REFINITIV

DELTA REPORT

10-Q

POWERSCHOOL HOLDINGS, INC

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

The following comparison report has been automatically generated

TOTAL DELTAS	1606
CHANGES	142
DELETIONS	593
ADDITIONS	871

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 September 30, 2023 March 31, 2024

OR

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

For the transition period from to

Commission file number 001-40684

PowerSchool Holdings, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**85-4166024**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
150 Parkshore Drive Folsom, CA	**95630**
(Address of Principal Executive Offices)	**(Zip Code)**

(877) 873-1550
(Registrant's telephone number, including area code)
Not applicable
(Former name or former address, if changed since last report)

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

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Class A Common Stock, par value $0.0001 per share	PWSC	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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐☒	Accelerated filer	☒☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☒☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The registrant had 201,940,559 203,652,282 shares of common stock outstanding as of October 31, 2023 April 30, 2024.

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Part I - Financial Information

Item 1. - Condensed Consolidated Financial Statements (Unaudited)

POWERSCHOOL HOLDINGS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except for number of shares and par value)

	As of March 31, 2024	As of September 30, 2023	As of December 31, 2022	As of March 31, 2024	As of December 31, 2023
Assets	**Assets**				
Assets					
Assets					
Current Assets:					
Current Assets:					
Current Assets:	Current Assets:				
Cash and cash equivalents	Cash and cash equivalents	$ 322,831	$ 137,471		
Accounts receivable - net of allowance of $7,331 and $4,712, respectively		134,621	54,296		
Cash and cash equivalents					
Cash and cash equivalents					
Accounts receivable—net of allowance of $6,543 and $7,930 respectively					
Prepaid expenses and other current assets	Prepaid expenses and other current assets	37,840	36,886		
Total current assets	Total current assets	495,292	228,653		
Property and equipment - net	Property and equipment - net	4,823	6,173		
Operating lease right-of-use assets	Operating lease right-of-use assets	18,399	8,877		
Capitalized product development costs - net	Capitalized product development costs - net	109,564	100,861		
Goodwill	Goodwill	2,492,649	2,487,007		
Intangible assets - net	Intangible assets - net	657,824	722,147		
Other assets	Other assets	32,131	29,677		
Total assets	**Total assets**	**$3,810,682**	**$3,583,395**		
Liabilities and Stockholders' Equity					
Liabilities and Stockholders' Equity					
Current Liabilities:	Current Liabilities:				
Current Liabilities:					

Current Liabilities:			
Accounts payable			
Accounts payable			
Accounts payable	Accounts payable	$ 9,019	$ 5,878
Accrued expenses	Accrued expenses	102,464	84,270
Operating lease liabilities, current	Operating lease liabilities, current	4,271	5,263
Deferred revenue, current	Deferred revenue, current	407,956	310,536
Revolving credit facility	Revolving credit facility	10,000	—
Current portion of long-term debt	Current portion of long-term debt	8,797	7,750
Total current liabilities	Total current liabilities	542,507	413,697
Noncurrent Liabilities:	Noncurrent Liabilities:		
Other liabilities	Other liabilities	2,152	2,099
Operating lease liabilities - net of current		16,390	8,053
Other liabilities			
Other liabilities			
Operating lease liabilities—net of current			
Deferred taxes	Deferred taxes	268,171	281,314
Tax Receivable Agreement liability	Tax Receivable Agreement liability	392,671	410,361
Deferred revenue - net of current		5,680	5,303
Deferred revenue—net of current			
Long-term debt, net	Long-term debt, net	822,744	728,624
Total liabilities	Total liabilities	2,050,315	1,849,451
Commitments and contingencies (Note 12)	Commitments and contingencies (Note 12)		Commitments and contingencies (Note 12)
Stockholders' Equity:	Stockholders' Equity:		

Class A common stock, $0.0001 par value per share, 500,000,000 shares authorized, 164,207,976 and 159,596,001 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively.		16	16
Class B common stock, $0.0001 par value per share, 300,000,000 shares authorized, 37,654,059 and 39,928,472 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively.		4	4
Class A common stock, $0.0001 par value per share, 500,000,000 shares authorized, 165,726,673 and 164,796,626 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively.			
Class A common stock, $0.0001 par value per share, 500,000,000 shares authorized, 165,726,673 and 164,796,626 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively.			
Class A common stock, $0.0001 par value per share, 500,000,000 shares authorized, 165,726,673 and 164,796,626 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively.			
Class B common stock, $0.0001 par value per share, 300,000,000 shares authorized, 37,654,059 and 37,654,059 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively.			
Additional paid-in capital	Additional paid-in capital	1,508,256	1,438,019
Accumulated other comprehensive loss	Accumulated other comprehensive loss	(2,186)	(2,122)
Accumulated deficit	Accumulated deficit	(202,771)	(187,250)
Total stockholders' equity attributable to PowerSchool Holdings, Inc.	Total stockholders' equity attributable to PowerSchool Holdings, Inc.	1,303,319	1,248,667
Non-controlling interest	Non-controlling interest	457,048	485,277
Total stockholders' equity	Total stockholders' equity	1,760,367	1,733,944
Total liabilities and stockholders' equity	**Total liabilities and stockholders' equity**	**$ 3,810,682**	**$ 3,583,395**

See notes to condensedconsolidated financial statements.

POWERSCHOOL HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(in thousands except for per-share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Revenue:				
Subscriptions and support	$ 148,990	$ 137,095	$ 436,566	$ 401,870
Service	20,722	19,933	57,152	55,114
License and other	12,452	5,406	21,797	12,633
Total revenue	182,164	162,434	515,515	469,617
Cost of revenue:				
Subscriptions and support	36,595	39,009	111,570	114,303

Service	14,140	14,852	43,586	45,585
License and other	4,608	1,087	6,575	2,790
Depreciation and amortization	16,507	14,839	48,637	43,069
Total cost of revenue	71,850	69,787	210,368	205,747
Gross profit	**110,314**	**92,647**	**305,147**	**263,870**
Operating expenses:				
Research and development	26,751	27,821	78,035	80,528
Selling, general, and administrative	53,606	45,530	156,293	133,117
Acquisition costs	2,461	11	2,461	2,630
Depreciation and amortization	15,835	15,955	47,370	48,050
Total operating expenses	98,653	89,317	284,159	264,325
Income (loss) from operations	**11,661**	**3,330**	**20,988**	**(455)**
Interest expense - net	16,409	11,158	46,539	26,923
Other expenses (income) - net	33	(3,100)	107	(3,677)
Loss before income taxes	**(4,781)**	**(4,728)**	**(25,658)**	**(23,701)**
Income tax (benefit) expense	(3,475)	(811)	(5,244)	794
Net loss	**(1,306)**	**(3,917)**	**(20,414)**	**(24,495)**
Less: Net loss attributable to non-controlling interest	(833)	(1,389)	(4,893)	(5,330)
Net loss attributable to PowerSchool Holdings, Inc.	**$ (473)**	**$ (2,528)**	**$ (15,521)**	**$ (19,165)**

	Three Months Ended March 31,	Three Months Ended March 31,	
	2024	2024	2023
Revenue:			
Subscriptions and support			
Subscriptions and support			
Subscriptions and support			
Service			
License and other			
Total revenue			
Cost of revenue:			
Subscriptions and support			
Subscriptions and support			
Subscriptions and support			
Service			
License and other			
Depreciation and amortization			
Total cost of revenue			
Gross profit			
Operating expenses:			
Research and development			
Research and development			
Research and development			
Selling, general, and administrative			
Acquisition costs			

Depreciation and amortization					
Total operating expenses					
Income (loss) from operations					
Interest expense—net					
Other expenses (income)—net					
Other expenses (income)—net					
Other expenses (income)—net					
Loss before income taxes					
Income tax expense (benefit)					
Net loss					
Less: Net loss attributable to non-controlling interest					
Net loss attributable to PowerSchool Holdings, Inc.					
Net loss attributable to PowerSchool Holdings, Inc. Class A common stock:	**Net loss attributable to PowerSchool Holdings, Inc. Class A common stock:**				
Basic	Basic	(473)	(2,528)	(15,521)	(19,165)
Basic					
Basic					
Diluted	Diluted	(481)	(2,528)	(15,521)	(19,165)
Net loss attributable to PowerSchool Holdings, Inc. per share of Class A common stock, basic		$ 0.00	$ (0.02)	$ (0.10)	$ (0.12)
Net loss attributable to PowerSchool Holdings, Inc. per share of Class A common stock, diluted		$ 0.00	$ (0.02)	$ (0.10)	$ (0.12)
Net loss attributable to PowerSchool Holdings, Inc. per share of Class A common stock, basic and diluted					
Weighted average shares of Class A common stock:	**Weighted average shares of Class A common stock:**				
Basic	Basic	163,785,972	158,812,536	162,465,480	158,387,266
Basic					
Basic					
Diluted	Diluted	165,666,867	158,812,536	162,465,480	158,387,266

Other comprehensive income, net of taxes:				
Other comprehensive income (loss), net of taxes:				
Foreign currency translation	(174)	(741)	(66)	(1,744)
Change in unrealized gain on investments	—	—	3	—
Foreign currency translation				
Foreign currency translation				
Change in unrealized loss on investments				
Total other comprehensive income (loss)	(174)	(741)	(63)	(1,744)
Less: comprehensive income (loss) attributable to non-controlling interest	(33)	(149)	(12)	(350)
Less: Other comprehensive income (loss) attributable to non-controlling interest				
Comprehensive loss attributable to PowerSchool Holdings, Inc.	**$ (614)**	**$ (3,120)**	**$ (15,572)**	**$ (20,559)**

See notes tocondensed consolidated financial statements

POWERSCHOOL HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands)

	Class A common stock Shares	Class A common stock Amount	Class B common stock Shares	Class B common stock Amount	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Non-controlling interest	Total
Balance—December 31, 2022	159,596	$ 16	39,928	$ 4	$ 1,438,019	$ (2,122)	$ (187,250)	$ 485,277	$ 1,733,944

	Class A common stock Shares	Class A common stock	Class B common stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Non-controlling interest	To
Balance—December 31, 2023								
Balance—December 31, 2023								
Balance—December 31, 2023								
Issuance of common stock upon vesting of Restricted Stock Awards	1,000	—	—	—	—	—	—	—	—

Share-based compensation	Share-based compensation	—	—	—	—	15,280	—	—	—	15,280
Net share settlement of equity awards	Net share settlement of equity awards	—	—	—	—	(1,284)	—	—	—	(1,284)
Other comprehensive income (loss)	Other comprehensive income (loss)	—	—	—	—	—	89	—	—	89
Allocation of equity to noncontrolling interests		—	—	—	—	(772)	—	—	772	—
Exchange of Class B common stock for Class A common stock related to secondary offering		2,274	—	(2,274)	—	27,642	—	—	(27,642)	—
Adjustments to deferred taxes and Tax Receivable Agreement liability related to secondary offering		—	—	—	—	(1,255)	—	—	—	(1,255)
Allocation of equity to non-controlling interests										
Adjustments to deferred taxes and Tax Receivable Agreement liability										
Adjustments to deferred taxes and Tax Receivable Agreement liability										
Adjustments to deferred taxes and Tax Receivable Agreement liability										
Net loss	Net loss	—	—	—	—	—	—	(11,853)	(2,960)	(14,813)
Balance—March 31, 2023		162,870	$ 16	37,654	$ 4	$ 1,477,630	$ (2,033)	$ (199,103)	$ 455,447	$ 1,731,961
Issuance of common stock upon vesting of Restricted Stock Awards		586	—	—	—	—	—	—	—	—
Share-based compensation		—	—	—	—	18,261	—	—	—	18,261
Net share settlement of equity awards		—	—	—	—	(141)	—	—	—	(141)
Adjustments to deferred taxes		—	—	—	—	223	—	—	—	223
Other comprehensive income (loss)		—	—	—	—	—	21	—	—	21
Allocation of equity to noncontrolling interests		—	—	—	—	(2,387)	—	—	2,387	—
Net loss		—	—	—	—	—	—	(3,195)	(1,100)	(4,295)
Balance—June 30, 2023		163,456	$ 16	37,654	$ 4	$ 1,493,586	$ (2,012)	$ (202,298)	$ 456,734	$ 1,746,030
Issuance of common stock upon vesting of Restricted Stock Awards		751	—	—	—	—	—	—	—	—
Share-based compensation		—	—	—	—	15,539	—	—	—	15,539
Net share settlement of equity awards		—	—	—	—	(113)	—	—	—	(113)
Adjustments to deferred taxes		—	—	—	—	391	—	—	—	391
Other comprehensive income (loss)		—	—	—	—	—	(174)	—	—	(174)
Allocation of equity to noncontrolling interests		—	—	—	—	(1,147)	—	—	1,147	—
Net loss		—	—	—	—	—	—	(473)	(833)	(1,306)
Balance—September 30, 2023		164,207	$ 16	37,654	$ 4	$ 1,508,256	$ (2,186)	$ (202,771)	$ 457,048	$ 1,760,367
Balance—March 31, 2024										

	Class A common stock		Class B common stock		Additional paid-in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Non-controlling interest	Total
	Shares	Amount	Shares	Amount					
Balance—December 31, 2021	158,034	$ 16	39,928	$ 4	$1,399,967	$ (216)	$ (165,026)	$ 488,213	$1,722,958
Issuance of common stock upon vesting of Restricted Stock Awards	116	—	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	12,209	—	—	—	12,209
Foreign currency translation	—	—	—	—	—	(469)	—	—	(469)
Allocation of equity to noncontrolling interests	—	—	—	—	(2,024)	—	—	2,024	—
Deferred offering costs	—	—	—	—	(295)	—	—	—	(295)
Adjustments to deferred taxes	—	—	—	—	212	—	—	—	212
Cumulative effect adjustment upon adoption of ASC 842	—	—	—	—	—	—	(1,437)	—	(1,437)
Net loss	—	—	—	—	—	—	(12,113)	(2,007)	(14,120)
Balance—March 31, 2022	158,150	$ 16	39,928	$ 4	$1,410,069	$ (685)	$ (178,576)	$ 488,230	$1,719,058
Issuance of common stock upon vesting of Restricted Stock Awards	116	—	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	14,937	—	—	—	14,937
Foreign currency translation	—	—	—	—	—	(534)	—	—	(534)
Allocation of equity to noncontrolling interests	—	—	—	—	(2,605)	—	—	2,605	—
Net loss	—	—	—	—	—	—	(4,525)	(1,933)	(6,458)
Balance—June 30, 2022	158,266	$ 16	39,928	$ 4	$1,422,401	$ (1,219)	$ (183,101)	$ 488,902	$1,727,003

		Class A common stock									Class A common stock	Class B common stock	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Non-controlling interest
		Shares														
Balance—December 31, 2022																
Balance—December 31, 2022																
Balance—December 31, 2022																
Issuance of common stock upon vesting of Restricted Stock Awards	Issuance of common stock upon vesting of Restricted Stock Awards	1,099	—	—	—	—	—	—	—	—						
Share-based compensation	Share-based compensation	—	—	—	—	13,300	—	—	—	13,300						
Net share settlement of equity awards	Net share settlement of equity awards	—	—	—	—	(8,825)	—	—	—	(8,825)						
Adjustments to deferred taxes		—	—	—	—	843	—	—	—	843						
Foreign currency translation		—	—	—	—	—	(741)	—	—	(741)						
Other comprehensive income (loss)																
Allocation of equity to noncontrolling interests	Allocation of equity to noncontrolling interests	—	—	—	—	1,945	—	—	(1,945)	—						

Exchange of Class B common stock for Class A common stock related to secondary offering											
Adjustments to deferred taxes and Tax Receivable Agreement liability related to secondary offering											
Net loss	Net loss	—	—	—	—	—	—	(2,528)	(1,389)	(3,917)
Balance—September 30, 2022		$159,365	$ 16	$39,928	$ 4	$1,429,664	$	(1,960)	$ (185,629)	$ 485,568	$1,727,663
Balance—March 31, 2023											

See notes to condensed consolidated financial statements.

POWERSCHOOL HOLDINGS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

		Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
	Three Months Ended March 31, 2024		
Cash flows from operating activities:	**Cash flows from operating activities:**		
Net loss	Net loss	$(20,414)	$(24,495)
Net loss			
Net loss			
Adjustments to reconcile net loss to net cash used in operating activities:	Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization			
Depreciation and amortization			
Depreciation and amortization	Depreciation and amortization	96,007	91,119
Share-based compensation	Share-based compensation	46,904	38,100
Amortization of operating lease right-of-use assets	Amortization of operating lease right-of-use assets	2,610	(1,189)
Change in fair value of acquisition-related contingent consideration		(273)	(5,586)

Three Months Ended March 31, 2024	Three Months Ended March 31, 2023

Change in fair value of contingent consideration			
Amortization of debt issuance costs	Amortization of debt issuance costs	2,745	2,656
Provision for allowance for doubtful accounts		2,706	(329)
Gain on lease modification		(454)	—
Write-off of right-of-use assets and disposal of property and equipment		52	8,675
(Benefit from) provision for allowance for doubtful accounts			
Loss (gain) on lease modification			
Loss (gain) on sale/disposal of property and equipment			
Changes in operating assets and liabilities — net of effects of acquisitions:	Changes in operating assets and liabilities — net of effects of acquisitions:		
Accounts receivables			
Accounts receivables			
Accounts receivables	Accounts receivables	(82,468)	(52,651)
Prepaid expenses and other current assets	Prepaid expenses and other current assets	(905)	1,635
Other assets	Other assets	(2,896)	(1,526)
Accounts payable	Accounts payable	2,986	(5,621)
Accrued expenses	Accrued expenses	(6,101)	(521)
Other liabilities	Other liabilities	(4,162)	(5,948)
Deferred taxes	Deferred taxes	(6,548)	(507)
Tax Receivable Agreement liability	Tax Receivable Agreement liability	676	(2,342)
Deferred revenue	Deferred revenue	97,186	65,312
Net cash provided by operating activities		127,651	106,782

Net cash used in operating activities			
Cash flows from investing activities:	**Cash flows from investing activities:**		
Purchases of property and equipment	Purchases of property and equipment	(1,331)	(2,844)
Proceeds from sale of property and equipment		23	—
Purchases of property and equipment			
Purchases of property and equipment			
Investment in capitalized product development costs	Investment in capitalized product development costs	(28,714)	(33,285)
Purchase of internal use software		(259)	—
Investment in capitalized product development costs			
Investment in capitalized product development costs			
Acquisitions—net of cash acquired	Acquisitions—net of cash acquired	(9,753)	(31,155)
Payment of acquisition-related contingent consideration		(3,528)	(1,392)
Acquisitions—net of cash acquired			
Acquisitions—net of cash acquired			
Payment of acquisition-related deferred consideration			
Payment of acquisition-related deferred consideration			
Payment of acquisition-related deferred consideration			
Net cash used in investing activities	Net cash used in investing activities	(43,562)	(68,676)
Cash flows from financing activities:			
Taxes paid related to the net share settlement of equity awards		(1,538)	(8,824)
Proceeds from Revolving Credit Agreement		20,000	70,000
Proceeds from First Lien Debt amendment		99,256	—
Repayment of Revolving Credit Agreement		(10,000)	(70,000)
Repayment of First Lien Debt		(6,074)	(5,813)
Payment of debt issuance costs		(309)	—
Payments of deferred offering costs		—	(295)
Net cash provided by (used in) financing activities		101,335	(14,932)

	Nine Months Ended September 30,	
	2023	2022
Effect of foreign exchange rate changes on cash	(75)	(782)
Net decrease in cash, cash equivalents, and restricted cash	185,349	22,392
Cash, cash equivalents, and restricted cash—Beginning of period	137,982	86,991
Cash, cash equivalents, and restricted cash—End of period	$ 323,331	$ 109,383
Supplemental disclosures of cash flow information:		

	2024	2023
Cash paid for interest	$ 43,522	$ 24,700
Cash paid for income taxes	2,330	1,586
Supplemental disclosures of noncash investing and financing activities:		
Property and equipment additions in accounts payable and accrued liabilities	$ 48	$ 326
Capitalized interest related to investment in capitalized product development costs	1,296	497
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	$ 322,831	$ 108,873
Restricted cash, included in other current assets	500	510
Total cash, cash equivalents, and restricted cash	$ 323,331	$ 109,383

	Three Months Ended March 31,	
	2024	2023
Cash flows from financing activities:		
Taxes paid related to the net share settlement of equity awards	(65)	(1,284)
Proceeds from Revolving Credit Agreement	140,000	—
Repayment of Revolving Credit Agreement	(15,000)	—
Repayment of First Lien Debt	(2,095)	(1,938)
Payment of contingent consideration	(245)	—
Net cash provided by (used in) financing activities	122,595	(3,222)
Effect of foreign exchange rate changes on cash	166	73
Net decrease in cash, cash equivalents, and restricted cash	(21,629)	(73,208)
Cash, cash equivalents, and restricted cash—Beginning of period	39,554	137,981
Cash, cash equivalents, and restricted cash—End of period	$ 17,925	$ 64,773
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 19,129	$ 13,695
Cash paid for income taxes	890	390
Supplemental disclosures of noncash investing and financing activities:		
Property and equipment additions in accounts payable and accrued liabilities	$ 507	$ 317
Capitalized interest related to investment in capitalized product development costs	374	296
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	$ 17,425	$ 64,273
Restricted cash, included in other current assets	500	500
Total cash, cash equivalents, and restricted cash	$ 17,925	$ 64,773

See notes to condensed consolidated financial statements.

