

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from _____ to _____
Commission file number 001-36720



UPLAND SOFTWARE, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

27-2992077

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

401 Congress Ave., Suite 1850

Austin , Texas 78701

(Address, including zip code, of registrant's principal executive offices)

(512) 960-1010

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.0001 per share	UPLD	The Nasdaq Global Market
Preferred Stock Purchase Rights	-	The Nasdaq Global Market

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted 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 and post 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	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of April 30, 2024, 27,592,899 shares of the registrant's Common Stock were outstanding.

Upland Software, Inc.

Table of Contents

	Page
Part I.	FINANCIAL INFORMATION
Item 1.	Financial Statements
	Condensed Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023
	1
	Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2024 and March 31, 2023
	2
	Condensed Consolidated Statements of Comprehensive Loss for the Three Months Ended March 31, 2024 and March 31, 2023
	3
	Condensed Consolidated Statements of Equity for the Three Months Ended March 31, 2024 and March 31, 2023
	4
	Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2024 and March 31, 2023
	5
	Notes to Condensed Consolidated Financial Statements
	6
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
	35
Item 4.	Controls and Procedures
	36
Part II.	OTHER INFORMATION
	37
Item1A.	Risk Factors
	37
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
	37
Item 5.	Other Information
	37
Item 6.	Exhibits
	37
Exhibit Index	38
Signature	39

Upland Software, Inc.
Condensed Consolidated Balance Sheets
(in thousands, except for share and per share amounts)

Item 1. Financial Statements

	March 31, 2024	December 31, 2023
ASSETS	(unaudited)	
Current assets:		
Cash and cash equivalents	\$ 231,614	\$ 236,559
Accounts receivable (net of allowance of \$ 389 and \$ 572 at March 31, 2024, and December 31, 2023, respectively)	29,253	38,765
Deferred commissions, current	9,678	10,429
Unbilled receivables	3,213	2,701
Income tax receivable, current	5,221	3,775
Prepaid expenses and other current assets	10,215	8,004
Total current assets	289,194	300,233
Tax credits receivable	1,553	1,657
Property and equipment, net	1,803	1,932
Operating lease right-of-use asset	2,480	2,929
Intangible assets, net	166,988	182,349
Goodwill	264,012	353,778
Deferred commissions, noncurrent	12,593	12,568
Interest rate swap assets	15,889	14,270
Other assets	434	308
Total assets	\$ 754,946	\$ 870,024
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,642	\$ 8,137
Accrued compensation	7,083	7,174
Accrued expenses and other current liabilities	6,770	7,050
Deferred revenue	99,550	102,763
Operating lease liabilities, current	2,073	2,351
Current maturities of notes payable (includes unamortized discount of \$ 2,143 and \$ 2,228 at March 31, 2024, and December 31, 2023, respectively)	3,257	3,172
Total current liabilities	123,375	130,647
Notes payable, less current maturities (includes unamortized discount of \$ 2,657 and \$ 3,148 at March 31, 2024, and December 31, 2023, respectively)	472,642	473,502
Deferred revenue, noncurrent	3,428	3,860
Operating lease liabilities, noncurrent	1,224	1,597
Noncurrent deferred tax liability, net	14,696	16,025
Other long-term liabilities	447	461
Total liabilities	615,812	626,092
Mezzanine Equity		
Series A Convertible Preferred stock, \$ 0.0001 par value; 5,000,000 shares authorized; 115,000 shares issued and outstanding as of March 31, 2024, and December 31, 2023, respectively	119,013	117,638
Stockholders' equity:		
Common stock, \$ 0.0001 par value; 75,000,000 shares authorized; 27,996,656 and 29,908,407 shares issued and outstanding as of March 31, 2024, and December 31, 2023, respectively	3	3
Additional paid-in capital	602,813	608,995
Accumulated other comprehensive income	2,307	6,168
Accumulated deficit	(585,002)	(488,872)
Total stockholders' equity	20,121	126,294
Total liabilities, convertible preferred stock and stockholders' equity	\$ 754,946	\$ 870,024

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

Upland Software, Inc.
Condensed Consolidated Statements of Operations
(unaudited)
(in thousands, except for share and per share amounts)

	Three Months Ended March 31,	
	2024	2023
Revenue:		
Subscription and support	\$ 67,078	\$ 72,914
Perpetual license	1,470	1,571
Total product revenue	68,548	74,485
Professional services	2,188	2,571
Total revenue	70,736	77,056
Cost of revenue:		
Subscription and support	19,829	23,485
Professional services and other	1,220	2,051
Total cost of revenue	21,049	25,536
Gross profit	49,687	51,520
Operating expenses:		
Sales and marketing	17,018	14,289
Research and development	12,455	12,530
General and administrative	13,232	17,189
Depreciation and amortization	11,396	15,094
Acquisition-related expenses	—	1,094
Impairment of goodwill	87,227	128,755
Total operating expenses	141,328	188,951
Loss from operations	(91,641)	(137,431)
Other expense:		
Interest expense, net	(4,958)	(5,461)
Other income (expense), net	(78)	1,425
Total other expense	(5,036)	(4,036)
Loss before benefit from income taxes	(96,677)	(141,467)
Benefit from income taxes	547	1,422
Net loss	\$ (96,130)	\$ (140,045)
Preferred stock dividends	(1,375)	(1,315)
Net loss attributable to common stockholders	\$ (97,505)	\$ (141,360)
Net loss per common share:		
Net loss per common share, basic and diluted	\$ (3.37)	\$ (4.38)
Weighted-average common shares outstanding, basic and diluted	28,917,897	32,259,110

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

Upland Software, Inc.
Condensed Consolidated Statements of Comprehensive Loss
(unaudited)
(in thousands)

	Three Months Ended March 31,	
	2024	2023
Net loss	\$ (96,130)	\$ (140,045)
Other comprehensive income (loss):		
Foreign currency translation adjustment	(2,611)	15
Unrealized translation gain (loss) on foreign currency denominated intercompany loans, net of taxes	(1,412)	1,235
Interest rate swaps	162	(8,154)
Other comprehensive loss:	\$ (3,861)	\$ (6,904)
Comprehensive loss	<u>\$ (99,991)</u>	<u>\$ (146,949)</u>

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

Upland Software, Inc.
Condensed Consolidated Statements of Equity
(unaudited)
(in thousands, except share amounts)

Three Months Ended March 31, 2024

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2023	115,000	\$ 117,638	29,908,407	\$ 3	\$ 608,995	\$ 6,168	\$ (488,872)	\$ 126,294
Dividends accrued - Convertible Preferred Stock		1,375	—	—	(1,375)	—	—	(1,375)
Issuance of stock under Company plans, net of shares withheld for tax			330,903	—	(331)	—	—	(331)
Stock repurchases and retirements			(2,242,654)		(7,998)			(7,998)
Stock-based compensation			—	—	3,522	—	—	3,522
Foreign currency translation adjustment	—	—	—	—	—	(2,611)	—	(2,611)
Unrealized translation gain (loss) on intercompany loans with foreign subsidiaries	—	—	—	—	—	(1,412)	—	(1,412)
Interest rate swaps	—	—	—	—	—	162	—	162
Net loss			—	—	—	—	(96,130)	(96,130)
Balance at March 31, 2024	115,000	\$ 119,013	27,996,656	\$ 3	\$ 602,813	\$ 2,307	\$ (585,002)	\$ 20,121

Three Months Ended March 31, 2023

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2022	115,000	\$ 112,291	32,221,855	\$ 3	\$ 606,755	\$ 11,110	\$ (308,998)	\$ 308,870
Dividends accrued - Convertible Preferred Stock	—	1,315	—	—	(1,315)	—	—	(1,315)
Issuance of stock under Company plans, net of shares withheld for tax	—	—	219,155	—	(235)	—	—	(235)
Stock-based compensation	—	—	—	—	6,462	—	—	6,462
Foreign currency translation adjustment	—	—	—	—	—	15	—	15
Unrealized translation gain (loss) on intercompany loans with foreign subsidiaries	—	—	—	—	—	1,235	—	1,235
Interest rate swaps	—	—	—	—	—	(8,154)	—	(8,154)
Net loss	—	—	—	—	—	—	(140,045)	(140,045)
Balance at March 31, 2023	115,000	\$ 113,606	32,441,010	\$ 3	\$ 611,667	\$ 4,206	\$ (449,043)	\$ 166,833

