We believe that delivery of consistent, high-quality implementations and customer support services is a significant driver of purchasing and renewal decisions of our prospects and customers. To develop and maintain a reputation for high-quality service, we seek to build deep relationships with our customers through our customer support organization, which we staff with personnel who are motivated by our common mission of using technology to help our customers succeed and who are knowledgeable with respect to the regulated and complex nature of the financial services industry. As we grow and scale our business, we intend to continue to invest in and grow our internal services and support organization, as well as partner with high quality third-party organizations, to support our customers' needs and maintain our reputation.

Global Considerations

Economic Uncertainty, Rising Inflation, and Increasing Interest Rates

We are also closely monitoring the recent volatility in capital markets and the increased economic uncertainty in the United States. These developments have led to higher inflation and increased uncertainty about business continuity. Additionally, interest rates, including for mortgages and consumer lending, have risen from historic lows and may increase further in the future. These factors may adversely affect our business and our results of operations. As our customers react to global economic conditions and the potential for a global recession, we may see reduced spending on our products and, therefore, may take additional precautionary measures to limit or delay expenditures and preserve capital and liquidity.

Inflation rates, particularly in the United States, have increased recently to multi-year highs. Increased inflation may result in decreased demand for mortgages and consumer lending, increased operating costs (including our labor costs), reduced liquidity, and limitations on our ability to access credit or otherwise raise debt and equity capital. In addition, the United States Federal Reserve has raised, and may again raise, interest rates in response to concerns about inflation. Increases in interest rates, especially if coupled with reduced government spending and volatility in financial markets, may cause us to experience lower than expected volumes if there is a decrease in customer spending.

As economic conditions continue to change quickly and are subject to rapid and possibly material change, we will continue to actively monitor these factors and may take actions that alter our business operations as we may determine are in the best interests of our customers and stockholders.

Recent Developments

Organizational Realignment Plan

In January 2024, our board of directors authorized an organizational realignment plan (the "2024 Realignment Plan") that is designed to manage operating costs, enable efficient delivery on business objectives, and allow for growth in areas of strategic importance. The 2024 Realignment Plan includes a reduction of the Company's current workforce by approximately 9%.

We estimate that we will incur charges of approximately \$3.3 million to \$4.3 million in connection with the 2024 Realignment Plan, consisting primarily of cash expenditures and relating to employee severance payments, employee benefits, and employee transition costs. Restructuring charges of \$3.2 million for severance and related costs, net of \$0.1 million previously vested share-based compensation, were recognized during the three months ended March 31, 2024, and are reflected in restructuring related costs on the Company's condensed consolidated statements of operations. Accrued severance and related costs as of March 31, 2024 were \$0.2 million. We expect to complete the 2024 Realignment Plan during the second quarter of 2024.

January 2024 Stock Repurchase Program

In January 2024, our board of directors authorized a new stock repurchase program to acquire up to \$125.0 million of our common stock, with no fixed expiration date and no requirement to purchase any minimum number of shares, or the 2024 Stock Repurchase Program. The manner, timing, and actual number of shares repurchased under the program will depend on a variety of factors, including price, working capital needs, general business and market conditions, regulatory requirements, and other investment opportunities. Shares may be repurchased through privately negotiated transactions, or open market purchases, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Exchange Act. The repurchase programs may be commenced, suspended, or terminated at any time by us at our discretion without prior notice. Any shares of common stock repurchased under the 2024 Stock Repurchase Program will be retired and automatically returned to the status of authorized but unissued shares of common stock. Approximately \$44.4 million (including excise taxes) of the 2024 Stock Repurchase Program was used for the stock repurchase in connection with the Secondary Offering, as described below.

Secondary Offering by Selling Stockholders and Related Common Stock Repurchase

On February 9, 2024, we completed an underwritten secondary offering for the sale of 6,906,015 shares of common stock by certain of our existing stockholders, at an offering price of \$19.00 per share, or the "Secondary Offering". In connection with the Secondary Offering, selling stockholders granted the underwriters a 30-day option to purchase up to an additional 675,000 shares of common stock from the selling stockholders at the public offering price, less underwriting discounts and commissions. The underwriters did not exercise their option to purchase any additional shares before the expiration of this 30-day window. We did not receive any proceeds from the sale of our common stock by the selling stockholders in the Secondary Offering. During the three months ended March 31, 2024, we incurred costs of \$1.4 million in connection with the Secondary Offering. These costs are included within general and administrative expenses on our condensed consolidated statements of operations.

The Secondary Offering was made pursuant to an effective shelf registration statement on Form S-3 (Registration No. 333-276336), which was filed with the Securities and Exchange Commission on December 29, 2023, and became effective on January 8, 2024.

On February 9, 2024, in connection with the Secondary Offering and pursuant to our 2024 Stock Repurchase Program, we repurchased 2,406,015 shares of our common stock from the underwriters at a price per share equal to \$18.2875, which is equal to the per share price at which the underwriters purchased the shares from the selling stockholders in the Secondary Offering, resulting in an aggregate purchase price of approximately \$44.4 million (including excise taxes).

Components of Operating Results

We have one primary business activity and operate in a single operating and reportable segment.

Revenues

Our revenues consist of three components: subscription fees, professional services, and other revenues.

Subscription Fee Revenues

Our software solutions are generally available for use as hosted application arrangements under subscription fee agreements. Our software solutions consist of an obligation for us to provide continuous access to a technology solution that it hosts and routine customer support, both of which we account for as a stand-ready performance obligation. Subscription fees from these applications are recognized over time on a ratable basis over the customer agreement term beginning on the date our solution is made available to the customer. Amounts that have been invoiced are recorded in accounts receivable and deferred revenue or revenues, depending on whether the revenue recognition criteria have been met. For the majority of our customers, additional fees for monthly usage are recognized as revenue in the month when the usage amounts are determined and reported. Certain of our subscription contracts are invoiced to our customers annually, and revenue is recognized ratably over the service term.

In determining whether SaaS services are distinct, we have considered whether the series guidance applies to our subscription services. We have considered various factors including that substantially all our SaaS arrangements involve the transfer of a service to the customer, which represents a performance obligation that is satisfied over time because the customer simultaneously receives and consumes the benefits of the services provided. Customer support services, forms maintenance, and subscription services are considered a series of distinct services that are accounted for as a single performance obligation, as the nature of the services are substantially the same and have the same pattern of transfer (i.e., distinct days of service). For these contracts, we allocate the ratable portion of the consideration to each period based on the services provided in such period.

We have concluded that our subscription fees related to monthly usage relate specifically to the transfer of the service to the customer in that month and are consistent with the allocation objective of ASC 606 when considering all the performance obligations and payment terms in the contract. Therefore, we generally recognize additional usage revenues in the month when the usage amounts are determined and reported. This allocation reflects the amount we expect to receive for the services for the given period.

We have a limited number of legacy customers that host and manage their solutions on-premises under term license and maintenance agreements. We no longer market or sell our solutions under this type of arrangement and these legacy customers represents an immaterial amount of our subscription fee revenues. However, there is no planned sunset or end of life for these on-premises solutions.

Professional Services Revenues

We offer implementation, configuration, consulting, and training services for our software solutions and SaaS offerings. Revenues from our professional services are recognized as control is transferred to the customer, which can be either at a point in time or over time, depending on the nature of the contractual performance obligations.

In determining whether implementation services are distinct from subscription services, we have considered that there is not a significant level of integration between implementation and subscription services. Further, implementation services in our contracts provide benefit to the customer with other readily available resources and the implementation services generally are not interdependent with the SaaS subscription services. Therefore, implementation services are generally accounted for as a separate performance obligation, as they represent distinct services that provide benefit to the customer apart from SaaS services.

Consulting and training services are generally considered a separate performance obligation as they are considered distinct services that provide a benefit to the customer on their own.

Other Revenues

We enter into referral and marketing agreements with various third parties, in which revenues are primarily generated from transactions initiated by the third parties' customers. We may introduce our customers to a referral partner or offer additional services available from the referral partner via an integration with our software solutions. Revenues are recognized in the period the services are performed, provided that collection of the related receivable is probable.

Cost of Revenues

Cost of revenues consists primarily of salaries and other personnel-related costs, including employee benefits, bonuses, and share-based compensation for employees providing services to our customers. This includes the costs of our implementation, customer support, data center, and customer training personnel. Additional expenses include fees paid to third-party vendors in connection with delivering services to customers.

Cost of revenues also includes cloud-based hosting services, an allocation of general overhead costs, and the amortization of developed technology. We allocate general overhead expenses to all departments based on the number of employees in each department, which we consider to be a fair and representative means of allocation.

We capitalize certain software development costs related to programmers, software engineers, and quality control teams working on our software solutions. We commence amortization of capitalized costs for solutions that have reached general release. Capitalized software development costs are amortized to cost of revenues over their estimated economic lives.

[Table of Contents](#)

We intend to continue to increase our investments in our implementation and customer support teams and technology infrastructure to serve our customers and support our growth. We expect cost of revenues to continue to grow in absolute dollars as we grow our business.

Gross Profit

Gross profit is revenues less cost of revenues. Gross profit has been, and will continue to be, affected by various factors, including the mix of our subscription fees, professional service and other revenues, the costs associated with our personnel, third-party vendors, and cloud-based hosting services, and the extent to which we expand our implementation and customer support services. We expect that our gross profit will fluctuate from period to period depending on the interplay of these various factors.

Operating Expenses

General and Administrative

General and administrative expenses consist primarily of salaries, and other personnel-related costs, including employee benefits, bonuses, and share-based compensation, of our administrative, finance and accounting, information systems, legal, and human resources employees. General and administrative expenses also include consulting and professional fees, insurance, franchise taxes, travel, and credit loss expense.

General and administrative expenses include depreciation of property and equipment and amortization of acquired intangible assets. Identifiable intangible assets with finite lives, such as customer relationships, trademarks, and non-competition agreements, are amortized over their estimated useful lives on either a straight-line or accelerated basis, depending on the nature of the intangible asset.

We continue to incur incremental expenses associated with the growth of our business and to meet increased compliance requirements associated with operating as a public company. These expenses include costs to comply with Section 404 of the Sarbanes-Oxley Act and other regulations governing public companies, increased costs of investor relations activities, and investments to drive scalability. As a result, we expect our general and administrative expenses to increase in absolute dollars, but to decrease as a percentage of revenues over the long term as we scale the business and continue to adjust to being a public reporting company.

Research and Development

Research and development expenses include salaries and other personnel-related costs, including employee benefits, bonuses, and share-based compensation. Research and development expenses also include third-party contractor expenses, software development costs, allocated overhead, and other related expenses incurred in developing new solutions and enhancing existing solutions.

Certain research and development costs that are related to our internal software development, which include salaries and other personnel-related costs attributed to certain programmers, software engineers, and quality control teams, are capitalized and are included in intangible assets, net on the condensed consolidated balance sheets.

We believe that continuing to improve and enhance our solutions is essential to maintaining our reputation for innovation and growing our customer base and revenues. We plan to continue investing in research and development by increasing our software development capacity. As a result, we expect our research and development expenses to increase in absolute dollars, over the long term as we scale the business, including through integration of our acquisitions.

Sales and Marketing

Sales and marketing expenses consist primarily of salaries and other personnel-related costs, including commissions, employee benefits, bonuses, and share-based compensation. Sales and marketing expenses also include expenses related to advertising, lead generation, promotional event programs, corporate communications, travel, outside consulting fees, and allocated overhead. Commissions related to software sales are generally capitalized and then amortized over the expected period of customer benefit.

Sales and marketing expenses are also impacted by the timing of significant marketing programs such as our annual customer conference, which we typically hold during the second quarter. We plan to continue investing in sales and marketing by increasing our number of sales and marketing personnel and expanding our sales and marketing activities. As a result, we expect our sales and marketing expenses to increase in absolute dollars. We believe these investments will help us build brand awareness, add new customers, and expand sales to our existing customers as they continue to buy more solutions from us.

Total Other (Income) Expense, Net

Total other (income) expense, net consists primarily of interest expense attributable to our credit facilities and amortization of lender-related fees and other direct incremental costs of securing financing partially offset by interest income from our interest-bearing cash accounts.

Provision For (Benefit From) Income Taxes

The Company's income tax expense includes the changes for the deferred tax asset valuation allowance, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management's best estimate of current and future taxes to be paid. We are subject to federal income taxes in the United States and numerous state jurisdictions. Significant judgments and estimates are required in the determination of the consolidated income tax expense.

We recognize deferred tax assets to the extent that these assets are more likely than not to be realized. If they are not, deferred tax assets are reduced by a valuation allowance. We assess whether a valuation allowance should be recorded against our deferred tax assets based on the consideration of all available evidence, both positive and negative, using a "more likely than not" realization standard. In making such a determination, all available positive and negative evidence are considered, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. In making such judgements, significant weight is given to evidence that can be objectively verified. After analyzing all available evidence, including the past and current trend in volatility in our business operating environment which has impacted our current ability and expectation to generate sufficient future taxable income to fully realize our deferred tax assets, we have determined that it is more likely that we would not be able to utilize all of our deferred tax assets, and therefore, we have established a partial valuation allowance on our deferred tax assets as of March 31, 2024 and December 31, 2023. Our valuation allowance was \$31.3 million and \$29.4 million at March 31, 2024, and December 31, 2023, respectively.

We have recorded uncertain tax position related to certain research and development tax credits utilized in certain tax jurisdictions, due to the partial utilization of these credits in these tax jurisdictions. This tax position has been recorded primarily as a reduction to the related deferred assets associated with these credits. To date, penalties and interest associated with this position have been immaterial.

Non-GAAP Financial Measures

In addition to our financial information presented in accordance with GAAP, we use certain “non-GAAP financial measures” to clarify and enhance our understanding of past performance and future prospects. Generally, a non-GAAP financial measure is a numerical measure of a company’s operating performance, financial position or cash flow that includes or excludes amounts that are included or excluded from the most directly comparable measure calculated and presented in accordance with GAAP. We monitor adjusted EBITDA, the non-GAAP financial measure described below, and we believe it is helpful to investors for the reasons listed below.

Our non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in our industry because they may calculate non-GAAP financial results differently. In addition, there are limitations in using non-GAAP financial measures because they are not prepared in accordance with GAAP and exclude expenses that may have a material impact on our reported financial results. In particular, amortization and depreciation, interest expense, and share-based compensation expense, which are excluded from adjusted EBITDA have been and we expect will continue to be significant recurring expenses in our business for the foreseeable future. Income tax expense is also excluded from adjusted EBITDA and can be volatile due to temporary and permanent differences between GAAP and IRS statutory regulations, and changes resulting from recording valuation allowances due to identified impairments in our deferred tax assets. The presentation of non-GAAP financial information is not meant to be considered in isolation or as a substitute for the directly comparable financial measures prepared in accordance with GAAP. We urge you to review the reconciliations of our non-GAAP financial measures to the comparable GAAP financial measures included below, and not to rely on any single financial measure to evaluate our business.

Adjusted EBITDA

We define adjusted EBITDA as net loss before interest expense, taxes, depreciation and amortization, share-based compensation expense, employer payroll taxes on employee stock transactions, expenses associated with our initial public offering and secondary offering, restructuring related costs, sponsor and third-party acquisition related costs, loss on debt repayment, lease termination charges and deferred revenue reductions from purchase accounting for acquisitions prior to the adoption of ASU 2021-08, “Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,” which we early adopted on January 1, 2022, on a prospective basis. Deferred revenue from acquisitions prior to the adoption of ASU 2021-08 was recognized on a straight-line basis through December 31, 2023. We have provided below a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results for the following reasons:

- adjusted EBITDA is widely used by investors and securities analysts to measure a company’s operating performance without regard to items that can vary substantially from company to company depending upon their financing, capital structures, and the method by which assets were acquired;
- our management uses adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, in the preparation of our annual operating budget, as a measure of our operating performance, to assess the effectiveness of our business strategies, and to communicate with our board of directors concerning our financial performance;
- adjusted EBITDA provides more consistency and comparability with our past financial performance, facilitates period-to-period comparisons of our operations, and also facilitates comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results; and
- our investor and analyst presentations include adjusted EBITDA as a supplemental measure of our overall operating performance.