POWERSCHOOL HOLDINGS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

1. BUSINESS

Background and Nature of Operations

PowerSchool Holdings, Inc. (the “Company,” “PowerSchool,” “we,” “us,” or “our”) was formed as a Delaware corporation on November 30, 2020 for the purpose of completing an initial public offering (“IPO”) and a series of transactions in order to carry on the business of PowerSchool Holdings LLC (“Holdings LLC”), formerly known as Severin Holdings, LLC. Our Principal Stockholders are Onex Partners Managers LP (“Onex”) and Vista Equity Partners (“Vista”).

The transactions included amendments to the Company’s operating agreement to modify its capital structure by replacing the membership interests then held by its existing owners with a new class of membership interests (“LLC Units”) held initially by Severin Topco LLC (“Topco LLC”), a portion of which have a participation threshold (the “Participation Units”) and appointing the Company as the sole managing member of Holdings LLC; issuance of unrestricted and restricted Class A common stock in exchange for vested and unvested pre-IPO share-based awards, issuance of 39,928,472 shares of Class B common stock, par value $0.0001$0.0001 per share to Topco LLC, on a one-to-one basis with the number of LLC Units (other than Participation Units), restructuring of certain entities (“Blocker Entities”) associated with the Principal Stockholders, and execution of an exchange agreement (the “Exchange Agreement”) with Topco LLC. Pursuant to the Exchange Agreement, Topco LLC is entitled to exchange LLC Units (other than Participation Units), together with an equal number of shares of Class B common stock, for shares of Class A common stock on a one-for-one basis or, at its election, for cash from a substantially concurrent public offering or private sale. Participation Units may be exchanged for a number of shares of Class A common stock based on an exchange formula that takes into account the current value of a share of Class A common stock and a pre-determined participation threshold. Additionally, the Company entered into a tax receivable agreement (the "TRA") with Topco LLC, and the Principal Stockholders that provides for the payment by the Company to Topco LLC and the Principal Stockholders, collectively, of 85% of the amount of cash savings, if any, in U.S. federal, state and local income taxes. Collectively, these transactions are referred to as "Organizational Transactions".

The Company's cloud platform is an integrated, enterprise-scale suite of solutions purpose-built for the K-12 education market. The Company's platform is embedded in school workflows and is used by educators, students, administrators, and parents. Its cloud-based technology platform helps schools and districts efficiently manage state reporting and related compliance, special education, finance, human resources, talent, registration, attendance, funding, learning, instruction, grading, assessments, communications, and analytics in one unified platform. The Company's integrated technology approach streamlines operations, aggregates disparate data sets, and develops insights using predictive modelling and machine learning.

The Company is headquartered in Folsom, California, and together with its subsidiaries has locations in the United States ("U.S."), Canada, India, and the United Arab Emirates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying interim condensed consolidated balance sheet as of September 30, 2023March 31, 2024, the interim condensed consolidated statements of operations and comprehensive loss and stockholders' equity for the three and nine months ended September 30, 2023March 31, 2024 and 2022,2023, and cash flows for the ninethree months ended September 30, 2023March 31, 2024 and 2022,2023, and the notes to such interim condensed consolidated financial statements are unaudited.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the applicable rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim financial information. As permitted under those rules, we have condensed or omitted certain footnotes or other financial information that are normally required by GAAP for annual financial statements.

These unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in management's opinion, include all adjustments necessary to state fairly the consolidated financial position of the Company as of September 30, 2023March 31, 2024, the results of operations for the three and nine months ended September 30, 2023March 31, 2024 and 20222023 and cash flows for the ninethree months ended September 30, 2023March 31, 2024 and 2022.2023. These adjustments consist of normal and recurring items. The results of operations for the ninethree months ended September 30, 2023March 31, 2024 and cash flows for the ninethree months ended September 30, 2023March 31, 2024 are not necessarily indicative of the results expected for the year ending December 31, 2023December 31, 2024 or any future interim or annual period. Our unaudited interim condensed consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and related notes provided in our Annual Report on Form 10-K for the year ended December 31, 2022December 31, 2023.

The Company is an Emerging Growth Company, as defined in the Jumpstart Our Business Startups Act of 2012 (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. The Company has 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 it (i) is no longer an Emerging Growth Company or (ii) it affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act.

On June 30, 2023, the last day of our second fiscal quarter in 2023, the market value of our Class A common stock held by non-affiliates exceeded $700.0 million. Accordingly, we will be deemed a large accelerated filer as of December 31, 2023. As such, we will no longer (i) qualify as an Emerging Growth Company and (ii) be able to take advantage of the extended timeline to comply with new or revised accounting standards applicable to public companies beginning with our Annual Report on Form 10-K for the year ending December 31, 2023.

Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

Use of estimates is required in the preparation of the consolidated financial statements in conformity with GAAP. Management makes estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments. Management bases its estimates and judgments on historical experience and on various other factors that it believes are reasonable under the circumstances.

The estimates the Company evaluates include, but are not limited to:

- the fair value of assets acquired and liabilities assumed in business combinations, including acquired intangible assets, goodwill, contingent consideration, and liabilities associated with deferred revenue and deferred taxes;
- the average period of benefit related to contract cost assets;
- the allowance for doubtful accounts;

- the fair value of certain stock awards;
- the useful lives and recoverability of long-lived assets, including capitalized product development costs; costs
- the recognition, measurement, and valuation of deferred income taxes; and taxes
- the actual amounts and timing of payments under the Tax Receivable Agreement

Actual results could differ from those estimates under different assumptions or conditions.conditions.

Recent Accounting Pronouncements Not Yet Adopted

There are no recently issued accounting pronouncements that are expected to have a material impact on the Company's condensed consolidated financial statements.

Accounting Pronouncements Recently Adopted

On January 1, 2023 In December 2023, the FASB issued ASU No. 2023-09, Income Taxes (Topic 740), Improvements to Income Tax Disclosure. This update enhances the disclosures for income tax rate reconciliation whereby entities are required to disclose specific categories in the rate reconciliation and provide additional information for reconciling items which meet a certain qualitative threshold. The guidance is effective for the Company prospectively adopted ASU No. 2016-13, *Financial Instruments—Credit Losses* (Topic 326): Measurement of Credit Losses beginning on Financial Instruments (ASU 2016-13) January 1, 2024. This update changes the accounting for recognizing impairments of financial assets, such that credit losses for certain types of financial instruments will be estimated based on expected losses. The update also modifies the impairment models for available-for-sale debt securities and for purchased financial assets with credit deterioration since their origination. The adoption of the accounting pronouncement did not have a material impact on the valuation of the Company's financial instruments.our Consolidated Financial Statements and related disclosures.

Cash and cash equivalents Cash Equivalents

The Company considers all highly liquid investment securities with remaining maturities at the date of purchase of three months or less to be cash equivalents.

Significant Accounting Policies

There have been no changes to our significant accounting policies described in our Annual Report on Form 10-K for the year ended December 31, 2022December 31, 2023 that have had a material impact on our condensed consolidated financial statements and related notes.

3. BUSINESS COMBINATIONS

WeThe Company completed one acquisition during the ninethree months ended September 30, 2023March 31, 2024 and three two acquisitions in fiscal year 2022. 2023. The purchase price allocation for these acquisitions, discussed in detail below, reflects various fair value estimates and analyses, including certain tangible assets acquired and liabilities assumed, the valuation of intangible assets acquired, income taxes and goodwill, which are subject to change within the measurement period as preliminary valuations are finalized. goodwill. Measurement period adjustments are recorded in the reporting period in which the estimates are finalized and adjustment amounts are determined. The measurement period is one year from the acquisition date. The fair value of the assets and liabilities acquired are based on valuations using the Level 3, unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. The valuation techniques include the use of a discounted cash flow model in an income or market based valuation approach.

The results of operations of these business combinations have been included in the Company's consolidated financial statements from their respective acquisition dates.

Fiscal 2024 Acquisitions

Allovue, Inc ("Allovue")

On January 22, 2024, the Company acquired all of the equity interests of Allovue. Allovue is a leading provider of K-12 financial budgeting and planning software. The purpose of the acquisition was to enhance and expand PowerSchool's product offerings.

The total purchase price for Allovue was $38.2 million, which included cash of $37.0 million and deferred consideration of $1.2 million. Transaction costs of $1.3 million were incurred related to this acquisition and are recorded in acquisition costs in the consolidated statements of operations and comprehensive loss. The Company has accounted for this acquisition as a business combination and recognized net tangible liabilities of $1.9 million and recognized $9.0 million of intangible assets consisting of developed technology of $5.4 million, customer relationships of $2.8 million, and trademarks of $0.8 million. The acquired net assets assumed were recorded at their estimated fair values. The estimated values of the intangible assets were determined by the assistance of valuation specialists and estimates made by management.

The Company recorded goodwill of $31.0 million, none of which is expected to be deductible for tax purposes. The goodwill is a result of the growth expected by creating a comprehensive education technology portfolio.

Fiscal 2023 Acquisitions

Jarulss Software Solutions Private Limited ("Neverskip")

On August 9, 2023, the Company acquired all of the equity interests of Neverskip. Neverskip is a leading provider of school solutions software in India. The purpose of the acquisition was to enhance and expand PowerSchool's product offering. offerings.

The total purchase price for Neverskip was $10.0 million, which was paid in cash. Transaction costs of $0.7 million are recorded in acquisition costs in the consolidated statements of operations and comprehensive loss. The Company has accounted for this acquisition as a business combination and recognized provisional intangible assets and net tangible liabilities of $6.5 $2.4 million and $2.2 recognized $6.6 million respectively. of intangible assets consisting of developed technology of $1.8 million customer relationships of $4.9 million and $0.01 million of trademarks. The Company recorded provisional goodwill of $5.6 $5.7 million arising from the acquisition, none of which is expected to be deductible for U.S. income tax purposes.

purposes. The goodwill is a result of the growth expected from continuing to create a comprehensive education technology portfolio.

Fiscal 2022 Acquisitions

Kinvolved, Inc. SchoolMessenger

On February 1, 2022 October 2, 2023, the Company acquired all of the equity interests of Kinvolved, Inc. ("Kinvolved"). Kinvolved SchoolMessenger. SchoolMessenger is a leading provider of K-12 communications, attendance and engagement solutions software. communication tools in North America. The purpose of the acquisition was to enhance and expand PowerSchool's product offering. offerings.

The total purchase price for Kinvolved SchoolMessenger was $23.3 $300.3 million, which included $16.2 million cash of cash $290.3 million and additional contingent cash deferred consideration payable based on the achievement of certain performance conditions. The acquisition-date fair value of the contingent consideration was $7.1 $10.0 million. Transaction costs of $1.2 $2.3 million were incurred in the year-ended December 31, 2023related to this acquisition and are recorded in acquisition costs in the consolidated statements of operations and comprehensive loss.

The Company has accounted for this acquisition as a business combination combination. The consideration and recognized the acquisition date fair values of the assets acquired and liabilities assumed are as follows (in thousands):

Accounts receivable	$	14,027
Prepaid expenses and other assets		1,128
Property and equipment		63
Right of use asset		409
Intangible asset - developed technologies		26,500
Intangible asset - customer relationships		43,600
Intangible asset - trademarks		8,100
Total assets acquired		93,827
Accounts payable		(2,326)
Accrued expenses		(5,693)
Lease liability		(409)
Other liabilities		(539)
Deferred revenue		(30,240)
Deferred taxes		(2,169)
Net assets acquired		52,451
Goodwill		247,815
Total consideration	$	300,266

The acquired net assets assumed were recorded at their estimated fair values. The estimated values of the intangible assets were determined by the assistance of $4.5 million valuation specialists and net tangible assets of $0.2 million. estimates made by management. The Company recorded $18.6 million $247.8 million of goodwill arising from the acquisition none of SchoolMessenger, the majority of which is expected to be deductible for tax purposes. The goodwill is a result of the growth expected from continuing to create by creating a comprehensive education technology portfolio.

Chalk.com Education ULC Historical results of operations for Neverskip, SchoolMessenger, and Allovue were not material. Therefore, historical results of operations subsequent to the acquisition date and pro forma results of operations have not been presented.

On May 2, 2022, the Company acquired all of the equity interests of Chalk.com Education ULC ("Chalk"). Chalk is an integrated curriculum planning and analytics platform for K-12 schools. The purpose of the acquisition was to enhance and expand PowerSchool's product offering.

The total purchase price for Chalk was $13.5 million, which included $10.4 million of cash and additional contingent cash consideration payable based on the achievement of certain performance conditions. The acquisition-date fair value of the contingent consideration was $3.1 million. Transaction costs of $0.9 million are recorded in acquisition costs in the consolidated statements of operations and comprehensive loss. The Company has accounted for this acquisition as a business combination and recognized intangible assets of $3.6 million and net tangible liabilities of $0.2 million. The Company recorded goodwill of $10.0 million arising from the acquisition, all of which is expected to be deductible for U.S. income tax purposes. The goodwill is a result of the growth expected from continuing to create a comprehensive education technology portfolio.

Headed2, LLC

On June 1, 2022, the Company acquired all of the equity interests of Headed2, LLC (“Headed2”). Headed2 is a career path planning platform that delivers state-level support for college, career, military, and life readiness to students of all ages by providing a more complete approach to researching and preparing for future success. The purpose of the acquisition was to enhance and expand PowerSchool’s product offering.

The total purchase price for Headed2 was $5.8 million, which was paid in cash. Transaction costs of $0.5 million are recorded in acquisition costs in the consolidated statements of operations and comprehensive loss. The Company has accounted for this acquisition as a business combination and recognized intangible assets of $2.3 million and net tangible assets of $0.2 million. The Company recorded goodwill of $3.3 million arising from the acquisition, all of which is expected to be deductible for U.S. income tax purposes. The goodwill is a result of the growth expected from continuing to create a comprehensive education technology portfolio.

4. REVENUE

Disaggregation of Revenue

The following table depicts the disaggregation of revenue according to the Company’s revenue streams. The Company believes this depicts the nature, amount, timing and uncertainty of revenue and cash flows consistent with how we evaluate our financial statements (in thousands):

		Three Months Ended March 31, Three Months Ended March 31, Three Months Ended March 31,			
	2024			2024	2023
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
SaaS					
SaaS					
SaaS	SaaS	$118,931	$109,526	$351,183	$319,742
Professional services	Professional services	20,722	19,933	57,152	55,114
Software maintenance	Software maintenance	30,059	27,569	85,383	82,128
License and other	License and other	12,452	5,406	21,797	12,633
Total revenue	Total revenue	$182,164	$162,434	$515,515	$469,617

Revenue recognized for the three months ended March 31, 2024 and nine month periods ended September 30, 2023 and 2022 2023 from performance obligations satisfied in the prior periods was immaterial.

Revenue by principal geographic areas based on where the customer is located was as follows (in thousands):

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

United States	United States	$169,728	$150,626	$481,114	$434,194
Canada	Canada	9,099	9,260	25,753	27,243
Other	Other	3,337	2,548	8,648	8,180
Total revenue	**Total revenue**	$182,164	$162,434	$515,515	$469,617

The Company had no customers accounting for more than 10% of total revenue for the periods presented.

Deferred Revenue

The changes in the deferred revenue balance were as follows (in thousands):

		March 31, 2024	March 31, 2024	December 31, 2023
		September 30, 2023	**December 31, 2022**	
Balance at beginning of period				
Balance at beginning of period				
Balance at beginning of period	Balance at beginning of period	$315,839	$301,157	
Decrease from revenue recognized	Decrease from revenue recognized	(292,575)	(289,328)	
Increase from acquisitions	Increase from acquisitions	308	1,586	
Increase from current period net deferred revenue additions		390,064	302,424	
Increase from current year net deferred revenue additions				
Balance at end of period	Balance at end of period	$413,636	$315,839	

As of September 30, 2023 March 31, 2024, the Company expects to recognize revenue on approximately 98.6% 97% of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

The estimated revenues from the remaining performance obligations do not include uncommitted contract amounts such as (i) amounts that are cancellable by the customer without significant penalty, (ii) future billings for time and material contracts, and (iii) amounts associated with optional renewal periods.

Contract Cost Assets

Contract cost assets are included in prepaid expenses and other current assets and other assets, respectively, on the consolidated balance sheets as follows (in thousands):

		March 31, 2024	March 31, 2024	December 31, 2023
		September 30, 2023	**December 31, 2022**	
Contract costs, current				
Contract costs, current				

Contract costs, current	Contract costs, current	$ 7,122	$ 6,103
Contract costs, noncurrent	Contract costs, noncurrent	26,838	23,843
Total contract costs	Total contract costs	$ 33,960	$ 29,946

Amortization expense for contract cost assets was $1.7 million$1.9 million and $4.7 million$1.5 million for the three and nine months ended September 30, 2023, respectively,March 31, 2024 and $1.3 million and $3.4 million as of the three and nine months ended September 30, 20222023, respectively. There was no impairment of contract cost assets during the periods presented.

5. PROPERTY AND EQUIPMENT - EQUIPMENT—NET

Property and equipment by category are as follows (in thousands):

March 31, 2024	March 31, 2024	December 31, 2023
Computer and software		
Computer and software		

		September 30, 2023	December 31, 2022
Computer and software	Computer and software	$ 16,240	$ 16,272
Furniture and fixtures	Furniture and fixtures	1,551	1,563
Leasehold improvements	Leasehold improvements	2,384	2,377
Property and equipment	Property and equipment	20,175	20,212
Less: accumulated depreciation		(15,352)	(14,039)
Less accumulated depreciation			
Property and equipment—net	Property and equipment—net	$ 4,823	$ 6,173

Depreciation expense was $0.8 million$0.9 million and $2.6 million$0.9 million for the three and nine months ended September 30, 2023, respectivelyMarch 31, 2024 and $1.1 million and $3.7 million for the three and nine months ended September 30, 2022,2023, respectively.

6. CAPITALIZED PRODUCT DEVELOPMENT COSTS - COSTS—NET

Capitalized product development costs and related accumulated amortization consist of the following (in thousands):

	March 31, 2024	December 31, 2023
Gross capitalized product development costs	$ 204,070	$ 194,341
Less accumulated amortization	(91,260)	(82,252)
Capitalized product development costs—net	$ 112,810	$ 112,089

	September 30, 2023	December 31, 2022
Gross capitalized product development costs	$ 183,709	$ 152,663
Less accumulated amortization	(74,145)	(51,802)
Capitalized product development costs—net	$ 109,564	$ 100,861

Amortization of capitalized product development costs, included in the cost of revenue section of the consolidated statements of operations and comprehensive loss, were $7.8 million $9.1 million and $22.3 million $7.2 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $6.0 million and $16.9 million for the three and nine months ended September 30, 2022, 2023, respectively.

7. GOODWILL

The changes in the carrying amounts of goodwill were as follows (in thousands):

Balance—December 31, 2022 2023	$2,487,007 2,740,725
Additions due to acquisitions acquisition	5,650 31,035
Other adjustments[1]	(8) (789)
Balance—September 30, 2023 March 31, 2024	$2,492,649 2,770,971

[1] Includes adjustments of acquisition-date fair value within the one-year measurement period and effects of foreign currency translation.