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

Upland Software, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

(In thousands)	Three Months Ended March 31,	
	2024	2023
Operating activities		
Net loss	\$ (96,130)	\$ (140,045)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	13,802	18,500
Deferred income taxes	(1,057)	(1,975)
Amortization of deferred costs	3,047	3,352
Foreign currency re-measurement loss	(164)	(859)
Non-cash interest, net and other income, net	(882)	573
Non-cash stock-based compensation expense	3,522	6,462
Non-cash loss on impairment of goodwill	87,227	128,755
Changes in operating assets and liabilities, net of purchase business combinations:		
Accounts receivable	9,361	6,991
Prepaid expenses and other current assets	(4,117)	(2,362)
Other assets	(2,608)	(2,483)
Accounts payable	(3,459)	(184)
Accrued expenses and other liabilities	(389)	(859)
Deferred revenue	(3,032)	(41)
Net cash provided by operating activities	5,121	15,825
Investing activities		
Purchase of property and equipment	(183)	(215)
Net cash used in investing activities	(183)	(215)
Financing activities		
Payments of debt costs	—	(130)
Payments on notes payable	(1,350)	(1,350)
Stock repurchases and retirement	(7,918)	—
Taxes paid related to net share settlement of equity awards	(331)	(235)
Additional consideration paid to sellers of businesses	—	(5,066)
Net cash used in financing activities	(9,599)	(6,781)
Effect of exchange rate fluctuations on cash	(284)	238
Change in cash and cash equivalents	(4,945)	9,067
Cash and cash equivalents, beginning of period	236,559	248,653
Cash and cash equivalents, end of period	\$ 231,614	\$ 257,720
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of interest rate swaps	\$ 8,720	\$ 7,134
Cash paid for taxes	\$ 2,114	\$ 2,507

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

Upland Software, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements
(unaudited)

1. Organization and Nature of Operations

Upland Software, Inc. ("Upland," "we," "us," "our," or the "Company"), a Delaware corporation, enables global businesses to work smarter with over 25 cloud software products that help increase revenue, reduce costs, and deliver business value. Upland's solutions cover digital marketing, knowledge management, contact center service, sales productivity, and content lifecycle automation. Upland services over 10,000 customers ranging from large global corporations and various government agencies to small and medium-sized businesses. The Company's customers operate in a wide variety of industries, including financial services, consulting services, technology, manufacturing, media, telecommunications, government, insurance, non-profit, healthcare, life sciences, retail, and hospitality.

Through a series of acquisitions and integrations, the Company has established a library of diverse software applications under the Upland brand that address specific digital transformation needs. In addition to its strategy to increase core organic growth, Upland intends to pursue acquisitions within its cloud offerings of complementary technologies and businesses. Upland expects that this will expand its product offerings, customer base and market access, resulting in increased benefits of scale.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

These condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP"). The condensed consolidated financial statements include the accounts of Upland Software, Inc. and its wholly owned subsidiaries (collectively referred to as "Upland", the "Company", "we", "us" or "our"). All intercompany accounts and transactions have been eliminated in consolidation. No material changes have been made to the Company's significant accounting policies disclosed in Note 2, *Basis of Presentation and Summary of Significant Accounting Policies*, in our Annual Report.

The accompanying unaudited interim condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial reporting. In the opinion of management of the Company, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements, in all material respects, and include all adjustments of a normal recurring nature necessary for a fair presentation. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for the year ending December 31, 2024 or for any other period.

The financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2023 Annual Report on Form 10-K filed with the SEC on February 22, 2024.

Use of Estimates

The preparation of the accompanying condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses. Significant items subject to such estimates include those related to revenue recognition, deferred commissions, allowance for credit losses, stock-based compensation, contingent consideration, acquired intangible assets, impairment of goodwill, intangibles and long-lived assets, the useful lives of intangible assets and property and equipment, the fair value of the Company's interest rate swaps and income taxes. In accordance with GAAP, management bases its estimates on historical experience and on various other assumptions that management believes are reasonable under the circumstances. Management regularly evaluates its estimates and assumptions using historical experience and other factors; however, actual results could differ from those estimates.

Upland is not aware of any specific event or circumstance that would require an update to its estimates or judgments or a revision of the carrying value of its assets or liabilities as of May 2, 2024, the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

Concentrations of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents, accounts receivable and the Company's interest rate swap hedges. The Company's cash and cash equivalents are placed with high quality financial institutions, which, at times, may exceed federally insured limits. The Company has not experienced any losses in these accounts, and the Company does not believe it is exposed to any significant credit risk related to cash and cash equivalents. The Company provides credit, in the normal course of business, to a number of its customers and generally does not require collateral. To manage accounts receivable credit risk, the Company performs periodic credit evaluations of its customers and maintains current expected credit losses which considers such factors as historical loss information, geographic location of customers, current market conditions, and reasonable and supportable forecasts.

No individual customer represented more than 10% of total revenues for the three months ended March 31, 2024, or more than 10% of accounts receivable as of March 31, 2024 or December 31, 2023.

Recent Accounting Pronouncements

Recently issued accounting pronouncements - Not Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires public entities to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. ASU 2023-07 should be applied on a retrospective basis. The Company is currently evaluating the impact of adopting ASU 2023-07 on its disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. ASU 2023-09 should be applied on a prospective basis, and retrospective application is permitted. The Company is currently evaluating the impact of adopting ASU 2023-09 on its disclosures.

3. Fair Value Measurements

The Company recognizes financial instruments in accordance with the authoritative guidance on fair value measurements and disclosures for financial assets and liabilities. This guidance defines fair value, establishes a framework for measuring fair value in accordance with GAAP, and expands disclosures about fair value measurements. The guidance also establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

These tiers include Level 1, defined as observable inputs, such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions.

The Company's financial instruments consist principally of cash and cash equivalents, money market funds, accounts receivable, accounts payable, interest rate swap hedges, and debt. The carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value, primarily due to short maturities.

Assets measured at fair value on a recurring basis are summarized below (in thousands):

Fair Value Measurements at March 31, 2024				
(unaudited)				
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds included in cash and cash equivalents	\$ 206,058	\$ —	\$ —	\$ 206,058
Interest rate swaps	—	15,889	—	15,889
Total	<u>\$ 206,058</u>	<u>\$ 15,889</u>	<u>\$ —</u>	<u>\$ 221,947</u>

Fair Value Measurements at December 31, 2023				
	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds included in cash and cash equivalents	\$ 211,661	\$ —	\$ —	\$ 211,661
Interest rate swaps	—	14,270	—	14,270
Total	<u>\$ 211,661</u>	<u>\$ 14,270</u>	<u>\$ —</u>	<u>\$ 225,931</u>

Money market funds included in cash and cash equivalents are highly-liquid investments and are measured at fair value using quoted market prices and active markets, therefore are categorized as Level 1.

The fair value of the Company's interest rate swaps are measured at the end of each interim reporting period based on the then assessed fair value and adjusted if necessary. As the fair value measure is based on the market approach, they are categorized as Level 2.

Debt

The Company believes the carrying value of its long-term debt at March 31, 2024 approximates its fair value based on its variable interest rate feature and interest rates currently available to the Company. The estimated fair value of the Company's debt, before debt discount, at March 31, 2024 and December 31, 2023 was \$ 480.7 million and \$ 482.1 million, respectively, based on valuation methodologies using interest rates currently available to the Company which are Level 2 inputs..

4. Goodwill and Other Intangible Assets

Changes in the Company's goodwill balance for the three months ended March 31, 2024 are summarized in the table below (in thousands):

Balance at December 31, 2023	\$ 353,778
Impairment of goodwill	(87,227)
Foreign currency translation adjustment	(2,539)
Balance at March 31, 2024	<u>\$ 264,012</u>

As a result of the decline of our stock price impacting our market capitalization during the quarters ended March 31, 2024 and March 31, 2023, we performed quantitative impairment evaluations, which resulted in goodwill impairments of \$ 87.2 million and \$ 128.8 million, respectively. Our quantitative goodwill impairment analysis applied two methodologies to estimate the Company's fair value which were: a) a discounted cash flow method and b) a guideline public company method. The two methods indicated that the fair value of the Company was less than its carrying value. The discounted cash flow method required significant judgments, including estimation of future cash flows, which is dependent on internally developed forecasts, estimation of the long-term rate of growth for our business, and determination of our weighted average cost of capital. Under the guideline public company method, we estimated fair value based on a market multiple of revenues and earnings derived for comparable publicly traded companies with similar operating characteristics as the Company. We will continue to evaluate Goodwill for impairment and adjust as indicators arise.

Intangible assets, net include the estimated acquisition-date fair values of customer relationships, marketing-related assets, and developed technology that the Company recorded as part of its business acquisitions.