Adjusted EBITDA should not be considered as an alternative to net loss or any other measure of financial performance calculated and presented in accordance with GAAP. The use of adjusted EBITDA as an analytical tool has limitations such as:

- depreciation and amortization are non-cash charges, and the assets being depreciated or amortized will often have to be replaced in the future and adjusted EBITDA does not reflect cash requirements for such replacements;

- adjusted EBITDA may not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;
- excludes the impact of the write-down of deferred revenues due to purchase accounting in connection with our acquisitions, and therefore includes revenues that will never be recognized under GAAP;
- adjusted EBITDA does not reflect the potentially dilutive impact of share-based compensation;
- adjusted EBITDA does not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
- adjusted EBITDA does not reflect tax payments that could reduce cash available for use; and
- other companies, including companies in our industry, might calculate adjusted EBITDA or similarly titled measures differently, which reduces their usefulness as comparative measures.

The following table presents a reconciliation of net loss to adjusted EBITDA for each of the periods presented (in thousands):

	Three Months Ended March 31,	
	2024	2023
Net loss	\$ (5,306)	\$ (5,666)
Interest expense	9,582	9,031
Provision for (benefit from) income taxes	32	(1,199)
Depreciation and amortization	14,524	14,531
Share-based compensation expense	7,936	5,190
Employer payroll taxes on employee stock transactions	422	126
Expenses associated with public offering	1,389	—
Restructuring related costs	3,191	2,904
Deferred revenue reduction from purchase accounting for acquisitions prior to 2022	—	20
Adjusted EBITDA	\$ 31,770	\$ 24,937

Results of Operations

Condensed Consolidated Statements of Operations

The following table sets forth our condensed consolidated statements of operations data for each of the periods indicated (in thousands, except for share and per share amounts):

	Three Months Ended March 31,	
	2024	2023
Revenues, net	\$ 77,816	\$ 77,135
Cost of revenues:		
Subscription and services ⁽¹⁾	21,344	23,501
Amortization of developed technology	4,729	4,454
Total cost of revenues	<u>26,073</u>	<u>27,955</u>
Gross profit	51,743	49,180
Operating expenses:		
General and administrative ⁽¹⁾	25,179	22,555
Research and development ⁽¹⁾	9,485	13,812
Sales and marketing ⁽¹⁾	10,536	8,213
Restructuring related costs ⁽¹⁾	3,191	2,904
Total operating expenses	<u>48,391</u>	<u>47,484</u>
Operating income	3,352	1,696
Other (income) expense, net:		
Interest and other income	(956)	(470)
Interest expense	9,582	9,031
Total other expense, net	<u>8,626</u>	<u>8,561</u>
Loss before income taxes	(5,274)	(6,865)
Provision for (benefit from) income taxes	32	(1,199)
Net loss	<u>(5,306)</u>	<u>(5,666)</u>
Net loss per share:		
Basic	\$ (0.07)	\$ (0.07)
Diluted	\$ (0.07)	\$ (0.07)
Weighted average common stock outstanding:		
Basic	77,335,072	80,659,978
Diluted	77,335,072	80,659,978

(1) Share-based compensation is as follows:

	Three Months Ended March 31,	
	2024	2023
Cost of revenues	\$ 782	\$ 853
General and administrative	4,393	2,264
Research and development, net of amounts capitalized	1,502	1,783
Sales and marketing	1,259	290
Forfeitures included in restructuring related costs	(133)	(299)
Total share-based compensation expense	<u>\$ 7,803</u>	<u>\$ 4,891</u>

[Table of Contents](#)

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

Revenues, net

(in thousands)	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Revenues, net	\$ 77,816	\$ 77,135	\$ 681	1 %

Revenues increased \$0.7 million, or 1% for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The increase was primarily due to the net effect of increased revenue from our Lending Software Solutions, which is driven by increases from new and ramping customers as well as existing customers, partially offset by decreased revenue from our Data Verification Services, which is driven by lower volumes in our mortgage-related revenues. For both of our solutions, we receive incremental revenues if customers exceed their minimum commitments for monthly transactions, which typically is based off of number of applications or closed and funded loans for Lending Software Solutions and credit, tenant, or employment verification reports for our Data Verification Software Solutions.

Cost of Revenues and Gross Profit

Subscription and services

(in thousands)	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Subscription and services	\$ 21,344	\$ 23,501	\$ (2,157)	(9)%

Subscription and services cost of revenues decreased \$2.2 million, or (9)%, for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The decrease was primarily due to the combined effect of \$1.1 million decrease in third-party costs driven by lower Data Verification Software Solutions application volumes, which, in turn, were driven by lower volumes in our mortgage-related revenues; and lower compensation costs of \$0.6 million, primarily related to lower employee headcount due to the 2023 Restructuring Plan that was completed in the second quarter of 2023.

Amortization of Developed Technology

(in thousands)	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Amortization of Developed Technology	\$ 4,729	\$ 4,454	\$ 275	6 %

Amortization of developed technology increased \$0.3 million, or 6%, for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The increase was due to increased amortization for internally developed software as we continue to build and enhance our product offerings.

Gross Profit

(in thousands)	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Gross profit	\$ 51,743	\$ 49,180	\$ 2,563	5 %

Gross profit increased \$2.6 million, or 5%, for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The increase was primarily due to the net increase in revenue resulting from increased Lending Software Solutions revenue and a decrease in third-party costs driven by lower Data Verification Software Solutions application volumes.

Operating Expenses

General and Administrative

(in thousands)	Three Months Ended March 31,		Change	
	2024	2023	\$	%
General and administrative	\$ 25,179	\$ 22,555	\$ 2,624	12 %

General and administrative expenses increased \$2.6 million, or 12%, for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The increase was primarily related to the net effect of increased share-based compensation expenses of \$2.1 million related to increased amortization expenses from stock options and restricted stock units in 2024 compared to the same period in 2023; and increased fees of \$1.4 million related to our Secondary Offering, with none in the comparable prior period in 2023; partially offset by reductions in third party consulting and recruiting expenses amounting to \$0.5 million.

Research and Development

(in thousands)	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Research and development	\$ 9,485	\$ 13,812	\$ (4,327)	(31)%

Research and development expenses decreased \$4.3 million, or 31%, for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The decrease was primarily related to decreased compensation expenses of \$2.9 million, net of amounts capitalized, and lower stock compensation expense of \$0.3 million, largely from lower headcount and personnel costs on our research and development teams during the three months ended March 31, 2024 compared to the same period in 2023 due to the 2024 Realignment Plan that went into effect during the three months ended March 31, 2024; and \$0.6 million lower from retention bonuses in 2023 related to the acquisitions of StreetShares and OpenClose, with none in the comparable period in 2024.

Sales and Marketing

(in thousands)	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Sales and marketing	\$ 10,536	\$ 8,213	\$ 2,323	28 %

Sales and marketing expenses increased \$2.3 million, or 28%, for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The increase was primarily related to increased personnel related expenses of \$2.3 million from increased headcount on our sales and marketing teams, which included increased commissions expenses of \$0.7 million, net of amounts capitalized; and increased share-based compensation expenses of \$1.0 million due to increased amortization in 2024 compared to the same period in 2023.

Restructuring Related Costs

(in thousands)	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Restructuring related costs	\$ 3,191	\$ 2,904	\$ 287	10 %

Restructuring related costs are costs related to the 2024 Realignment Plan that went into effect during the three months ended March 31, 2024, and the 2023 Restructuring Plan that went into effect during the same period in 2023. Restructuring related costs incurred during both periods are primarily related to cash payments for severance, net of non-cash stock compensation forfeitures, and other termination-related costs.

Total Other Expense, net

(in thousands)	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Total other expense, net	\$ 8,626	\$ 8,561	\$ 65	1 %

Total other expenses, net had a net increase of \$0.1 million, or 1%, for the three months ended March 31, 2024, compared to the three months ended March 31, 2023. The increase was primarily due to the net effect from higher interest expense due to rising rates on our variable rate term loan during the three months ended March 31, 2024, partially offset by increased interest income related to the Company's money market mutual fund.

Provision for (Benefit from) Income Taxes

(in thousands)	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Provision for (benefit from) income taxes	\$ 32	\$ (1,199)	\$ 1,231	(103)%

Provision for income taxes was \$0.0 million for the three months ended March 31, 2024, compared to a benefit from income taxes of \$1.2 million for the three months ended March 31, 2023. The decrease was primarily due to the tax provision (benefit) effects of research and development credits, state income taxes, permanent unfavorable differences related to share-based compensation expense, certain employee remuneration under section 162(m) of the Internal Revenue Code, and other expected permanent differences; primarily offset by a change in the valuation allowance.

Liquidity and Capital Resources

Sources of Liquidity

We have financed our operations primarily through cash flows from operations, long-term debt, and proceeds from equity issuances. We have also filed a shelf registration statement on Form S-3, or the Shelf Registration Statement, that became effective January 8, 2024, under which we may offer or sell, in one or more offerings, our common stock, preferred stock, warrants, debt securities, and/or units consisting of some or all of these securities in a maximum aggregate amount of up to \$500.0 million.

As of March 31, 2024, our principal sources of liquidity were cash and cash equivalents of \$62.3 million and unused capacity under our revolving line of credit of \$50.0 million. Based upon our current levels of operations, we believe that our cash flows from operations along with our other sources of liquidity are adequate to meet our cash requirements for at least the next twelve months.

Our primary uses of cash are funding operations, acquisitions, capital expenditures, debt principal and interest payments, and stock repurchases. Our use of cash is impacted by the timing and extent of the required payments for each of these activities.

Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support research and development efforts, the continued expansion of sales and marketing activities, the introduction of new and enhanced solutions, the seasonality impacts on our business, the timing and extent of spending to support our growth strategy, the continued market acceptance of our solutions, the future acquisitions of solutions or businesses, and future stock repurchases. In the event that additional financing is required from outside sources, we may not be able to raise such financing on terms acceptable to us or at all. We continue to monitor our financing requirements and may pursue refinancing opportunities to potentially reduce interest rates and extend maturities. If we are unable to raise additional capital when desired, our business, operating results, and financial condition would be adversely affected.

Operating Leases

We lease office space and server equipment under various operating lease agreements that expire through December 2026. We recognize the related rent expense on a straight-line basis over the term of each lease. Free rent and rental increases are recognized on a straight-line basis over the term of each lease.

Debt

For a detailed description of our debt, please see Note 6 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

Cash Flows

The following table summarizes our cash flows for the periods presented (in thousands):

(in thousands)	Three Months Ended March 31,		Change	
	2024	2023	\$	%
Net cash provided by (used in):				
Operating activities	\$ 29,038	\$ 28,081	\$ 957	3 %
Investing activities	(1,929)	(2,058)	129	6 %
Financing activities	(45,265)	(4,007)	(41,258)	(1,030)%
Net (decrease) increase in cash, cash equivalents	\$ (18,156)	\$ 22,016	\$ (40,172)	(182)%

Cash Flows from Operating Activities

Our largest source of operating cash is cash collection from sales of subscription fees to our customers. Our primary uses of cash from operating activities are for personnel-related expenses, marketing expenses, payments to third-party vendors, and interest expense.

Operating cash flow is derived by adjusting our net loss for non-cash operating items, such as depreciation and amortization, amortization of debt issuance costs, share-based compensation expense, deferred income taxes, loss on disposal of property and equipment, and changes in operating assets and liabilities, which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in our results of operations.

The decrease in cash provided by operating activities for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 was primarily attributable to decreases in net loss of \$4.0 million after adjusting for non-cash operating items, \$3.5 million related to timing of customer billings, and \$0.7 million related to timing of prepayments, partially offset by decreases related to timing of disbursements for operations of \$7.2 million.

Cash Flows from Investing Activities

The decrease in cash used in investing activities for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 was due to lower purchases of property and equipment and lower capitalized software additions of \$0.1 million.

Cash Flows from Financing Activities

The increase in cash used in financing activities for the three months ended March 31, 2024 compared to the three months ended March 31, 2023 was primarily due to higher stock repurchases of \$40.5 million, higher taxes paid for net share settlements of restricted stock units of \$0.3 million, and lower proceeds from exercise of stock options of \$0.4 million.

Recent Accounting Pronouncements

See Note 2, "Significant Accounting Policies" to our unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on our results of operations, financial condition, and cash flows.

Emerging Growth Company Status

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial results may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates. We expect to use the extended transition period for any other new or revised accounting standards during the period in which we remain an emerging growth company.

Critical Accounting Estimates

There have been no material changes to our critical accounting estimates since December 31, 2023. For a full discussion of these estimates and policies, see "Critical Accounting Policies and Significant Judgments" within "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2023 Annual Report on Form 10-K.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no significant changes in our exposures to market risk since December 31, 2023. For a full discussion of our exposures to market risks, see "Quantitative and Qualitative Disclosures about Market Risk" within "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2023 Annual Report on Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on that evaluation, and in light of the material weakness existing in our internal controls over financial reporting as of December 31, 2023 (as described in greater detail in our 2023 Annual Report on Form 10-K), our principal executive officer and principal financial officer have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q, our review controls and procedures were not effective. Notwithstanding the material weakness, our management has concluded that the condensed consolidated financial statements fairly present, in all material respects, the financial condition, results of operations and cash flows of the Company for the periods presented in conformity with U.S. generally accepted accounting principles.

Remediation Plan to Address Material Weakness

Our management is taking steps to enhance our internal control over financial reporting and remediate the material weakness identified during the year ended December 31, 2023, primarily related to insufficient controls over the set-up of customer contracts for billing and maintaining complete contract support that were not operating effectively. During the quarter ended March 31, 2024, we began our remediation of the material weakness noted above by initiating new efforts to design new procedures over the set-up and review of our customer contracts, new staff training programs, and continued our system implementation efforts. To assess our remediation progress, during the second quarter of 2024, we plan to begin implementation and testing of our existing and redesigned processes. These controls will not be deemed effective until they are performed for a sufficient period of time and have been operating effectively.

We believe the measures described above will remediate the material weakness we have identified. We cannot, however, provide any assurance that our remediation efforts will be successful or that our internal control over financial reporting will be effective as a result of these efforts. We are committed to continuing to improve our internal control processes and will continue to review, optimize, and enhance our financial reporting controls and procedures. As we continue to evaluate and work to improve our internal control over financial reporting, we may take additional measures to address control deficiencies or we may modify certain of the remediation measures described above. The material weakness will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control Over Financial Reporting

Except for the remediation efforts noted above, there were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2024, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

PART II

Item 1. Legal Proceedings

We are not currently a party to any litigation or claims that, if determined adversely to us, would have a material adverse effect on our business, operating results, financial condition, or cash flows. We are, from time to time, party to litigation and subject to claims in the ordinary course of business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

Investing in our common stock involves substantial risks. You should carefully consider the risks and uncertainties described below and in our 2023 Annual Report on Form 10-K, together with all of the other information in this Quarterly Report on Form 10-Q, including the financial statements and the related notes, before deciding to invest in our common stock. Any of the risk factors we describe below could have a material adverse effect on our business, financial condition, results of operations, cash flow, and prospects. The market price of our common stock could decline if one or more of these risks or uncertainties develop into actual events, causing you to lose all or part of your investment. Other risks, events, and uncertainties that we do not currently anticipate or that we currently deem immaterial may also affect our business. Certain statements contained in the risk factors described below are forward-looking statements. See the section titled "Special Note about Forward-Looking Statements" for more information.