8. OTHER INTANGIBLE ASSETS—NET

Intangible assets are amortized using the straight-line method based on the expected useful lives of the assets. The carrying values of acquired amortizing intangible assets are as follows (in thousands):

		September 30, 2023	Weighted-Average Useful Life	December 31, 2022	Weighted-Average Useful Life							
	March 31, 2024						March 31, 2024	Weighted-Average Useful Life		December 31, 2023	Weighted-Average Useful Life	
Intangible Assets—Gross	**Intangible Assets—Gross**											
Intangible Assets—Gross												
Intangible Assets—Gross												
Developed technology												
Developed technology												
Developed technology	Developed technology	$ 295,366	8 years	$ 293,599	8 years	$	327,273	8 years	8 years	$321,957	8 years	8 years
Customer relationships	Customer relationships	747,349	14 years	742,600	14 years	Customer relationships	793,882	14 years	14 years	791,253	14 years	14 years
Trademarks	Trademarks	53,474	9 years	53,474	9 years	Trademarks	62,387	9 years	9 years	61,595	9 years	9 years
Other	Other	259	3 years	—	—	Other	259	3 years	3 years	259	3 years	3 years
		$1,096,448		$1,089,673								
	$											
Accumulated Amortization												
Accumulated Amortization												
Accumulated Amortization	**Accumulated Amortization**											
Developed technology	Developed technology	$ (160,412)		$ (134,691)								
Developed technology												
Developed technology												
Customer relationships												
Customer relationships												
Customer relationships	Customer relationships	(251,551)		(210,120)								

Trademarks	Trademarks	(26,596)	(22,715)
Trademarks			
Trademarks			
Other	Other	(65)	—
		$ (438,624)	$ (367,526)
Other			
Other			
		$	
		$	
		$	
Intangible Assets—Net			
Intangible Assets—Net			
Intangible Assets—Net	**Intangible Assets—Net**		
Developed technology	Developed technology	$ 134,954	$ 158,908
Developed technology			
Developed technology			
Customer relationships			
Customer relationships			
Customer relationships	Customer relationships	495,798	532,480
Trademarks	Trademarks	26,878	30,759
Trademarks			
Trademarks			
Other	Other	194	—
		$ 657,824	$ 722,147
Other			
Other			
		$	
		$	
		$	

Amortization of developed technology is recorded in cost of revenue, while the amortization of trademarks, customer relationships and other intangibles is included in operating expense on the Company's consolidated statements of operations and comprehensive loss.

The following table summarizes the classification of amortization expense of intangible assets (in thousands):

		Three Months Ended March 31, **Three Months Ended March 31,** **Three Months Ended March 31,**				
	2024				**2024**	**2023**
		Three Months Ended September 30,		**Nine Months Ended September 30,**		
		2023	**2022**	**2023**	**2022**	
Cost of revenue						
Cost of revenue						
Cost of revenue	Cost of revenue	$ 8,574	$ 8,571	$25,721	$25,416	
Operating expense	Operating expense	15,168	15,104	45,377	45,138	

Total amortization of acquired intangible assets	Total amortization of acquired intangible assets	$23,742	$23,675	$71,098	$70,554

The estimated future amortization of intangible assets as of September 30, 2023 March 31, 2024, is as follows (in thousands):

Year Ending December 31,	Year Ending December 31,		
2023 (remaining three months)		$	24,001
2024			95,365
2024 (remaining nine months)			
2024 (remaining nine months)			
2024 (remaining nine months)			
2025	2025		95,176
2026	2026		84,022
2027	2027		67,740
2028			
Thereafter	Thereafter		291,520
Total	Total	$	657,824

9. ACCRUED EXPENSES

The following table presents the detail of accrued expenses (in thousands):

	March 31, 2024	March 31, 2024	December 31, 2023
		September 30, 2023	December 31, 2022
Accrued compensation			
Accrued compensation			
Accrued compensation	Accrued compensation	$ 33,338	$38,966
Accrued interest	Accrued interest	12,086	9,094
Accrued taxes	Accrued taxes	2,377	2,130
Tax Receivable Agreement liability, current		28,947	1,862
TRA liability, current			
Other accrued expenses	Other accrued expenses	25,716	32,218
Total accrued expenses	Total accrued expenses	$102,464	$84,270

Included within other accrued expenses was the contingent consideration liability related to the acquisition of Chalk. The fair value of the contingent consideration was determined using the Monte Carlo simulation and is recorded as selling, general, and administrative expenses within operating expenses in the consolidated statements of operations and comprehensive loss. The fair value was estimated quarterly and was based on unobservable inputs, including management estimates and assumptions about achieving future revenues and the Company's share price, and was, therefore, classified as Level 3 in the fair value hierarchy. The outstanding balance of the contingent consideration was paid in the third quarter of fiscal year 2023.

The changes in the fair value of the contingent consideration liability is as follows (in thousands):

Balance—January 1, 2022	$	—
Acquisition date fair value		10,079
Payment		(1,392)
Fair value adjustments		(4,886)
Balance—December 31, 2022	$	3,801
Fair value adjustments		(273)
Payment		(3,528)
Balance—September 30, 2023	$	—

10. LONG-TERM DEBT AND REVOLVING CREDIT AGREEMENT

First Lien Credit Agreement ("First Lien")

In August 2018, the Company entered into a loan agreement with a consortium of lenders which provided $775.0 million of term loans. The First Lien also provides for provided a Revolving Credit Agreement, discussed in more detail below.

On July 31, 2023, the Company entered into an incremental facility to the First Lien to borrow an additional $100.0 million aggregate principal amount of incremental term loans, increasing the principal balance outstanding under the First Lien to $840.1 million as of the date of the amendment. Debt issuance costs of $0.8 million were recorded as a reduction to the face amount. As carrying value of September 30, 2023 the related debt.

On October 12, 2023, the the Company amended the First Lien was to extend the maturity date on the agreement from July 31, 2025 to August 1, 2027. Debt issuance costs of $13.1 million were recorded as a reduction to the carrying value of the related debt. The amended First Lien is repayable in quarterly payments of $2.2 $2.1 million through July 31, 2025 August 1, 2027, with all remaining outstanding principal due on July 31, 2025 August 1, 2027.

As of September 30, 2023 March 31, 2024, the interest rate for the First Lien is the rate per annum equal to the Secured Overnight Financing Rate ("SOFR"), plus the applicable margin. The applicable margin was is initially 3.25% per annum with a 0.25% step down based on the First Lien Net Leverage Ratio. The interest rate for the First Lien as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 was 8.37% 8.31% and 7.09% 8.38%, respectively.

The First Lien is collateralized on a first lien basis by substantially all of the certain assets and property of Holdings LLC the Company and its domestic subsidiaries. includes covenants that among other things limit our ability to incur additional debt or issue dividends. As of March 31, 2024, we were in compliance with all covenants associated with the First Lien.

Revolving Credit Agreement

The First Lien provides for a Revolving Credit Agreement allowing the Company to borrow funds from time to time. In July 2021, the Revolving Credit Agreement was amended and permitted the Company to borrow up to $289.0 million. As of September 30, 2023 $289.0 million. On October 12, 2023, the Revolving Credit Agreement was further amended to permit the Company to borrow up to $400.0 million matured and extended the maturity date from May 2, 2025 to May 2, 2027. In connection with the increase of the borrowing capacity and the extension of the maturity date, the Company paid fees of $2.0 million, which was recorded as capitalized debt issuance cost and presented within other assets on May 2, 2025 the consolidated balance sheet.

The interest rate of the Revolving Credit Agreement is equal to SOFR, plus the applicable margin. The applicable margin was is initially 3.25% per annum with up to a 0.50% step down based on the First Lien Net Leverage Ratio. We are also required to pay a commitment fee on the unused portion of the Revolving Credit Agreement of 0.50% per annum with up to a 0.25% step down based on the First Lien Net Leverage Ratio, payable quarterly in arrears.

During the nine three months ended September 30, 2023 March 31, 2024, the Company borrowed $20.0 million $140.0 million on the Revolving Credit Agreement. The As of March 31, 2024, the outstanding balance on the revolving credit facility was $125.0 million and there was no outstanding balance on the facility as of September 30, 2023 was $10.0 million and there was no outstanding balance as of December 31, 2022 December 31, 2023.

The Revolving Credit Agreement requires the Company to maintain a First Lien Net Leverage Ratio (as defined therein) of not more than 7.75 to 1.00 if the Company has an outstanding balance on the Revolving Credit Agreement of greater than 35% of the borrowing capacity (excluding certain letters of credit) at a quarter end. As of September 30, 2023 March 31, 2024 and December 31, 2022, 2023, the Company's outstanding balances under the Revolving Credit Agreement were less than 35% of the borrowing capacity.

The following table presents the outstanding long-term debt (in thousands):

	September 30, 2023	December 31, 2022
Total outstanding principal—First Lien	$ 837,926	$ 744,000
Less: current portion of long-term debt	(8,797)	(7,750)
Less: unamortized debt discount	(957)	(715)

Less: unamortized debt issuance costs		(5,428)		(6,911)
Total long-term debt—net	$	822,744	$	728,624

		March 31, 2024		December 31, 2023
Total outstanding principal—First Lien	$	835,831	$	837,926
Less current portion of long-term debt		(8,379)		(8,379)
Less unamortized debt discount		(4,496)		(4,832)
Less unamortized debt issuance costs		(12,459)		(13,390)
Total long-term debt—net	$	810,497	$	811,325

Maturities on long-term debt outstanding as of September 30, 2023 March 31, 2024 are as follows (in thousands):

Year Ending December 31,	Year Ending December 31,		
2023 (remaining three months)		$	2,199
2024			8,797
2024 (remaining nine months)			
2024 (remaining nine months)			
2024 (remaining nine months)			
2025	2025		826,930
2026			
2027			
Total	Total	$	837,926

11. Leases LEASES

The Company leases its office and data center facilities under non-cancelable operating leases that expire at various times through 2033. The Company is also responsible for certain real estate taxes, utilities, and maintenance costs related to its office facilities. Rent expense was $1.1 million $1.2 million and $3.1 million $1.0 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $1.1 million and $4.3 million for the three and nine months ended September 30, 2022, 2023, respectively.

In August 2023, the Company entered into an operating lease agreement for an office in Bangalore, India. The lease requires future minimum undiscounted payments of approximately $18.0 million over the ten year lease term. The lease includes a rent abatement period of six months, from August 2023 through January of 2024, during which the Company is exempt from paying the base rent. As a result, a lease liability of approximately $12.2 million and corresponding right-of-use asset of approximately $12.3 million were recorded.

Lease Operating lease costs for the three and nine months ended September 30, March 31, 2024 and 2023 and 2022 are as follows (in thousands):

		Three Months Ended September 30,				Nine Months Ended September 30,		
		2023		2022		2023		2022
		Three Months Ended March 31,						
		Three Months Ended March 31,						
		Three Months Ended March 31,						
		2024						
		2024						
		2024						
Operating lease cost								
Operating lease cost								
Operating lease cost	Operating lease cost	$ 1,151	$	1,138	$	3,048	$	12,291

Short-term lease cost	Short-term lease cost	3	49	23	149
Short-term lease cost					
Short-term lease cost					
Variable lease cost and other, net					
Variable lease cost and other, net					
Variable lease cost and other, net	Variable lease cost and other, net	309	346	882	1,006
Total lease cost	Total lease cost	$ 1,463	$ 1,533	$ 3,953	$ 13,446
Total lease cost					
Total lease cost					

Supplemental cash flow information related to leases as of September 30, 2023 March 31, 2024 and and 2022 2023 is as follows (in thousands):

		Nine Months Ended September 30,		
		2023	2022	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2024		2024	2023
Cash paid for operating leases	Cash paid for operating leases	$4,498	$7,136	
Cash paid for operating leases				
Cash paid for operating leases				
ROU assets obtained in exchange for new lease liabilities	ROU assets obtained in exchange for new lease liabilities	12,298	5,484	

Future minimum lease payments under non-cancelable operating lease agreements as of September 30, 2023 March 31, 2024 are as follows (in thousands):

Year Ending December 31,	Year Ending December 31,			
2023 (remaining three months)		$ 1,196		
2024		5,622		
2024 (remaining nine months)				
2024 (remaining nine months)				
2024 (remaining nine months)				$ 3,808
2025	2025	3,287	2025	3,559
2026	2026	2,701	2026	1,987
2027	2027	2,562	2027	1,913
2028			2028	1,904

Thereafter	Thereafter	11,506	Thereafter		9,659
Total undiscounted cash flows	Total undiscounted cash flows	$26,874	Total undiscounted cash flows	$	22,830
Less imputed interest	Less imputed interest	6,214	Less imputed interest		5,532
Present value of lease liabilities	Present value of lease liabilities	$20,660	Present value of lease liabilities	$	17,298
Weighted average remaining term (years)	Weighted average remaining term (years)	6.9	Weighted average remaining term (years)		7.2
Weighted average discount rate	Weighted average discount rate	6.4 %	Weighted average discount rate	7.1	%

12. COMMITMENTS AND CONTINGENCIES

Contractual Obligations

We have contractual obligations related to, among others, data centers, cloud hosting arrangements, and other services we purchase as part of our normal operations. In certain cases, these arrangements require a minimum annual purchase commitment by us. As of September 30, 2023 March 31, 2024, the remaining aggregate minimum purchase commitment under these arrangements was approximately $221.3 million $186.8 million through 2027.2028.

Self-Insured Health Plan

The Company is generally self-insured for losses and liabilities related to health benefits. The estimated liability for incurred, but not reported, medical claims was $2.6 million is $1.8 million and $2.2 million $1.6 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Indemnification

The Company enters into indemnification arrangements within customer contracts as part of the ordinary course of its business. Under the Company’s standard contractual terms, these arrangements typically consist of the Company agreeing to indemnify, hold harmless and reimburse the indemnified customer(s) for losses suffered or incurred directly, in connection with any trade secret, copyright, patent, or other intellectual property infringement claim by any third-party with respect to the Company’s technology. The term of these indemnification agreements is generally concurrent with the term of the contract, but in some cases, may survive the expiration or termination of the underlying contract. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable because it involves claims that may be made against the Company in the future, but have not yet been made.

The Company carries directors Directors and officers Officers insurance policies pursuant to the Company’s certificate of incorporation, formation, bylaws, and applicable Delaware law.

Legal Proceedings

From time to time, the Company is involved in disputes, litigation, and other legal actions. On a quarterly basis, the Company evaluates developments in its legal matters that could affect the amount of liability that has been previously accrued, if any, or result in the Company accruing a liability, and the matters and related ranges of possible losses disclosed, and makes adjustments and changes to our disclosures as appropriate. Significant judgment is required to determine both (i) the likelihood of loss and (ii) the estimated amount of such loss related to such legal matters. Until the final resolution of such legal matters, there may be an exposure to loss, and such amounts could be material. For legal proceedings for which there is a reasonable possibility of loss (meaning those losses for which the likelihood is more than remote but less than probable), the Company has determined it does not have material exposure on an aggregate basis at this time.

13. STOCKHOLDERS’ EQUITY AND NON-CONTROLLING INTEREST

Stockholders’ Equity

The Company’s Company amended and restated its certificate of incorporation effective July 27, 2021 authorizes to authorize (i) 50,000,000 shares of preferred stock, par value $0.0001 per share, (ii) 500,000,000 shares of Class A common stock, par value $0.0001 per share, and (iii) 300,000,000 shares of Class B common stock, par value $0.0001 per share. Holders of our Class A common stock and Class B common stock vote together as a single class on all matters presented to stockholders for their vote or approval, except as otherwise required by law. Each share of Class A common stock and Class B common stock entitles its holder to one vote on all matters presented to our stockholders generally.

As of September 30, 2023, March 31, 2024, the holders of our issued Class A common stock collectively held represented approximately 81.3% 81.5% of the economic interest and voting power in the Company and holders of our issued Class B common stock collectively held represented approximately 18.7% 18.5% of the economic interest and voting power in the Company. As of December 31, 2022, 2023, the Class B common stock collectively held approximately 20.0% 18.6% of the economic interest and voting power in the Company.

Non-controlling interest

The weighted average non-controlling interest percentage used to calculate the net loss and other comprehensive loss attributable to the non-controlling interest holders in the three and nine months ended March 31, 2024 and September 30, 2023 and 2022 was 18.7% 18.6% and 20.1% 19.6%, respectively.

14. SHARE-BASED COMPENSATION

Prior to the IPO, Holdings LLC had historically maintained an equity incentive plan plans for purposes of retaining and incentivizing certain employees of the Company. This plan was replaced by the Company's 2021 Omnibus Incentive Plan ("2021 Plan"), approved on July 27, 2021 in connection with the IPO.The 2021 Plan initially reserves 19,315,000 shares of the Company's Class A common stock and provides for the granting of stock options, stock appreciation rights, restricted stock awards ("RSAs"), restricted stock units ("RSUs"), dividend equivalents, other share-based awards, other cash-based awards, substitute awards, and performance awards to eligible employees, consultants, and directors.

Market-share Units ("MSUs")

In the first quarter of fiscal year 2023, the Company granted MSUs to certain executives. The target number of awards granted was based on the relative growth of the Company's share price over a two- and three-year performance period beginning on the date of grant and ending on the second and third anniversary of the grant date. These awards are subject to continuous employment through each individual vesting period.

The fair value of the MSUs was determined using a Monte Carlo simulation approach with the following assumptions: a historical volatility of 58%, 0% dividend yield, and a risk-free interest rate of 3.7%. The historical volatility was determined based on the observed equity volatility for comparable companies. The dividend yield was 0% as the Company does not currently offer a dividend. The risk-free interest rate is based on the yield from the Treasury Constant Maturities consistent with a three-year term associated with the market condition of the awards. The fair value of the awards granted during the first quarter of 2023 was $12.6 million which is recognized on a straight-line basis over the performance periods. The share-based compensation expense of these awards was $1.3 million $1.3 million and $2.7 million immaterial for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, respectively.

MSU activity for the nine-months three months ended September 30, 2023 March 31, 2024 is as follows:

		Market-Share Units	Weighted-Average Grant-Date Fair Value
Balance—December 31, 2022		—	—
	Market-Share Units	Market-Share Units	Weighted-Average Grant-Date Fair Value
Balance—December 31, 2023			
Granted	Granted	474,846	$ 26.64
Vested	Vested	—	—
Canceled	Canceled	—	—
Balance—September 30, 2023		474,846	$ 26.64
Balance—March 31, 2024			

RSUs/RSAs

The RSUs and RSAs granted under the 2021 Plan vest upon the satisfaction of a service-based vesting condition, generally over a four-year period, with 25% vesting at the end of one year and the remainder quarterly thereafter.

RSU and RSA activity for the nine three months ended September 30, 2023 March 31, 2024 is as follows:

	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Balance—December 31, 2022	7,880,419	$ 20.52	54,516	$ 8.43
Restricted Stock Units	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Stock Awards	Weighted Average Grant Date Fair Value
Balance—December 31, 2023				
Granted Granted	3,120,570	$ 19.47	—	—
Vested Vested	(2,377,011)	$ 20.20	(29,085)	$ 8.63
Canceled Canceled	(941,891)	$ 19.32	—	—
Balance—September 30, 2023	7,682,087	$ 20.34	25,431	$ 8.19
Balance—March 31, 2024				

The following table presents the classification of share-based compensation in the accompanying condensed consolidated statements of operations and comprehensive loss income (loss) (in thousands):

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Three Months Ended March 31, 2024		Three Months Ended March 31, 2024		2023
Cost of revenue Cost of revenue				
Subscriptions and support				
Subscriptions and support				
Subscriptions and support Subscriptions and support	$ 1,556	$ 1,352	$ 4,567	$ 3,629
Service Service	817	557	2,547	2,803
Research and development Research and development	3,959	3,462	12,224	9,890
Selling, general, and administrative Selling, general, and administrative	8,528	7,119	27,565	21,778
Total stock-based compensation	$14,860	$12,490	$46,903	$38,100
Total share-based compensation				

Share-based compensation capitalized as product development costs was $0.7 million and $2.2 million $0.7 million for the three and nine months ended September 30, 2023, respectively, and $0.8 million and $2.3 million for the three and nine months ended March 31, 2024 and September 30, 2022 2023, respectively.

As of September 30, 2023 March 31, 2024, the total future compensation cost related to unvested share awards is $154.3 million $124.6 million, which is expected to be recognized over a weighted-average period of 2.6 2.3 years.

15. EARNINGS (LOSS) PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS (EPS)

The table below sets forth a calculation of basic and diluted EPS. EPS based on net loss attributable to PowerSchool Holdings, Inc., divided by the basic weighted average number of Class A common stock outstanding for the corresponding periods. Diluted EPS of Class A common stock is computed by dividing net loss attributable to common stockholders by the weighted average number of shares of Class A common stock outstanding adjusted to give effect to all potentially dilutive securities, using the treasury stock method.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Basic net income (loss) per share:				
Numerator:				
Net Loss	$ (1,306)	$ (3,917)	$ (20,414)	$ (24,495)
Less: net loss attributable to non-controlling interest	(833)	(1,389)	(4,893)	(5,330)
Net loss attributable to PowerSchool Holdings, Inc., basic	$ (473)	$ (2,528)	$ (15,521)	$ (19,165)
Denominator:				
Weighted average shares of Class A common stock, basic	163,785,972	158,812,536	162,465,480	158,387,266
Net loss attributable to PowerSchool Holdings, Inc. per share of Class A common stock, basic	$ 0.00	$ (0.02)	$ (0.10)	$ (0.12)
Diluted net income (loss) per share:				
Numerator:				
Net loss attributable to PowerSchool Holdings, Inc., basic	$ (473)	$ (2,528)	$ (15,521)	$ (19,165)
Adjustment from RSUs and RSAs	(6)	—	—	—
Adjustment from MSUs	(2)	—	—	—
Net loss attributable to PowerSchool Holdings, Inc., diluted	$ (481)	$ (2,528)	$ (15,521)	$ (19,165)
Denominator:				
Weighted average shares of Class A common stock, basic	163,785,972	158,812,536	162,465,480	158,387,266
Dilutive impact of RSUs and RSAs	1,346,717	—	—	—
Dilutive impact of MSUs	534,178	—	—	—
Weighted average shares of Class A common stock, diluted	165,666,867	158,812,536	162,465,480	158,387,266
Net loss attributable to PowerSchool Holdings, Inc. per share of Class A common stock, diluted	$ 0.00	$ (0.02)	$ (0.10)	$ (0.12)

As The Company excluded the shares of our Class B common stock are considered non-participating securities, from the computation of basic and diluted EPS, as holders of Class B common stock do not have any rights to receive dividends or distributions upon the liquidation or winding up of the Company. Accordingly, separate presentation of EPS of Class B common stock under the two-class method has not been presented.