The following is a summary of the Company's intangible assets, net (in thousands):

	Estimated Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
March 31, 2024:				
			(unaudited)	
Customer relationships	1 - 10	\$ 354,070	\$ 210,034	\$ 144,036
Trade name	1.5 - 10	9,467	7,532	1,935
Developed technology	4 - 9	86,948	66,107	20,841
Favorable Leases	6.3	274	98	176
Total intangible assets		<u>\$ 450,759</u>	<u>\$ 283,771</u>	<u>\$ 166,988</u>
December 31, 2023:				
Customer relationships	1 - 10	\$ 378,923	\$ 222,436	\$ 156,487
Trade name	1.5 - 10	10,012	7,862	2,150
Developed technology	4 - 9	94,103	70,582	23,521
Favorable Leases	6.3	280	89	191
Total intangible assets		<u>\$ 483,318</u>	<u>\$ 300,969</u>	<u>\$ 182,349</u>

Management recorded no impairments of intangible assets during the three months ended March 31, 2024 and March 31, 2023.

The Company periodically reviews the estimated useful lives of its identifiable intangible assets, taking into consideration any events or circumstances that might result in either a diminished fair value or revised useful life.

Total amortization expense was \$ 13.5 million and \$ 18.2 million during the three months ended March 31, 2024 and March 31, 2023, respectively.

As of March 31, 2024, the estimated annual amortization expense for the next five years and thereafter is as follows (in thousands):

	Amortization Expense
Year ending December 31:	
Remainder of 2024	\$ 40,297
2025	38,796
2026	36,572
2027	27,680
2028	17,999
2029 and thereafter	5,644
Total	<u>\$ 166,988</u>

5. Income Taxes

The Company's income tax benefit for the three months ended March 31, 2024 and March 31, 2023 reflects its estimate of the effective tax rates expected to be applicable for the full years, adjusted for any discrete events that are recorded in the period in which they occur. The estimates are re-evaluated each quarter based on the estimated tax expense for the full year.

The income tax benefit of \$ 0.5 million and \$ 1.4 million for the three months ended March 31, 2024 and March 31, 2023, respectively, is primarily related to the deferred tax impacts of the goodwill impairments booked during the first quarter of 2024 and 2023, respectively. The tax benefit is offset by the foreign income taxes associated with our combined non U.S.

operations, changes in deferred tax liabilities associated with amortization of United States tax deductible goodwill, and state taxes in certain states in which the Company does not file on a consolidated basis or have net operating loss carryforwards.

The Company historically incurred operating losses in the United States prior to 2021 and, given its cumulative losses and limited history of profits, has recorded a valuation allowance against its United States net deferred tax assets, exclusive of tax deductible goodwill, at March 31, 2024 and December 31, 2023, respectively.

The Company has reflected uncertain tax positions primarily within its long-term taxes payable and a portion within deferred tax assets for which the balance is immaterial at March 31, 2024. The Company and its subsidiaries file tax returns in the U.S. federal jurisdiction, several U.S. state jurisdictions and several foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examinations for years ending before December 31, 2020 and is no longer subject to state and local or foreign income tax examinations by tax authorities for years ending before December 31, 2019, other than where cross-border transactions extend the statute of limitations. The Company is not currently under audit in any federal, state or any foreign jurisdictions. U.S. operating losses generated in years prior to 2020 remain open to adjustment until the statute of limitations closes for the tax year in which the net operating losses are utilized.

6. Debt

Long-term debt consisted of the following at March 31, 2024 and December 31, 2023 (in thousands):

	March 31, 2024	December 31, 2023
Senior secured loans (includes unamortized discount of \$ 4,800 and \$ 5,376 based on an imputed interest rate of 7.6 % and 7.6 %, at March 31, 2024 and December 31, 2023, respectively)	\$ 475,899	\$ 476,674
Less current maturities	(3,257)	(3,172)
Total long-term debt	<u>\$ 472,642</u>	<u>\$ 473,502</u>

In 2019, the Company entered into a credit agreement (the "Credit Facility") which provides for (i) fully-drawn, 7 year, senior secured term loans (the "Term Loans") and (ii) a \$ 60 million, 5 year, revolving credit facility (the "Revolver") that was undrawn as of March 31, 2024.

The Term Loans are repayable on a quarterly basis beginning on December 31, 2019 by an amount equal to 0.25 % (1.00 % per annum) of the aggregate principal amount of such loan. Any amount remaining unpaid is due and payable in full on August 6, 2026 (the "Term Loan Maturity Date").

At the option of the Company, the Term Loans accrue interest at a per annum rate based on (i) the Base Rate (as defined below) plus a margin of 2.75 % or (ii) the rate (not less than 0.00 %) published by CME Group Benchmark Administration Limited (CBA), or as otherwise determined in accordance with the Credit Facility (based on a period equal to 1, 2, 3 or 6 months or, if available and agreed to by all relevant Lenders and the Agent, 12 months or such period of less than 1 month) plus a margin of 3.75 %. The Base Rate for any day is a rate per annum equal to the greatest of (i) the prime rate in effect on such day, (ii) the Federal Funds Effective Rate (not less than 0.00 %) in effect on such day plus ½ of 1.00%, and (iii) the Federal Funds Effective Rate for a one month interest period beginning on such day plus 1.00 %. After giving effect to the interest rate swaps described below, \$ 257.9 million of the Term Loans outstanding at March 31, 2024 has an effective annualized fixed interest rate of 5.4 %, and the remaining principal outstanding at March 31, 2024 has a floating interest rate of 9.2 %. Accrued interest is paid quarterly or, with respect to Term Loans that are accruing interest based on the Federal Funds Effective Rate, at the end of the applicable interest rate period.

Loans under the Revolver are available up to \$ 60 million. The Revolver provides a sub-facility whereby the Company may request letters of credit (the "Letters of Credit") in an aggregate amount not to exceed, at any one time outstanding, \$ 10 million for the Company. The aggregate amount of outstanding Letters of Credit are reserved against the credit availability under the Maximum Revolver Amount. As of March 31, 2024, the Company had no borrowings outstanding under the Revolver or related sub-facility.

The Company incurs a 0.50 % per annum unused line fee on the unborrowed balance of the Revolver which is paid quarterly. Loans under the Revolver may be borrowed, repaid and reborrowed until August 6, 2024 (the "Maturity Date"), at which time all amounts borrowed under the Revolver must be repaid.

Covenants

The Credit Facility contains customary affirmative and negative covenants.

The Credit Facility has no financial covenants as long as less than 35 % of the Revolver is drawn as of the last day of any fiscal quarter. If 35 % of the Revolver is drawn as of the last day of a given fiscal quarter the Company will be required to maintain a Total Leverage Ratio (the ratio of funded indebtedness as of such date less the amount of unrestricted cash and cash equivalents of the Company and its guarantors in an amount not to exceed \$ 50.0 million, to adjusted EBITDA (calculated on a pro forma basis including giving effect to any acquisition)), measured on a quarter-end basis for each four consecutive fiscal quarters then ended, of not greater than 6.00 to 1.00.

In addition, the Credit Facility contains customary events of default subject to customary cure periods. The occurrence of an event of default could result in the acceleration of the Term Loans and Revolver and a right by the agent and lenders to exercise remedies. At the election of the lenders, a default interest rate shall apply on all obligations during an event of default, at a rate per annum equal to 2.00 % above the applicable interest rate. The Term Loans and Revolver are secured by substantially all of the Company's assets.

As of March 31, 2024 the Company was in compliance with all covenants under the Credit Facility.

Interest rate swaps

In 2019, the Company entered into floating-to-fixed interest rate swap agreements to limit exposure to interest rate risk related to our debt, effectively converting the entire balance of the Company's Term Loans from variable interest payments to fixed interest rate payments, based on an annualized fixed rate of 5.4 %, for the 7 -year term of debt. The interest rate associated with our undrawn \$ 60 million Revolver remains floating.

In August 2023, the Company sold a portion of the notional amount of its interest rate swap assets back to the counterparties for \$ 20.5 million. At that time, a \$ 20.5 million gain was recorded in accumulated other comprehensive income related to the notional amount sold. That gain is being released to interest expense, net as interest is accrued on the Company's variable-rate debt over the remaining term of the Term Loans as a decrease to interest expense, net, the amortization of which totaled \$ 1.5 million for the three months ended March 31, 2024.

As of March 31, 2024, \$ 257.9 million of the Term Loans have an effective annualized fixed interest rate of 5.4 % due to the floating-to-fixed interest rate swaps, and the remaining principal has a floating interest rate as described above.