Summary of Risk Factors

The following risk factor summary provides an overview of the inherent uncertainty investing in us presents. This summary does not contain all of the information that may be important to you, and you should read this risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this section as well as elsewhere in this Quarterly Report on Form 10-Q. The risks and uncertainties to which our business is subject include, but are not limited to, the following:

Risks Related to Our Strategy and Industry

- The lending market and the broader financial services industry in which our customers operate are subject to various economic factors (such as rising interest or inflation rates), the deterioration of which would directly affect our performance.
- Failure to retain or attract customers, innovate our platform and its capabilities, address technological requirements, or increase brand recognition may limit both growth and profitability.
- Opportunities to grow our business may be limited by inability to identify suitable partnerships, acquisitions, or new business opportunities, or to effectively integrate businesses we acquire.
- Changing dynamics, such as pricing pressure, new entrants, and customer preferences, within our highly-fragmented and competitive landscape may adversely affect our operations.

Risks Related to Our Business and Operations

- Any disruption in the performance or delivery of our software solutions, whether due to security compromises, third-party providers, or other unforeseeable circumstances, could affect brand perception, decrease demand, and subject us to substantial liability.
- Integration or implementation challenges could affect the functionality of our software solutions and delay revenue recognition.
- Challenges in measuring and tracking key operating metrics could affect our ability to consistently report results over time or develop long-term strategies.
- The seasonal and cyclical nature of our business, including our usage and volume-based pricing and sales process, could result in volatility in our operating results.

- Failure to retain or expand personnel, including management, sales, marketing, development, and support functions, to sustain our growth and infrastructure or failure to execute any restructuring plan, including realizing the anticipated benefits of such plan, may result in operational disruptions, reduced sales opportunities, and increased expenses.
- Our success is dependent on our ability to retain and attract product partners to drive further volume through our platform.

Risks Related to Legal and Regulatory Matters

- Failures in data protection, privacy, and information security and intellectual property rights could critically impair our offerings and ability to conduct business.
- Failure to comply with laws and regulations as a technology provider to our customers who operate in a highly regulated industry, as well as failure to create solutions that assist our customers to comply with their regulatory requirements, could disrupt our operations and result in significant expense to alter and update our solutions.
- Changes in laws and regulations could affect our ability to compete, require us to change our pricing model, or result in additional charges booked to our balance sheet.

Risks Related to Finance and Accounting

- Fluctuations in performance and our inability to accurately forecast results may affect our market perception.
- Accounting treatments, such as revenue recognition or goodwill impairment, may cause fluctuations in earnings that do not fully reflect the underlying performance of our business.
- Our ability to recognize the benefits of deferred tax assets is dependent on future cash flows and taxable income, and therefore our use of those deferred tax assets may be limited.
- High levels of indebtedness, as well as the terms of our existing debt, or our inability to effectively access capital markets may restrict our ability to compete, react to changes in our business, and fund future needs.
- We have identified a material weakness in our internal control over financial reporting. If we are unable to remediate this material weakness, or if we identify additional material weaknesses in the future or are unable to maintain effective internal controls over financial reporting and disclosure controls and procedures, we may be unable to timely and accurately report our financial results.
- Changes in applicable tax laws, rules, or regulations could adversely affect our financial position.

Risks Related to Potential Conflicts of Interests and Related Parties

- Thoma Bravo holds a significant stake in our company, and their interests may conflict with ours and those of our other stockholders.

Risks Related to Our Common Stock and Governance Structure

- Market conditions, issuances of additional or preferred stock, and payments of dividends may result in dilution or otherwise affect our stockholders' return on investment.
- The consummation, suspension, or termination of our capital allocation strategies, including any stock repurchases, may affect our stock price, stock volatility, or liquidity.
- Delaware law and certain provisions in our charter and bylaws could restrict certain strategic activity or limit stockholder actions that may be beneficial or favorable to our stockholders.

Risks Related to Our Strategy and Industry

Lending volume is subject to various economic factors, including increased interest rates, and lending volumes may remain low in 2024, which could adversely affect our business.

Factors that adversely impact lending volumes include reduced consumer and investor demand for loans, more stringent underwriting guidelines, supply chain shortages for goods subject to financing, high levels of unemployment, high levels of consumer debt, lower consumer confidence, changes in tax and other regulatory policies, and other macroeconomic factors.

In addition, interest rates are influenced by a number of factors, particularly monetary policy, and many economists predict that mortgage interest rates will not fall until the Federal Reserve meaningfully lowers the Federal Funds Rate, which is within the range of 5.25% to 5.50% as of March 20, 2024, which was the most recent announcement from the Federal Reserve regarding the Federal Funds Rate prior to the filing of this Quarterly Report on Form 10-Q. The Federal Reserve has been raising and maintaining the Federal Funds Rate to combat higher than expected inflation in the United States, which could cause interest rates to rise further. Increases in mortgage interest rates have reduced the volume of new mortgages originated, and further increases in interest rates could reduce the volume of mortgage and non-mortgage loans originated.

The lower levels of loan market volume in 2023 as compared to 2020, 2021, and 2022 levels required us to increase either our share of loan volume, our revenues per module through increased cross-sell of our solutions, or both, in order to maintain our financial performance. Any additional decrease in loan market volumes would exacerbate our need to increase either our share of loan volume, our revenues per module through increased cross-sell of our solutions, or both. We cannot assure you that we will be successful in our efforts to increase either our share of loan volume, our revenues per module through increased cross-sell of our solutions, or both, which could materially adversely affect our business.

If we fail to increase the number of our customers or retain existing customers, our business may be harmed.

Our growth depends in large part on increasing the number of customers using our software solutions. To attract customers to our solutions, we must convince them that the utility of, and access to, our software solutions can assist them in their digital transformations, help create new revenue streams, and increase engagement with their customers. In particular, we must enhance the features and functionality of our software solutions and convince financial institutions of the benefits of our software solutions and encourage them to switch from competing loan origination, digital lending, and data analytics solutions or to forgo using more traditional processes and procedures, including (with respect to the loan origination business) paper, facsimile, courier, mail, and email processing.

Due to the fragmented nature of the consumer lending (including mortgage) and CRA industries, many industry participants may not be familiar with our software solutions and the benefits of our solutions. Any consolidation in our industry could also decrease our market advantage and may impact our competitive position. Some of our current and potential customers have developed, and may continue to develop, their own proprietary technologies and may one day replace our solutions with their own technology or even become our competitors. As our customers increase their spend with us, there may be internal pressure to evaluate and potentially create their own internal solutions as a cost-savings measure. We cannot assure you that we will be successful in attracting new customers or retaining existing customers, and increased competition from both competitors and any internal development efforts by our current customers could harm our business.

Additionally, with increased competition, existing customers may decide not to continue to use our software solutions in favor of other alternatives for financial or other reasons. Customer attrition could impact the performance of our business in the future. We have agreements in place with various product partners with respect to the integration between their businesses and our solutions, such as e-signing vendors, insurance providers, dealership integrators, credit card processors, home banking systems, and settlement service tools. Most of these contracts are not long term or are subject to termination rights. An unexpected termination, or a failure to renew, of a significant number of our agreements or relationships with these platform partners could have an adverse effect on our business as our customers may find our solutions less valuable without these integrations. If we lose existing platform partners due to terminations or failures to renew our agreements, we would also lose revenues associated with such platform partners, which could have a material adverse impact on our results of operations and financial condition.

In addition, our recent development efforts have been focused on our cloud-based offerings, and, as a result, we have not invested in upgrading certain legacy products or developing added functionality for them, and may not invest in certain products in the future, including legacy products acquired through past strategic transactions, such as the acquisition of CRIF in 2018. As a result, customers using these legacy products may determine that these legacy offerings no longer satisfy their needs. If we are unsuccessful in transitioning these customers to our newer, cloud-based offerings, these customers may cease doing business with us. Therefore, we must continue to demonstrate to our customers that using our solutions is the most effective and cost-efficient way to maximize their results, and if we are not successful, our business and results of operations could be materially and adversely impacted.

We may not accurately predict the long-term rate of customer subscription renewals or adoption of our software solutions, or any resulting impact on our revenues or operating results.

Our customers have no obligation to renew their subscriptions for our software solutions after the expiration of the initial or current subscription term, and our customers, if they choose to renew at all, may renew for shorter subscription terms, or on less favorable usage-based or volume-based pricing terms. Since we have only been tracking our retention rates since November of 2020, we have limited historical data with respect to rates of customer subscription renewals and cannot be certain of anticipated renewal rates. Our renewal rates may decline or fluctuate as a result of a number of factors, including our customers' satisfaction with our pricing or our software solutions or their ability to continue their operations or spending levels. Strategic acquisitions can further complicate our ability to predict customer subscription renewals. If our customers do not renew their subscriptions for our software solutions on similar pricing terms, our revenues may decline and our business could suffer.

Additionally, as the markets for our solutions develop, or as new or existing competitors introduce new solutions or services that compete with ours, we may experience pricing pressure and be unable to renew our agreements with existing customers, or we may be unable to attract new customers based on the same subscription models that we have used historically or at fee levels that are consistent with our pricing models and operating budget. Moreover, large or influential customers may demand more favorable pricing or other contract terms from us. In addition, our pricing strategy for new solutions may prove to be unappealing to our potential customers, and our competitors could choose to bundle certain solutions and services competitive with ours. If any of these were to occur, we may in the future be required to change our pricing model, reduce our prices, or accept other unfavorable contract terms, any of which could adversely affect our revenues, gross margin, profitability, financial position, cash flow, or growth prospects.

If we cannot continue to innovate our platform and its capabilities or address evolving technological requirements, our software solutions could become obsolete or less competitive and our revenue growth rate may be reduced.

The market for our software solutions is characterized by rapid technological advancements, changes in customer requirements and technologies, frequent new solution introductions and enhancements, and changing regulatory requirements. The life cycles of our software solutions are difficult to estimate. Rapid technological changes and the introduction of new products and enhancements by new or existing competitors or large financial institutions could undermine our current market position. Other means of digital or virtual consumer lending and banking may be developed or adopted in the future, and our software solutions may not be compatible with these new technologies. In addition, the technological needs of, and services provided by, the banks, credit unions, mortgage lenders, specialty lending providers, and CRAs that we endeavor to serve may change if they or their competitors offer new services to account holders. Maintaining adequate research and development resources to meet the demands of the market is essential. The process of developing new technologies and software solutions is complex and expensive. The introduction of new products by our competitors, the market acceptance of competitive products based on new or alternative technologies, or the emergence of new technologies or products in the broader financial services industry could render our solutions obsolete or less effective.

The success of any enhanced or new software solution depends on several factors, including timely completion, adequate testing, and market release and acceptance of the solution. Any new software solutions that we develop or acquire may not be introduced in a timely or cost-effective manner, may contain defects, or may not achieve the broad market acceptance necessary to generate significant revenues. In addition, we must continuously develop, market, and sell new features and functionalities to our existing software solutions that respond to the changing needs of our customers and offer better functionality than competing offerings from other providers. If we are unable to anticipate customer requirements or work with our customers successfully on implementing new software solutions or features in a timely manner or enhance our existing software solutions to meet our customers' requirements, our business, growth prospects, and operating results may be adversely affected.

We have entered, and may in the future enter into, partnership agreements with third parties for reseller and referral services, which may adversely affect our ability to generate revenues.

We have entered into and may seek to enter into additional collaborations or partnerships with third parties for reseller services. While we are not substantially dependent upon referrals from any partner, our ability to achieve significant revenue growth in the future will depend upon continued referrals from our partners and growth of the network of our referral partners. Should we seek to collaborate with a third party with respect to a prospective reseller program, we may not be able to locate a suitable partner or to enter into an agreement on commercially reasonable terms or at all. Even if we succeed in securing partners for reseller services, such as the arrangement we have entered into with Jack Henry & Associates, Inc., we have limited control over the time and resources that our partners may dedicate to such services. These partnerships pose a number of risks, including the following:

- partners are under no contractual obligation to continue to refer business to us and further may terminate our reseller or referral arrangement, or may decide not to expand their relationship with us;
- partners may not have sufficient resources, or may decide not to devote the necessary resources to promoting or selling our solutions;
- partners do not have exclusive relationships with us and may decide to pursue a competitive product developed outside of the collaboration arrangement; and
- our competitors may be effective in providing incentives to our partners to favor their software products or prevent or reduce subscriptions to our software solutions.

As a result of the foregoing risks and others, partnership agreements may not lead to successful reseller programs. We also face competition in seeking out partners, and establishing and retaining qualified partners and training them with respect to our software solutions requires significant time and resources. If we are unable to secure new partnerships that achieve the partner's objectives and meet our expectations, we may be unable to generate meaningful revenues, and we may lose sales opportunities if we are unable to devote significant time and resources to establish and train partners or if we are unable to maintain successful relationships with them.

We may acquire or invest in companies, or pursue business partnerships, which could prove difficult to integrate, divert our management's attention, or dilute stockholder value, and we may be unable to realize the expected benefits of such acquisitions, investments, or partnerships.

We have completed, and may in the future, consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products, and other assets. We may also enter into relationships with other businesses to expand our platform capabilities, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing, or investments in other companies. Negotiating these transactions can be time-consuming, difficult, and expensive, and our ability to close these transactions may be subject to approvals that are beyond our control. If an acquired business fails to meet our expectations, our operating results, business, and financial position may suffer. We may not be able to find and identify desirable acquisition targets, we may incorrectly estimate the value of an acquisition target, and we may not be successful in entering into an agreement with any particular target. We may not integrate an acquired company smoothly, successfully, or within our budgetary expectations and anticipated timetable. If we are successful in acquiring additional businesses, we may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- our inability to integrate or benefit from developed technologies or services;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- difficulty, including unanticipated delays, costs, or inefficiencies associated with, integrating the operational and compliance policies and practices, technology, accounting systems, operations, and control environments of the acquired business and integrating the acquired business or its employees into our culture;
- difficulties and additional expenses associated with supporting legacy products and infrastructure of the acquired business;

- difficulty retaining or converting the customers of the acquired business to our software solutions and contract terms, including disparities in subscription terms, or the acquisition of existing customer agreements with less than favorable terms;
- difficulty retaining or leveraging partnerships of the acquired business and contract terms;
- additional costs for the support or professional services model of the acquired company;
- diversion of management's attention and other resources;
- adverse effects to our existing business relationships with business partners and customers;
- the issuance of additional equity securities that could dilute the ownership interests of our stockholders;
- incurrence of debt on terms unfavorable to us or that we are unable to repay;
- incurrence of substantial liabilities;
- difficulties retaining key employees of the acquired business; and
- adverse tax consequences, substantial depreciation, or deferred compensation charges.

Accordingly, we may fail to realize some or all of the anticipated benefits of the acquisition, such as increase in our scale, diversification, cash flows, and operational efficiency. In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

The markets in which we participate are intensely competitive and highly fragmented, and pricing pressure, new technologies, or other competitive dynamics could adversely affect our growth, business, results of operations, and future prospects.

The markets in which we compete, however, are highly competitive, fragmented, evolving, complex, and defined by rapidly changing technology and customer demands. We currently compete with providers of technology and products in the financial services industry, primarily point solution vendors that focus on building functionality that competes with specific components of our solutions. From time to time, we also compete with systems internally developed by financial institutions.

Many existing and potential competitors enjoy substantial competitive advantages, such as:

- larger sales, development, support, and marketing budgets and resources;
- the ability to bundle competitive offerings;
- greater brand recognition and longer operating histories;
- more extensive customer bases and broader customer relationships;
- lower labor and development costs;
- greater resources to make acquisitions;
- larger and more mature intellectual property portfolios; and
- substantially greater financial, technical, management, and other resources.