	Three Months Ended March 31,	
	2024	2023
Basic net income (loss) per share:		
Numerator:		
Net loss	$ (22,848)	$ (14,813)
Less: net loss attributable to non-controlling interest	(3,290)	(2,960)
Net loss attributable to PowerSchool Holdings, Inc., basic	(19,558)	(11,853)
Denominator:		
Weighted average shares of Class A common stock, basic	165,037,089	160,506,571
Net loss attributable to PowerSchool Holdings, Inc. per share of Class A common stock, basic	$ (0.12)	$ (0.07)
Diluted net income (loss) per share:		
Numerator:		
Net loss attributable to PowerSchool Holdings, Inc., basic	$ (19,558)	$ (11,853)
Adjustment from LLC Units	(4,573)	—
Net loss attributable to PowerSchool Holdings, Inc., diluted	(24,131)	(11,853)
Denominator:		
Weighted average shares of Class A common stock, basic	165,037,089	160,506,571
Dilutive impact of LLC Units	37,654,059	—
Weighted average shares of Class A common stock, diluted	202,691,148	160,506,571

Net loss attributable to PowerSchool Holdings, Inc. per share of Class A common stock, diluted	$ (0.12)	$	(0.07)

In addition, the following securities were not included in the computation of diluted shares outstanding for the three months ended March 31, 2024 and nine months ended September 30, 2023 and 20222023 because they were antidilutive, but could potentially dilute earnings (loss) per share in the future:

		Three Months Ended September 30,		Nine Months Ended September 30,	
		2023	2022	2023	2022
	Three Months Ended March 31,			Three Months Ended March 31,	
	2024		2024	2023	
Unvested RSAs and RSUs	Unvested RSAs and RSUs	—	8,151,595	7,707,518	8,151,595
LLC Units		37,654,059	39,928,472	37,654,059	39,928,472
Unvested MSUs		—	—	474,846	—
LLC units					
Market share units					
Total excluded from diluted EPS calculation	Total excluded from diluted EPS calculation	37,654,059	48,080,067	45,836,423	48,080,067

16. INCOME TAXES

The Company recorded an income tax expense (benefit) of (3.5)4.9 million and $(5.2) million for the three and nine months ended September 30, 2023, respectively, and $(0.8) million and $0.8 million for the three and nine months ended September 30, 2022, respectively. The Company's effective tax rate was 72.7% and 20.4% of -27.1% for the three and nine months ended September 30, 2023, respectively,March 31, 2024 and 17.1% an insignificant amount of income tax benefit and (3.3)% an effective tax rate of 0.3% for the three and nine months ended September 30, 2022, respectively.March 31, 2023. The income tax expense (benefit) for the three and nine months ended September 30, 2023March 31, 2024 was different than the U.S. federal statutory income tax rate of 21%21.0% primarily due to the loss allocated earnings not subject to the non-controlling interest, tax, nondeductible executive compensation, and deferred tax expense recognized due to the impact tax restructuring completed as part of a decrease to uncertain tax positions the Allovue acquisition during the three and nine month period. The income tax expense (benefit) benefit for the three and nine months ended September 30, 2022March 31, 2023 was different than the U.S. federal statutory income tax rate of 21%21.0% primarily due to the loss allocated earnings not subject to the non-controlling interest, tax and nondeductible executive compensation, the impact of remeasuring deferred taxes for a Pennsylvania tax law change, and adjustments to deferred tax expense relating to the business combination completed during the nine month period. compensation.

As of September 30, 2023March 31, 2024, the Company had gross unrecognized tax benefits of $10.6$10.7 million, all of which, if recognized, would impact the Company's effective tax rate. The amount of interest and penalties accrued related to the Company's unrecognized tax benefits is not material to the consolidated financial statements in all periods presented.

Tax Receivable Agreement

In connection with the Organizational Transactions, the Company entered into a TRA with Topco LLC, Vista Equity Partners and Onex. The TRA provides for the payment by the Company to Topco LLC, Vista Equity Partners and Onex, collectively, of 85% of the amount of tax benefits, if any, that are realized, or in some circumstances are deemed to realize, as a result of (i) certain increases in the tax basis of assets of Holdings LLC and its subsidiaries resulting from purchases of LLC Units with the proceeds of the IPO or exchanges of LLC Units in the future or any prior transfers of interests in Holdings LLC, (ii) certain tax attributes of the Blocker Entities and of Holdings LLC and subsidiaries of Holdings LLC that existed prior to the IPO and (iii) certain other tax benefits related to our making payments under the TRA. TRA (collectively, the "Tax Attributes"). The payment obligations under the TRA are not conditioned upon any LLC Unit holder maintaining a continued ownership interest in us or Holdings LLC and the rights of Topco LLC under the TRA are assignable. The Company expects to benefit from the remaining 15% of the tax benefits, if any, that are actually realized.

During the nine months ended September 30, 2023, the Company recorded an increase of $8.7 million to the TRA liability and a decrease of $7.1 million to the deferred tax liability due to the secondary offering conducted in the first quarter of 2023. These changes resulted in a net noncash impact to additional paid-in capital of $1.6 million.

As of September 30, 2023March 31, 2024, $28.9$43.0 million of the TRA was classified as a current liability included within accrued expenses and $392.7 million$375.6 million was classified as non-current in the consolidated balance sheet.

17. RELATED-PARTY TRANSACTIONS

The Company has entered into arrangements with Vista Equity Partners for certain services, and the Vista Consulting Group for management consulting, systems implementation, and manpower support (collectively, "Vista Consulting""Vista"). These services were provided on a time and material basis and were generally related to integration of the various companies acquired by the Company. Total costs of these related party services were insignificant de minimis for all periods presented. the three months ended March 31, 2024 and 2023, respectively. We may continue to engage Vista Consulting from time to time, subject to compliance with our related party transactions policy. The Company also entered into arrangements with Onex Partners Manager LP ("Onex") for general management services, acquisition advisory, and treasury services. Total costs of these related-party services were insignificantde minimis for all periods presented. the three months ended March 31, 2024 and 2023, respectively.Total aggregate amounts due to Vista and Onex entities were de minimis and less than $0.1 million as of March 31, 2024 and December 31, 2023.

The Company also purchased services from entities that share common ownership with Vista and Onex. The cost was $4.8 million $1.3 million and $12.2 million $4.8 million for all other services purchased from entities with common ownership for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $0.8 million and $3.2 million for the three and nine months ended September 30, 2022, 2023, respectively. Substantially all of the expenses related to services provided by entities that share common ownership with the Vista and Onex services are included in selling, general, and administrative expense in the consolidated statements of operations and comprehensive loss. Amounts due to entities that share common ownership were insignificant de minimis and $0.2 million as of September 30, 2023 March 31, 2024 and $0.5 million as of December 31, 2022 December 31, 2023, respectively, and are included in accounts payables and accrued liabilities in the consolidated balance sheet. There were no sales to or outstanding accounts receivable arising from entities with common ownership this agreement during or as of the end of any of the periods presented.

The Company has a strategic partnership with EAB Global, Inc. ("EAB"), a portfolio company of Vista, pursuant to a Reseller Agreement (the "Agreement"). Pursuant to the Agreement, EAB serves as, among other terms, the exclusive reseller of the Intersect product in the U.S. and Canada. The Agreement has a ten-year term and includes annual minimum revenue commitments from EAB. The commitment amount for the annual period was $36.8 million, $40.4 million, and will increase upon the anniversary of the Agreement. The Company may begin to revoke its exclusivity with EAB after the fourth year of the Agreement or terminate the relationship upon material breach of the contract. Under the terms of the Agreement, the Company pays a fee to EAB for selling products to third party customers on the Company's behalf. The Company recognized $4.1 million $4.0 million and $10.4 million $2.3 million in selling, general, and administrative expense and, to a lesser extent, cost of revenue, for fees owed to EAB under the Agreement for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $3.5 million and $8.8 million for the three and nine months ended September 30, 2022, 2023, respectively.

In February 2023, certain selling stockholders, which included Hardeep Gulati, the Company's Chief Executive Officer, Topco LLC, and certain funds affiliated with Vista and Onex, conducted a secondary offering of 8,700,000 shares of the Company's Class A common stock. The Company did not receive any proceeds from the sale of the Class A common stock by the selling stockholders, but bore the costs associated with the secondary offering (other than underwriting discounts and commissions), which were approximately $1.4 million$1.4 million and were recorded as selling, general, and administrative expenses in the consolidated statements of operations and comprehensive loss.

18. EMPLOYEE BENEFIT PLANS

Defined Contribution Plan—The Company has a defined contribution plan under Section 401(k) of the Internal Revenue Code ("401(k) Plan") covering all full-time employees who meet certain eligibility requirements. Eligible employees may defer a percentage of their pretax compensation, up to the annual maximum allowed by the Internal Revenue Service. Under the 401(k) Plan, the Company matches a portion of the employee contributions up to a defined maximum. The Company made matching contributions of $2.7 million and $8.0 million $2.6 million for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $2.6 million and $7.6 million for the three and nine months ended September 30, 2022, 2023, respectively.

19. SUBSEQUENT EVENTS

The Company has evaluated subsequent events from the consolidated balance sheets date through November 9, 2023, the date at which the condensed consolidated financial statements were available to be issued. date.

In July 2023, April 2024, the Company announced that it had entered into a definitive agreement to acquire all the ownership interests of SchoolMessenger, a leading provider of K-12 communication tools in North America, from West Technology Group, LLC, for cash consideration of approximately $300 million. The acquisition closed borrowed an additional $30.0 million on October 3, 2023 and the Company is in the process of completing the purchase price allocation.

On October 12, 2023, the Company entered into an amendment to refinance the First Lien and its Revolving Credit Agreement. The amendment, among other things, extended As of May 7, 2024, the maturity date outstanding balance on the First Lien from July 31, 2025 to August 1, 2027, extended the maturity date of the Revolving Credit Agreement from May 2, 2025 to May 2, 2027, and increased the borrowing capacity on the Revolving Credit agreement from $289.0 million to $400.0 million was $155.0 million.

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

You should read the following discussion and analysis of our financial condition and results of operations together with the condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed in Part I, Item 1A, "Risk Factors" in our most recent Annual Report on Form 10-K and Part II, Item 1A, "Risk Factors" and in other parts of this Quarterly Report on Form 10-Q. Unless we *state otherwise or the context otherwise requires, the terms "we," "us," "our," and "PowerSchool" and similar references refer to PowerSchool Holdings, Inc. and its consolidated subsidiaries, including PowerSchool Holdings LLC (formerly known as Severin Holdings, LLC) ("Holdings LLC").*

Overview

We provide a comprehensive suite of solutions that includes the mission-critical system of record used by state Departments of Education, districts, and schools, who leverage our solutions to deliver insights and analytics to improve education outcomes. As of September 30, 2023 March 31, 2024, we serve more than 16,00017,000 customers, including over 90 of the 100 top largest districts by student enrollment in the U.S., approximately over 30 state-, and province-, or and territory-wide contracts in North America, and sell solutions in over 90 countries globally. Our platform is embedded in school workflows and is used by educators, students, administrators, and parents on a daily basis.

PowerSchool's cloud platform is the most comprehensive, integrated, enterprise-scale suite of solutions purpose-built for the K-12 market. Our cloud-based technology platform helps our customers efficiently manage state reporting and related compliance, special education, finance, HR, talent, registration, attendance, funding, learning, instruction, behavior, grading, college and career readiness, assessments, communications, and analytics in one unified platform. Through our integrated technology approach, we are positioned to streamline operations, aggregate disparate data sets, and develop insights using predictive modelling, AI, and machine learning. Our ability to transform information into actionable insights improves the efficiency of school operations, the quality of instruction delivered by teachers, and the pace of student growth, generating a profound effect on K-12 educational outcomes.

We have created a strong competitive moat by investing over the past 20 years to build, maintain, and continuously update our K-12 regulatory compliance reporting capabilities that solve state-specific, funding-related regulatory pain points for our customers.

Building the PowerSchool Platform

Our focus and strategy on delivering a comprehensive, integrated platform led to years of coordinated efforts to build an expansive suite of core capabilities required by our customers. Starting as the first web-based Student Information System ("SIS"), SIS, we combined our deep domain expertise in K-12 education with over twenty years of innovation and disciplined acquisition activity to become the core K-12 software platform, with a full suite of cloud-based offerings across student information, enrollment, learning management, assessment, special education, finance, HR, data analytics, communications, and talent management.

From 2015 through September 30, 2023 March 31, 2024, we completed 1719 strategic acquisitions to thoughtfully build out our platform of K-12 software solutions, building upon years of leadership. In addition, on October 3, 2023, we closed our acquisition for all of the ownership interests of SchoolMessenger.

Our Business Model

We offer our software platform through a cloud-based, software-as-a-service ("SaaS") SaaS business model under contracts with annual price escalators, and we recognize subscription revenues ratably over annual subscription terms of the contracts. Our SaaS solutions include access to hosted software, software maintenance, product updates and upgrades, and technical and developer support. We sell our SaaS solutions through recurring fee arrangements where revenue is recognized on an annual basis following contract start date, which we refer to as recurring revenue. Our business model provides flexibility and optionality for our customers to purchase and deploy our software platform either through individual add-on solutions, or as a unified platform. The majority of new bookings come from our SaaS

offerings and are thus recurring in nature, with recurring revenue accounting for more than 81.8% and 84.7%90.2% of our total revenue for the three and nine months ended September 30, 2023March 31, 2024, respectively.

We generally price our SaaS and license agreements at individually negotiated rates with occasional discounts, typically for multi-solution sales or to help districts meet their budget and funding timing constraints. Such agreements Contracts are typically sold on a three-year basis with one-year rolling renewals and annual price escalators. We typically invoice our customers annually, in advance, for subscription fees and maintenance, while a portion of customers are billed semiannually, quarterly, or monthly. SaaS revenues are recognized over time to appropriately reflect progress towards full completion of our performance obligations.

To help customers go live with our software and achieve success, we offer professional services such as professional consultation, implementation, customization and training services as requested by our customers. Revenue from these services is primarily classified as non-recurring revenue, with the exception of the revenue from recurring managed services, which is classified as recurring revenue. For our SaaS business, these services generally take less than one year to complete.

Key Factors Affecting Our Performance

Our historical financial performance has been, and we expect our financial performance in the future to be, driven impacted by our ability to: the following key factors:

Cross-Sell Cross-Selling New Solutions to Existing Customers

Many of our customers begin their journey with us by using only a small portion of our overall platform. As customers begin to appreciate the benefits of an integrated software platform across student data, classroom learning, back-office functions, and talent management, they increase the number of solutions they buy from us over time. Our future revenue growth is dependent upon our ability to expand our customers' use of our platform, and our go-to-market efforts are designed to drive cross-sell growth. Our ability to increase sales to existing customers will depend on a number of factors, including the level of satisfaction with our solutions, competition, pricing, economic conditions, and spending by customers on our solutions. We have adopted a customer success strategy and implemented processes across our customer base to drive revenue retention and expansion, which combined with our cross-selling success has resulted in a Net Revenue Retention Rate (as defined below) of 107.2% 107.0% as of September 30, 2023 March 31, 2024, compared to 108.7% 109.1% as of September 30, 2022 March 31, 2023.

Attract Attracting New Customers in North America

We believe there is significant opportunity to increase market adoption of our platformed products by new customers. Our ability to attract new customers is dependent upon a number of factors including the features and pricing of our competitors' offerings, the effectiveness of our marketing efforts, the effectiveness of our channel partners in selling, the marketing and deploying of our software solutions, and the growth in demand of cloud-based technology solutions in K-12 education. We intend to expand our customer base by continuing to make significant and targeted investments in direct sales and marketing to attract new customers and to drive broader awareness of our software solutions.

ContinueContinuing to Expand Into Complementary Adjacencies

SinceFrom 2015 through September 30, 2023to March 31, 2024, we have acquired and successfully integrated 1719 complementary businesses to enhance our software and technology capabilities and on October 3, 2023, closed the acquisition of all of the ownership interest of SchoolMessenger. capabilities. We have a demonstrated track record of driving growth from our acquired assets and delivering positive return on investment. Mergers & Acquisitions are core to our strategy, and we intend to continue pursuing targeted acquisitions that further complement our portfolio of technology offerings or provide us access to new markets. This adjacency expansion strategy is complementary to our cross-selling strategy, as it both introduces acquired solutions to our existing customers and introduces a base of net new customers to whom we may sell our other solutions. Additionally, we intend to continue providing adjacent solutions by other means, which may include organic development and strategic partnerships. Our position as the leading system of record, engagement, and intelligence provides us with a unique vantage point to identify the most critical needs of our customers and most innovative companies within the K-12 education ecosystem. We will continue to carefully evaluate acquisition, partnership, and development opportunities to assess whether they meet our strategic objectives and enhance our platform.

SustainSustaining Innovation and Technology Leadership

Our success is dependent on our ability to sustain innovation and technology leadership to maintain our competitive advantage. We believe that we have built a highly differentiated platform that will position us to further extend the adoption of our solutions. We intend to continue to invest in building additional solutions, features, and functionality that expand our capabilities and facilitate the extension of our platform to new adjacencies. We also intend to continue to evaluate strategic acquisitions and investments in businesses and technologies to drive solutions and market expansion. Our future success is dependent on our ability to successfully develop, market, and sell existing and new solutions to both new and existing customers.

ExpandExpanding Internationally

We believe there is a significant opportunity to expand usage of our platform outside of North America. As of September 30, 2023March 31, 2024, PowerSchool served customers in over 90 countries outside of the U.S. and Canada, primarily American international schools. On August 9, 2023, we acquired all of the equity interest of Jarulss Software Solutions Private Limited Neverskip("Neverskip"), a leading provider of school solutions software in India. We plan to continue to make product, personnel, partnership, and acquisition-related investments to expand geographically. Although these investments may adversely affect our operating results in the near-term, we believe that they will contribute to our long-term growth.

Currency Fluctuations

Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the U.S., Canada, and India. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. The U.S. dollar has trended weaker in 2023, and fluctuationsFluctuations in foreign currency exchange rates did not have a significant impact on our reported results in the ninethree months ended 2023.March 31, 2024.

High Interest Rates

As a result of increased federal funds interest rates, the interest rate applicable to our First Lien loan increased from 6.03%7.7% as of September 30, 2022March 31, 2023 to 8.37%8.3% as of September 30, 2023March 31, 2024. As a result, our net interest expense has increased from $26.9 million as of September 30, 2022$14.0 million for the three months ended March 31, 2023 to $46.5 million as of September 30, 2023$21.0 million for the three months ended March 31, 2024. If interest rates continue to increase, our cost of debt may also continue to increase and we may have to divert available cash to the payment of interest.

Inflation and other Macroeconomic Events

Adverse macroeconomic conditions, including but not limited to high inflationthe current inflationary environment and slower economic growth and fearsrisk of recession could impact our business and customer spending. Certain of our customers may also be negatively impacted by these events. Inflation reached record levels in 2022 before declining to lower levels in 2023. While inflation may impact our net revenues and costs of revenues, we believe the effects of inflation, if any, on our results of operations and financial condition have not been significant. material. However, there can be no assurance that our results of operations and financial condition will not be materially impacted by inflation in the future.

Key Business Metrics

In addition to our GAAP financial information, we review a number of operating and financial metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

Annualized Recurring Revenue ("ARR")

ARR represents the annualized value of all recurring contracts as of the end of the period. ARR mitigates fluctuations due to seasonality, contract term, one-time discounts given to help customers meet their budgetary and cash flow needs, and the sales mix for recurring and non-recurring revenue. We record ARR at the time a customer purchases a new product or renews an existing product, and at a value that represents the contracted annual recurring revenue value excluding any granted one-time discounts. ARR does not have any standardized meaning and is therefore unlikely to be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenue and deferred revenue and is not intended to be combined with or to replace replace either of those items. ARR is not a forecast, and the active contracts at the end of a reporting period used in calculating ARR may or may not be extended or renewed by our customers.