Amounts reported in accumulated other comprehensive income related to the Company's derivatives are reclassified to interest expense, net as interest is accrued on the Company's variable-rate debt. The impact of the Company's derivative financial instruments on its condensed consolidated statements of comprehensive (loss) income for the three months ended March 31, 2024 and March 31, 2023 was as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Unrealized gain (loss) recognized in Other comprehensive income (loss) on interest rate swaps	1,619	\$ (8,154)
Amounts reclassified from Accumulated other comprehensive income (loss) to interest expense, net	(1,457)	—
Total Other comprehensive income (loss) on interest rate swaps	\$ 162	\$ (8,154)

Cash interest costs averaged 7.2 % and 5.4 % for the three months ended March 31, 2024 and 2023, respectively. In addition, as of March 31, 2024 and December 31, 2023 the Company had \$ 4.8 million and \$ 5.4 million, respectively, of unamortized deferred financing costs associated with the Credit Facility. These financing costs will be amortized to non-cash interest expense over the remaining term of the Credit Facility.

7. Net Loss Per Share

We compute loss per share of our common stock, par value \$ 0.0001 per share ("Common Stock") and Series A Preferred Stock, par value \$ 0.0001 per share ("Series A Preferred Stock") using the two-class method. The two-class method requires income available to common stockholders for the period to be allocated between Common Stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. We consider our Series A Preferred Stock to be a participating security, as its holders are entitled to fully participate in any dividends or other distributions declared or paid on our Common Stock on an as-converted basis.

The following table sets forth the computations of loss per share (in thousands, except share and per share amounts):

	Three Months Ended March 31,	
	2024	2023
Numerator:		
Net Loss	\$ (96,130)	\$ (140,045)
Preferred stock dividends and accretion	(1,375)	(1,315)
Net loss attributable to common stockholders	\$ (97,505)	\$ (141,360)
Denominator:		
Weighted-average common shares outstanding, basic and diluted	28,917,897	32,259,110
Net loss per common share, basic and diluted	\$ (3.37)	\$ (4.38)

Due to the net losses for the three months ended March 31, 2024 and March 31, 2023, respectively, basic and diluted loss per share were the same. The Company uses the application of the if-converted method for calculating diluted earnings per share on our Series A Preferred Stock. The Company applies the treasury stock method for calculating diluted earnings per share on our stock options, restricted stock units and performance restricted stock units.

The following table sets forth the anti-dilutive common share equivalents as of:

	March 31,	
	2024	2023
Stock options	141,699	152,683
Restricted stock units	2,937,337	2,507,689
Performance restricted stock units	350,000	193,750
Series A Preferred Stock on an if-converted basis ⁽¹⁾	7,061,046	6,752,038
Total anti-dilutive common share equivalents	10,490,082	9,606,160

(1) As of March 31, 2024, the Series A Preferred Stock plus accumulated dividends totaled \$ 123.6 million. The Series A Preferred Stock has a conversion price of \$ 17.50 per share, as detailed in "Note 9. Series A Convertible Preferred Stock".

8. Commitments and Contingencies

Purchase Commitments

The Company has purchase commitments related to hosting services, third-party technology used in the Company's solutions and for other services the Company purchases as part of normal operations. In certain cases these arrangements require a minimum annual purchase commitment.

Litigation

In the normal course of business, the Company is involved in various lawsuits and legal proceedings. The Company does not anticipate that any current or pending legal proceedings will have a material adverse effect on the Company's condensed consolidated balances sheets or condensed consolidated statements of operations.

9. Series A Convertible Preferred Stock

On July 14, 2022, the Company entered into a Securities Purchase Agreement (the "Purchase Agreement") with Ulysses Aggregator, LP (the "Purchaser"), an affiliate of HGGC, LLC, to issue and sell at closing 115,000 shares of Series A Preferred Stock of the Company, par value \$ 0.0001 per share, at a price of \$ 1,000 per share (the "Initial Liquidation Preference") for an aggregate purchase price of \$ 115.0 million (the "Investment"). The Company is using the proceeds of the Investment for general corporate purposes and for transaction-related fees and expenses.

On August 23, 2022 (the "Closing Date"), the closing of the Investment (the "Closing") occurred, and the Series A Preferred Stock was issued to the Purchaser. In connection with the issuance of the Series A Preferred Stock, the Company incurred direct and incremental expenses comprised of transaction fees, and financial advisory and legal expenses (the "Series A Preferred Stock Issuance Costs"), which reduced the carrying value of the Series A Preferred Stock. As of March 31, 2024, the Series A Preferred Stock Issuance Costs totaled \$ 4.6 million.

Contemporaneous with the Closing Date, the Company and the Purchaser entered into a Registration Rights Agreement (the "Registration Rights Agreement") and the Company filed a Certificate of Designation (the "Certificate of Designation") setting out the powers, designations, preferences, and other rights of the Series A Preferred Stock with the Secretary of State of the State of Delaware in connection with the Closing. Pursuant to the Registration Rights Agreement, the Purchaser has certain customary registration rights with respect to any shares of Series A Preferred Stock or the Common Stock of the Company issuable upon conversion of the Series A Preferred Stock, including rights with respect to the filing of a shelf registration statement, underwritten offering rights and piggy back rights.

Dividend Provisions

The Series A Preferred Stock ranks senior to the Company's Common Stock with respect to payment of dividends and rights on the distribution of assets on any liquidation, dissolution or winding up of the affairs of the Company. The Series A Preferred Stock has an Initial Liquidation Preference of \$ 1,000 per share, representing an aggregate Liquidation Preference (as defined below) of \$ 1,000 upon issuance. Holders of the Series A Preferred Stock are entitled to the dividend at the rate of 4.5 % per annum, within the first seven years after the Closing Date regardless of whether declared or assets are legally available for the payment. Such dividends shall accrue and compound quarterly in arrears from the date of issuance of the shares. The dividend rate will increase to 7.0 % on the seven-year anniversary of the Closing Date. The dividend can be paid, in the Company's sole discretion, in cash or dividend in kind by adding to the Liquidation Preference of each share of Series A Preferred Stock outstanding. On June 7, 2023, the stockholders of the Company authorized, for purposes of complying with Nasdaq Listing Rules 5635(b) and (d), the issuance of shares of Common Stock underlying shares of Series A Preferred Stock in an amount equal to or in excess of 20% of the Common Stock outstanding immediately prior to the issuance of such Series A Preferred Stock (including upon the operation of anti-dilution provisions contained in the Certificate of Designation designating the terms of such Series A Preferred Stock). The Series A Preferred Stock is also entitled to fully participate in any dividends paid to the holders of Common Stock in cash, in stock or otherwise, on an as-converted basis. The Series A Preferred Stock had accrued unpaid dividends of \$ 8.6 million as of March 31, 2024, representing 489,617 Common Stock shares upon conversion at \$ 17.50 per share.

Liquidation Rights

In the event of any Liquidation, holders of the Series A Preferred Stock are entitled to receive an amount per share equal to the greater of (1) the Initial Liquidation Preference per share plus any accrued or declared but unpaid dividends on such shares (the "Liquidation Preference") or (2) the amount payable if the Series A Preferred Stock were converted into Common Stock. The Series A Preferred Stock will have distribution and liquidation rights senior to all other equity interests of the Company. As of March 31, 2024, the Liquidation Preference of the Series A Preferred Stock was \$ 123.6 million.

Optional Redemption

On or after the 7th anniversary of the original issue date of the Series A Preferred Stock, the Company has the right to redeem any outstanding shares of the Series A Preferred Stock for a cash purchase price equal to 105 % of the Liquidation Preference plus accrued and unpaid dividends as of the date of redemption.

Deemed Liquidation Event Redemption

Upon a fundamental change, holders of the Series A Preferred Stock have the right to require the Company to repurchase any or all of its Series A Preferred Stock for cash equal to the greater of (1) 105 % of the Liquidation Preference plus the present value of the dividend payments the holders would have been entitled to through the fifth anniversary of the issue date and (2) the amount that such Preferred Stock would have been entitled to receive as if converted into common shares immediately prior to the fundamental change.

A fundamental change ("Deemed Liquidation Event") is defined as either the direct or indirect sale, lease, transfer, conveyance or other disposition of all or substantially all the properties or assets of the Company and its subsidiaries to any third party or the consummation of any transaction, the result of which is that any third party or group of third parties become the beneficial owner of more than 50 % of the voting power of the Company.

Voting Rights

The Series A Preferred Stock will vote together with the common shares on all matters and not as a separate class (except as specifically provided in the Certificate of Designation or as otherwise required by law) on an as-converted basis. The holders of the Series A Preferred Stock will have the right to elect one member of the Board of Directors of the Company (the "Board of Directors") for so long as holders of the Series A Preferred Stock own in the aggregate at least 5 % of the shares of Common Stock on a fully diluted basis. In addition, the holders of the Series A Preferred Stock will have the right to elect one non-voting observer to the Board of Directors for so long as they hold at least 10 % of the shares of Convertible Preferred Stock outstanding as of the date of the issue date.