Further, one of our competitors may establish or strengthen a cooperative relationship with, or acquire one or more software application, data analytics, compliance, or network vendors. We may also face competition from new companies entering our markets, which may include large established businesses that decide to develop, market, or resell cloud-based banking technology, acquire one of our competitors, or form a strategic alliance with one of our competitors. New companies entering our markets may choose to offer cloud-based consumer lending and related products at little or no additional cost to the customer by bundling them with their existing products, including adjacent financial services technologies. In addition, our current and potential customers have developed, and may continue to develop, their own in-house solutions that could replace our solutions within their organizations.

We expect competition to intensify in the future, and these competitive pressures in our markets or our failure to compete effectively may result in fewer customers, increased pricing pressure, reduced revenues and gross profit, increased sales and marketing expenses, and loss of market share. Any failure to meet and address these factors could materially and adversely affect our business, operating results, and financial condition.

If the market for cloud-based solutions develops more slowly than we expect or changes in a way that we fail to anticipate, our sales would suffer and our results of operations would be adversely affected.

We do not know whether our prospective customers will continue to adopt cloud-based financial products such as our software solutions or whether the market will change in ways we do not anticipate. Many potential customers have invested substantial personnel and financial resources in legacy software, and these institutions may be reluctant, unwilling, or unable to convert from their existing systems to our solutions. Furthermore, these potential customers may be reluctant, unwilling, or unable to use cloud-based financial solutions due to various concerns such as the security of their data and reliability of the delivery model. These concerns or other considerations may cause prospects to choose not to adopt cloud-based financial products such as ours or to adopt them more slowly than we anticipate, either of which would adversely affect us. Our future success also depends on our ability to sell additional solutions and functionality to our current and prospective customers. As we create new solutions and enhance our existing solutions to meet anticipated market demand, these solutions and enhancements may not be attractive to customers. In addition, promoting and selling new and enhanced functionality may require increasingly costly sales and marketing efforts, and if customers choose not to adopt this functionality, our business and results of operations could suffer. If potential customers are unwilling or unable to transition from their legacy systems, or if the demand for our solutions does not meet our expectations, our results of operations and financial condition will be adversely affected.

We derive a significant majority of our revenues from customers in the financial services industry, and any downturn or consolidation or decrease in technology spend in the financial services industry could adversely affect our business.

A significant majority of our revenues are derived from customers in the financial services industry, an industry which has experienced significant pressure in recent years due to economic uncertainty, low interest rates, liquidity concerns, and increased regulation. In the past, financial institutions have experienced consolidation, distress, and failure. It is possible these conditions may reoccur.

Recently, concerns have arisen with respect to the financial condition of a number of banking organizations in the United States, in particular those with exposure to certain types of depositors and portfolios of investment securities in the face of rapid interest rate increases. In March 2023, after being closed by their respective state authorities, the Federal Deposit Insurance Corporation took control of Silicon Valley Bank and Signature Bank due to liquidity concerns, and a number of other financial institutions experienced turbulence and a precipitous decline in market value. It is possible these conditions may persist, deteriorate or reoccur, and may negatively impact our results of operations and financial condition.

If any of our customers merge with or are acquired by other entities, such as financial institutions that have internally developed technology products or that are not our customers or use our software solutions less, we may lose business. Additionally, changes in management of our customers could result in delays or cancellations of the implementation of our software solutions. Consolidation within the financial services industry could also lead to fewer, but larger customers, who may have increased bargaining power, which could lead to lower prices or more favorable terms for our customers. Our business may also be materially and adversely affected by weak economic conditions in the financial services industry generally. Any downturn in the financial services industry may cause our customers to reduce or delay their spending on technology or cloud-based financial products or to seek to terminate or renegotiate their contracts with us.

Additionally, a prolonged economic slowdown may result in reduced consumer demands for loans and reduced application volume for credit, employment, tenant, or other forms of screening, which would negatively impact our revenues from existing customers due to the volume-based aspect of our customer agreements. Due to recent levels of inflation, the U.S. Federal Reserve has begun to increase interest rates, which could also reduce consumer demand for loans and materially and adversely impact our business. Moreover, even if the overall economy is robust, economic fluctuations caused by factors such as the U.S. Federal Reserve changing interest rates or otherwise managing market liquidity may cause potential new customers and existing customers to become less profitable and therefore forego or delay purchasing our software solutions or reduce the amount of spend with us, which would also materially and adversely affect our business.

Risks Related to Our Business and Operations

Uncertain or weakened economic conditions, including as a result of increasing interest rates, and rising inflation, may continue to heighten many of our known risks and has affected, continues to affect, and may adversely affect our industry, business, and results of operations.

Our overall performance depends on economic conditions, which are beyond our control and may be difficult or impossible to forecast. The United States and other key international economies have experienced significant economic and market downturns and periods of uncertainty, including recently in connection with increasing interest rates, and rising inflation, and are likely to experience additional cyclical downturns from time to time, in which economic activity is impacted by falling demand for a variety of goods and services, restricted credit, poor liquidity, inflation, fluctuations in interest rates, reduced corporate profitability, volatility in credit and equity markets, bankruptcies, and overall uncertainty. Macroeconomic developments can arise suddenly, as did the conditions associated with the fluctuating rates of inflation, and the full impact can be difficult to predict. Adverse macroeconomic conditions, including inflation, slower growth or recession, changes to fiscal and monetary policy, tighter credit, higher or fluctuating interest rates, high unemployment, and currency fluctuations have in the past and may in the future adversely impact the rate of technology spending generally and could adversely affect our customers' ability or willingness to purchase our software solutions, delay prospective customers' purchasing decisions, reduce the value or duration of their subscriptions or affect renewal rates, or impact the demand for our customers' services, any of which could adversely affect our results of operations. As a result, our operating results are sensitive to changes in macroeconomic conditions that impact our customers' technology spending and overall usage, volume, and type of transactions handled or processed using our software solutions.

We moved to a fully remote work-from-home work model in 2020 and plan to continue operating as remote-first. However, we cannot be certain that a prolonged remote work model will continue to be effective or will not introduce new operational difficulties that could result in harm to our business. Our shift to remote work has caused us to assess our IT security measures, identify any vulnerabilities, and enhance protections against unauthorized access to our network and systems. We cannot guarantee these private work environments and electronic connections to our work environment have the same robust security measures deployed in our physical offices. While we have not yet experienced a network breach or intrusion as a result of moving to a remote work model, we are unable to unequivocally affirm that the protective measures we have taken will remain sufficient given the ever-changing threat landscape, and any such related security compromise that may occur could materially and adversely impact our business, results of operations, or reputation.

We continue to evaluate, and adjust, our hiring plans and investment spending accordingly. We are monitoring the potential effects of changed rate of spending on software solutions, purchasing decisions, delayed payments, and supply chain shortages on our business. To the extent economic volatility adversely affects our business, results of operations, financial condition, or liquidity, many of the other risks described in this "Risk Factors" section may also be heightened.

A cybersecurity incident or compromise of our security measures or those of third parties we rely on could result in unauthorized access to or other compromise of customers' data or customers' clients' data, which may materially and adversely impact our reputation, business, and results of operations.

Certain elements of our business and software solutions, particularly our origination and analytics solutions, involve the processing and storage of personally identifiable information, or PII, such as banking information and PII of our customers' clients. We may also have access to PII during various stages of the implementation process of our solutions or during the course of providing customer support. Furthermore, as we develop additional functionality, we may gain greater access to PII and process additional PII. While we maintain policies, procedures, and technological safeguards designed to protect the confidentiality, integrity, and availability of this information and our information technology systems, we cannot entirely eliminate the risk of improper, unlawful, or unauthorized access to, or disclosure, alteration, corruption, unavailability, or loss of PII or other data that we process or maintain, other security events that impact the integrity or availability of PII or other data or our systems and operations, or the related costs we may incur to mitigate the consequences from certain events such as the following:

- third-party social engineering attempts to fraudulently induce our employees, partners, or customers to disclose sensitive information;
- malicious intrusions and attacks by individuals or groups of hackers and sophisticated organizations, such as state-sponsored organizations or nation-states, to launch coordinated attacks, such as ransomware and distributed denial-of-service attacks;

- cyberattacks such as ransomware on our internally built infrastructure on which many of our solutions operate, or on third-party cloud-computing platform providers;
- vulnerabilities resulting from the configuration, implementation, enhancement, or update of our software solutions, as well as in the products or components across the broad ecosystem that our solutions operate in conjunction with and are dependent on;
- vulnerabilities or breach of those third-party providers' (cloud, software, data center, and other critical technology vendors) software, systems, or security measures or a failure in our third-party providers' data security procedures, measures, and policies;
- vulnerabilities existing within new technologies and infrastructures, including those from acquired companies;
- attacks on, or vulnerabilities in, the many different underlying networks and services that power the Internet that our products depend on, most of which are not under our control or the control of our vendors, partners or customers; and
- employee or contractor human errors or intentional insider threats that compromise our security systems.

Currently, we mitigate these risks, to the extent possible, by maintaining and enhancing an information security program, and an incident response and disaster recovery program, as well as participating in third-party audits. Our board of directors formed a cybersecurity committee to delegate oversight of risks in this area, and our board of directors, cybersecurity committee, and executive leadership are briefed on our cybersecurity policies, practices, and efforts, and any cybersecurity events, on a routine basis and as appropriate. When engaging third-party providers who have access to our systems, applications or data, we assess their policies and procedures relating to cybersecurity and privacy. Although we have developed systems and processes designed to protect our customers' clients' sensitive data, we can provide no assurances that such measures will provide absolute security or that a material cybersecurity incident will not occur. Mitigation efforts may be impacted by factors such as:

- changes to, and complexity of, techniques used to obtain unauthorized access to, or sabotage IT systems and infrastructure, which generally are not identified until after an initial launch against a target, resulting in a reduced ability to anticipate or implement adequate preventive measures;
- continued refinement, updating, and replacement of our internal systems and technology, particularly when adopting new technologies and new methods of sharing data and communicating internally and with customers and partners;
- the acquisition of new companies and their solutions, requiring us to integrate, improve, and secure different or more complex IT environments and technologies;
- authorization by our customers to third-party technology providers to access their clients' data, which may lead to our customers' inability to protect their data that is stored on our servers;
- our limited control over our customers or third-party technology providers, or the processing of data by third-party technology providers, which may not allow us to maintain the integrity or security of such transmissions or processing; and
- increased risk of security compromises associated with our employees working remotely.

A cybersecurity incident or compromise could result in operational disruptions, loss, compromise, unauthorized use of, or access to, alteration, or corruption of customer data or customers' client data or data we rely on to provide our software solutions, including our analytics initiatives and offerings, that impair our ability to provide our software solutions and meet our customers' requirements. Such impairment would result in decreased revenues and could otherwise materially negatively impact our financial results. Also, the occurrence, or perception of an occurrence, of any of these events could result in a loss of confidence in the security of our services, irreparable reputational damage, a decline in current and prospective customer use of our software solutions, business disruptions, increases in cybersecurity insurance premiums, and allocation of significant financial and operational resources in response, including repairing system damage, increasing security protection costs by deploying additional personnel and protection technologies, and defending against and resolving legal and regulatory claims and proceedings. The detection, prevention, and remediation of known or potential security vulnerabilities, including those arising from third-party hardware or software, may result in additional financial burdens due to additional direct and indirect costs, such as additional infrastructure capacity spending to mitigate any system degradation and the reallocation of resources from development activities. Furthermore, cybersecurity incidents and compromises could expose us to legal, regulatory, and financial exposure and liability, notification requirements, third-

party claims and lawsuits, indemnification, or other claims from customers and other third parties, regulatory investigations or proceedings, fines, or other actions or liabilities, which could materially and adversely affect our business and results of operations. In addition, some of our customers contractually require notification of cybersecurity incidents or compromises and include representations and warranties in their contracts with us that our software solutions comply with certain legal and technical standards related to cybersecurity and privacy and meets certain service levels. In certain of our contracts, a cybersecurity incident or compromise or operational disruption impacting us or one of our vendors, or system unavailability or damage due to other circumstances, may constitute a material breach of contract and give rise to a customer's right to terminate their contract with us or may cause us to be liable for certain monetary penalties, including as a result of a failure to meet service level agreements.

As of the date of this Quarterly Report on Form 10-Q, we have not experienced any material impact to the business or operations resulting from cybersecurity attacks; however, we and our third-party vendors have experienced non-material incidents in the past, and because of the frequently changing nature of attack techniques, along with the increased volume and sophistication of the attacks, there is the continued potential for us to be adversely impacted. This impact could result in reputational, competitive, operational or other business harm, as well as financial costs, including fines from regulators and other regulatory action. We maintain cybersecurity insurance in the event of an information security or cyber incident, however, the coverage may not be sufficient to cover all financial losses. In these circumstances, it may be difficult or impossible to cure such a cybersecurity incident or compromise in order to prevent customers from potentially terminating their contracts with us. Furthermore, although our customer contracts typically include limitations on our potential liability, there can be no assurance that such limitations of liability would be adequate. We also cannot be sure that our existing general liability insurance coverage and coverage for errors or omissions will be available on acceptable terms or in sufficient amounts to cover one or more claims or that our insurers will not deny or attempt to deny coverage as to any future claim. The successful assertion of one or more claims against us, the inadequacy or denial of coverage under our insurance policies, litigation to pursue claims under our policies, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or coinsurance requirements, could materially and adversely affect our business and results of operations.

Defects, errors, or other performance problems in our software solutions could harm our reputation, result in significant costs to us, impair our ability to sell our software solutions, and subject us to substantial liability.

Our software solutions are complex and, in the past, have contained defects, viruses, or errors when implemented or when new functionality is released. Such defects or disruptions could be the result of undetected vulnerabilities in third-party supplied software and technologies, bug fixes or upgrades, whether in connection with day-to-day operations or otherwise, or employee, contractor, or other third-party acts or inaction. Despite extensive testing, from time to time we have discovered, and may in the future discover, defects or errors in our software solutions. We may experience temporary system interruptions, either to our solutions as a whole, individual software solutions or groups thereof, or to some or all of our software hosting locations, for a variety of reasons, including network failures, power failures, software errors, or an overwhelming number of users trying to access our software solutions during periods of strong demand. Defects, errors, outages, or other performance problems or disruptions in our software solutions or service could be costly for us, damage our customers' businesses, result in loss of credibility with current or potential customers or partners, and harm our reputation, any of which could result in a material adverse effect on our business, operating results, and financial condition. In addition, our customers could seek to terminate their contracts, elect not to renew their subscriptions, delay or withhold payment, or make claims against us.

Because we are dependent on third parties for the implementation and maintenance of certain aspects of our systems and because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, if at all. As we rely heavily on our servers, computer, and communications systems and the Internet to conduct our business, any of these actions could result in liability, lost business, increased insurance costs, difficulty in collecting accounts receivable, costly litigation, or adverse publicity. Errors, defects, or other problems could also result in reduced sales or a loss of, or delay in, the market acceptance of our software solutions.

If we are unable to effectively integrate our software solutions with other systems, products, or other technologies used by our customers and prospective customers, or if there are performance issues with such third-party systems, products, or other technologies, our software solutions will not operate effectively and our operations will be adversely affected.

The functionality of our software solutions depends on our ability to integrate with other third-party systems, products, and other technologies used by our customers. Certain providers of these third-party systems, products, or other technologies also offer products that are competitive with our software solutions. These products may have an advantage over ours if customers using their software are better able to integrate with their own software. In addition, these third-party providers may be able to bundle their competitive products with other applications used by our customers and prospective customers at favorable pricing.