We closed the quarterthree months ended September 30, 2023 March 31, 2024 with ARR of $640.4 $720.3 million compared to $585.4 $612.3 million as of September 30, 2022 March 31, 2023.

Net Revenue Retention Rate (“NRR”)

We believe that our ability to retain and grow recurring revenues from our existing customers over time strengthens the stability and predictability of our revenue base and is reflective of the value we deliver to them through upselling and cross selling our solution portfolio. Typically, our customer agreements are sold on a three-year basis with one-year rolling renewals and annual price escalators. These annual renewal processes provide us an additional opportunity to upsell and cross sell additional products. We assess our performance in this area using a metric we refer to as Net Revenue Retention Rate. Rate (“NRR”). For the purposes of calculating Net Revenue Retention Rate, NRR, we exclude from our calculation any changes in ARR attributable to Intersect customers, as this product is sold through our channel partnership with EAB Global, Inc. and is pursuant to annual revenue minimums, therefore the business will not be managed based on our net revenue retention (“Net Revenue Retention”). NRR. We calculate our dollar-based Net Revenue Retention Rate NRR as of the end of a reporting period as follows:

- *Denominator.* We measure ARR as of the last day of the prior year comparative reporting period.
- *Numerator.* We measure ARR from renewed and new sale opportunities booked as of the last day of the current reporting period from customers with associated ARR as of the last day of the prior year comparative reporting period.
- *Denominator.* We measure, as of the last day of the current reporting period, the last twelve months of ARR that was scheduled for renewal.

The quotient obtained from this calculation is our dollar-based Net Revenue Retention Rate. net revenue retention rate. Our Net Revenue Retention Rate NRR provides insight into the impact on current year recurring revenues of expanding adoption of our solutions by our existing customers during the current period. Our Net Revenue Retention NRR is subject to adjustments for acquisitions, consolidations, spin-offs and other market activity.

We closed the twelve-month period ended September 30, 2023 March 31, 2024 with a Net Revenue Retention Rate of 107.2% 107.0%, compared to Net Revenue Retention 109.1% as of 108.7% for the twelve-month period ended September 30, 2022 March 31, 2023. The most significant drivers of changes in our Net Revenue Retention Rate each year have historically been our propensity to secure contract renewals with annual price escalators and sell new solutions or additional licenses to our existing customer base. Our use of Net Revenue Retention Rate has limitations as an analytical metric, and investors should not consider it in isolation. Net Revenue Retention Rate does not have any standardized meaning and is therefore unlikely to be comparable to similarly titled measures presented by other companies.

Components of Results of Operations

Revenues

We recognize revenue under Accounting Standard Codification Topic 606 (“ASC 606”) and 340-40 (“ASC 340-40”). Under ASC 606, we recognize revenue when our customer obtains control of goods or services in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. See “Critical Accounting Estimates.”

Subscriptions and Support. Subscriptions and support revenues consist primarily of fees from customers accessing our solutions. Revenue is recognized ratably over the contract period as the services are software is provided.

Service. Service revenues consist primarily of fees related to new product implementations, customizations, and customer training. Revenue is recognized at a point in time when the services are rendered.

License and other. License and other revenues consist primarily of one-time perpetual license and partner royalty fees or reseller arrangements. Revenue is recognized at a point in time when the customer is able to use and benefit from the software.

Cost of Revenue

Cost of revenue consists primarily of employee compensation costs for employees associated with supporting our subscription, support, professional services arrangements and customer success, as well as certain third-party expenses. Employee compensation and related costs include cash compensation and benefits to employees, costs of third-party third-party contractors, and associated overhead costs. Third-party expenses consist of cloud infrastructure costs, third-party licensing costs, and other expenses directly associated with our customer support. We expect cost of revenues to increase in absolute dollars as we continue to hire personnel, to provide hosting services, technical support, customer success, and consulting services to our growing customer base.

Operating Expenses

Research and development. Research and development expenses consist primarily of personnel costs. Research and development expenses also include costs associated with contractors and consultants, equipment, and software to support our development and quality assurance teams and overhead expenses. We will continue to invest in innovation and offer our customers new solutions to enhance our existing platform.

Selling, general, and administrative. Selling, general, and administrative expenses consist primarily of employee compensation and benefits costs for corporate personnel, such as those in our executive, legal, human resource, facilities, accounting and finance, and information technology departments. In addition, general and administrative expenses include third-party professional fees and principal stockholder-related costs, as well as all other supporting corporate expenses not allocated to other departments. We expect our selling, general, and administrative expenses to increase on an absolute dollar basis as our business grows.

Acquisition costs. Acquisition costs consist primarily of third-party professional fees incurred in conjunction with acquisitions.

Interest Expense, Net

Interest expense, net consists primarily of interest payments on our outstanding borrowings under our First Lien and Revolving Credit Agreement. Agreement, interest income from our investments, and amortization of debt issuance costs.

Other Expense, Net

Other expense, net primarily consists of foreign currency gains/losses.

Results of Operations

The following table sets forth our consolidated statement of operations and comprehensive loss for the periods indicated:

		Three Months Ended September 30,		**Nine Months Ended September 30,**	
		2023	**2022**	**2023**	**2022**
		(in thousands)		**(in thousands)**	
	Three Months Ended March 31,			**Three Months Ended March 31,**	
	2024			**2024**	**2023**
	(in thousands)			**(in thousands)**	
Consolidated Statement of Operations and Comprehensive Loss:	**Consolidated Statement of Operations and Comprehensive Loss:**				
Revenue:	Revenue:				
Revenue:					
Revenue:					
Subscriptions and support					
Subscriptions and support					
Subscriptions and support	Subscriptions and support	$148,990	$137,095	$436,566	$401,870
Service	Service	20,722	19,933	57,152	55,114
License and other	License and other	12,452	5,406	21,797	12,633
Total revenue	Total revenue	182,164	162,434	515,515	469,617
Cost of revenue:	Cost of revenue:				
Subscriptions and support					
Subscriptions and support					
Subscriptions and support	Subscriptions and support	36,595	39,009	111,570	114,303
Service	Service	14,140	14,852	43,586	45,585
License and other	License and other	4,608	1,087	6,575	2,790
Depreciation and amortization	Depreciation and amortization	16,507	14,839	48,637	43,069
Total cost of revenue	Total cost of revenue	71,850	69,787	210,368	205,747
Gross profit	Gross profit	110,314	92,647	305,147	263,870
Operating expenses:	Operating expenses:				

Research and development	Research and development	26,751	27,821	78,035	80,528
Research and development					
Research and development					
Selling, general, and administrative	Selling, general, and administrative	53,606	45,530	156,293	133,117
Acquisition costs	Acquisition costs	2,461	11	2,461	2,630
Depreciation and amortization	Depreciation and amortization	15,835	15,955	47,370	48,050
Total operating expenses	Total operating expenses	98,653	89,317	284,159	264,325
Income (loss) from operations	Income (loss) from operations	11,661	3,330	20,988	(455)
Interest expense - net		16,409	11,158	46,539	26,923
Interest expense—net					
Other expenses (income) - net		33	(3,100)	107	(3,677)
Other expenses (income)—net					
Other expenses (income)—net					
Other expenses (income)—net					
Loss before income taxes	Loss before income taxes	(4,781)	(4,728)	(25,658)	(23,701)
Income tax (benefit) expense		(3,475)	(811)	(5,244)	794
Income tax expense (benefit)					
Net loss	Net loss	(1,306)	(3,917)	(20,414)	(24,495)
Less: Net loss attributable to non-controlling interest	Less: Net loss attributable to non-controlling interest	(833)	(1,389)	(4,893)	(5,330)
Net loss attributable to PowerSchool Holdings, Inc.	Net loss attributable to PowerSchool Holdings, Inc.	$ (473)	$ (2,528)	$ (15,521)	$ (19,165)
Other comprehensive income, net of taxes:					
Other comprehensive income (loss), net of taxes:					
Foreign currency translation	Foreign currency translation	(174)	(741)	(66)	(1,744)
Change in unrealized gain on investments		—	—	3	—
Foreign currency translation					
Foreign currency translation					
Change in unrealized loss on investments					
Total other comprehensive income (loss)	Total other comprehensive income (loss)	(174)	(741)	(63)	(1,744)

Less: comprehensive income (loss) attributable to non-controlling interest		(33)	(149)	(12)	(350)
Less: Other comprehensive income (loss) attributable to non-controlling interest					
Comprehensive loss attributable to PowerSchool Holdings, Inc.	Comprehensive loss attributable to PowerSchool Holdings, Inc.	$ (614)	$ (3,120)	$ (15,572)	$ (20,559)

The following table sets forth our consolidated statement of operations and comprehensive loss expressed as a percentage of total revenue for the periods indicated:

		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
		2023	2022	2023	2022		
	Three Months Ended March 31, 2024					2024	2023
Consolidated Statement of Operations and Comprehensive Loss:	**Consolidated Statement of Operations and Comprehensive Loss:**						
Revenue:	Revenue:						
Revenue:							
Revenue:							
Subscriptions and support							
Subscriptions and support							
Subscriptions and support	Subscriptions and support	82%	84%	85%	85%	90 %	88 %
Service	Service	11	13	11	12		
License and other	License and other	7	3	4	3		
Total revenue	Total revenue	100	100	100	100		
Cost of revenue:	Cost of revenue:						
Subscriptions and support							
Subscriptions and support							
Subscriptions and support	Subscriptions and support	20	24	22	24		
Service	Service	8	9	8	10		
License and other	License and other	3	<1	1	<1	License and other 1 <1	<1
Depreciation and amortization	Depreciation and amortization	9	9	9	9		
Total cost of revenue	Total cost of revenue	39	43	41	44		

Gross profit	Gross profit	61	57	59	56				
Operating expenses:	Operating expenses:								
Research and development	Research and development	15	17	15	17				
Research and development									
Research and development									
Selling, general, and administrative	Selling, general, and administrative	29	28	30	28				
Acquisition costs	Acquisition costs	1	<1	<1	<1	Acquisition costs	<1		—
Depreciation and amortization	Depreciation and amortization	9	10	9	10				
Total operating expenses	Total operating expenses	54	55	55	56				
Income (loss) from operations	Income (loss) from operations	6	2	4	(<1)	Income (loss) from operations	2	(<1)	(<1)
Interest expense - net		9	7	9	6				
Interest expense—net									
Other expenses (income) - net		<1	(2)	<1	(<1)				
Other expenses (income)—net									
Other expenses (income)—net									
Other expenses (income)—net							(<1)		(<1)
Loss before income taxes	Loss before income taxes	(3)	(3)	(5)	(5)				
Income tax (benefit) expense		(2)	(<1)	(1)	<1				
Income tax expense (benefit)						Income tax expense (benefit)	3		(<1)
Net loss	Net loss	(1)	(2)	(4)	(5)				
Less: Net loss attributable to non-controlling interest	Less: Net loss attributable to non-controlling interest	(<1)	(<1)	(1)	(1)				
Net loss attributable to PowerSchool Holdings, Inc.	Net loss attributable to PowerSchool Holdings, Inc.	(<1)	(2)	(3)	(4)				
Other comprehensive income, net of taxes:									
Other comprehensive income (loss), net of taxes:									
Foreign currency translation	Foreign currency translation	(<1)	(<1)	(<1)	(<1)				
Change in unrealized gain on investments		—	—	<1	—				
Foreign currency translation									
Foreign currency translation							(<1)		<1
Change in unrealized loss on investments						Change in unrealized loss on investments	—		<1

Total other comprehensive income (loss)	Total other comprehensive income (loss)	(<1)	(<1)	(<1)	(<1)	Total other comprehensive income (loss)	(<1)	<1
Less: comprehensive income (loss) attributable to non-controlling interest		(<1)	(<1)	(<1)	(<1)			
Less: Other comprehensive income (loss) attributable to non-controlling interest						Less: Other comprehensive income (loss) attributable to non-controlling interest	(<1)	<1
Comprehensive loss attributable to PowerSchool Holdings, Inc.	Comprehensive loss attributable to PowerSchool Holdings, Inc.	(<1)%	(2)%	(3)%	(4)%	Comprehensive loss attributable to PowerSchool Holdings, Inc.	(11)%	(7) %

Discussion of Results of Operations

Revenues

		Three Months Ended September 30,				Nine Months Ended September 30,										
		2023	2022	$ Change	% Change	2023	2022	$ Change	% Change							
		(in thousands)				(in thousands)										
	Three Months Ended March 31,															
	2024										2024				2023	
	(in thousands)															
Revenue:	Revenue:															
Revenue:																
Revenue:																
Subscriptions and support																
Subscriptions and support																
Subscriptions and support	Subscriptions and support	$148,990	$137,095	$11,895	9 %	$436,566	$401,870	$34,696	9 %	$	166,927	$	$ 141,073	$		$25,854
Service	Service	20,722	19,933	789	4 %	57,152	55,114	2,038	4 %	Service	16,686	16,233		16,233	453	
License and other	License and other	12,452	5,406	7,046	130 %	21,797	12,633	9,164	73 %	License and other	1,354	2,148		2,148	(794)	
Total revenue	Total revenue	$182,164	$162,434	$19,730	12 %	$515,515	$469,617	$45,898	10 %	Total revenue	$184,967	$		$159,454	$	$

The period-over-period increase in subscriptions and support and service revenue for the three and nine months ended September 30, 2023March 31, 2024 was driven by increased sales of our solutions to new customers, and by cross-selling and upselling to existing customers. The period-over-period change in license and other revenue was driven primarily by the variability caused by the point in time nature of this revenue stream, which drove larger recognition of revenue in the three and nine months ended September 30, 2023; stream; we expect this variability to continue in future quarters.

Total Cost of Revenue

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
	(in thousands)				(in thousands)			

		Three Months Ended March 31,														
		2024									2024		2023			
		(in thousands)														
Cost of Revenue:	Cost of Revenue:															
Cost of Revenue:																
Cost of Revenue:																
Subscriptions and support																
Subscriptions and support																
Subscriptions and support	Subscriptions and support	$36,595	$39,009	$(2,414)	(6)%	$111,570	$114,303	$(2,733)	(2)%		$ 46,327	$	$ 38,194	$	$8,133	
Service	Service	14,140	14,852	(712)	(5)%	43,586	45,585	(1,999)	(4)%	Service	13,383	14,323	14,323	(940)		
License and other	License and other	4,608	1,087	3,521	324 %	6,575	2,790	3,785	136 %	License and other	1,071	951	951	120		
Depreciation and amortization	Depreciation and amortization	16,507	14,839	1,668	11 %	48,637	43,069	5,568	13 %	Depreciation and amortization	19,080	16,021	16,021	3,059		
Total cost of revenue	Total cost of revenue	$71,850	$69,787	$ 2,063	3 %	$210,368	$205,747	$ 4,621	2 %	Total cost of revenue	$79,861	$	$69,489	$	$10,372	

The period-over-period decrease increase in subscriptions and support cost of revenue for the three months ended September 30, 2023March 31, 2024 was primarily attributable to a decrease in hosting fees of $2.3 million and royalty costs of $1.0 million offset driven by an $3.6 million increase in compensation cloud hosting expenses, $1.0 million increase personnel-related costs, of $0.5 million, primarily from higher third-party contractor costs. The period-over-period decrease in subscriptions and support cost of revenue for the nine months ended September 30, 2023 was primarily attributable to a decrease in hosting fees of $5.1 million offset by an $1.0 million increase in compensation costs of $2.4 million, primarily from higher third-party contractor costs and stock-based awards restructuring expenses. The period-over-period decrease in service cost of revenue for the three and nine months ended September 30, 2023 was primarily attributable to one-time restructuring expense recorded a $1.0 million decrease in prior period that did not recur personnel-related costs. The period-over-period increase in the current period license and other cost of $1.2 million and $3.2 million, respectively. revenue was primarily attributable to an increase in royalty costs.

Theperiod-over-period increase in depreciation and amortization cost of revenue for the three and nine months ended September 30, 2023March 31, 2024 was due driven by amortization related to additional amortization expense resulting from higher capitalized increased investment in innovation projects.

Operating Expenses

		Three Months Ended September 30,				Nine Months Ended September 30,										
		2023	2022	$ Change	% Change	2023	2022	$ Change	% Change							
		(in thousands)				(in thousands)										
		Three Months Ended March 31,														
		2024									2024		2023			
		(in thousands)														
Operating expenses:	Operating expenses:															
Operating expenses:																
Operating expenses:																
Research and development																
Research and development																
Research and development	Research and development	$26,751	$27,821	$(1,070)	(4)%	$ 78,035	$ 80,528	$ (2,493)	(3) %		$ 31,651	$	$ 25,421	$	$6,230	

Selling, general, and administrative	Selling, general, and administrative	53,606	45,530	8,076	18 %	156,293	133,117	23,176	17 %	Selling, general, and administrative	52,432	49,558		49,558	2,874
Acquisition costs	Acquisition costs	2,461	11	2,450	22273 %	2,461	2,630	(169)	(6) %	Acquisition costs	753	—		—	753
Depreciation and amortization	Depreciation and amortization	15,835	15,955	(120)	(1)%	47,370	48,050	(680)	(1) %	Depreciation and amortization	17,349	15,771		15,771	1,578
Total operating expenses	Total operating expenses	$ 98,653	$ 89,317	9,336	10 %	$ 284,159	$ 264,325	$ 19,834	8 %	Total operating expenses	$ 102,185	$		$ 90,750	11,435

Research and development. The period-over-period decrease increase in research and development expense for the three and nine months ended September 30, 2023March 31, 2024 was primarily attributable to an efficiency effort on contractor increase of $3.0 million in personnel-related costs, $2.3 million increase in restructuring expenses, and other third-party spend. For the three months ended September 30, 2023, the Company recorded a decrease of $1.3 million in third party contractor costs and $0.9 million $0.4 million increase in hardware and software support costs. The decrease was partially offset by an increase of $1.2 million in expense associated with stock-based awards. For the nine months ended September 30, 2023, the Company recorded a decrease of $3.6 million in third party contractor costs and $2.1 million in hardware and software support costs in the nine months ended September 30, 2023. The decrease was partially offset by an increase of $4.6 million in expense associated with stock-based awards in the same period.

Selling, general, and administrative. The period-over-period increase in selling, general and administrative expense for the three months ended September 30, 2023March 31, 2024 was primarily attributable to an increase of $4.3 million $4.1 million in compensation costs from higher headcount within the sales organization, intended to continue driving top line growth, personnel related expenses and stock-based awards, $1.2 million higher bad debt reserve, $2.5 million higher travel, trade show $1.1 million increase in third-party commissions, and convention expense, $0.9 million higher $0.6 million increase in software support expense costs. The increase was partially offset by decreases of $1.7 million in bad debt expense, $0.5 million of third party commissions in professional services fees, and $0.6 million $0.5 million in insurance costs from lower premiums. costs.

The period-over-period increase in selling, general and administrative expense for the nine months ended September 30, 2023 was primarily attributable to an increase of $16.9 million in compensation costs from higher headcount and stock-based awards, $5.1 million higher travel, trade show and convention expense, $3.0 million higher bad debt reserve and $2.2 million higher software support expense, offset by decreases of $1.4 million in third party legal and consulting fees, $1.4 million in facility rent due to closures of office facilities throughout the fiscal year 2022 and $2.2 million in insurance costs from lower premiums. Additionally, the selling, general and administrative expenses for the nine months ended September 30, 2023 included $1.4 million of secondary offering expenses, and, for the nine months ended September 30, 2022, included $8.9 million lease abandonment expense, $5.9 million credit related to the change in fair value of acquisition-related contingent consideration liability, and a $1.1 million credit received related to trade show and convention expenses.

Acquisition costs. The period-over-period increase in acquisition costs for the three and nine months ended September 30, 2023March 31, 2024 was due attributable to the acquisitions acquisition of Neverskip and SchoolMessenger.

Allovue.

Depreciation and amortization. The period-over-period decrease increase in depreciation and amortization expense for the three and nine months ended September 30, 2023March 31, 2024 was driven by lower property primarily due to a higher balance of intangible assets from the acquisitions of Neverskip, SchoolMessenger, and equipment balance. Allovue.

Interest Expense

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
	(in thousands)				(in thousands)			
Interest expense - net	$ 16,409	$ 11,158	$ 5,251	47 %	$ 46,539	$ 26,923	$ 19,616	73 %

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands)			
Interest Expense	$ 20,996	$ 14,029	$ 6,967	50 %

The period-over-period increase in interest expense for the three and nine months ended September 30, 2023March 31, 2024 was driven by a higher average debt balance throughout the period and higher interest rates on our First Lien term loan.