Conversion Feature

The Series A Preferred Stock may be converted, at any time in whole or in part at the option of the holder into a number of shares of Common Stock equal to the quotient obtained by dividing the sum of the Liquidation Preference plus all accrued and unpaid dividends by the conversion price of \$ 17.50 (the "Conversion Price"). The Conversion Price is subject to adjustment in the following events:

- Stock splits and combinations
- Tender offers or exchange offers
- Distribution of rights, options, or warrants at a price per share that is less than the average of the last reported sale prices per share of Common Stock for the ten consecutive trading days
- Spin-offs and other distributed property
- Issuance of equity-linked securities at a price per share less than the conversion price

Anti-Dilution Provisions

The Series A Preferred Stock has customary anti-dilution provisions for stock splits, stock dividends, mergers, sales of significant assets, and reorganization events and recapitalization transactions or similar events, and weighted average anti-dilution protection, subject to customary exceptions for issuances pursuant to current or future equity-based incentive plans or arrangements (including upon the exercise of employee stock options).

10. Stockholders' Equity

Common and Preferred Stock

The common stock has a par value of 0.0001 per share. Each share of common stock is entitled to one vote at all meetings of stockholders. The number of authorized shares of common stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of shares of capital stock of the Company representing a majority of the votes represented by all outstanding shares of capital stock of the Company entitled to vote. The holders of common stock are also entitled to receive dividends, when, if and as declared by our board of directors, whenever funds are legally available therefore, subject to the priority rights of any outstanding preferred stock.

See "Note 9. Series A Convertible Preferred Stock" for a description of our Series A Preferred Stock, which is the only class of preferred stock outstanding.

Share repurchase program

In 2023, the Board of Directors authorized a stock repurchase program (the "Share Repurchase Plan") in the aggregate amount of up to \$ 25 million that would allow the Company to repurchase shares of its issued and outstanding Common Stock, from time to time in the open market or otherwise including pursuant to a Rule 10b5-1 trading plan and in compliance with Rule 10b-18 under the Exchange Act so long as the aggregate purchase price paid for such transactions does not exceed \$ 25 million for all such purchases. The authorization does not have a specified expiration date. Accordingly, unless terminated earlier by resolution of the Board, the Share Repurchase Plan will expire when the Company has repurchased all shares authorized for repurchase.

In fiscal year 2024, the Company's net stock repurchases are subject to a 1 percent excise tax under the Inflation Reduction Act. The excise tax is included as a reduction to accumulated deficit in the condensed consolidated statements of stockholders equity. Total accrued excise tax of \$ 0.2 million is included in total cost of shares repurchases, excluded from average cost per share and excluded from total cash paid during the three months ended March 31, 2024 as amounts were unpaid at period end.

During the three months ended March 31, 2024, the Company repurchased and subsequently retired 2,242,654 shares of Common Stock, for a total of \$ 7.9 million cash paid under the Share Repurchase Plan. As of March 31, 2024, approximately \$ 2.8 million remained available for additional share repurchases. The Company is not obligated to acquire any particular amount of Common Stock and may modify or suspend the repurchases at any time in the Company's discretion.

Tax Benefit Preservation Plan and Preferred Stock Purchase Rights

On May 2, 2023, our Board of Directors authorized and declared a dividend of one preferred stock purchase right (a "Right") for each outstanding share of Common Stock of the Company as of May 12, 2023 (the "Record Date"). 32,441,010 Rights were issued to the holders of record of shares of Common Stock. The description and terms of the Rights are set forth in a Tax Benefit Preservation Plan, dated as of May 2, 2023, as the same may be amended from time to time (the "Plan"), between the Company and Broadridge Corporate Issuer Solutions, LLC, as Rights Agent.

By adopting the Plan, the Board of Directors is seeking to protect the Company's ability to use its net operating loss carryforwards ("NOLs") and other tax attributes to offset potential future income tax liabilities. The Company's ability to use such NOLs and other tax attributes would be substantially limited if the Company experiences an "ownership change," as defined in Section 382 of the Internal Revenue Code (the "Code"). Generally, an "ownership change" occurs if the percentage of the Company's stock owned by one or more "five percent stockholders" increases by more than fifty percentage points over the lowest percentage of stock owned by such stockholders at any time during the prior three-year period or, if sooner, since the last "ownership change" experienced by the Company. The Plan is intended to make it more difficult for the Company to undergo an ownership change by deterring any person from acquiring 4.9 % or more of the outstanding shares of stock without the approval of the Board of Directors. The Board of Directors believes it is in the best interest of the Company and its stockholders to reduce the likelihood of an ownership change, which could harm the Company's future operating results by effectively increasing the Company future tax liabilities.

The Rights trade with, and are inseparable from, the Common Stock, and the record holders of shares of Common Stock are the record holders of the Rights. The Rights are evidenced only by certificates (or, in the case of uncertificated shares, by notations in the book-entry account system) that represent shares of Common Stock. Rights will also be issued in respect of any shares of Common Stock that shall become outstanding after the Record Date (including upon conversion of any shares of Series A Preferred Stock of the Company) and, subject to certain exceptions specified in the Plan, prior to the earlier of the Distribution Date (as defined below) and the Expiration Date (as defined below).

The Rights are not exercisable until the Distribution Date. After the Distribution Date, each Right will be exercisable to purchase from the Company one one-thousandth of a share of Series B Junior Participating Preferred Stock, par value \$ 0.0001 per share, of the Company (the "Series B Preferred"), at a purchase price of \$18.00 per one one-thousandth of a share of Series B Preferred (the "Purchase Price"), subject to adjustment as provided in the Plan.

The "Distribution Date" is the earlier of (i) the close of business on the tenth day after the public announcement that a person or group has become an Acquiring Person (as defined below) or that discloses information which reveals the existence of an Acquiring Person or such earlier date as a majority of the Board shall become aware of the existence of an Acquiring Person (the date described in this clause (i), the "Stock Acquisition Date") and (ii) the close of business on the tenth business day (or such later date as the Board of Directors shall determine prior to such time as any person or group becomes an Acquiring Person) after the date that a tender or exchange offer by any person is commenced, the consummation of which would result in such person becoming an Acquiring Person. A person or group becomes an "Acquiring Person" upon acquiring beneficial ownership of 4.9 % or more of the outstanding shares of Common Stock, except in certain situations specified in the Plan.

The Rights will expire on the earliest of (a) the close of business on May 1, 2024, (b) the time at which the Rights are redeemed or exchanged pursuant to the Plan, or (c) the time at which the Board of Directors determines that the Tax Benefits are utilized in all material respects or that an ownership change under Section 382 of the Code would not adversely impact in any material respect the time period in which the Company could use the Tax Benefits, or materially impair the amount of the Tax Benefits that could be used by the Company in any particular time period, for applicable tax purposes (such earliest date, the "Expiration Date").

Until a Right is exercised or exchanged, the holder thereof, as such, will have no rights as a stockholder of the Company by virtue of holding such Right, including, without limitation, the right to vote and to receive dividends.

The Board of Directors may adjust the Purchase Price, the number of shares of Series B Preferred issuable and the number of outstanding Rights to prevent dilution that may occur from a stock dividend, a stock split, a reclassification of the Series B Preferred or Common Stock or certain other specified transactions. No adjustments to the Purchase Price of less than 1 % are required to be made.

In connection with the adoption of the Plan, the Board of Directors approved a Certificate of Designations of the Series B Junior Participating Preferred Stock (the "Certificate of Designations"). The Certificate of Designations was filed with the Secretary of State of the State of Delaware on May 2, 2023.

Each one one-thousandth of a share of Series B Preferred, if issued:

- Will not be redeemable.
- Will entitle holders to quarterly dividend payments of \$ 0.001 per one one-thousandth of a share of Series B Preferred, or an amount equal to the dividend paid on one share of Common Stock, whichever is greater.
- Will entitle holders upon liquidation either to receive \$ 0.001 per one one-thousandth of a share of Series B Preferred, or an amount equal to the payment made on one share of Common Stock, whichever is greater.
- Will have the same voting power as one share of Common Stock.
- If shares of Common Stock are exchanged as a result of a merger, consolidation, or a similar transaction, will entitle holders to a per share payment equal to the payment made on one share of Common Stock.

Accumulated Other Comprehensive Income

Comprehensive income consists of two elements, net loss and other comprehensive income (loss). Other comprehensive income (loss) items are recorded in the stockholders' equity section of our condensed consolidated balance sheets and are excluded from net loss. Our other comprehensive income consists primarily of foreign currency translation adjustments for subsidiaries with functional currencies other than the U.S. dollar, unrealized translation losses on intercompany loans with foreign subsidiaries, and unrealized gains on interest rate swaps.