In addition, some of our competitors may be able to disrupt the operations or compatibility of our solutions with their products or services or exert strong business influence on our ability to, and terms on which we, provide our solutions. For example, core banking system companies provide critical back-end services to financial institutions. If these core banking system companies seek to compete with us in the markets we target or make it more difficult for us to integrate our solutions with their offerings, our business and results of operations could be materially and adversely affected. We do not have formal arrangements with all third-party providers regarding our access to their APIs to enable these customer integrations.

Our business may be harmed if any of our third-party providers:

- change the features or functionality of their applications and platforms in a manner adverse to us;
- discontinue or limit our software solutions' access to their systems or other technologies;
- terminate or do not allow us to renew or replace our existing contractual relationships on the same or better terms;
- modify their terms of service or other legal terms or policies, including fees charged to, or other restrictions on, us or our customers;
- establish exclusive or more favorable relationships with one or more of our competitors, or acquire one or more of our competitors and offer competing services; or
- otherwise have or develop their own competitive offerings.

Third-party services and products are constantly evolving. We may not be able to modify our solutions to assure compatibility with that of other third parties as they continue to develop or emerge in the future or make such modifications in a timely and cost-effective manner. Such changes could limit or prevent us from integrating our software solutions with these third-party systems, which could impair the functionality of, prohibit the use of, or limit our ability to sell our software solutions to customers. If we are not permitted or able to integrate with such third-party technologies as a result of changes to, or third parties restricting our access to, the technologies during the terms of existing customer agreements, we may not be able to meet our contractual obligations to customers who use such third-party software. Should any of our competitors modify their products or standards in a manner that degrades the functionality of our solutions or gives preferential treatment to our competitors or competitive products, whether to enhance their competitive position or for any other reason, the interoperability of our products with these products could decrease, and our business, results of operations, and financial condition would be harmed. In addition, if any third-party technology providers experience an outage, our software solutions integrated with such technology will not function properly or at all, and our customers may be dissatisfied with our software solutions. If the technology of such third-party providers has performance or other problems, such issues may reflect poorly on us, and the adoption and renewal of our software solutions and our business may be harmed. Although our customers may be able to switch to alternative technologies if a provider's services were unreliable or if a provider were to limit such customer's access and utilization of its data or the provider's functionality, our business could nevertheless be harmed due to the risk that our customers could reduce their use of our software solutions.

As the number of customers that we serve increases, we may encounter implementation challenges, and we may have to delay revenue recognition for some complex engagements, which would harm our business and operating results.

We may face unexpected implementation challenges related to the complexity of our customers' implementation and integration requirements. Our implementation expenses increase when customers have unexpected data, integrations, hardware, or software technology challenges or complex or unanticipated business requirements. In addition, certain of our customers require complex acceptance testing related to the implementation of our software solutions. Further, because we do not fully control our customers' implementation schedules, implementation issues may occur if our customers do not allocate the internal resources necessary to meet implementation timelines or if there are unanticipated implementation delays. Any difficulties or delays in implementation processes could cause customers to delay or forego future purchases of our software solutions or require us to delay revenue recognition under the related customer agreement longer than expected, either of which would adversely affect our business, operating results, and financial condition.

If we fail to offer high-quality customer support or fail to meet our service level commitments, we could be obligated to provide credits or refunds or face contract terminations, which could adversely affect our business, operating results, reputation and financial condition.

Our customers rely on our customer support services to resolve issues and realize the full benefits provided by our solutions. High-quality support is also important to maintain and drive further adoption by our existing customers. If we do not help our customers quickly resolve issues and provide effective ongoing support or if our support personnel or methods of providing support are insufficient to meet the needs of our customers, our ability to retain customers, increase adoption by our existing customers, and acquire new customers could suffer, and our reputation with existing or potential customers could be harmed. If we are not able to meet the customer support needs of our customers during the hours that we currently provide support, we may need to increase our support coverage and provide additional support, which may reduce our profitability.

Additionally, certain of our agreements with our customers contain service level commitments. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our solutions, we may be contractually obligated to provide these parties with service credits or refunds. In addition, we could face contract terminations, in which case we would be subject to a loss of future revenues. Our revenues could be significantly affected if we suffer unexcused downtime under our agreements with our customers and partners. Further, any extended service outages could adversely affect our reputation, revenues, and operating results.

Certain of our key operating metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We track certain key operating metrics using internal tools, which have certain limitations. In addition, we rely on data received from third parties, including industry forecast reports, to track certain performance indicators. We have only a limited ability to verify data from both of these sources. Our methodologies for tracking metrics have changed, and may in the future continue to change, which could result in changes to the metrics we report. If we under count or over count performance due to the internal tools we use or issues with the data received from third parties, or if our internal tools contain errors, the data we report may not be accurate or comparable with prior periods. In addition, limitations, changes or errors with respect to how we measure data may affect our understanding of certain details of our business, which could affect our longer-term strategies.

If our performance metrics are not, or are not perceived to be, accurate representations of our financial or operational performance, if we discover material inaccuracies in our metrics, or if we can no longer calculate any of our key performance metrics with a sufficient degree of accuracy and cannot find an adequate replacement for the metric, our business, operating results, and financial condition could be adversely affected.

Our usage and volume-based pricing can cause revenue fluctuation and may adversely affect our business and operating results.

Our customer relationships are generally conducted in accordance with the terms of multi-year contracts that, among other things, may provide for minimum purchases and specified levels of pricing based on the volume of loans, applications, or searches conducted or processed during the applicable billing period. These contractual features are key determinants of profitability. Certain of our contracts provide for contractually scheduled price changes. From time to time, we also negotiate pricing or other changes with our existing customers that include, but are not limited to, extending or renewing a contract or adjusting minimum volumes. Our usage and volume-based pricing, which is seasonal and cyclical, can cause our revenues to fluctuate which could affect our business. Additionally, our usage and volume-based pricing can be negatively impacted by macroeconomic trends, which may disproportionately impact our revenues and operating results.

We depend on satisfied customers to succeed and, in certain instances, have aligned our financial goals with those of our customers. Our historical contracts are subject to de minimis minimum commitments with certain of our customers, who may be less willing or able to accommodate modifications to our contracts given their own business constraints. Such minimum commitment obligations may not be cost-effective or provide positive returns.

Our sales cycle can be unpredictable, time-consuming, and costly, which could harm our business and operating results.

Our sales process involves educating prospective customers and existing customers about the use, technical capabilities, and expected outcomes of our software solutions. Prospective customers often undertake a prolonged evaluation process, which typically involves not only our software solutions but also those of our competitors, and typically lasts from six to nine months or longer. We may spend substantial time, effort, and money on our sales and marketing efforts without any assurance that our efforts will produce any sales. It is also difficult to predict the level and timing of sales opportunities that come from our referral partners. Events affecting our customers' businesses may occur during the sales cycle that could affect the size or timing of a purchase, contributing to more unpredictability in our business and operating results. As a result of these factors, we may face greater costs, longer sales cycles, and less predictability in the future.

If we fail to effectively expand our sales and marketing capabilities and teams, including through partner relationships, or if we fail to develop, maintain, and enhance our brands, we may not be able to increase our customer base and achieve broader market acceptance of our software solutions.

While we expect to continue to grow headcount in our sales and marketing teams over the long-term, we authorized workforce reductions in connection with our 2023 Restructuring Plan and our 2024 Realignment Plan (each as defined below). We may be unable to effectively manage the organizational changes we are making in connection with the 2023 Restructuring Plan and 2024 Realignment Plan, which could result in declines in quality or customer satisfaction, increases in costs, difficulties in obtaining new customers, difficulty in introducing new solutions to our existing customers, difficulty in deploying solutions to new and current customers, reputational harm, loss of customers, or operational difficulties in executing sales and other strategies, any of which could adversely affect our business performance and operating results.

Achieving broader market acceptance of our software solutions will depend on our ability to expand the abilities of our sales and marketing organizations to obtain new customers and sell additional solutions and services to existing customers, including through the use of our formal and informal relationships with our referral and reseller partners. We believe there is significant competition for direct sales and marketing professionals with the skills and knowledge that we require, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future. Moreover, new hires require significant training and time before they become fully productive and may not become as productive as quickly as we anticipate. As a result, the cost of hiring and carrying new representatives cannot be offset by the revenues they produce for a significant period of time.

Furthermore, we believe that maintaining and enhancing the brands associated with our solutions is important to support the marketing and sale of our existing and future solutions to new customers and to increase adoption of our solutions by existing customers. If we fail to sufficiently invest in our marketing programs or they are unsuccessful in creating market awareness of our company and software solutions, our business may be harmed, and our sales opportunities may be limited. Our promotion activities may not generate brand awareness or yield increased revenues, and even if they do, any increased revenues may not offset the expenses we incur in building our brand, which may negatively impact our results of operations.

Our product partners may change their dependence on our system for providing service to their customers, which could harm our business and operating results.

Our continued success will depend in part on our ability to retain a number of key product partners. In addition, we believe that our future success will depend in large part on our ability to attract product partners who utilize our system to service their customers, driving further volumes through our platform. Value associated with our platform is derived from the ability of our customers to access these product partners through our solutions. There can be no assurance that we will be successful in attracting and retaining such partners. The loss of certain key product partners or our inability to attract or retain other product partners could have a material adverse effect on our business, operating results, and financial condition.

We may not achieve some or all of the expected benefits of our restructuring or organizational realignment plans, and such restructuring or realignment may adversely affect our business.

We have undertaken, and may undertake in the future, restructuring, organizational realignment, or other strategic changes in order to manage operating costs, enable efficient delivery on business objectives, allow for growth in areas of strategic importance, adapt our business to serve customers more effectively, align teams with the Company's highest business priorities, and achieve operating efficiencies, including the restructuring plan approved by our board of directors in February 2023, or the 2023 Restructuring Plan, which was completed during the three months ended June 30, 2023, and the 2024 Realignment Plan approved in January 2024. The 2023 Restructuring Plan resulted in restructuring charges of \$3.6 million for severance and related costs, and we estimate we will incur approximately \$3.3 million to \$4.3 million in connection with the 2024 Realignment Plan. Implementation of any restructuring or organizational realignment plan may be costly and disruptive to our business, and we may not be able to obtain the anticipated cost savings, operational improvements, strategic growth, and estimated workforce reductions within the projected timing or at all. Further, we may experience a loss of continuity, loss of accumulated knowledge and/or inefficiency, adverse effects on employee morale, and/or key or other retention issues during transitional periods. Restructuring and realignment can require a significant amount of time and focus, which may divert attention from operating and growing our business. For more information about our 2023 Restructuring Plan and 2024 Realignment Plan, see Note 12 to our condensed consolidated financial statements elsewhere in this Quarterly Report on Form 10-Q.

We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current personnel or hire additional personnel, our ability to develop and successfully market our business could be harmed.

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, technical, finance, creative, and sales and marketing personnel. Moreover, we believe that our future success is highly dependent on the contributions of our executive officers. All of our officers and other employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. In addition, the loss of any key employees or the inability to attract or retain qualified personnel could delay the development and introduction of, and harm our ability to sell, our software solutions and harm the market's perception of us. The workforce reductions we implemented and are implementing as part of our 2023 Restructuring Plan and 2024 Realignment Plan may also adversely impact our ability to attract, integrate, retain, and motivate highly qualified employees, and may harm our reputation with current or prospective employees. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing sales, operational, and managerial requirements, or may be required to pay increased compensation in order to do so. Furthermore, although we believe a remote-first work model will help us attract and retain talent across a broad geographic base, a remote work environment could, among other things, negatively impact company culture, employee morale, and productivity, inhibit our ability to hire and train new employees, and impede our ability to support customers at the levels they expect. If we are unable to attract and retain the qualified personnel we need to succeed, our business will suffer.

Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. Certain of our employees have become, or will soon become, vested in a substantial amount of stock options or restricted stock units. Employees may be more likely to leave us if the shares they own or the shares underlying their vested options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the vested options, or if the exercise prices of the options that they hold are significantly above the market price of our common stock. In addition, job candidates and existing employees often consider the actual and potential value of the equity awards they receive as part of their overall compensation. If the perceived value or future value of our stock declines, our ability to attract and retain highly skilled employees may be adversely affected. If we are unable to retain or find a suitable replacement for our named executive officers or other key employees, our business will be harmed.

Growth may place significant demands on our management and our infrastructure.

Our growth has placed, and may continue to place, significant demands on our management and our operational and financial infrastructure. As our operations grow in size, scope, and complexity, we will need to improve and upgrade our systems and infrastructure to offer an increasing number of customers enhanced software solutions, features, and functionality. The expansion of our systems and infrastructure will require us to commit substantial financial, operational, and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. To support our growth, we must also continue to improve our management resources and our operational and financial controls and systems, and these improvements may increase our expenses more than anticipated and result in a more complex business. Continued growth could also strain our ability to maintain reliable service levels for our customers and recruit, train, and retain highly skilled personnel.

Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business would be harmed.

We depend on data centers operated by third parties and third-party cloud hosting providers, and any disruption in the operation of these facilities or access to the Internet could adversely affect our business.

While the majority of our customers have been migrated to cloud-based solutions like Microsoft Azure and Amazon Web Services, we continue to serve a small subset of our customers from two third-party data center hosting facilities located in Lone Mountain, Nevada and Atlanta, Georgia. We do not control the operation of these data centers, and the third-party owners and operators of these current and future facilities do not guarantee that our customers' access to our software solutions will be uninterrupted, error-free, or secure. Problems associated with these data centers could adversely affect the experience of our customers. Any disruptions or other operational performance problems with these data centers including without limitation, interruptions in service from software or hardware failures, virus or cybersecurity attacks, terrorism, or natural disasters, could result in material interruptions in our services, adversely affect our reputation and results of operations, and subject us to liability.

We also depend on third-party cloud-hosting providers and continuous and uninterrupted access to the Internet through third-party bandwidth providers to operate our business. As we continue to expand the number of our customers and available solutions, we may not be able to scale our technology to accommodate the increased capacity requirements, which may result in interruptions or delays in service. In addition, the failure of data centers, Internet service providers, or other third-party service providers to meet our capacity requirements could result in interruptions or delays in access to our solutions or impede our ability to grow our business and scale our operations. If our third-party infrastructure service agreements are terminated, if there is a service lapse, interruption of Internet service provider connectivity, or damage to data centers, or if we experience a service loss or disruption of one or more of our cloud-hosting or bandwidth providers for any reason, such as viruses, denial of service, ransomware, cybersecurity attacks or other attacks on their systems, human error, intentional bad acts, power loss, hardware failures, telecommunications failures, fires, wars, terrorist attacks, floods, earthquakes, hurricanes, tornadoes, or other catastrophic events, we could experience disruption in our ability to offer our software solutions and adverse perception of our software solutions' reliability. We could also be required to retain the services of replacement providers, which could cause interruptions in access to our solutions as well as delays and additional expense in arranging new facilities and services and could also increase our operating costs and harm our business and reputation. Additionally, any need to change cloud-hosting service providers would require a significant amount of time and effort by our information technology department.

We have a significant portion of our product development operations contracted to unrelated third parties in India, which poses risks.