Term Loan.

Other Expenses (Income) Income (Expense) - Net

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
	(in thousands)				(in thousands)			
Other expenses (income) - net	$ 33	$ (3,100)	$ 3,133	(101)%	$ 107	$ (3,677)	$ 3,784	(103)%

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands)			
Other (income) expense - net	$ (99)	$ 44	$ (143)	(325)%

The period-over-period fluctuations fluctuation in other expenses (income) expense - net for the three and nine months ended September 30, 2023March 31, 2024 was attributable primarily due to the impact of the foreign currency fluctuations during the periods as well as the recognition of a $2.3 million gain in the prior year from fluctuation on the remeasurement of our TRA liability due to a change in the Pennsylvania tax law. foreign denominated cash and accounts receivable balances.

Income Tax Expense (Benefit)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	2022	$ Change	% Change	2023	2022	$ Change	% Change
	(in thousands)				(in thousands)			
Income tax (benefit) expense	$ (3,475)	$ (811)	$ (2,664)	328 %	$ (5,244)	$ 794	$ (6,038)	(760)%

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands)			
Income tax expense (benefit)	$ 4,872	$ (45)	$ 4,917	N/M

The period-over-period change fluctuation in income tax expense (benefit) benefit for the three months ended September 30, 2023March 31, 2024 was primarily due to stock-based compensation, deferred tax expense recognized due to the impact tax restructuring completed as part of a decrease in uncertain tax positions in the current period, and the prior year impact of remeasuring deferred taxes for a change in Pennsylvania tax law. Allovue acquisition.

The period-over-period change in income tax expense (benefit) for the nine months ended September 30, 2023 was primarily due to stock-based compensation, the impact of a decrease in uncertain tax positions in the current period, tax expense related to the acquisition of Kinvolved, Inc. in the first quarter of fiscal year 2022, and the prior year impact of remeasuring deferred taxes for a change in Pennsylvania tax law.

Liquidity and Capital Resources

General

PowerSchool Holdings, Inc. is a holding company with no operations of our own and, as such, we depend on distributions by our current and future subsidiaries, including Holdings LLC, for cash to fund all of our operations and expenses. The terms of the agreements governing our senior secured credit facilities contain certain negative covenants prohibiting certain of our subsidiaries from making cash dividends or distributions to us or to Holdings LLC unless certain financial tests are met. We currently anticipate that such restrictions will not impact our ability to meet our cash obligations.

As of September 30, 2023 March 31, 2024, our principal sources of liquidity were cash and cash equivalents totaling $322.8 million $17.4 million, which were held for working capital and general corporate purposes, as well as the available balance of our Revolving Credit Agreement, as described in Note 10 to our condensed consolidated financial statements in this Quarterly Report on Form 10-Q. below. Our cash equivalents were comprised of bank deposits which and are generally held with large, global diverse financial institutions worldwide with high investment-grade credit ratings or financial institutions that meet investment-grade ratings criteria, which we believe mitigates general credit risk and more specifically risk related to banking sector events that occurred in early 2023. risk.

Our cash flows from operations in the nine months ended September 30, 2023 reflect the seasonality of our billing cycle, in which most of our customer billing and collections take place in the second half of our fiscal year. We believe our existing cash and cash equivalents, our Revolving Credit Agreement and cash provided by sales of our solutions and services will be sufficient to meet our working capital and capital expenditure needs beyond the next

twelve months. We also expect our operating cash flows to further improve as we increase our operational efficiency and experience economies of scale in the long term.

Our future capital requirements will depend on many factors including our growth rate, the timing and extent of acquisitions, and the timing and extent of spending to support development efforts, the timing of required tax distributions and TRA payments, the expansion of sales and marketing activities, the introduction of new and enhanced solutions and services offerings, and the continuing market acceptance of our solutions. In the future, we may enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights.

We may be required to seek additional equity or debt financing in the future. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, this could reduce our ability to compete successfully and harm our results of operations.

A majority of our customers pay in advance for subscriptions, which is recorded as deferred revenue. Deferred revenue consists of the unearned portion of billed fees for our subscriptions, which is later recognized as revenue in accordance with our revenue recognition policy. As of September 30, 2023 March 31, 2024, we had deferred revenue of $413.6 million $283.7 million, of which $408.0 million $275.5 million was recorded as a current liability and is expected to be recorded as revenue in the next twelve 12 months, provided all other revenue recognition criteria have been met.

Credit Facilities

On August 1, 2018, we entered into a First Lien with lending institutions for term loan borrowings. The First Lien also provides for a Revolving Credit Agreement (the "Revolving Credit Agreement").

In July, 2023,

On July 31, 2023, the Company announced that it had entered into a definitive agreement an incremental facility to acquire all the ownership interests of SchoolMessenger, a leading provider of K-12 communication tools in North America, from West Technology Group, LLC, for a cash consideration of approximately $300.0 million. The Company funded the acquisition with cash on hand, borrowings under the Revolving Credit Facility, and First Lien to borrow an additional $100.0 million aggregate principal amount of incremental term loans, increasing the principal balance outstanding under its the First Lien which to $840.1 million as of the date of the amendment. Debt issuance costs of $0.8 million were incurred through an amendment recorded as a reduction to the First Lien. The acquisition closed on October 3, 2023.carrying value of the related debt.

On October 12, 2023, the Company further amended the First Lien and Revolving Credit Agreement. The amendment, among other things, refinanced the then outstanding term loans with $838.0 million $837.9 million of new term loans, extended the maturity date on the First Lien from July 31, 2025 to August 1, 2027, extended the maturity date of the Revolving Credit Agreement from May 2, 2025 to May 2, 2027, and increased the borrowing capacity on the Revolving Credit Agreement from $289.0 million to $400.0 million. Following the amendment, the First Lien is repayable in quarterly payments of $2.2 million $2.1 million.

As of September 30, 2023March 31, 2024, there were $837.9 million $835.8 million of term loans outstanding under the First Lien and $10.0 million outstanding $125.0 million under the Revolving Credit Agreement.

Borrowings under the First Lien bear interest at the SOFR, as administered by the Federal Reserve Bank of New York, plus the initial margin of 3.25% per annum. As of September 30, 2023 March 31, 2024, the interest rate on the First Lien was 8.37% 8.31%.

Other Contractual Obligations

Our material cash requirements from other known contractual and other obligations primarily consist of contractual obligations under operating leases for office space, data facilities, cloud hosting arrangements and other services we purchase as part of our normal operations.

See Note 12. Commitments and Contingencies of the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

Cash Flows

The following table presents a summary of our consolidated cash flows from operating, investing, and financing activities for the periods presented:

	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	$ 127,651	$ 106,782
Net cash used in investing activities	(43,562)	(68,676)
Net cash provided by (used in) financing activities	101,335	(14,932)

Effect of foreign exchange rate changes on cash	(75)	(782)
Net decrease in cash, cash equivalents, and restricted cash	$ 185,349	$ 22,392
Cash, cash equivalents, and restricted cash—Beginning of period	137,982	86,991
Cash, cash equivalents, and restricted cash—End of period	$ 323,331	$ 109,383

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Net cash used in operating activities	$ (89,685)	$ (60,027)
Net cash used in investing activities	(54,705)	(10,032)
Net cash provided by (used in) financing activities	122,595	(3,222)
Effect of foreign exchange rate on cash and cash equivalents	166	73
Net (decrease) increase in cash and cash equivalents and restricted cash	$ (21,629)	$ (73,208)
Cash and cash equivalents and restricted cash at beginning of period	39,554	137,981
Cash and cash equivalents and restricted cash at end of period	$ 17,925	$ 64,773

Operating Activities

Net cash provided by used in operating activities of $127.7 million $89.7 million for the nine three months ended September 30, 2023 March 31, 2024 was primarily related to our net loss of $20.4 million $22.8 million, adjusted for non-cash charges of $150.3 million $50.8 million, and net cash outflows of $2.2 million $117.7 million, resulting from changes in our operating assets and liabilities, net of acquisitions. Non-cash charges primarily consisted of depreciation and amortization of property, equipment and intangible assets of $96.0 million and $36.4 million, share-based compensation expense of $46.9 million. $14.2 million, and $1.5 million from the amortization of debt issuance costs. The main drivers of net cash outflows from changes in operating assets and liabilities were increases decreases in deferred revenue of $97.2 million and accounts receivable of $82.5 million $102.9 million primarily due to the seasonality of our billing cycle.

Net cash provided by used in operating activities of $106.8 million $60.0 million for the nine three months ended September 30, 2022 March 31, 2023 was primarily related to our net loss of $24.5 million $14.8 million, adjusted for non-cash charges of $133.4 million $48.0 million, and net cash outflows of $2.2 million $93.2 million resulting from changes change in our operating assets and liabilities, net of acquisitions. Non-cash charges

primarily consisted of depreciation and amortization of $91.1 million, $31.8 million and share-based compensation expense of $38.1 million and $8.6 million from the write-off of right-of-use assets and property and equipment. Additionally, we recorded a $5.6 million reduction to the fair value of our acquisition-related contingent consideration liability. $14.5 million. The main drivers of the net cash outflows inflows from changes in operating assets and liabilities were increases in deferred revenue of $65.3 million $73.7 million due to increases in sales and accounts receivable of $52.7 million $8.4 million due to the seasonality of our billing cycle.

Investing Activities

Net cash used in investing activities of $43.6 million $54.7 million for the nine three months ended September 30, March 31, 2024 was primarily related to the net cash paid for our acquisition of Allovuefor $36.1 million, investment in capitalized product development costs of $9.0 million, purchases of property and equipment of $3.9 million, and payment of acquisition-related deferred consideration of $5.8 million.

Net cash used in investing activities of $10.0 million for the three months ended March 31, 2023 was primarily related to our investment in capitalized product development costs of $28.7 million, net cash paid for the acquisition of Neverskip (net of cash acquired) of $9.8 million, payment of the contingent consideration liability related to the acquisition of Chalk of $3.5 million $9.7 million and purchases of property and equipment of $1.3 million.

Net cash used in investing activities of $68.7 million for the nine months ended September 30, 2022 was primarily related to the net cash paid for our acquisition of Kinvolved, Chalk and Headed2 (net of cash acquired) of $31.2 million and our investment in capitalized product development costs of $33.3 million, purchases of property and equipment of $2.8 million and payment of a portion of our acquisition-related contingent consideration liability of $1.4 million $0.4 million.

Financing Activities

Net cash provided by financing activities of $101.3 million $122.6 million for the nine three months ended September 30, 2023 March 31, 2024 was primarily related to the net proceeds from the July 2023 amendment to our First Lien Credit Agreement of $99.3 million and $20.0 million from our Revolving Credit Agreement of $125.0 million offset by scheduled repayment of our First Lien debt of $2.1 million, the payment of deferred consideration of $0.2 million, and the payment of taxes related to the net settlement of equity awards of $1.5 million, repayment of $10.0 million on the Revolving Credit Agreement, payment of $0.3 million of debt issuance costs associated with the July 2023 amendment to our First Lien Credit Agreement and the scheduled repayment of our First Lien debt of $6.1 $0.1 million.

Net cash provided by used in financing activities of $14.9 million $3.2 million for the nine three months ended September 30, 2022 March 31, 2023 was primarily related to payment of taxes related to the net settlement of equity awards of $8.8 million, $1.3 million and scheduled repayment of our Revolving Credit Agreement of $70.0 million, offset by the scheduled repayments of our First Lien debt of $5.8 million, offset by proceeds from our Revolving Credit Agreement of $70.0 million $1.9 million.

Indemnification Agreements

In the ordinary course of business, we enter into agreements of varying scope and terms pursuant to which we agree to indemnify customers, including, but not limited to, losses arising out of the breach of such agreements, services to be provided by us, or from intellectual property infringement claims made by third parties. In addition, in connection with the completion of our IPO, we entered into indemnification agreements with our directors and certain officers and employees that will require us, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors, officers, or employees. No demands have been made upon us to provide indemnification under such agreements and there are no claims that we are aware of that could have a material effect on our consolidated balance sheets, consolidated statements of operations and comprehensive loss, or consolidated statements of cash flows.

JOBS Act

We currently qualify as an "Emerging Growth Company" pursuant to the provisions of the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). For as long as we are an "Emerging Growth Company," we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding advisory "say-on-pay" votes on executive compensation and shareholder advisory votes on golden parachute compensation.

The JOBS Act also permits an Emerging Growth Company like us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have elected to "opt-in" to this extended transition period for complying with new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies that comply with such new or revised accounting standards on a non-delayed basis.

On June 30, 2023, the last day of our second fiscal quarter in 2023, the market value of our common stock held by non-affiliates exceeded $700.0 million. Accordingly, we will be deemed a large accelerated filer as of December 31, 2023. As such, we will no longer (i) qualify as an Emerging Growth Company, and (ii) be able to take advantage of the extended timeline to comply with new or revised accounting standards applicable to public companies or other reduced disclosure obligations beginning with our Annual Report on Form 10-K for the year ending December 31, 2023.

Critical Accounting Estimates

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities, as applicable, at the date of our consolidated financial statements. Actual results may differ from these estimates under different assumptions or conditions, impacting our reported results of operations and financial condition.

Certain accounting policies involve significant judgments and assumptions by management, which have a material impact on the carrying value of assets and liabilities and the recognition of income and expenses. Management considers these accounting policies to be critical accounting policies. The estimates and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. The critical accounting estimates, assumptions, and judgements that we believe to have the most significant impact on our consolidated financial statements are revenue recognition, accounts receivable, capitalized product development costs, goodwill and intangible assets, business combinations, share-based compensation, tax receivable agreement liability, and income taxes.

There have been no material changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K for the year ended December 31, 2022, however we have enhanced the disclosure of our accounting policy related to goodwill assets as described below.

Goodwill assets

Goodwill is the excess of the purchase price in a business combination over the fair value of identifiable net assets acquired. Goodwill is subject to periodic testing for impairment and is assessed for impairment on an annual basis as of December 31, of each year or whenever events or changes in circumstances indicate the carrying values may not be recoverable. Such events and circumstances may include (a) significant underperformance relative to historical and/or changes to projected operating results; (b) significant changes in the manner of or use of the acquired assets or the strategy for the Company's overall business; (c) significant negative industry or economic trends; and (d) a sustained decrease in share price. 2023.

When evaluating goodwill for impairment, we may perform either a preliminary qualitative assessment referred to as a "step zero" approach, or a quantitative assessment referred to as a "step one" approach. A preliminary qualitative assessment involves reviewing qualitative factors such as the ones noted above, to determine whether it is more likely than not that the fair value of our reporting unit is less than its carrying value. If a more likely than not impairment is indicated by the qualitative assessment, we proceed with a two-step quantitative impairment test. Alternatively, we may forego the preliminary qualitative assessment and only conduct the quantitative assessment. In a quantitative assessment, the Company compares the fair value of the reporting unit to its carrying value, including goodwill. If the carrying value of the reporting unit exceeds its fair value, the Company records an impairment charge equal to that excess.

The Company operates as one segment and a single reporting unit that represents the entity in its entirety. As there is an active market with quoted prices for the Company's Class A common stock, we consider our market capitalization (calculated as total common stock outstanding multiplied by the price per share of the Class A common stock on the NYSE, as adjusted for a control premium factor, as necessary) to determine fair value.

During the fiscal years ended December 31, 2022 and 2021, the Company did not identify any events or circumstances that would have triggered an interim goodwill impairment review. To assess whether periodic declines in our market capitalization were an indicator requiring an interim goodwill impairment test, we considered the significance of the specific decline and the length of time our common stock had been trading at a depressed value along with the factors described above. The specific declines in the price of the Class A common stock during the fiscal years were not deemed to be a sustained decrease in share price as they were for a relatively short period of time and would not result in a shortfall of our reporting unit's carrying value relative to its fair value during the interim period. Accordingly, they did not constitute a triggering event requiring an interim goodwill impairment review.

Further, for the Company's annual goodwill impairment test during fiscal years ended December 31, 2022 and 2021, the Company opted to bypass the qualitative assessment and performed the quantitative analysis by comparing the Company's market capitalization (using the closing price of the Company's shares of Class A common stock on the NYSE as of the annual impairment test dates) which approximates the reporting unit's fair market value with the reporting unit's carrying value. As a result of the quantitative analysis, the Company concluded that the fair value of its reporting unit exceeded its carrying value by 166% and 106% as of December 31, 2022 and 2021, respectively. Accordingly, no goodwill impairment was recognized in the fiscal years ended December 31, 2022 and 2021.

A hypothetical 10 percentage point decrease in the closing price of the Company's shares of Class A common stock on the NYSE on December 30, 2022 (the last trading day of the year) and December 31, 2021, would have resulted in the fair value of the Company's reporting unit exceeding its carrying value by 139% and 87%, respectively.

Recent Accounting Pronouncements

For a description of our recently adopted accounting pronouncements and recently issued accounting standards not yet adopted, see Note 2. Summary of Significant Accounting Policies to the condensed consolidated financial statements.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the following non-GAAP measures are useful in evaluating our operating performance. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their GAAP results. The non-GAAP financial information is presented for analytical and supplemental informational purposes only, and should not be considered in isolation or as a substitute for financial information presented in accordance with GAAP, and may be different from similarly-titled non-GAAP measures used by other companies. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures.

These non-GAAP financial measures have their limitations as an analytical tool, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Because of these limitations, these non-GAAP financial measures should not be considered as a replacement for their respective comparable financial measures, as determined by GAAP, or as a measure of our profitability or liquidity. We compensate for these limitations by relying primarily on our GAAP results and using non-GAAP measures only for supplemental purposes.

Adjusted Gross Profit

Adjusted Gross Profit is a supplemental measure of operating performance that is not made under GAAP and that does not represent, and should not be considered as, an alternative to gross profit, as determined in accordance with GAAP. We define Adjusted Gross Profit as gross profit, adjusted for depreciation, share-based compensation expense and the related employer payroll tax, restructuring and acquisition-related expenses, amortization of acquired intangible assets, and capitalized product development costs. We use Adjusted Gross Profit to understand and evaluate our core operating performance and trends, to prepare and approve our annual budget, and to develop short-term and long-term operating plans. We believe that Adjusted Gross Profit is a useful measure to us and to our investors because it provides consistency and comparability with our past financial performance and between fiscal periods, as the metric generally eliminates the effects of the variability of depreciation, share-based compensation, restructuring expense, acquisition-related expenses, and amortization of acquired intangibles and capitalized product development costs from period to period, which may fluctuate for reasons unrelated to overall operating performance. We believe that the use of this measure enables us to more effectively evaluate our performance period-over-period and relative to our competitors.

Adjusted EBITDA

Adjusted EBITDA is a supplemental measure of operating performance that is not made under GAAP and that does not represent, and should not be considered as, an alternative to net loss, income (loss), as determined by GAAP. We define Adjusted EBITDA as net loss income (loss) adjusted for net interest expense, depreciation and amortization, provision for (benefit from) income tax, share-based compensation expense and the related employer payroll tax, management fees, restructuring expense, acquisition-related expense, and acquisition-related nonrecurring litigation expense. We use Adjusted EBITDA to understand and evaluate our core operating performance and trends and to develop short-term and long-term operating plans. We believe that Adjusted EBITDA facilitates comparison of our operating performance on a consistent basis between periods and, when viewed in combination with our results prepared in accordance with GAAP, helps provide a broader picture of factors and trends affecting our results of operations.

Free Cash Flow

Free Cash Flow is a supplemental measure of liquidity that is not made under GAAP and does not represent, and should not be considered as, an alternative to cash flow from operations, as determined by GAAP. We define Free Cash Flow as net cash used in provided by operating activities less cash used for purchases of property and equipment and capitalized product development costs. We believe that Free Cash Flow is a useful indicator of liquidity that provides information to management and investors about the amount of cash generated by our operations inclusive of that used for investments in property and equipment and capitalized product development costs.