The following table shows the components of accumulated other comprehensive income (loss), net of income taxes, ("AOCI") in the stockholders' equity section of our condensed consolidated balance sheets at the dates indicated (in thousands):

	March 31, 2024	December 31, 2023
Foreign currency translation adjustment	\$ (22,558)	\$ (19,947)
Unrealized translation loss on intercompany loans with foreign subsidiaries, net of taxes	(4,742)	(3,330)
Unrealized gain on interest rate swaps	15,889	14,270
Realized gain on interest rate swap sale, net of amounts reclassified into interest expense, net	13,718	15,175
Total accumulated other comprehensive income	\$ 2,307	\$ 6,168

The Company has intercompany loans that were used to fund the acquisitions of foreign subsidiaries. Due to the long-term nature of the loans, the unrealized translation gains (losses) resulting from re-measurement are recognized as a component of AOCI. The unrealized translation gains (losses) on intercompany loans with foreign subsidiaries as of March 31, 2024 is net of income tax expense of \$ 3.2 million. The tax provision (benefit) to unrealized translation gains (losses) on intercompany three months ended March 31, 2024 and March 31, 2023 was \$ 0.1 million benefit and \$ 0.5 million detriment, respectively. The income tax expense/benefit allocated to each component of other comprehensive income for all other periods and components is not material. The Company reclassifies taxes from AOCI to earnings as the items to which the tax effects relate are similarly reclassified.

The functional currency of our foreign subsidiaries are the local currencies. Results of operations for foreign subsidiaries are translated into United States dollars ("USD") using the average exchange rates on a monthly basis during the year. The assets and liabilities of those subsidiaries are translated into USD using the exchange rates in effect at the balance sheet date. The related translation adjustments are recorded in a separate component of stockholders' equity in AOCI.

Stock-Based Compensation

The Company recognizes stock-based compensation expense from all awards in the following expense categories included in our condensed consolidated statements of income were as follows (in thousands):

	Three Months Ended March 31,	
	2024	2023
Cost of revenue	\$ 186	\$ 302
Research and development	606	655
Sales and marketing	397	576
General and administrative	2,333	4,929
Total	\$ 3,522	\$ 6,462

Restricted Stock Units ("RSU") and Performance-Based Restricted Stock Units ("PSU")

Beginning in 2019, the Company began granting restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs") under its 2014 Equity Incentive Plan, in lieu of restricted stock awards, primarily for stock plan administrative purposes.

Since 2022, fifty percent of the equity awards granted to our Chief Executive Officer were PSUs. The 2024 and 2023 PSU agreements provide that the quantity of units subject to vesting may range from 0 % to 300 % and 0 % to 200 %, respectively, of the units granted based on the Company's absolute total shareholder return ("TSR") at the end of the 36 month performance periods.

The following table summarizes PSU and RSU activity during the three months ended March 31, 2024:

	Number of Units	Weighted-Average Grant Date Fair Value
Unvested restricted units outstanding as of December 31, 2023	1,858,847	\$ 9.76
Granted	2,017,687	4.23
Vested	(467,524)	8.70
Forfeited	(121,673)	9.92
Unvested restricted units outstanding as of March 31, 2024	3,287,337	\$ 6.51

The PSU and RSU activity table above includes PSU units granted that are based on a 100 % target payout. Compensation expense is recognized over the required service period of the grant. The fair value of the RSUs is determined based on the grant date fair value of the award. The fair value of the PSUs is determined using the Monte Carlo simulation model and is not subject to fluctuation due to achievement of the underlying market-based target.

Significant assumptions used in the Monte Carlo simulation model for the PSUs granted during the three months ended March 31, 2024 and year ended December 31, 2023 are as follows:

	March 31, 2024	December 31, 2023
Expected volatility	62.1 %	55.5 %
Risk-free interest rate	4.0 %	4.4 %
Remaining performance period (in years)	3.08	2.86
Dividend yield	—	—

Stock Option Activity

Stock option activity during the three months ended March 31, 2024 was as follows:

	Number of Options Outstanding	Weighted- Average Exercise Price
Outstanding at December 31, 2023	149,914	\$ 11.44
Options expired	(8,215)	6.22
Outstanding at March 31, 2024	141,699	\$ 11.72

11. Revenue Recognition

Revenue Recognition Policy

Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services over the term of the agreement, generally when made available to the customers. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of sales credits and allowances. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

Revenue is recognized based on the following five step model in accordance with ASC 606, *Revenue from Contracts with Customers* :

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

Performance obligations under our contracts consist of subscription and support, perpetual licenses, and professional services revenues within a single operating segment.

Subscription and Support Revenue

The Company's software solutions are available for use as hosted application arrangements under subscription fee agreements without licensing perpetual rights to the software. Subscription fees from these applications are recognized over time on a ratable basis over the customer agreement term beginning on the date the Company's solution is made available to the customer. As our customers have access to use our solutions over the term of the contract agreement we believe this method of revenue recognition provides a faithful depiction of the transfer of services provided. Our subscription contracts are generally 1 to 3 years in length. Amounts that have been invoiced are recorded in accounts receivable and deferred revenue or subscription and support revenue, depending on whether the revenue recognition criteria have been met. Additional fees for monthly usage above the levels included in the standard subscription fee are recognized as subscription and support revenue at the end of each month and are invoiced concurrently.

Subscription and support revenue includes revenue related to the Company's digital engagement application which provides short code connectivity for its two-way short message service ("SMS") programs and campaigns. As discussed further in the "Principal vs. Agent Considerations" section below, the Company recognizes revenue related to these messaging-related subscription contracts on a gross basis.

Perpetual License Revenue

The Company also records revenue from the sales of proprietary software products under perpetual licenses. Revenue from distinct on-premises licenses is recognized upfront at the point in time when the software is made available to the customer. The majority of the Company's products do not require significant customization.

Professional Services Revenue

Professional services provided with subscription and support licenses and perpetual licenses consist of implementation fees, data extraction, configuration, and training. The Company's implementation and configuration services do not involve

significant customization of the software and are not considered essential to the functionality. Revenue from professional services are recognized over time as such services are performed. Revenue for fixed price services are generally recognized over time applying input methods to estimate progress to completion. Revenue for consumption-based services are generally recognized as the services are performed.

Performance Obligations and Standalone Selling Price

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of accounting. The Company has contracts with customers that often include multiple performance obligations, usually including professional services sold with either individual or multiple subscriptions or perpetual licenses. For these contracts, the Company records individual performance obligations separately if they are distinct by allocating the contract's total transaction price to each performance obligation in an amount based on the relative standalone selling price ("SSP"), of each distinct good or service in the contract. We only include estimated amounts of variable consideration in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved.

A contract's transaction price is allocated to each distinct performance obligation and is recognized as revenue when, or as, the performance obligation is satisfied. We determine the SSP based on our overall pricing objectives, taking into consideration market conditions and other factors, including the value of our contracts, historical standalone sales, customer demographics, geographic locations, and the number and types of users within our contracts.

Principal vs. Agent Considerations

The Company evaluates whether it is the principal (i.e., report revenues on a gross basis) or agent (i.e., report revenues on a net basis) for vendor reseller agreements and messaging-related subscription agreements. Where the Company is the principal, it first obtains control of the inputs to the specific good or service and directs their use to create the combined output. The Company's control is evidenced by its involvement in the integration of the good or service on its platform before it is transferred to its customers, and is further supported by the Company being primarily responsible to its customers and having a level of discretion in establishing pricing. While none of the factors individually are considered presumptive or determinative, in reaching conclusions on gross versus net revenue recognition, the Company places the most weight on the analysis of whether or not it is the primary obligor in the arrangement.

Generally, the Company reports revenue from vendor reseller agreements on a gross basis, meaning the amounts billed to customers are recorded as revenue, and expenses incurred are recorded as cost of revenue. As the Company is primarily obligated in its messaging-related subscription contracts, has latitude in establishing prices associated with its messaging program management services, is responsible for fulfillment of the transaction, and has credit risk, we have concluded it is appropriate to record revenue on a gross basis with related pass-through telecom messaging costs incurred from third parties recorded as cost of revenue. Revenue provided from agreements in which the Company is an agent are immaterial.

Contract Balances

The timing of revenue recognition, billings and cash collections can result in billed accounts receivable, unbilled receivables, and deferred revenue. Billings scheduled to occur after the performance obligation has been satisfied and revenue recognition has occurred result in unbilled receivables, which are expected to be billed during the succeeding twelve-month period and are recorded in Unbilled receivables in our condensed consolidated balance sheets. A contract liability results when we receive prepayments or deposits from customers in advance for implementation, maintenance and other services, as well as subscription fees. Customer prepayments are generally applied against invoices issued to customers when services are performed and billed. We recognize contract liabilities as revenue upon satisfaction of the underlying performance obligations. Contract liabilities that are expected to be recognized as revenue during the succeeding twelve-month period are recorded in Deferred revenue and the remaining portion is recorded in Deferred revenue noncurrent on the accompanying condensed consolidated balance sheets at the end of each reporting period.