We have used, and intend to continue to use, unrelated third parties to provide us with technology development services, through individuals based in India. We have increased the amount of our product development work performed by contractors in India to expand our access to additional resources so we can meet the needs of our increased development efforts. However, we may not achieve the cost savings and other benefits we anticipate from these programs, and we may not be able to find sufficient numbers of developers with the necessary skill sets in India to meet our needs. While our experience to date with our India-based contractors has been positive, there is no assurance that this will continue. Specifically, there are a number of risks associated with this activity, including, but not limited to, the following:

- communications and information flow may be less efficient and accurate as a consequence of the time and distance differences between our primary development organization and the foreign-based activities, resulting in delays in development or errors in the software developed;
- in addition to the risk of misappropriation of intellectual property from departing personnel, there is a general risk of the potential for misappropriation of our intellectual property that might not be readily discoverable;
- the ability to obtain fulsome rights to intellectual property arising from the work performed by India-based individuals may be more difficult than it is with respect to intellectual property arising from work performed for us by our U.S.-based employees;
- the quality of the development efforts undertaken offshore may not meet our requirements, including due to experiential differences, resulting in potential product errors and/or delays;
- currency exchange rates could fluctuate and adversely impact the cost advantages intended from maintaining these relationships; and
- as would be the case with any of our third-party developers, if those based in India were to leave their employment or if the third-party development services agreement with us were terminated, we would lose some short-term development capacity, and while we believe we would still be able to continue maintaining and improving all of our service offerings, we would need to expend resources and management time to on-board additional development resources.

In addition, as a result of the foregoing arrangements, we have a heightened risk exposure to changes in the economic, security, and political conditions of India. Economic and political instability, military actions, and other unforeseen occurrences in India could impair our ability to develop and introduce new software applications and functionality in a timely manner, which could put our products at a competitive disadvantage whereby we lose existing customers and/or fail to attract new customers.

Risks Related to Legal and Regulatory Matters

Privacy, information security, and data protection concerns, data collection and transfer restrictions, and related domestic regulations may limit the use and adoption of our software solutions and adversely affect our business and results of operations.

The regulatory framework governing privacy, information security, data protection, and the collection, processing, storage, and use of certain information, particularly financial and other personally identifiable information, is rapidly evolving. We expect that there will continue to be new proposed and adopted laws, regulations, and industry standards concerning privacy, data protection, and information security in the United States. For example, California enacted the California Consumer Privacy Act, or CCPA, which went into effect in January 2020 and, among other things, requires companies covered by the legislation to provide new disclosures to California consumers and afford such consumers new rights of access and deletion for personal information, as well as the right to opt-out of collection of their data and certain sales of personal information. Additionally, the California Privacy Rights Act, or CPRA, amends and expands the CCPA and went into effect January 1, 2023. The CCPA has required us to modify and augment our practices and policies and incur substantial costs and expenses in an effort to comply or respond to further changes to laws or regulations.

Similar laws have been passed in numerous other states, and a number of other states have proposed new privacy laws, some of which are similar to the above discussed recently passed laws. Such proposed legislation, if enacted, may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment of resources in compliance programs, impact strategies and the availability of previously useful data, and could result in increased compliance costs and/or changes in business practices and policies. The existence of comprehensive privacy laws in different states in the country would make our compliance obligations more complex and costly and may increase the likelihood that we may be subject to enforcement actions or otherwise incur liability for noncompliance. In addition, laws in all 50 U.S. states require businesses to provide notice to individuals if certain of their personal information has been disclosed as a result of a qualifying data breach. Further, other states have proposed and/or passed legislation that regulates the privacy and/or security of certain specific types of information. For example, a small number of states have passed laws that regulate biometric data specifically. These various privacy and security laws may impact our business activities, including our identification of research subjects, relationships with business partners and ultimately the marketing and distribution of our products. State laws are changing rapidly and there is discussion in the U.S. Congress of a new comprehensive stringent federal data privacy law to which we may likely become subject, if enacted.

We cannot yet fully determine the impact that these or future laws, rules, and regulations may have on our business or operations. Any such laws, rules, and regulations may be inconsistent among different jurisdictions, subject to new or differing interpretations, or conflict with our current or future practices. Additionally, we may be bound by contractual requirements applicable to our collection, use, processing, and disclosure of various types of information, including financial and PII, and may be bound by, or voluntarily comply with, self-regulatory or other industry standards relating to these matters that may further change as laws, rules, and regulations evolve. Any failure or perceived failure by us, our third-party service providers, or any other third parties with which we do business, to comply with these laws, rules, and regulations, or with other obligations to which we or such third parties are or may become subject, may materially and adversely affect our business and results of operations, and result in reputational harm, governmental investigations and enforcement actions, litigation, claims, fines and penalties, or adverse publicity.

Additionally, if in the future we seek to sell our solutions outside of the United States, we would face similar or potentially more stringent laws and regulations relating to personal privacy, information security, and data protection and we cannot be certain we would be able to adequately address these laws and regulations as part of any international expansion without incurring substantial costs and expenses to comply.

Our customers are highly regulated and subject to a number of challenges and risks. Our failure to comply with laws and regulations applicable to us as a technology provider to financial institutions could adversely affect our business and results of operations, increase costs, and impose constraints on the way we conduct our business.

Our current and prospective customers are highly regulated and are generally required to comply with stringent regulations in connection with performing business functions that our software solutions address. As a provider of technology to financial institutions, and as a result of obligations under some of our customer contracts, we are required to comply with certain provisions of the Gramm-Leach-Bliley Act, or GLBA, related to the privacy and security of certain consumer information, in addition to other contractual obligations that relate to our customers' obligations under the GLBA and other laws and regulations to which they are subject, including, but not limited to, state privacy laws and regulations. We also may be subject to other laws and regulations, including those relating to privacy and data security, due to the software solutions we provide to financial institutions.

Matters subject to review and examination by federal and state regulatory agencies and external auditors include our internal information technology controls in connection with our performance of data processing services, the agreements giving rise to those processing activities, and the design of our software solutions. Any inability to satisfy these examinations and maintain compliance with applicable regulations could adversely affect our ability to conduct our business, including attracting and maintaining customers. If we must make changes to our internal processes and software solutions as a result of these regulations, we could be required to invest substantial additional time and funds, diverting time and resources from other initiatives to remedy any identified deficiency.

Our indirect, wholly-owned subsidiary, Professional Credit Reporting, Inc., functions as a consumer reporting agency and, as a result, is subject to rules and regulations applicable to consumer reporting agencies, such as the Fair Credit Reporting Act, or FCRA. In addition, with our acquisition of the assets of TazWorks and MeridianLink Wholesale Data, LLC, doing business as Trade House Data, we may have additional exposure to FCRA as a wholesale data furnisher of certain background screening pointer data. Other than these exposures to FCRA, we have adopted the position that we are not otherwise subject directly to the FCRA in our position as a technology provider to financial institutions and CRAs. It is possible that this position may be challenged by regulatory authorities or others, however, which could result in regulatory investigations and other proceedings, claims, and other liability, and which could require us to redesign our solutions and otherwise substantially modify our operations, processes, and solutions. This could require dedication of substantial funds and other resources, and time of management and technical personnel, which could be highly disruptive to our operations. This could adversely affect our business and results of operations. The CRA industry is facing aggressive litigation efforts from plaintiffs' attorneys against CRAs requiring substantial resources from us in response to subpoenas and additional technical software reporting requests, and, more recently, direct claims against us. While we maintain that we are not a CRA, these efforts could affect us more significantly if additional customers are impacted, as MeridianLink is brought into such claims, or if MeridianLink is otherwise implicated in such litigation.

The evolving, complex, and often unpredictable regulatory environment in which our customers operate could result in our failure to provide compliant software solutions, which could result in customers not purchasing our software solutions or terminating their contracts with us or the imposition of fines or other liabilities for which we may be responsible. In addition, as a service provider to financial institutions, we may be subject to direct regulation and examination by federal and/or state agencies, and such agencies may attempt to further regulate our activities in the future which could adversely affect our business and results of operations.

Any future litigation against us could damage our reputation and be costly and time-consuming to defend.

We have been in the past and may be, at any point, subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our customers in connection with commercial disputes or employment claims made by current or former employees. In other instances, our customers become involved in litigation where we are required to provide information pursuant to a court order, subpoena, or customer request or where we may be named as co-defendants. From time to time, we also may initiate litigation to enforce our rights, including with respect to payments that we are owed. Litigation could result in reputational damage and substantial costs and may divert management's attention and resources, any of which may adversely impact our business, overall financial condition, and results of operations and affect the value of our common stock. While we maintain insurance coverage for certain types of claims, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise. We are not currently aware of any material pending or threatened litigation against us but can make no assurances the same will continue to be true in the future.

If we are unable to protect our intellectual property, our business could be adversely affected.

We rely on a combination of copyrights, trademarks, service marks, patents and trade secret laws, confidentiality obligations, and other contractual restrictions to establish and protect our intellectual property and other proprietary rights. Despite our efforts, these protections may be limited and may not adequately permit us to gain or keep any competitive advantage. Unauthorized third parties may try to copy or reverse engineer our solutions, technology, systems, methods, processes, or proprietary information. A third party may develop software solutions, adopt trade names or domain names, or acquire other intellectual property and proprietary rights similar to ours, thus diluting or diminishing the value of our intellectual property, proprietary rights, and overall brand. Our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes could be limited by our agreements with third parties. Our patents may be invalidated or circumvented. A patent application may not be issued with the claim scope we seek, if at all. In addition, the laws of some countries do not provide the same level of intellectual property protection as U.S. laws and courts.

We may be required to spend significant resources to monitor and protect our intellectual property rights. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. We may also allow certain of our registered intellectual property rights, or our pending applications or registrations for intellectual property rights, to lapse or to become abandoned if we determine that obtaining or maintaining the applicable registered intellectual property rights is not worthwhile. Our inability to protect our intellectual property against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay sales or the implementation of our software solutions, impair the functionality of our software solutions, delay introductions of new software solutions, result in our substituting less-advanced or more-costly technologies into our software solutions, or harm our reputation. In addition, should any of our protections fail, we may be required to license additional intellectual property from third parties to develop and market new software solutions, and we cannot ensure that we could license that intellectual property on commercially reasonable terms or at all.

We use open source software in our solutions, which could subject us to litigation or other actions, or otherwise negatively affect our ability to sell our solutions.

Our solutions incorporate software modules licensed to us by third-party authors under "open source" licenses. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, warranties, indemnification, or other contractual protections regarding infringement claims or the quality of the code. In addition, the public availability and unknown vulnerabilities of such software may make our solutions more susceptible to compromise. The terms of many open source licenses have not been interpreted by U.S. or foreign courts, and there is a risk that these licenses could be construed in a way that imposes unanticipated conditions or restrictions on our ability to provide or distribute our solutions.

We could become subject to lawsuits by parties claiming ownership of what we believe to be open source software. If we are held to have breached or failed to fully comply with all the terms and conditions of an open source software license, we could face infringement or other liability, or be required to seek costly licenses from third parties, to re-engineer our solutions, to discontinue or delay the provision of our offerings if re-engineering could not be accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, financial condition, and results of operations. Although we monitor our use of open source software to avoid subjecting our solutions to unintended conditions, such use may require us to take remedial action that may divert resources away from our development efforts and could materially adversely affect our business.

Lawsuits by third parties against us or our customers for alleged infringement of the third parties' proprietary rights or for other intellectual property-related claims relating to our solutions or business could result in significant expenses and harm our operating results.

Our industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets, and other intellectual property and proprietary rights, along with frequent litigation based on allegations of infringement or other violations of intellectual property rights. We have been, and, from time to time, expect to be involved in disputes related to patent and other intellectual property rights of third parties. To date, none of these disputes have resulted in material liabilities. Our business could be adversely affected by any significant disputes between us and our customers as to the applicability or scope of our indemnification obligations to them. There can be no assurances that any existing limitations of liability provisions in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. If such claims are successful, or if we are required to indemnify or defend our customers from these or other claims, these matters could be disruptive to our business and management, result in material liabilities, and have an adverse effect on our business, operating results, and financial condition.

From time to time, we have received, and may continue to receive, threatening letters or notices or, in the future, may be the subject of claims that our software solutions and underlying technology infringe or otherwise violate the intellectual property rights of others, and we may be found to be infringing upon or otherwise violating such rights. We also face, from time to time, trade name or trademark or service mark infringement claims brought by owners of other registered or unregistered trademarks or service marks, including trademarks or service marks that may incorporate variations of our brand names. In addition, the risk of patent litigation has been amplified by the increase in the number of patent holding companies or other adverse patent owners that have no relevant product revenues, and therefore, our existing patent and any patents we may obtain in the future may provide little or no deterrence as we would not be able to assert them against such entities or individuals. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us or our customers whom we indemnify, could subject our technologies to injunction preventing us from accessing such third-party intellectual property rights, require that we pay substantial damages or ongoing royalty payments, prevent us from offering our software solutions, or require that we comply with other unfavorable terms. Even if the claims do not result in litigation or are resolved in our favor, these claims and the time and resources necessary to resolve them could divert the resources of our management and harm our business and operating results. Any claims related to our intellectual property or customer confusion related to our solutions could damage our reputation and adversely affect our growth prospects.

Any use of our solutions by our customers in violation of legal or regulatory requirements could damage our reputation and subject us to additional liability.

If our customers or their clients use our solutions in violation of regulatory requirements and applicable laws, we could suffer damage to our reputation and could become subject to claims in connection with their use of our solutions. We rely on our customers' contractual obligations that their use and their clients' use of our solutions will comply with applicable laws. However, we do not audit our customers or their clients to confirm compliance. Even if claims asserted against us do not result in liability, we may incur costs in investigating and defending against such claims. If we are found liable in connection with our customers' or their clients' activities, we could incur liabilities and be required to redesign our solutions or otherwise expend resources to remedy any damages caused by such actions and to avoid future liability.

The financial services industry is heavily regulated and changes in current legislation or new legislation could adversely affect our business.

The financial services industry in the United States, and, in particular, the consumer lending and mortgage industries, are heavily regulated. Our software solutions are designed to assist our customers with their compliance of consumer protection laws and institutionally mandated compliance policies and, therefore, must be updated to incorporate changes to such laws and policies. For example, we made certain changes to our software solutions to assist our customers with compliance with modifications to the Truth in Lending Act. Federal and state governments and agencies could enact legislation or other policies that could negatively impact the business of our customers and our product partners. Any changes to existing laws or regulations or adoption of new laws or regulations that increase restrictions on the consumer lending and mortgage industries may decrease usage and volumes transacted with our solutions or otherwise limit the ability of our customers and our product partners to operate their businesses, resulting in decreased usage of our software solutions. Updates that we have undertaken in the past have caused us to incur significant expense, and future updates to address such legal and regulatory developments will likely similarly cause us to incur significant expense.

While our customers are ultimately responsible for compliance with the laws and regulations that apply to the consumer lending and mortgage industries, a failure to design or to appropriately update our software solutions to reflect and comply with changes to existing laws or regulations or with new laws or regulations may contribute to violations by our customers of such laws and regulations. Any such violations could result in our customers discontinuing using our software solutions and cause us reputational harm, which would negatively impact our financial position and results of operations.

Failure to comply with anti-bribery, anti-corruption, and similar laws, could subject us to penalties and other adverse consequences.

Failure to comply with anti-bribery, anti-corruption, anti-money laundering, and similar laws could subject us to penalties and other adverse consequences. We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, and other federal, state, and local laws that address anti-bribery, anti-corruption, and anti-money laundering. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, agents, representatives, business partners, and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector.

While we have policies and procedures to address compliance with such laws, we cannot ensure that none of our employees, agents, representatives, business partners, or third-party intermediaries will take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Any allegations or violation of the FCPA or other applicable anti-bribery or anti-corruption laws or anti-money laundering laws could result in whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, fines, damages, adverse media coverage, investigations, severe criminal or civil sanctions, or suspension or debarment from U.S. government contracts, all of which may have an adverse effect on our reputation, business, results of operations, and prospects. Responding to any investigation or action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees. In addition, the U.S. government may seek to hold us liable for successor liability for FCPA violations committed by companies in which we invest or that we acquire. As a general matter, investigations and enforcement actions could harm our reputation, business, results of operations, and financial condition.