Reconciliation of Gross profit to Adjusted gross profit

(in thousands, except percentages)	Three Months Ended September 30, 2023		Three Months Ended September 30, 2022		Nine Months Ended September 30, 2023		Nine Months Ended September 30, 2022	
Gross profit	$	110,314	$	92,647	$	305,147	$	263,870
Depreciation		153		263		567		803
Share-based compensation(1)		2,494		2,144		7,607		6,458
Restructuring(2)		(13)		1,223		524		3,325
Acquisition-related expense(3)		—		266		134		558
Amortization		16,355		14,576		48,069		42,266
Adjusted Gross Profit	$	129,303	$	111,119	$	362,048	$	317,280
% Gross Profit Margin(4)		60.6 %		57.0 %		59.2 %		56.2 %
% Adjusted Gross Profit Margin(5)		71.0 %		68.4 %		70.2 %		67.6 %

(in thousands except percentages)	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
Gross profit	$	105,106	$	89,965
Depreciation		151		252
Share-based compensation (1)		2,273		2,458
Restructuring(2)		1,279		13
Acquisition-related expense(3)		173		87
Amortization		18,929		15,769
Adjusted Gross Profit	$	127,911	$	108,544
Gross Profit Margin(4)		56.8 %		56.4 %
Adjusted Gross Profit Margin(5)		69.2 %		68.1 %

(1) Refers to expenses flowing through gross profit associated with share-based compensation.
(2) Refers to expenses flowing through gross profit related to migration of customers from legacy to core products, and severance expense related to offshoring activities and executive departures.
(3) Refers to expenses flowing through gross profit incurred to execute and integrate acquisitions, including retention awards and severance for acquired employees.
(4) Represents gross profit as a percentage of revenue.
(5) Represents Adjusted Gross Profit as a percentage of revenue.

Reconciliation of Net Loss to Adjusted EBITDA

(in thousands)	(in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Net loss	Net loss	$ (1,306)	$ (3,917)	$ (20,414)	$ (24,495)
Add:	Add:				
Amortization	Amortization	31,523	29,680	93,447	87,409
Depreciation	Depreciation	820	1,114	2,560	3,710
Interest expense - net(1)	Interest expense - net(1)	16,409	11,158	46,539	26,923
Income tax (benefit) expense		(3,475)	(811)	(5,244)	794
Share-based compensation	Share-based compensation	15,297	13,222	48,688	37,859

(in thousands)	Three Months Ended March 31, 2024		Three Months Ended March 31, 2023	
Net loss	$	(22,848)	$	(14,813)
Add:				
Amortization		35,492		30,873
Depreciation		937		918
Interest expense - net(1)		20,996		14,029
Income tax expense (benefit)				
Income tax expense (benefit)				
Income tax expense (benefit)		4,872		(45)
Share-based compensation		14,685		15,481

Management fees(2)	Management fees(2)	80	85	238	262	Management fees(2)	80	63
Restructuring(3)	Restructuring(3)	308	1,523	2,592	11,706	Restructuring(3)	3,858	1,366
Acquisition-related expense(4)	Acquisition-related expense(4)	2,319	2,535	4,167	1,769	Acquisition-related expense(4)	3,202	1,534
Other expense (income) due to tax rate change(5)		—	(2,342)	—	(2,342)			
Adjusted EBITDA	Adjusted EBITDA	$ 61,975	$ 52,247	$ 172,573	$ 143,595			
Adjusted EBITDA								
Adjusted EBITDA							$ 61,274	$ 49,406
Net loss margin(6)		(0.7) %	(2.4) %	(4.0) %	(5.2) %			
Adjusted EBITDA margin(7)		34.0 %	32.2 %	33.5 %	30.6 %			
Net loss margin(5)								
Net loss margin(5)								
Net loss margin(5)							(12.4) %	(9.3) %
Adjusted EBITDA margin(6)						Adjusted EBITDA margin(6)	33.1 %	31.0 %

(1) Interest expense, net of interest income.
(2) Refers to expense associated with collaboration with our principal stockholders and their internal consulting groups.

(3) Refers to costs incurred related to migration of customers from legacy to core products, remaining lease obligations for abandoned facilities, severance expense related to offshoring activities, facility closures, nonrecurring litigation expense, and executive departures.
(4) Refers to direct transaction and debt-related fees reflected in our acquisition costs line item of our consolidated income statement statements and incremental acquisition-related costs that are incurred to perform diligence, execute and integrate acquisitions, including retention awards and severance for acquired employees, and other transaction and integration expenses. Also, refers to the fair value adjustments recorded to the contingent consideration liability related to the acquisitions of Kinvolved, Chalk, and Chalk. SchoolMessenger. These incremental costs are embedded in our research and development, selling, general and administrative, and cost of revenue line items.
(5) Refers to impact of the remeasurement of the tax receivable agreement liability due to a change in Pennsylvania statutory income tax rate.
(6) Represents net loss as a percentage of revenue. revenue
(7) (6) Represents Adjusted EBITDA as a percentage of revenue.

Reconciliation of Net Cash Used in Operating Activities to Free Cash Flow

		Three Months Ended September 30,		Nine Months Ended September 30,				
	Three Months Ended March 31,							**Three Months Ended March 31,**
(in thousands)	(in thousands)	**2023**	**2022**	**2023**	**2022**	*(in thousands)*	**2024**	**2023**
Net cash used in operating activities	Net cash used in operating activities	$220,390	$187,103	$127,651	$106,782			
Less:								
Purchases of property and equipment								
Purchases of property and equipment								
Purchases of property and equipment	Purchases of property and equipment	(393)	(643)	(1,331)	(2,844)			
Capitalized product development costs	Capitalized product development costs	(8,766)	(12,358)	(28,714)	(33,285)			

Free Cash Flow	Free Cash Flow	$211,231	$174,102	$ 97,606	$ 70,653	Free Cash Flow	$ (102,528)	$ (70,059)

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q are forward-looking statements. Forward-looking statements give our current expectations relating to our financial condition, results of operations, plans, objectives, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely” and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth or initiatives, strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- economic uncertainty, including high inflation, high interest rates, foreign currency exchange volatility, concerns of economic slowdown or recession, instability of the banking system, and reduced government spending or suspension of investment in new or enhanced projects;
- our history of cumulative losses and expectation that we will not be profitable for the foreseeable future;
- risks associated with failing to continue our recent growth rates;
- the competitiveness of the market in which we operate;
- risks and uncertainties associated with potential acquisitions and divestitures;
- our ability to retain, hire and integrate skilled personnel including our senior management team;
- our ability to develop, introduce and market new and enhanced versions of our solutions to meet customer needs and expectations;
- our ability to scale use of AI and our business and manage our expenses; management thereof;
- the impact of adverse general and industry-specific economic and market conditions;
- risks related to the unavailability of additional U.S. federal government stimulus packages focused on educational initiatives following the COVID-19 pandemic;
- the impact of inflation, rising interest rates, and global conflicts, including disruptions in European economies as a result of the war in Ukraine; the Israel-Hamas war, the relationship between China and Taiwan, and ongoing trade disputes between the United States and China;
- risks to our revenue from changes in the spending policies or budget priorities for government funding of K-12 schools;
- risks related to the procurement process and budget decision by government entities;

- our ability to correctly estimate market opportunity and forecast market growth;
- our ability to successfully develop new solutions or materially enhance current solutions through our research and development efforts;
- risks caused by delays in upturns or downturns being reflected in our financial position and results of operations;
- the length and variability of our sales cycles;
- risks related to negotiating leverage and the demands of our large customers;
- our ability to change our pricing models, if necessary to compete successfully;
- our ability to acquire new accounts and successfully retain existing accounts;
- our ability to maintain, enhance and protect our brand;
- the impact of any catastrophic events;
- the seasonality of our sales and customer growth;
- the effects of interruptions or delays in services provided by our data centers or other third parties;
- risks associated with lawsuits by third parties for alleged infringement, misappropriation or other violation of their intellectual property and proprietary rights;
- our ability to obtain, maintain, protect and enforce intellectual property protection for our current and future solutions;
- the impact of potential information technology or data security breaches or other cyber-attacks or other disruptions;
- the risks associated with indemnity provisions in some of our agreements;
- the risks related to our use of open source software in certain of our solutions;
- the impact of interruptions or performance problems associated with our technology or infrastructure;
- the impact of real or perceived errors, failures or bugs in our solutions;
- risks related to incorrect or improper use of our solutions or our failure to properly train customers on how to utilize our solutions;
- our ability to offer high-quality support;

- our ability to predict and respond to rapidly evolving technological trends and our customers’ changing needs;
- the fact that our activities are and will continue to be subject to extensive government regulation;
- our ability to comply with the Health Insurance Portability and Accountability Act of 1996 and other privacy laws and regulations;
- risks related to changes in tax laws;
- the impact of export and import control laws and regulations;
- risks relating to non-compliance with anti-corruption, anti-bribery and similar laws;
- risks related to future litigation;
- changes in privacy laws and regulations applicable to our business;
- our ability to comply with legal requirements, contractual obligations and industry standards relating to security, data protection and privacy;
- risks to our reputation and of liability from a failure to comply with a variety of complex procurement rules and regulation;

- our reliance on third-party software and intellectual property licenses;
- our ability to develop and maintain proper and effective internal control over financial reporting;
- our management team's limited experience managing a public company;
- the impact of variation in our quarterly operating results on the trading price of our stock; and
- other factors disclosed in Part I, Item 1A, "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2022. December 31, 2023.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other SEC filings and public communications. You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q in the context of these risks and uncertainties.

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 investors are cautioned not to unduly rely upon these statements.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. We undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation or interest rates. We do not hold financial instruments for trading purposes.

Foreign Currency Exchange Risk

The functional currencies of our foreign subsidiaries are the respective local currencies. Most of our sales are denominated in U.S. dollars, and therefore our revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the U.S., Canada, India, and India. United Arab Emirates. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments. During the nine three months ended September 30, 2023 March 31, 2024, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our consolidated financial statements.

Interest Rate Risk

As of September 30, 2023 March 31, 2024, our primary market risk exposure is changing interest rates. Interest rate risk is highly sensitive due to many factors, including U.S. monetary and tax policies, U.S. and international economic factors, and other factors beyond our control. The First Lien and Revolving Credit Agreement carried carry interest at SOFR, as administered by the Federal Reserve Bank of New York, plus the applicable margin. The applicable margin for the First Lien is initially 3.25% per annum with a 0.25% step down based on the First Lien Net Leverage Ratio in Ratio. The applicable margin for the case of Revolving Credit Agreement is initially 3.25% per annum with up to a 0.50% step down based on the First Lien including the Revolving Credit Agreement. Net Leverage Ratio.

On September 30, 2023 As of March 31, 2024, we had an outstanding debt balance of $837.9 million $835.8 million related to our First Lien and $10.0 million outstanding under the $125.0 million on our Revolving Credit Agreement. Based on the amount outstanding, a 100-basis point increase or decrease in market interest rates over a twelve-month twelve- month period would result in a change to interest expense of approximately $8.4 million associated with our First Lien Credit Agreement and $0.1 million associated with our Revolving Credit Facility. $9.6 million.

To date, we have not entered into any hedging arrangements with respect to interest rate risk or other derivative financial instruments.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") as of September 30, 2023March 31, 2024. Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2023March 31, 2024.

Changes to our Internal Controls over Financial Reporting

There have been no changes in internal control over financial reporting during the quarter ended March 31, 2024September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

From time to time, the Company is involved in disputes, litigation, and other legal actions. On a quarterly basis, the Company evaluates developments in its legal matters that could affect the amount of liability that has been previously accrued, if any, or result in the Company accruing a liability, and the matters and related ranges of possible losses disclosed, and makes adjustments and changes to our disclosures as appropriate. Significant judgment is required to determine both (i) the likelihood of loss and (ii) the estimated amount of such loss related to such legal matters. Until the final resolution of such legal matters, there may be an exposure to loss, and such amounts could be material. For legal proceedings for which there is a reasonable possibility of loss (meaning those losses for which the likelihood is more than remote but less than probable), the Company has determined it does not have material exposure on an aggregate basis at this time.

Item 1A. Risk Factors

Except as set forth below, there There have been no material changes with respect to the risk factors disclosed in Part I, Item 1A, *"Risk Factors"* of our Annual Report on Form 10-K for the year ended December 31, 2022December 31, 2023.

We currently qualify as an "Emerging Growth Company"; however, we will cease to qualify as such as of December 31, 2023, and will be required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act.

We currently qualify as an "Emerging Growth Company" as defined in Section 2(a) of the Securities Act of 1933, as amended, and have elected to take advantage of the benefits of the extended transition period for new or revised financial accounting standards and certain other exemptions and reduced reporting requirements provided by the JOBS Act. Accordingly, we have not been required to provide an auditor's attestation report on our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act. Based on the Company's aggregate worldwide market value of voting and non-voting common equity held by non-affiliates as of June 30, 2023, the Company will become a "large accelerated filer" and lose Emerging Growth Company status as of December 31, 2023. Therefore, our independent registered public accounting firm will be required to provide the attestation report on our system of internal control over financial reporting in our Annual Report for the year ending December 31, 2023.

If we are unable to assert that our internal control over financial reporting is effective or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, or expresses an adverse opinion, investors may lose confidence in the accuracy and completeness of our financial reports, we may face restricted access to the capital markets or other sources of funds and our stock price may be adversely affected.

In addition, the expenses to evaluate our internal control over financial reporting and enable our independent registered public accounting firm to provide the attestation report will increase legal and financial compliance costs. These increased costs will require us to divert a significant amount of money that could otherwise be used to expand the business and achieve strategic objectives.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements

On August 10, 2023February 29, 2024, Eric Shander, Shivani Stumpf, the Company's President Chief Product and Chief Financial Innovation Officer, adopted a 10b5-1 trading plan, which is designed to be in effect until August 14, 2024 December 31, 2024. The aggregate number of shares of Class A common stock to be sold pursuant to Mr. Shander's Ms. Stumpf's 10b5-1 plan is 61,025. Mr. Shander's 52,558. Ms. Stumpf's 10b5-1 plan is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

On September 26, 2023 March 12, 2024, Marcy Daniel, Devendra Singh, the Company's former Chief Product Technology Officer, terminated adopted a 10b5-1 trading plan. Ms. Daniel's 10b5-1 plan, was originally adopted on May 26, 2023 and was which is designed to be in effect until March 28, 2024 March 31, 2025. The aggregate number of shares of Class A common stock to be sold pursuant to Ms. Daniel's Mr. Singh's 10b5-1 plan was 17,000. Ms. Daniel's is 117,800. Mr. Singh's 10b5-1 plan was is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On November 6, 2023, David Armstrong resigned from his position as a member of the Company's Board of Directors (the "Board") and as a member of the Compensation and Nominating Committee on which he served, effective November 9, 2023. Mr. Armstrong's resignation was not due to a disagreement with the Company on any matter relating to the

Company’s operations, policies or practices.

Mr. Armstrong served on the Board as a designee of Onex (as defined below) under the terms of the Stockholders Agreement, dated as of July 27, 2021, by and among the Company, Onex Partners Manager LP (together with its affiliated investment entities, “Onex”), and VEP Group, LLC (together with its affiliated investment entities, “Vista”) (the “Stockholders Agreement”). Pursuant to the terms of the Stockholders Agreement, Onex has the right to designate a director to fill the vacancy created by Mr. Armstrong’s resignation, and Onex designated Zach Levitt to fill such vacancy.

On November 9, 2023, the Board appointed Zach Levitt to serve as a Class II director of the Company and as a member of the Compensation and Nomination Committee to fill the vacancy created by Mr. Armstrong’s resignation in accordance with the terms of the Stockholders Agreement. The term of the Company’s Class II directors, including Mr. Levitt, expires at the Annual Meeting of Shareholders to be held in 2026 or upon the election and qualification of successor directors.

As a director designated by Onex, Mr. Levitt will not receive compensation for his service on the Board. Except for the Stockholders Agreement described above, there are no arrangements or understandings pursuant to which Mr. Levitt was selected as a director. There are no family relationships between Mr. Levitt and any director or executive officer of the Company. Mr. Levitt has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

Mr. Levitt will enter into an indemnification agreement with the Company in connection with his appointment to the Board, which will be in substantially the same form as that entered into with the other directors of the Company. The form of indemnification agreement, a copy of which is filed as Exhibit 10.12 to the Company’s Annual Report on Form 10-K filed on February 24, 2023 and is incorporated herein by reference.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of PowerSchool Holdings, Inc., dated July 27, 2021 (incorporated by reference to Exhibit 3.2 of PowerSchool Holdings, Inc.’s Current Report on Form 8-K filed on July 30, 2021).
3.2	Amended and Restated Bylaws of PowerSchool Holdings, Inc., dated July 27, 2021 (incorporated by reference to Exhibit 3.4 of PowerSchool Holdings, Inc.’s Current Report on Form 8-K filed on July 30, 2021).
10.1	Incremental and Refinancing Amendment No. 6, dated as Form of October 12, 2023, by and among PowerSchool Holdings LLC (f/k/a Severin Holdings, LLC), Severin Acquisition, LLC, PeopleAdmin, LLC, the Subsidiary Guarantors party thereto, Barclays Bank PLC, as the administrative agent, and the banks, financial institutions and other entities party thereto relating to the First Lien Credit Market Share Award Agreement dated as
10.2	Form of August 1, 2018 (as amended), among PowerSchool Holdings LLC (f/k/a Severin Holdings, LLC), Severin Acquisition, LLC, PeopleAdmin, LLC, certain Restricted Subsidiaries from time to time designated thereunder as Co-Borrowers, the several banks, financial institutions, institutional investors and other entities from time to time party thereto as Lenders and the Administrative Agent Performance Sh (incorporated by reference to Exhibit 10.1 of PowerSchool Holdings, Inc.’s Current Report on Form 8-K filed on October 12, 2023). are Award Agreement
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) or 15(d)-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. 2002
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) or 15(d)-14(a) - 14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. 2002
32.1*	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Extension Definition
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

*The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q, are deemed furnished and not filed with the SEC.

SIGNATURES

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

		PowerSchool Holdings, Inc.
Date: May 7, 2024	By:	/s/ Eric Shander
	Name:	Eric Shander
	Title:	President & Chief Financial Officer
		(Authorized Signatory and Principal Financial and Accounting Officer)

Exhibit 10.1

POWERSCHOOL HOLDINGS, INC.
MSU Award notice

Pursuant to the terms and conditions of the PowerSchool Holdings, Inc. 2021 Omnibus Incentive Plan, as amended from time to time (the "Plan"), PowerSchool Holdings, Inc., a Delaware corporation (the "Company"), hereby grants to the individual listed below ("you" or the "Participant") an award of Market Share Units ("MSUs") set forth below. This award of MSUs (this "Award") is subject to the terms and conditions set forth herein and in the Market Share Unit Agreement attached hereto as Exhibit A (the "Agreement") and the Plan, each of which is incorporated herein by reference. Capitalized terms used herein without definition have the meanings ascribed to such terms in the Plan.

Type of Award:	Other Share-Based Award under Article X of the Plan.
Participant:	
Grant Date:	
Vesting Commencement Date:	
Target Number of MSUs:	

By your signature below, you agree to be bound by the terms and conditions of the Plan, the Agreement, and this Market Share Unit Award Notice (this "Grant Notice"). You acknowledge that you have reviewed the Agreement, the Plan, and this Grant Notice in their entirety and fully understand all provisions of the Agreement, the Plan, and this Grant Notice. You hereby agree to accept as binding, conclusive, and final all decisions or interpretations of the Committee regarding any questions or determinations that arise under the Agreement, the Plan, or this Grant Notice. This Grant Notice may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Grant Notice as of the date first written above.

POWERSCHOOL HOLDINGS, INC.

By: image1.jpg

Name: Hardeep Gulati

Title: Chief Executive Officer

[*Signature Page to Market Share Unit Award Notice*]

EXHIBIT A

POWERSCHOOL HOLDINGS, INC.
MSU Award Agreement

THIS MSU AWARD AGREEMENT (this "Agreement") is entered into by and between the Company and the Participant as of the Grant Date set forth in the Grant Notice to which this Agreement is attached. Capitalized terms used herein without definition have the meanings ascribed to such terms in the Plan.

WHEREAS, the Plan provides for the grant of Other Share-Based Awards;

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its members to grant the Participant an Other Share-Based Award in the form of Market Share Units ("MSUs") on the terms and subject to the conditions set forth in this Agreement and the Plan; and

WHEREAS, this Award represents in value based on a per Share price of (the "Base Price").

NOW THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, for themselves and their successors and assigns, hereby agree as follows:

1. Grant of MSUs.

a. Grant. The Company hereby grants to the Participant the number of MSUs set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement, and the Plan.

b. Incorporation by Reference. The provisions of the Plan are incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan.

2. Vesting. The MSUs shall be subject to both time and performance vesting based on the Payout Factor (as defined below). The MSUs shall vest as follows: (a) 50% of the MSUs shall vest on the second anniversary of the Vesting Commencement Date, and (b) 50% of the MSUs shall vest on the third anniversary of the Vesting Commencement Date, subject, in each case, to the Participant not incurring a Separation from Service prior to the applicable vesting date. The actual number of Shares to be granted to the Participant in connection with the vesting of applicable MSUs will be determined on each vesting date by multiplying the number of MSUs that time-vested on such vesting date by the applicable Payout Factor. The "Payout Factor" is defined to be the quotient calculated by dividing (i) the average Fair Market Value of the Company's Common Stock during the ten trading days immediately preceding the applicable vesting date by (ii) the Fair Market Value of the Company's Common Stock on the Vesting Commencement Date; provided that (x) the Payout Factor shall equal zero if such quotient is less than 0.65; (y)

the Payout Factor shall equal 2.00 if such quotient equals or exceeds 2.00; and (z) the Payout Factor shall be rounded to the nearest hundredth (two places after the decimal).