Deferred revenue primarily consists of amounts that have been billed to or received from customers in advance of revenue recognition and prepayments received from customers in advance for maintenance and other services, as well as initial subscription fees. We recognize deferred revenue as revenue when the services are performed, and the corresponding revenue recognition criteria are met. Customer prepayments are generally applied against invoices issued to customers when services are performed and billed. Our payment terms vary by the type and location of our customer and the products or services offered. The term between invoicing and when payment is due is not significant. For certain products or services and customer types, we require payment before the products or services are delivered to the customer.

Unbilled Receivables

Unbilled receivables represent amounts for which the Company has recognized revenue, pursuant to its revenue recognition policy, for software licenses already delivered and professional services already performed, but invoiced in arrears and for which the Company believes it has an unconditional right to payment. As of March 31, 2024 and December 31, 2023, unbilled receivables were \$ 3.2 million and \$ 2.7 million, respectively.

Deferred Commissions

Sales commissions earned by our sales force, and related payroll taxes, are considered incremental and recoverable costs of obtaining a contract with a customer. Deferred commissions and other costs for new customer contracts are capitalized upon contract signing and amortized on a systematic basis that is consistent with the transfer of goods and services over the expected life of the customer relationships, which has been determined to be approximately 6 years. The expected life of our customer relationships is based on historical data and management estimates, including estimated renewal terms and the useful life of the associated underlying technology. Commissions paid on renewal contracts are not commensurate with commissions paid on new customer contracts, as such, deferred commissions related to renewals are capitalized and amortized over the estimated average contractual renewal term of 18 months. We utilize the 'portfolio approach' practical expedient permitted under ASC 606-10-10-4, which allows entities to apply the guidance to a portfolio of contracts with similar characteristics as the effects on the financial statements of this approach would not differ materially from applying the guidance to individual contracts. The portion of capitalized costs expected to be amortized during the succeeding twelve-month period is recorded in current assets as deferred commissions, current, and the remainder is recorded in long-term assets as deferred commissions, net of current portion. Amortization expense is included in sales and marketing expenses in the accompanying condensed consolidated statements of operations. Deferred commissions are reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable consistent with the Company's long-lived assets policy. No indicators of impairment were identified during the three months ended March 31, 2024.

Amortization of deferred commissions in excess of commissions capitalized for the three months ended March 31, 2024 was \$ 0.7 million.

Deferred Revenue

Deferred revenue represents either customer advance payments or billings for which the aforementioned revenue recognition criteria have not yet been met.

Deferred revenue is mainly unearned revenue related to subscription services and support services. During the three months ended March 31, 2024, we recognized \$ 45.5 million and \$ 1.2 million of subscription services and professional services revenue, respectively, that was included in the deferred revenue balances at the beginning of the period.

Remaining Performance Obligations

As of March 31, 2024, approximately \$ 258.4 million of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 69 % of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

Disaggregated Revenue

The Company disaggregates revenue from contracts with customers by geography and revenue generating activity, as it believes it best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Revenue by geography is based on the ship-to address of the customer, which is intended to approximate where the customers' users are located. The ship-to country is generally the same as the billing country. The Company has operations primarily in the United States, United Kingdom and Canada. Information about these operations is presented below (in thousands):

	Three Months Ended March 31,	
	2024	2023
Revenues:		
<i>Subscription and support:</i>		
United States	\$ 47,724	\$ 52,242
United Kingdom	9,075	9,675
Canada	3,328	3,491
Other International	6,951	7,506
Total subscription and support revenue	67,078	72,914
<i>Perpetual license:</i>		
United States	691	656
United Kingdom	98	223
Canada	59	42
Other International	622	650
Total perpetual license revenue	1,470	1,571
<i>Professional services:</i>		
United States	1,233	1,597
United Kingdom	271	258
Canada	188	229
Other International	496	487
Total professional service revenue	2,188	2,571
Total revenue	\$ 70,736	\$ 77,056

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

Forward Looking Statements

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto appearing elsewhere in this Quarterly Report on Form 10-Q and our other filings with the Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K for the year ended December 31, 2023, filed on February 22, 2024. In addition to historical information, this Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements generally relate to future events or our future financial or operating performance. Forward-looking statements may be identified by the use of forward-looking words such as "anticipate," "believe," "may," "will," "continue," "seek," "estimate," "intend," "hope," "predict," "could," "should," "would," "project," "plan," "expect" or the negative or plural of these words or similar expressions, although not all forward-looking statements contain these words. These forward-looking statements include, but are not limited to, statements concerning the following:

- our financial performance and our ability to achieve or sustain profitability or predict future results;
- our plans regarding future acquisitions and our ability to consummate and integrate acquisitions;
- our ability to expand our go to market operations, including our marketing and sales organization, and successfully increase sales of our products;
- our ability to obtain financing in the future on acceptable terms or at all;
- our expectations with respect to revenue, cost of revenue and operating expenses in future periods;
- our expectations with regard to revenue from perpetual licenses, usage fees, and professional services;
- our ability to adapt to macroeconomic factors impacting the global economy, including foreign currency exchange risk, inflation and supply chain constraints;
- our ability to attract and retain customers;
- our ability to successfully enter new markets and manage our international expansion;
- our ability to comply with privacy laws and regulations;
- our ability to incorporate and deliver artificial intelligence ("AI") functionality into our products and services;
- our ability to deliver high-quality customer service;
- our plans regarding, and our ability to effectively manage, our growth;
- maintaining our senior management team and key personnel;
- the performance of our resellers;
- our ability to adapt to changing market conditions and competition;
- our ability to adapt to technological change and continue to innovate;
- global economic and financial market conditions and uncertainties;
- the growth of demand for cloud-based, digital transformation applications;
- our ability to integrate our applications with other software applications;
- maintaining and expanding our relationships with third parties;
- costs associated with defending intellectual property infringement and other claims;
- our ability to maintain, protect and enhance our brand and intellectual property;
- our expectations with regard to trends, such as seasonality, which affect our business;
- impairments to goodwill and other intangible assets;
- our beliefs regarding how our applications benefit customers and what our competitive strengths are;
- the operation, reliability and security of our third-party data centers;
- our expectations as to the payment of dividends;

- our Share Repurchase Plan (as defined in *Note 10. Stockholders' Equity*), including expectations regarding the timing and manner of repurchases made under the Share Repurchase Plan;
- our current level of indebtedness, including our exposure to variable interest rate risk;
- potential elimination or limitation of tax incentives or tax losses and/or reduction of U.S. federal net operating loss carryforwards ("NOLs"); and
- other risk factors included under "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 22, 2024, as updated by this Quarterly Report on Form 10-Q and periodically updated as necessary in our future quarterly reports on Form 10-Q and other filings that we make with the SEC.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors, including those described in the section titled "*Risk Factors*" in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 22, 2024. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

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

Overview

We enable global businesses to work smarter with over 25 cloud software products that help increase revenue, reduce costs, and deliver business value. Our solutions cover digital marketing, knowledge management, contact center service, sales productivity, and content lifecycle automation. We service over 10,000 customers ranging from large global corporations and various government agencies as well as small and medium-sized businesses. Our customers operate in a wide variety of industries, including financial services, consulting services, technology, manufacturing, media, telecommunications, government, insurance, non-profit, healthcare, life sciences, retail and hospitality.

Through a series of acquisitions and integrations, we have established a library of diverse software applications under the Upland brand that address specific digital transformation needs. Our revenue has grown from \$149.9 million in the year ended December 31, 2018 to \$297.9 million in the year ended December 31, 2023, representing a compound annual growth rate of 15%. During the three months ended March 31, 2024 and 2023, foreign revenue as a percent of total revenue was 30% and 29%, respectively.

To support continued growth, we intend to pursue acquisitions of complementary technologies and businesses. This will expand our product library, customer base, and market access resulting in increased benefits of scale. Consistent with our growth strategy, we have made 31 acquisitions from February 2012 through March 31, 2024.

Key Metrics and Non-GAAP Financial Measures

In addition to the GAAP financial measures described below in “Results of Operations,” we regularly review the following key metrics and non-GAAP financial measures to evaluate and identify trends in our business, measure our performance, prepare financial projections and make strategic decisions.