If one or more U.S. states or local jurisdictions successfully assert that we should have collected, or in the future should collect, additional sales or use taxes on our fees, we could be subject to additional liability with respect to past or future sales, and the results of our operations could be adversely affected.

An increasing number of states have considered or adopted laws that attempt to impose sales tax collection obligations on out-of-state sellers. We do not collect state and local sales and use taxes in all jurisdictions in which our customers are located, based on our belief that such taxes are not applicable to us. Jurisdictions in which we do not collect sales and use taxes may assert that such taxes are applicable to us and require us to calculate, collect, and remit taxes, interest, and penalties, as well as collect such taxes in the future. In addition, one or more states, the federal government, or other countries may seek to impose additional reporting, record-keeping, or indirect tax collection obligations on businesses like ours that offer subscription services. For example, on June 21, 2018, the Supreme Court held in *South Dakota v. Wayfair, Inc.* that the state in which the buyer is located could impose sales tax collection obligations on out-of-state sellers even if those sellers lack any physical presence within the state imposing the sales taxes. In response to *Wayfair*, state or local governments may require us to collect and remit sales and use taxes where we have not collected and remitted sales and use taxes that occurred in prior tax years. The imposition by state or local governments of sales tax collection obligations on out-of-state sellers could also create additional administrative burdens for us, subject us to additional costs, put us at a competitive disadvantage if similar obligations are not imposed on our competitors, and decrease our future sales, which could have an adverse effect on our business, financial condition, and results of operations.

Risks Related to Finance and Accounting

Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.

Our quarterly results of operations, including the levels of our revenues, gross margin, profitability, and cash flow may vary significantly in the future and, accordingly, period-to-period comparisons of our results of operations may not be meaningful. Thus, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, and may not fully or accurately reflect the underlying performance of our business. For example, while subscriptions with our customers often include multi-year terms that typically range from three to five years, a majority of our revenues from these subscriptions comes from usage or volume-based fees, such as application fees and per inquiry fees, as opposed to annual or monthly base fees. As such, if our customers terminate their agreements with us prior to their scheduled term, we may only recover a portion of our contractual base fees, and not any usage or volume-based fees. Fluctuation in quarterly results may negatively impact the value of our common stock. Factors that may cause fluctuations in our quarterly financial results include, without limitation, those listed below:

- general economic, industry, and market conditions (particularly those affecting financial institutions), including fears of global economic downturn or recession, inflation and corresponding central bank countermeasures, and rising interest rates and their resulting effect on the mortgage market;
- our ability to retain current customers or attract new customers;
- the overall usage, volume, and type of transactions handled or processed using our software solutions, which may vary based on external factors such as macroeconomic conditions and seasonality;
- the activation, delay in activation, or cancellation by customers;
- the timing of recognition of professional services revenues;
- the amount and timing of operating expenses, particularly increased expenses in connection with rising inflation, related to the maintenance and expansion of our business, operations, and infrastructure;
- the timing and amounts of our stock repurchases;
- consolidations between or mergers or acquisitions of our customers, to the extent the combined entity or acquirer elects not to continue using our solutions or reduces subscriptions to it;
- customer renewal, expansion, and retention rates;
- increases or decreases in usage or pricing changes upon renewals of customer contracts;
- network outages or security breaches;
- changes in our pricing policies or those of our competitors;
- seasonal variations in sales of our software solutions, which have historically been highest in the third quarter of our fiscal year;
- the timing and success of introductions of new solutions or features and functionality by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers, or strategic partners;
- unexpected expenses such as those related to litigation and other disputes; and
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill or other intangibles from acquired companies.

Our forecasts, including forecasts related to acquired entities, are subject to significant risks, assumptions, estimates, and uncertainties, which may cause our revenues, market share, expenses, and profitability to differ materially from our expectations. For acquired entities, this could lead to an impairment charge.

Our forecasts, as well as our internal estimates and research, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. We operate in rapidly evolving, fragmented, and competitive industries, which make our results of operations difficult to predict. Additionally, we have a limited operating history at the current scale of our business, which makes it difficult to forecast our future results.

Market conditions may change quickly and unpredictably, which could cause the assumptions and data inputs for our forecasts to no longer be representative of the most recent market conditions. It may not be possible to update existing forecasts expeditiously to properly account for the most recently available data and events, or management may be required to make judgments regarding adjustments or overrides to our forecasts, which judgments are subject to further uncertainty. Additionally, we have a limited operating history at the current scale of our business, which makes it difficult to forecast our future results. Moreover, forecasts based on historical data sets might not be accurate predictors of future outcomes, and their ability to appropriately predict future outcomes may degrade over time.

If the forecasts of market growth, anticipated spending, or predictions regarding market size prove to be inaccurate, our business and growth prospects could be adversely affected. Even if all or some of the forecasted growth occurs, our business may not grow at a similar rate, or at all. If actual results differ from our estimates, analysts may react negatively, and our stock price could be materially impacted. In the case of acquired entities, if our forecasts of market growth, anticipated spending, or predictions regarding market size prove to be inaccurate, an impairment charge could materialize.

Because we recognize subscription fee revenues over the term of the contract, downturns or upturns in our business may not be fully reflected in our results of operations until future periods.

We generally recognize revenues from subscription fees ratably over the terms of our customer contracts, which typically have an initial term of three years. As such, a portion of the subscription fee revenues we report each quarter are derived from the recognition of deferred revenues relating to subscriptions activated in previous quarters. Consequently, a reduction in customer subscriptions in any single quarter may only have a small impact on our revenues for that quarter. However, such a decline will negatively affect our revenues in future quarters. Accordingly, the effect of significant downturns in sales or market acceptance of our software solutions, and changes to our attrition rate, may not be fully reflected in our results of operations until future periods.

If our goodwill and other intangibles become impaired, we may be required to record a significant charge to earnings.

We have a significant amount of goodwill and other intangibles. Our goodwill and other intangible asset balances as of March 31, 2024, were approximately \$610.1 million and \$238.8 million, respectively. We test goodwill at least annually, as of October 1, or more frequently if circumstances indicate that goodwill may not be recoverable. Testing involves estimates and judgments by management. Such assets are considered to be impaired when the carrying value of an intangible asset exceeds its estimated fair value. We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets is determined. While no impairment has been recorded in the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, any future impairment of a significant portion of our goodwill could materially adversely affect our financial condition and results of operations.

Our ability to recognize the benefits of deferred tax assets is dependent on future cash flows and taxable income.

We recognize deferred tax assets when it is considered more likely than not that the tax benefit will be realized; otherwise, a valuation allowance is applied against deferred tax assets. Assessing the recoverability of deferred tax assets requires management to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, our ability to realize the deferred tax assets could be impacted. Additionally, future changes in tax laws could limit our ability to obtain the future tax benefits represented by our deferred tax assets. After analyzing all available evidence, we have determined that it is more likely that we would not be able to utilize all of our deferred tax assets prior to the expiration of such assets and therefore we have recorded a partial valuation allowance on our deferred tax assets as of December 31, 2023 and March 31, 2024. Our valuation allowance was \$31.3 million and \$29.4 million as of March 31, 2024 and December 31, 2023, respectively. The amount of the deferred tax asset considered realizable, and therefore the amount of the valuation allowance recorded against our deferred tax assets, could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as our projections for growth.

Our ability to use our net operating loss carryforwards and other tax attributes may be limited.

We may be unable to fully use our net operating loss ("NOL") carryforwards, if at all. Under Section 382 and corresponding provisions of state law, if a corporation undergoes an "ownership change," generally defined under Section 382 and applicable U.S. Treasury regulations as a greater than 50% change, by value, in its equity ownership over a rolling three-year period, the corporation's ability to use its pre-change NOLs and other applicable pre-change tax attributes, such as research and development tax credits, to offset its post-change income may be limited. We completed an analysis under Section 382 through March 31, 2024 confirming no ownership changes have occurred since our initial public offering in 2021, including a preliminary analysis that accounted for the Secondary Offering completed in the three months ended March 31, 2024. If the Company undergoes an ownership change and if we earn net taxable income, our ability to use our pre-change NOL carryforwards to offset federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. In addition, at the U.S. state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

We may, however, experience ownership changes in the future as a result of subsequent shifts in our stock ownership, some of which may be outside of our control. If we determine that an ownership change has occurred and our ability to use our historical NOL and tax credit carryforwards is materially limited, it may result in increased future tax liability to us and could adversely affect our operating results and financial condition.

Our debt agreements contain restrictions that limit our flexibility.

Our debt agreements contain, and any future indebtedness of ours would likely contain, a number of covenants that impose significant operating and financial restrictions on us, including restrictions on our and our subsidiaries' ability, among other things, to:

- incur additional indebtedness;
- incur liens;
- engage in mergers, consolidations, liquidations, or dissolution;
- pay dividends and distributions on, or redeem, repurchase, or retire our capital stock;
- make investments, acquisitions, loans, or advances;
- create negative pledge or restrictions on the payment of dividends or payment of other amounts owed from subsidiaries;
- sell, transfer, or otherwise dispose of assets, including capital stock of subsidiaries;
- make prepayments of material debt that is subordinated with respect to right of payment or liens, or is unsecured;
- engage in certain transactions with affiliates;
- modify certain documents governing material debt that is subordinated with respect to right of payment; and
- change our lines of business.

As a result of these covenants, we will be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

We are highly leveraged and have substantial indebtedness, which reduces our capability to withstand adverse developments or business conditions.

We have incurred substantial amounts of indebtedness to finance our business operations, including our growth initiatives. Our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on, or other amounts due in respect of our indebtedness. Additionally, actual or anticipated downgrades to our credit rating, including any announcement that our credit rating is under review, could impact our ability to borrow money and increase future lending costs.

Our overall leverage and the terms of our financing arrangements could also:

- make it more difficult for us to satisfy obligations under our outstanding indebtedness, and any failure to comply with the obligations under any of our debt instruments, including restrictive covenants, could result in an event of default under any of the agreements governing our indebtedness;
- limit our ability to obtain additional financing in the future for working capital, capital expenditures, or acquisitions;
- limit our ability to refinance our indebtedness on terms acceptable to us or at all;
- delay investments, restrict us from making strategic acquisitions, or cause us to make non-strategic divestitures;
- require us to dedicate a significant portion of our cash flow from operations to paying the principal of and interest on our indebtedness, thereby limiting the availability of our cash flow to fund future capital expenditures, working capital, and other corporate purposes;
- increase our vulnerability to adverse economic and industry conditions, which could place us at a competitive disadvantage or require us to dispose of assets to raise funds if needed for working capital;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a competitive disadvantage compared with competitors that have a less significant debt burden; and
- expose us to increased market interest rates resulting in our variable-rate debt having higher debt service requirements.

We may not be able to secure sufficient additional financing on favorable terms, or at all, to meet our future capital needs.

We may require additional capital in the future to pursue business opportunities or acquisitions or respond to challenges and unforeseen circumstances. We may also decide to engage in equity or debt financings or enter into additional credit facilities for other reasons. We may not be able to secure additional debt or equity financing in a timely manner, on favorable terms, or at all. Current capital market conditions, including the impact of inflation, have increased borrowing rates and can be expected to significantly increase our cost of capital as compared to prior periods should we seek additional funding. Moreover, global capital markets have undergone periods of significant volatility and uncertainty in the past, and there can be no assurance that such financing alternatives will be available to us on favorable terms or at all, should we determine it necessary or advisable to seek additional capital.

We have identified a material weakness in our internal control over financial reporting for the fiscal year ended December 31, 2023. If we are unable to maintain effective internal controls over financial reporting and disclosure controls and procedures, we may be unable to accurately report our financial results, or report them within the time frames required.

Subject to applicable reporting requirement exemptions we take advantage of as an emerging growth company, we are required to comply with the SEC rules implementing Sections 302 and 404 of the Sarbanes-Oxley Act of 2002, which require management to certify financial and other information in our quarterly and annual reports and provide an annual management report on the effectiveness of controls over financial reporting. Effective internal control over financial reporting is necessary for us to provide reliable and timely financial reports and, together with adequate disclosure controls and procedures, are designed to reasonably detect and prevent fraud. We are also required to report any material weaknesses in such internal control. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis.

In connection with the preparation and audit of our financial statements for the year ended December 31, 2023, our management has identified multiple control deficiencies that aggregate to a material weakness in our internal control over financial reporting related to the design and operating effectiveness of controls over revenue as of December 31, 2023. This was primarily caused by insufficient controls over the set-up of customer contracts for billing and maintaining complete contract support that were not operating effectively. We can confirm that there has been no restatement of prior period financial statements and no change to our previously released financial results as a result of the identified material weakness.

During the quarter ended March 31, 2024, we began our remediation of the material weakness noted above by initiating new efforts to design new procedures over the set-up and review of our customer contracts, establishing new staff training programs, and continuing our system implementation efforts. To assess our remediation progress, during the second quarter of 2024, we plan to begin implementation and testing of our existing and redesigned processes. These controls will not be deemed effective until performed effectively for the year ended December 31, 2024. Furthermore, while we have made progress in enhancing our controls and systems since our initial public offering, we will need to invest additional time, effort, and financial resources to meet our ongoing public reporting obligations, and we may need to hire additional accounting and financial staff to help remedy the deficiencies described above and to prevent future deficiencies. The rapid growth and increased complexity of our business will continue to require a high level of scrutiny for our finance and accounting functions, which may result in additional future control deficiencies, significant deficiencies and/or material weaknesses. We may need to hire additional personnel with appropriate experience, seniority and skill levels to remediate the control deficiencies we have identified or to help identify, manage and control other potential deficiencies in our internal controls in the future. We have worked with both internal and external subject matter experts to help identify and address the areas requiring process improvement and additional controls.

Despite these remediation efforts, we cannot at this time estimate how long it will take to complete the remediation process, nor can we assure you that the measures we have taken to date and may take in the future, will be sufficient to remediate the control deficiencies that led to the material weakness in internal control over financial reporting or that it will prevent or avoid potential future material weaknesses.

If we are not able to maintain effective internal control over financial reporting and disclosure controls and procedures, or if additional material weaknesses are discovered in past or future periods, a risk that is significantly increased in light of the complexity of our business, we may be unable to accurately and timely report our financial position, results of operations, cash flows or key operating metrics, which could result in late filings of the annual and quarterly reports under the Exchange Act, non-compliance with NYSE listing requirements, restatements of financial statements or other corrective disclosures, an inability to access capital or commercial lending markets, loss of investor confidence in our financial reporting, potential exposure to regulatory investigations and penalties, defaults under our secured revolving credit facility and other agreements, or other material adverse effects on our business, reputation, results of operations, financial condition or liquidity.

Amendments to existing, or enactment of new unfavorable, tax laws, rules, or regulations could adversely affect our financial position.

Changes in applicable U.S. federal, state, and local income taxation laws, rules, or regulations, or their interpretation and application, which changes may have possible retroactive effect, could adversely affect our tax expense and profitability. In recent years, many such changes have been made, and changes are likely to continue to occur in the future. For example, many provisions of the Tax Cuts and Jobs Act of 2017, or TCJA, and the Inflation Reduction Act of 2022, or IRA, still require guidance through the issuance or finalization of regulations by the U.S. Treasury Department in order to fully assess their effects. There may be substantial delays before such regulations are promulgated or finalized as well as proposed technical corrections or other legislation, resulting in uncertainty as to their ultimate effects. Under the TCJA, research and development costs are no longer fully deductible and are required to be capitalized and amortized for U.S. tax purposes effective January 1, 2022. The mandatory capitalization requirement increases our deferred tax assets and may have an impact on future cash tax liabilities. In August 2022, President Biden signed into law the IRA. The IRA includes a 15% corporate alternative minimum tax for companies with modified United States generally accepted accounting principles, or GAAP, net income in excess of \$1 billion, a 1% excise tax on certain stock repurchases, and numerous environmental and green energy tax credits, each of which still require guidance and finalization of regulations by the U.S. Treasury Department. Currently, we are not subject to the corporate alternative minimum tax, have determined the 1% excise tax on certain stock repurchases to be immaterial to our business or stock repurchase program, and are evaluating the applicability and impact of the law's additional tax provisions. Changes in our tax provisions or an increase in our tax liabilities, whether due to changes in applicable laws and regulations, the interpretation or application thereof, or a final determination of tax audits or litigation or agreements, could have an adverse effect on our financial position. We urge investors to consult with their legal and tax advisors regarding the implications of potential changes in tax laws on an investment in our common stock.