3. Settlement. The Company shall issue the Share(s) (if any) to the Participant for each MSU that becomes vested hereunder within 30 days following the date on which such MSU becomes vested.

4. Forfeiture. If, prior to the settlement of the MSUs as set forth in Section 3, (a) the Participant incurs a Separation from Service for any reason, (b) the Participant materially breaches this Agreement, or (c) the Participant fails to meet the tax withholding obligations described in Section 7, the Participant shall immediately and automatically forfeit all of the Participant's rights in respect of the MSUs.

5. Change in Control. In the event of a Change of Control, other than a Change of Control associated with the Company remaining publicly-traded but the ownership of VEP Group LLC and its affiliated investment entities (collectively, "Vista") and Onex Partners Manager LP and its affiliated entities (collectively, "Onex") falling below 50% cumulative ownership and Vista and Onex collectively retaining a minority ownership stake in the Company, if: (1) Participant is terminated without Cause by the Company or the successor corporation or a parent or subsidiary of such successor corporation of the Company (the "Successor Corporation") within twelve (12) months following consummation of the Change of Control transaction; or (2) Executive terminates his or her employment or consulting relationship with the Company or the

Successor Corporation, each as applicable, for Good Reason (as such term is defined in Participant's employment agreement with the Company) within twelve (12) months following consummation of the transaction; or (3) if unvested MSUs will not be converted to substitute interests in the Successor Corporation on an economically equivalent basis upon such Change of Control event with an equivalent vesting/payment schedule, then in each case the MSUs or any cancelled, assumed, or substituted Other Share-based Awards held by Participant in lieu of the MSUs at the time of Executive's termination or such Change of Control, as applicable, shall become fully accelerated and fully vested immediately prior to the effective date of termination, and notwithstanding anything to the contrary in Section 2, the Payout Factor for such MSUs shall be the greater of (x) 1.00 and (y) the actual Payout Factor achieved at the time of such Change of Control.

6. Rights as Stockholder; Dividend Equivalents. Until such time as the MSUs have been settled pursuant to Section 3, the Participant shall have no rights as a stockholder, including, without limitation, any right to dividends or other distributions or any right to vote. Notwithstanding the foregoing, if the Company declares any cash dividend the record date of which occurs while the MSUs are outstanding, the Participant shall be credited a dividend equivalent in an amount equal to the dividend that would have been paid on the Shares underlying the MSUs calculated at a Payout Factor of 1.00, had such Shares been outstanding on such record date. Any such dividend equivalents shall be subject to the same vesting conditions applicable to the underlying MSU with respect to which they accrue, and shall, if the underlying MSU vests, be paid no later than 10 days following the applicable vesting date.

7. Taxes. The Company shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state, local, and foreign taxes of any kind that the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other applicable law, rule, or regulation with respect to the MSUs and, if the Participant fails to do so, the Company may refuse to issue or transfer any Shares otherwise required to be issued pursuant to this Agreement.

8. Non-Transferability. The MSUs may not, at any time prior to being settled, be assigned, alienated, pledged, attached, sold, or otherwise transferred or encumbered by the Participant, other than by will or by the laws of descent and distribution. Any such purported assignment, alienation, pledge, attachment, sale, transfer, or encumbrance shall be void and unenforceable against the Company.

9. Miscellaneous.

a. Clawback. All awards, amounts, and benefits received or outstanding under the Plan will be subject to clawback, cancellation, recoupment, rescission, payback, reduction, or other similar action in accordance with the terms of any Company clawback or similar policy or any Applicable Law related to such actions, as may be in effect from time to time. The Participant acknowledges and expressly agrees to the Company's application, implementation, and enforcement of any applicable Company clawback or similar policy that may apply to the Participant, whether adopted before or after the Grant Date (including the forfeiture, clawback, and detrimental conduct terms contained in Section 13.22 of the Plan as of the Grant Date (and any successor terms)), and any term of Applicable Law relating to clawback, cancellation, recoupment, rescission, payback, or reduction of compensation, and the Company may take such actions as may be necessary to effectuate any such policy or Applicable Law, without further consideration or action.

b. Compliance with Laws. The grant of MSUs and the issuance of Shares hereunder shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules, and regulations (including, without limitation, the provisions of the Securities Act, the Exchange Act, and in each case any respective rules and regulations promulgated thereunder) and any other law, rule, regulation, or exchange requirement applicable thereto.

c. Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, and heirs of the Participant.

d. No Waiver; Amendment. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to

constitute a waiver of any other breach or a waiver of the continuation of the same breach. This Agreement may be amended at any time by the Committee, except that no amendment may, without the Participant's consent, materially impair the Participant's rights under the Award.

e. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

f. No Right to Service. Nothing contained in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant, or director of the Company or its subsidiaries or shall interfere with or restrict in any way the right of the Company or its subsidiaries to remove, terminate, or discharge the Participant at any time for any reason whatsoever.

g. Unfunded Plan. The award of MSUs is unfunded and the Participant shall be considered an unsecured creditor of the Company with respect to the Company's obligations, if any, to issue Shares pursuant to this Agreement. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between the Participant and the Company or any other person.

h. Entire Agreement. This Agreement, the Grant Notice, and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations, and negotiations with respect thereto.

i. Bound by the Plan. By signing this Agreement, the Participant acknowledges that the Participant has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan. In the event of any conflict between the Plan and this Agreement, this Agreement shall control.

j. Governing Law. The Participant acknowledges and expressly agrees to the governing law terms of Section 13.9 of the Plan (and any successor terms) and the jurisdiction and waiver of jury trial terms of Section 13.10 of the Plan (and any successor terms).

k. Business Days. If any time period for giving notice or taking action hereunder expires on a day that is a Saturday, Sunday, or holiday in the state in which the Company's principal executive office is located, the time period shall be automatically extended to the business day immediately following such Saturday, Sunday, or holiday.

l. Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

m. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same instrument.

n. Section 409A of the Code. It is intended that the MSUs granted pursuant to this Agreement and the provisions of this Agreement be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code.

* * * *

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Exhibit 10.2

POWERSCHOOL HOLDINGS, INC.
PSU Award notice

Pursuant to the terms and conditions of the PowerSchool Holdings, Inc. 2021 Omnibus Incentive Plan, as amended from time to time (the "Plan"), PowerSchool Holdings, Inc., a Delaware corporation (the "Company"), hereby grants to the individual listed below ("you" or the "Participant") an award of Performance Share Units ("PSUs") set forth below. This award of PSUs (this "Award") is subject to the terms and conditions set forth herein and in the Performance Share Unit Agreement attached hereto as Exhibit A (the "Agreement") and the Plan, each of which is incorporated herein by reference. Capitalized terms used herein without definition have the meanings ascribed to such terms in the Plan.

Type of Award: Other Share-Based Award under Article X of the Plan.
Participant:
Grant Date:
Vesting Commencement Date:
Target Number of PSUs:

By your signature below, you agree to be bound by the terms and conditions of the Plan, the Agreement, and this Performance Share Unit Award Notice (this "Grant Notice"). You acknowledge that you have reviewed the Agreement, the Plan, and this Grant Notice in their entirety and fully understand all provisions of the Agreement, the Plan, and this Grant Notice. You hereby agree to accept as binding, conclusive, and final all decisions or interpretations of the Committee regarding any questions or determinations that arise under the Agreement, the Plan, or this Grant Notice. This Grant Notice may be executed in one or more counterparts (including portable document format (.pdf) and facsimile counterparts), each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Grant Notice as of the date first written above.

POWERSCHOOL HOLDINGS, INC.

By: image.jpg
Name: Hardeep Gulati
Title: Chief Executive Officer

[*Signature Page to Performance Share Unit Award Notice*]

EXHIBIT A

POWERSCHOOL HOLDINGS, INC.
PSU Award Agreement

THIS PSU AWARD AGREEMENT (this "Agreement") is entered into by and between the Company and the Participant as of the Grant Date set forth in the Grant Notice to which this Agreement is attached. Capitalized terms used herein without definition have the meanings ascribed to such terms in the Plan.

WHEREAS, the Plan provides for the grant of Other Share-Based Awards;

WHEREAS, the Committee has determined that it would be in the best interests of the Company and its members to grant the Participant an Other Share-Based Award in the form of Performance Share Units ("PSUs") on the terms and subject to the conditions set forth in this Agreement and the Plan; and

WHEREAS, this Award represents in value based on a per Share price of (the "Base Price").

NOW THEREFORE, for and in consideration of the premises and the covenants of the parties contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, for themselves and their successors and assigns, hereby agree as follows:

1. Grant of PSUs.

a. Grant. The Company hereby grants to the Participant the number of PSUs set forth in the Grant Notice on the terms and conditions set forth in the Grant Notice, this Agreement, and the Plan.

b. Incorporation by Reference. The provisions of the Plan are incorporated herein by reference. Except as otherwise expressly set forth herein, this Agreement shall be construed in accordance with the provisions of the Plan.

2. Vesting. The PSUs shall be subject to both time and performance vesting based on the Payout Factor (as defined below). The PSUs shall vest as follows: (a) 50% of the PSUs shall vest on the second anniversary of the Vesting Commencement Date, and (b) 50% of the PSUs shall vest on the third anniversary of the Vesting Commencement Date, subject, in each case, to the Participant not incurring a Separation from Service prior to the applicable vesting date. The actual number of Shares to be granted to the Participant in connection with the vesting of applicable PSUs will be determined on each vesting date by multiplying the number of PSUs that time-vested on such vesting date by the applicable Payout Factor. The "Payout Factor" at each vesting date is defined to be the sum of the Payout Ratios for each Performance Goal for the Measurement Period for such vesting date, as set forth in Appendix A-1.

3. Settlement. The Company shall issue the Share(s) (if any) to the Participant for each PSU that becomes vested hereunder within 30 days following the date on which such PSU becomes vested.

4. Forfeiture. If, prior to the settlement of the PSUs as set forth in Section 3, (a) the Participant incurs a Separation from Service for any reason, (b) the Participant materially breaches this Agreement, or (c) the Participant fails to meet the tax withholding obligations described in Section 7, the Participant shall immediately and automatically forfeit all of the Participant's rights in respect of the PSUs.

5. Change in Control. In the event of a Change of Control, other than a Change of Control associated with the Company remaining publicly-traded but the ownership of VEP Group LLC and its affiliated investment entities (collectively, "Vista") and Onex Partners Manager LP and its affiliated entities (collectively, "Onex") falling below 50% cumulative ownership and Vista and Onex collectively retaining a minority ownership stake in the Company, if: (1) Participant is terminated without Cause by the Company or the successor corporation or a parent or subsidiary of such successor corporation of the Company (the "Successor Corporation") within twelve (12) months following consummation of the Change of Control transaction; or (2) Executive terminates his or her employment or consulting relationship with the Company or the Successor Corporation, each as applicable, for Good Reason (as such term is defined in Participant's employment agreement with the Company) within twelve (12) months following consummation of the transaction; or (3) if unvested PSUs will not be converted to substitute interests in the Successor Corporation on an economically equivalent basis upon such Change of Control event with an equivalent vesting/payment schedule, then in each case the PSUs or any cancelled, assumed, or substituted Other Share-based Awards held by Participant in lieu of the PSUs at the time of Executive's termination or such Change of Control, as applicable, shall become fully accelerated and fully vested immediately prior to the effective date of termination, and notwithstanding anything to the contrary in Section 2, the Payout Factor for such PSUs shall be the greater of (x) 1.00 and (y) the actual Payout Factor achieved at the time of such Change of Control.

6. Rights as Stockholder; Dividend Equivalents. Until such time as the PSUs have been settled pursuant to Section 3, the Participant shall have no rights as a stockholder, including, without limitation, any right to dividends or other distributions or any right to vote. Notwithstanding the foregoing, if the Company declares any cash dividend the record date of which occurs while the PSUs are outstanding, the Participant shall be credited a dividend equivalent in an amount equal to the dividend that would have been paid on the Shares underlying the PSUs calculated at a Payout Factor of 1.00, had such Shares been outstanding on such record date. Any such dividend equivalents shall be subject to the same vesting conditions applicable to the underlying PSU with respect to which they accrue, and shall, if the underlying PSU vests, be paid no later than 10 days following the applicable vesting date.

7. Taxes. The Company shall have the power and the right to deduct or withhold, or require the Participant to remit to the Company, an amount sufficient to satisfy any federal, state, local, and foreign taxes of any kind that the Company, in its sole discretion, deems necessary to be withheld or remitted to comply with the Code and/or any other

applicable law, rule, or regulation with respect to the PSUs and, if the Participant fails to do so, the Company may refuse to issue or transfer any Shares otherwise required to be issued pursuant to this Agreement.

8. Non-Transferability. The PSUs may not, at any time prior to being settled, be assigned, alienated, pledged, attached, sold, or otherwise transferred or encumbered by the Participant, other than by will or by the laws of descent and distribution. Any such purported assignment, alienation, pledge, attachment, sale, transfer, or encumbrance shall be void and unenforceable against the Company.

9. Miscellaneous.

a. Clawback. All awards, amounts, and benefits received or outstanding under the Plan will be subject to clawback, cancellation, recoupment, rescission, payback, reduction, or other similar action in accordance with the terms of any Company clawback or similar policy or any Applicable Law related to such actions, as may be in effect from time to time. The Participant acknowledges and expressly agrees to the Company's application, implementation, and enforcement of any applicable Company clawback or similar policy that may apply to the Participant, whether adopted before or after the Grant Date (including the forfeiture, clawback, and detrimental conduct terms contained in Section 13.22 of the Plan as of the Grant Date (and any successor terms)), and any term of Applicable Law relating to clawback, cancellation, recoupment, rescission, payback, or reduction of compensation, and the Company may take such actions as may be necessary to effectuate any such policy or Applicable Law, without further consideration or action.

b. Compliance with Laws. The grant of PSUs and the issuance of Shares hereunder shall be subject to, and shall comply with, any applicable requirements of any foreign and U.S. federal and state securities laws, rules, and regulations (including, without limitation, the provisions of the Securities Act, the Exchange Act, and in each case any respective rules and regulations promulgated thereunder) and any other law, rule, regulation, or exchange requirement applicable thereto.

c. Successors. The terms of this Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and of the Participant and the beneficiaries, executors, administrators, and heirs of the Participant.

d. No Waiver; Amendment. No waiver of any right hereunder by any party shall operate as a waiver of any other right, or as a waiver of the same right with respect to any subsequent occasion for its exercise, or as a waiver of any right to damages. No waiver by any party of any breach of this Agreement shall be held to constitute a waiver of any other breach or a waiver of the continuation of the same breach. This Agreement may be amended at any time by the Committee, except that no amendment may, without the Participant's consent, materially impair the Participant's rights under the Award.

e. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, and each other provision of this Agreement shall be severable and enforceable to the extent permitted by law.

f. No Right to Service. Nothing contained in this Agreement shall be construed as giving the Participant any right to be retained, in any position, as an employee, consultant, or director of the Company or its subsidiaries or shall interfere with or restrict in any way the right of the Company or its subsidiaries to remove, terminate, or discharge the Participant at any time for any reason whatsoever.

g. Unfunded Plan. The award of PSUs is unfunded and the Participant shall be considered an unsecured creditor of the Company with respect to the Company's obligations, if any, to issue Shares pursuant to this Agreement. Nothing contained in this Agreement, and no action taken pursuant to its provisions, shall create or be construed to create a trust of any kind or a fiduciary relationship between the Participant and the Company or any other person.

h. Entire Agreement. This Agreement, the Grant Notice, and the Plan contain the entire agreement and understanding of the parties hereto with respect to the subject matter contained herein and supersede all prior communications, representations, and negotiations with respect thereto.

i. Bound by the Plan. By signing this Agreement, the Participant acknowledges that the Participant has received a copy of the Plan and has had an opportunity to review the Plan and agrees to be bound by all the terms and provisions of the Plan. In the event of any conflict between the Plan and this Agreement, this Agreement shall control.

j. Governing Law. The Participant acknowledges and expressly agrees to the governing law terms of Section 13.9 of the Plan (and any successor terms) and the jurisdiction and waiver of jury trial terms of Section 13.10 of the Plan (and any successor terms).

k. Business Days. If any time period for giving notice or taking action hereunder expires on a day that is a Saturday, Sunday, or holiday in the state in which the Company's principal executive office is located, the time period shall be automatically extended to the business day immediately following such Saturday, Sunday, or holiday.

l. Headings. The headings of the Sections hereof are provided for convenience only and are not to serve as a basis for interpretation or construction, and shall not constitute a part, of this Agreement.

m. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which taken together shall constitute one and the same instrument.

n. Section 409A of the Code. It is intended that the PSUs granted pursuant to this Agreement and the provisions of this Agreement be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A of the Code.

* * * *

Appendix A-1

Payout Ratio Calculations

The "Payout Ratio" for each Performance Goal (as set forth below) shall be calculated by multiplying the applicable Attainment Level for such Performance Goal by the Weighting Factor for such Performance Goal, to the nearest hundredth (two places after the decimal). The Attainment Level for each Performance Goal will be stated in the form of a ratio based on the extent to which such Performance Goal has been achieved for the applicable Measurement Period (Target Attainment = 1.00), in accordance with the schedule determined by the Committee at the time the Performance Goals for the applicable Measurement Period are established by the Committee.

Performance Goal:		**Weighting Factor:**	
Cumulative Revenue	PowerSchool Holdings, Inc.	0.60	
Cumulative Adjusted EBITDA		0.40	
Vesting Date:		**Measurement Period:**	
Date: November 9, 2023April 1, 2026		By:	/s/ Eric ShanderJanuary 1, 2024 - December 31, 2025
April 1, 2027		Name:	Eric Shander
		Title:	President & Chief Financial Officer *(Authorized Signatory and Principal Financial and Accounting Officer)*
			January 1, 2024 - December 31, 2025

Exhibit 31.1

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Hardeep Gulati, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this "Report") of PowerSchool Holdings, Inc. (the "Registrant");

2. Based on my knowledge, this report Report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order 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; Report;

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

4. The registrant's 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 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, Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report 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 Registrant's disclosure controls and procedures and presented in this report Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report Report based on such evaluation; and d) Disclosed in this report Report any change in the registrant's Registrant's internal control over financial reporting that occurred during the registrant's Registrant's most recent fiscal quarter (the registrant's 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 Registrant's internal control over financial reporting; and

5. The registrant's Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's Registrant's auditors and the audit committee of the registrant's 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 Registrant's ability to record, process, summarize and report financial information; information and have identified for the Registrant's auditors any material weaknesses in internal controls; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's Registrant's internal control over financial reporting. reporting; and

6. The Registrant's other certifying officer and I have indicated in the Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the

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date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 9, 2023 May 7, 2024

/s/ Hardeep Gulati

Hardeep Gulati
Chief Executive Officer

Exhibit 31.2

Certification Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

I, Eric Shander, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q (this "Report") of PowerSchool Holdings, Inc. (the "Registrant");

2. Based on my knowledge, this report Report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order 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; Report;

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

4. The registrant's 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) 13a-15(f) and 15d–15(f) 15d-15(f)) for the registrant 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, Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report 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 Registrant's disclosure controls and procedures and presented in this report Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report Report based on such evaluation; and d) Disclosed in this report Report any change in the registrant's Registrant's internal control over financial reporting that occurred during the registrant's Registrant's most recent fiscal quarter (the registrant's 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 Registrant's internal control over financial reporting; and

5. The registrant's Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's Registrant's auditors and the audit committee of the registrant's 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 Registrant's ability to record, process, summarize and report financial information; information and have identified for the Registrant's auditors any material weaknesses in internal controls; and b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's Registrant's internal control over financial reporting.

6. The Registrant's other certifying officer and I have indicated in the Report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the

date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 9, 2023 May 7, 2024

/s/ Eric Shander

Eric Shander
Chief Financial Officer

Exhibit 32.1

Certification of the Chief Executive Officer and Chief Financial Officer

Pursuant to Rule 18 U.S.C. Section 1350

In connection with the Quarterly Report on Form 10-Q of PowerSchool Holdings, Inc. (the "Company") for the period ended September 30, 2023 March 31, 2024 (the "Report"), as filed with the U.S. Securities and Exchange Commission, (the "Report"), the undersigned, the Chief Executive Officer and the Chief Financial Officer of the Company, hereby 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 their knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2023 May 7, 2024

/s/ Hardeep Gulati

Hardeep Gulati
Chief Executive Officer

Date: November 9, 2023 May 7, 2024

/s/ Eric Shander

Eric Shander
Chief Financial Officer

DISCLAIMER

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