Risks Related to Potential Conflicts of Interests and Related Parties

Thoma Bravo has a significant influence over matters requiring stockholder approval, which may have the effect of delaying or preventing changes of control, or limiting the ability of other stockholders to approve transactions they deem to be in their best interest.

As of May 3, 2024, Thoma Bravo and its related entities beneficially own, in the aggregate, approximately 46.4% of our issued and outstanding shares of common stock. As a result, Thoma Bravo could exert significant influence over our operations and business strategy as well as matters requiring stockholder approval. These matters may include:

- the composition of our board of directors, which has the authority to direct our business and to appoint and remove our officers;
- approving or rejecting a merger, consolidation, or other business combination;
- raising future capital; and
- amending our charter and bylaws, which govern the rights attached to our common stock.

Additionally, pursuant to our certificate of incorporation and bylaws, for so long as Thoma Bravo beneficially owns at least (i) 30% of our outstanding shares of common stock, Thoma Bravo will have the right to nominate a majority of our board of directors and to designate the size of our board as well as the chair of our board of directors and of each committee of our board of directors (provided that each such nomination or designation shall comply with the applicable rules of the NYSE); (ii) 20% (but less than 30%) of our outstanding shares of common stock, Thoma Bravo will have the right to nominate a number of directors to our board of directors equal to the lowest whole number that is greater than 30% of the total number of directors (but in no event fewer than two directors); (iii) 10% (but less than 20%) of our outstanding shares of common stock, Thoma Bravo will have the right to nominate a number of directors to our board of directors equal to the lowest whole number that is greater than 20% of the total number of directors (but in no event fewer than one director); and (iv) 5% (but less than 10%) of our outstanding shares of common stock, Thoma Bravo will have the right to nominate one director to our board of directors. Accordingly, for so long as Thoma Bravo beneficially owns at least 30% of our outstanding shares of common stock, we expect the directors designated by Thoma Bravo to constitute a majority of each committee of our board of directors, other than the audit committee, and to chair each of the committees, other than the audit committee.

This concentration of ownership of our common stock could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs, or other purchases of our common stock that might otherwise give you the opportunity to realize a premium over the then-prevailing market price of our common stock, and could, in turn, adversely affect our share price.

Thoma Bravo may pursue corporate opportunities independent of us that could present conflicts with our and our stockholders' interests.

Thoma Bravo is in the business of making or advising on investments in companies and holds (and may from time to time in the future acquire) interests in or provides advice to businesses that may directly or indirectly compete with our business or be suppliers or customers of ours. Thoma Bravo may also pursue acquisitions that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

Our charter provides that none of our officers or directors who are also an officer, director, employee, partner, managing director, principal, independent contractor, or other affiliate of Thoma Bravo will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such individual pursues or acquires a corporate opportunity for its own account or the account of an affiliate, as applicable, instead of us, directs a corporate opportunity to any other person, instead of us, or does not communicate information regarding a corporate opportunity to us. Such provision will apply for so long as Thoma Bravo holds any of our securities.

Risks Related to Our Common Stock and Governance Structure

The trading price of our common stock could be volatile, and you could lose all or part of your investment.

The trading price of our common stock may fluctuate substantially in response to numerous factors, many of which may be beyond our control and may not be related to our operating performance, including:

- changes in monetary policy by the Federal Reserve, including recent increases in interest rates and plans for future increases;
- general economic conditions and trends, including changes in interest rates and consumer borrowing habits;
- announcements of new products or technologies, commercial relationships, acquisitions, or other events by us or our competitors;
- changes in how customers perceive the benefits of software solutions;
- shifts in the mix of billings and revenues attributable to subscription fees, service fees, and product partner fees, from quarter to quarter;
- departures of key personnel;
- price and volume fluctuations in the overall stock market from time to time;
- fluctuations in the trading volume of our shares or the size of our public float, including by stock repurchase;
- sales of large blocks of our common stock, including by key personnel or the Thoma Bravo Funds;
- actual or anticipated changes or fluctuations in our operating results;
- unfavorable securities analysts' research and reports published about us, our business, our market, or our competitors;
- whether our operating results meet the expectations of securities analysts or investors, or changes in actual or future expectations of investors or securities analysts;
- fluctuations in our quarterly or annual earnings results or those of other companies in our industry;
- litigation involving us, our industry, or both;
- regulatory developments;
- actual or perceived security compromises or breaches;
- major catastrophic events in domestic and foreign markets, including, for instance, the ongoing military conflict between Ukraine and Russia or Israel and Hamas; and
- the other factors described in these "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q.

These fluctuations may limit or prevent investors from readily selling their shares of common stock, could cause investors to lose all or part of their investment in our common stock, and may otherwise negatively affect the liquidity of our common stock.

In addition, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, operating results, or financial condition. In addition, the trading prices of technology stocks have historically experienced high levels of volatility. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. In the past, following periods of volatility in the trading price of a company's securities, securities class action litigation has often been brought against that company.

For as long as we are an emerging growth company, we will not be required to comply with certain requirements that apply to other public companies.

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we are an emerging growth company, unlike other public companies, we will not be required to, among other things: (i) provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act; (ii) comply with any new requirements adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer; (iii) provide certain disclosures regarding executive compensation required of larger public companies; or (iv) hold nonbinding advisory votes on executive compensation and any golden parachute payments not previously approved. In addition, the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for adopting new or revised financial accounting standards. We intend to take advantage of the longer phase-in periods for the adoption of new or revised financial accounting standards permitted under the JOBS Act until we are no longer an emerging growth company. If we were to subsequently elect instead to comply with these public company effective dates, such election would be irrevocable pursuant to the JOBS Act.

We will remain an emerging growth company up until December 31, 2026, although we will lose that status sooner if we have more than \$1.235 billion of revenues in a fiscal year, have more than \$700 million in market value of our common stock held by non-affiliates, or issue more than \$1.0 billion of non-convertible debt over a three-year period.

To the extent that we rely on any of the exemptions available to emerging growth companies, you will receive less information about our executive compensation and internal control over financial reporting than issuers that are not emerging growth companies. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock to be less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Any issuance or sale of our capital stock may adversely affect the market price of our common stock and may dilute existing stockholders.

We may issue additional capital stock in the future that will result in dilution to all other stockholders. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies and issue equity securities to pay for any such acquisition or investment. We plan to continue to issue common stock pursuant to our 2021 Stock Option and Incentive Plan, 2021 Employee Stock Purchase Plan, or other equity incentive plans that we may adopt in the future. Any such sales or issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our common stock to decline.

In addition, our charter authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations, and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of our common stock. Designation and issuance of one or more classes or series of preferred stock could adversely affect the voting power or value of our common stock.

We do not intend to pay dividends on our common stock and, consequently, our stockholders' return on investment will depend on appreciation in the price of our common stock.

We have never declared or paid any dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases.

We cannot guarantee that our stock repurchase programs will be fully consummated or will enhance long-term stockholder value, and stock repurchases could increase the volatility of our stock prices and could diminish our cash reserves.

In May 2022, our board of directors approved a stock repurchase program under which we are authorized to purchase up to \$75.0 million of our common stock from time to time, of which there was a total of \$10.5 million remaining for repurchase under the stock repurchase program as of December 31, 2023. In January 2024, our board of directors approved an additional stock repurchase program under which we are authorized to purchase up to \$125.0 million of our common stock. In February 2024, we completed an underwritten secondary offering for the sale of 6,906,015 shares of common stock by certain of our existing stockholders, at an offering price of \$19.00 per share, or the Secondary Offering, during which we used approximately \$44.4 million (including excise taxes) of our stock repurchase program for the stock repurchase in connection with the Secondary Offering. Our repurchase programs do not have an expiration date and do not obligate us to repurchase any specific dollar amount or to acquire any specific number of shares, on any particular timetable or at all. There can be no assurance that we will repurchase stock at favorable prices. Further, our stock repurchases could affect our stock trading prices, increase their volatility, reduce our cash reserves, and may be suspended or terminated at any time, which may result in a lower market valuation of our common stock. Additionally, we do not anticipate that the impacts of the IRA's excise tax on our stock repurchase programs, or the final regulations to be issued by the United States Department of the Treasury concerning the excise tax, will have a material impact on our results of operations.

Delaware law and certain provisions in our charter and bylaws could delay, discourage, or prevent a change in control of our company.

Our status as a Delaware corporation and the existence of certain provisions of our charter and bylaws contain provisions that could delay, discourage, or prevent a change in control of our company that a stockholder may consider favorable. These provisions include:

- a classified board of directors with three-year staggered terms;
- after Thoma Bravo ceases to beneficially own at least 30% of the outstanding shares of our common stock, the removal of directors only for cause and subject to the affirmative vote of holders of at least 66 2/3% of our voting power;
- the ability of our board of directors to both issue shares of preferred stock and determine the price and other terms of those shares without stockholder approval;
- allowing Thoma Bravo to fill any vacancy on our board of directors for so long as affiliates of Thoma Bravo own 30% or more of our outstanding shares of common stock and, thereafter, allowing only our board of directors to fill vacancies on our board of directors;
- a prohibition on stockholder action by written consent;
- the requirement that a special meeting of stockholders may be called only by our board of directors, the chairperson of our board of directors, our chief executive officer, or our president (in the absence of a chief executive officer);
- the requirement for the affirmative vote of holders of at least 66 2/3% of our outstanding voting stock, voting together as a single class, to amend the provisions of our charter relating to the management of our business or the requirement for the affirmative vote of holders of at least 75% of our outstanding voting stock, voting together as a single class, to amend certain provisions of our bylaws;
- the ability of our board of directors to amend our bylaws;
- advance notice procedures for stockholders to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting; and
- prohibition of cumulative voting in the election of our board of directors.

Our charter also provides us with protections similar to Section 203 of the Delaware General Corporation Law and prevents certain business combinations with a stockholder owning at least 15% of our outstanding voting stock, unless approved in a prescribed manner. Our charter also provides, however, that transactions with Thoma Bravo, including the Thoma Bravo Funds and any persons to whom any Thoma Bravo Fund sells its common stock, will be deemed to have been approved by our board of directors.

Our bylaws designate the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Our bylaws provide that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for state law claims for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a breach of fiduciary duty by one or more of our directors, officers or employees, (iii) any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum selection clause may impose additional litigation costs on stockholders, discourage claims, or limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. Although this provision may be beneficial in its consistency in the application of Delaware law, the Court of Chancery of the State of Delaware may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders. Alternatively, if the enforceability of the choice of forum provision contained in our bylaws is challenged and a court finds such provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. Our bylaws further provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. This provision would not apply to any action brought to enforce a duty or liability created by the Exchange Act and the rules and regulations thereunder. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provisions.

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

Purchases of Equity Securities by the Issuer

The following table summarizes the stock repurchase activity for the three months ended March 31, 2024:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in thousands) ⁽¹⁾
January 1 to January 31, 2024	—	\$ —	3,901,373	\$ 135,456
February 1 to February 29, 2024	2,406,015	18.44	6,307,388	91,079
March 1 to March 31, 2024	—	—	6,307,388	91,079
Total	<u>2,406,015</u>			

(1) In May 2022, our board of directors authorized a stock repurchase program to acquire up to \$75.0 million of the Company's common stock, and in January 2024, our board of directors authorized an additional stock repurchase program to acquire up to \$125.0 million of the Company's common stock, each with no fixed expiration date and no requirement to purchase any minimum number of shares. Shares may be repurchased under the programs through privately negotiated transactions, or open market purchases, including through the use of trading plans intended to qualify under Rule 10b5-1 under the Securities Exchange Act of 1934.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the quarter ended March 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified, or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement" (as each term is defined in Item 408 of Regulation S-K), except as follows:

- On March 18, 2024, Chris Maloof, President, Go To Market, adopted a Rule 10b5-1 trading plan intended to satisfy the affirmative defense conditions of Exchange Act Rule 10b5-1(c) covering the sale of up to an aggregate of 191,389 shares of common stock, including through the potential exercise of vested stock options, subject to trading under certain conditions. The trading plan's maximum duration is until June 15, 2025, with first trades to occur June 17, 2024, at the earliest.

Exhibit Index

Exhibit No.	Exhibit Title	Form	Exhibit	Filing Date
3.1	Certificate of Incorporation of the Registrant.	10-Q	3.1	September 7, 2021
3.2	Bylaws of the Registrant.	S-1	3.3	April 30, 2021
4.1	Specimen Common Stock Certificate.	S-1	4.1	April 30, 2021
4.2	Registration Rights Agreement, dated May 31, 2018, by and among the Registrant and certain of its shareholders.	S-1	4.2	April 30, 2021
4.3	Amendment No. 1 to Registration Rights Agreement, dated as of December 28, 2023, by and among the Registrant and certain of its stockholders.	S-3	4.2	December 28, 2023
10.1†	Transition Agreement by and between the Registrant and Sean Blitchok, dated as of March 17, 2024.	8-K	10.1	March 18, 2024
10.2†	Employment Agreement by and between the Registrant and Laurence E. Katz, dated as of April 1, 2024.	8-K	10.1	March 18, 2024
31.1	Certification of Principal Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a).	—	—	Filed herewith
31.2	Certification of Principal Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a).	—	—	Filed herewith
32.1#	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	—	—	Filed herewith
32.2#	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	—	—	Filed herewith
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).	—	—	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	—	—	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	—	—	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	—	—	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	—	—	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	—	—	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	—	—	Filed herewith

† Indicates a management contract or any compensatory plan, contract, or arrangement.

The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed "furnished" and not "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates them by reference.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

MERIDIANLINK, INC.

Dated: May 8, 2024

By: /s/ Nicolaas Vlok
Name: **Nicolaas Vlok**
Title: Chief Executive Officer (Principal Executive Officer)

Dated: May 8, 2024

By: /s/ Laurence E. Katz
Name: **Laurence E. Katz**
Title: Chief Financial Officer (Principal Financial and Accounting Officer)

**Certification of Principal Executive Officer
Pursuant to SEC Rule 13a-14(a)/15d-14(a)**

I, Nicolaas Vlok, certify that:

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

May 8, 2024

/s/ Nicolaas Vlok

Name: Nicolaas Vlok

Title: President and Chief Executive Officer

(Principal Executive Officer)

**Certification of Principal Financial Officer
Pursuant to SEC Rule 13a-14(a)/15d-14(a)**

I, Laurence E. Katz, certify that:

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

May 8, 2024

/s/ Laurence E. Katz

Name: Laurence E. Katz

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

Certification of Principal Executive Officer
Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report on Form 10-Q of MeridianLink, Inc. (the "Company") for the period ended March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Nicolaas Vlok, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ Nicolaas Vlok

Name: Nicolaas Vlok

Title: President and Chief Executive Officer

(Principal Executive Officer)

May 8, 2024

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

Certification of Principal Financial Officer
Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the quarterly report on Form 10-Q of MeridianLink, Inc. (the "Company") for the period ended March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), I, Laurence E. Katz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

/s/ Laurence E. Katz

Name: Laurence E. Katz

Title: Chief Financial Officer

(Principal Financial and Accounting Officer)

May 8, 2024

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.