Core Organic Growth Rate

Beginning with the three months ended June 30, 2023, we began disclosing our Core Organic Growth Rate, a non-GAAP financial measure. We use Core Organic Growth Rate as a key performance measure to assess our consolidated operating performance over time and for planning and forecasting purposes. Core Organic Growth Rate is the percentage change between two reported periods in subscription and support revenue, excluding subscription and support revenue from Sunset Assets and Overage Charges, each as defined below. We calculate our year-over-year Core Organic Growth Rate as though all acquisitions or dispositions closed as of the end of the latest period were closed as of the first day of the prior year period presented. Core Organic Growth Rate does not represent actual organic revenue generated by our business as it stood at the beginning of the respective period.

For the three-month period ended March 31, 2024, our Core Organic Growth Rate was negative 1.9%.

Core Organic Growth Rates are not necessarily indicative of either future results of operations or actual results that might have been achieved had certain Sunset Asset classifications not been made or had certain acquisitions or dispositions been consummated on the first day of the prior year period presented. We believe that this metric is useful to management and investors in analyzing our financial and operational performance period-over-period along with evaluating the growth of our business normalized for the impact of acquisitions and dispositions, as well as adjusting for the exclusion of non-core Sunset Assets and non-committed Overage Charges. For example, by including pre-acquisition revenue, Core Organic Growth Rate allows us to measure the underlying revenue growth of our business as of the end of the period presented, which we believe provides insight into our current performance.

Related Defined Terms

In connection with periodic reviews of our business, we have decided to discontinue the availability of certain non-strategic product offerings and a limited number of non-strategic customer contracts (collectively referred to as “Sunset Assets”). It is possible that during future periodic reviews of our business we may determine to add additional non-strategic product offerings or non-strategic customer contracts to Sunset Assets or remove certain product offerings or customer contracts from the classification of Sunset Assets. In either case, we will adjust the revenues attributable to Sunset Assets and properly reflect the year over year change for such addition or removal.

Overage Charges are subscription and support revenues earned in addition to contractual minimum customer commitments as a result of the usage volume of services including text and e-mail messaging and third-party pass-through costs that exceed the levels stipulated in contracts with the Company.

The following table represents a reconciliation of total revenue, the most comparable GAAP measure, to core organic revenue for each of the periods indicated.

	Three Months March 31,	
	2024	2023
	(dollars in thousands)	
Reconciliation of total revenue to core organic revenue:		
Total revenue	\$ 70,736	\$ 77,056
Less:		
Perpetual license revenue	1,470	1,571
Professional services revenue	2,188	2,571
Subscription and support revenue from Sunset Assets	9,232	13,533
Overage Charges	1,425	1,878
Core organic revenue	\$ 56,421	\$ 57,503

Adjusted EBITDA

We monitor our Adjusted EBITDA to help us evaluate the effectiveness and efficiency of our operations. Adjusted EBITDA is a non-GAAP financial measure. We define Adjusted EBITDA as net income (loss), calculated in accordance with GAAP, adjusted for depreciation and amortization expense, net interest expense, loss on debt extinguishment, net other expense, benefit from income taxes, stock-based compensation expense, acquisition-related expense, purchase accounting deferred revenue discount and impairment of goodwill.

The following table represents a reconciliation of net loss from continuing operations, the most comparable GAAP measure, to Adjusted EBITDA for each of the periods indicated.

	Three Months Ended	
	March 31,	
	2024	2023
	(dollars in thousands)	
Reconciliation of Net Loss to Adjusted EBITDA:		
Net loss	\$ (96,130)	\$ (140,045)
Add:		
Depreciation and amortization expense	13,802	18,500
Interest expense, net	4,958	5,461
Other expense (income), net	78	(1,425)
Benefit from income taxes	(547)	(1,422)
Stock-based compensation expense	3,522	6,462
Acquisition-related expense	—	1,086
Non-recurring litigation costs	118	—
Purchase accounting deferred revenue discount	75	228
Impairment of goodwill	87,227	128,755
Adjusted EBITDA	\$ 13,103	\$ 17,600

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

- Adjusted EBITDA is widely used by investors and securities analysts to measure a company's operating performance without regard to items that can vary substantially from company to company depending upon their financing, capital structures and the method by which assets were acquired;
- Our management uses Adjusted EBITDA in conjunction with GAAP financial measures for planning purposes, in the preparation of our annual operating budget, as a measure of our operating performance, to assess the effectiveness of our business strategies and to communicate with our board of directors concerning our financial performance because Adjusted EBITDA eliminates the impact of items that we do not consider indicative of our core operating performance;
- Adjusted EBITDA provides more consistency and comparability with our past financial performance, facilitates period-to-period comparisons of our operations and also facilitates comparisons with other companies, many of which use similar non-GAAP financial measures to supplement their GAAP results.

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

- Impairment of goodwill and depreciation and amortization are non-cash charges, and the assets being depreciated or amortized, which contribute to the generation of revenue, will often have to be replaced in the future and Adjusted EBITDA does not reflect cash requirements for such replacements; however, much of the depreciation and amortization relates to amortization of acquired intangible assets as well as the goodwill as a result of business combination purchase accounting adjustments, which will not need to be replaced in the future;
- Adjusted EBITDA may not reflect changes in, or cash requirements for, our working capital needs or contractual commitments;
- Adjusted EBITDA does not reflect the potentially dilutive impact of stock-based compensation;

- Adjusted EBITDA does not reflect interest or tax payments that could reduce cash available for use; and
- Other companies, including companies in our industry, might calculate Adjusted EBITDA or similarly titled measures differently, which reduces their usefulness as comparative measures.

Because of these limitations, you should consider Adjusted EBITDA together with other financial performance measures, including various cash flow metrics, net loss and our other GAAP results.

Results of Operations

Consolidated Statements of Operations Data

The following tables set forth our results of operations for the specified periods, as well as our results of operations for the specified periods as a percentage of revenue. The period-to-period comparisons of results of operations are not necessarily indicative of results for future periods.

	Three Months Ended March 31,			
	2024		2023	
	Amount	Percent of Revenue	Amount	Percent of Revenue
(dollars in thousands, except share and per share data)				
Revenue:				
Subscription and support	\$ 67,078	95 %	\$ 72,914	95 %
Perpetual license	1,470	2 %	1,571	2 %
Total product revenue	68,548	97 %	74,485	97 %
Professional services	2,188	3 %	2,571	3 %
Total revenue	70,736	100 %	77,056	100 %
Cost of revenue:				
Subscription and support ⁽¹⁾⁽³⁾	19,829	28 %	23,485	30 %
Professional services and other ⁽¹⁾	1,220	2 %	2,051	3 %
Total cost of revenue	21,049	30 %	25,536	33 %
Gross profit	49,687	70 %	51,520	67 %
Operating expenses:				
Sales and marketing ⁽¹⁾	17,018	24 %	14,289	19 %
Research and development ⁽¹⁾	12,455	18 %	12,530	16 %
General and administrative ⁽¹⁾⁽²⁾	13,232	19 %	17,189	22 %
Depreciation and amortization	11,396	16 %	15,094	20 %
Acquisition-related expenses	—	— %	1,094	1 %
Impairment of goodwill	87,227	123 %	128,755	167 %
Total operating expenses	141,328	200 %	188,951	245 %
Loss from operations	(91,641)	(130) %	(137,431)	(178) %
Other Expense:				
Interest expense, net	(4,958)	(7) %	(5,461)	(7) %
Other income (expense), net	(78)	— %	1,425	2 %
Total other expense	(5,036)	(7) %	(4,036)	(5) %
Loss before provision for income taxes	(96,677)	(137) %	(141,467)	(183) %
Benefit from income taxes	547	1 %	1,422	1 %
Net loss	(96,130)	(136) %	(140,045)	(182) %
Preferred stock dividends and accretion	(1,375)	(2) %	(1,315)	(2) %
Net loss attributable to common shareholders	\$ (97,505)	(138) %	\$ (141,360)	(184) %
Net loss per common share:				
Net loss per common share, basic and diluted	\$ (3.37)		\$ (4.38)	
Weighted-average common shares outstanding, basic and diluted	28,917,897		32,259,110	

⁽¹⁾ Includes stock-based compensation detailed under Share-based Compensation in "Item 1. Financial Statements—Note 10. Stockholders' Equity".

⁽²⁾ Includes general and administrative stock-based compensation of \$2.3 million and \$4.9 million for the three months March 31, 2024 and March 31, 2023, respectively. General and administrative expense excluding stock-based compensation as a percentage of total revenues was 15% and 16% for the three months ended March 31, 2024 and March 31, 2023, respectively..

⁽³⁾ Includes depreciation and amortization of \$2.4 million and \$3.4 million for the three months ended March 31, 2024 and March 31, 2023, respectively.

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

Revenue

	Three Months Ended March 31,		
	2024	2023	% Change
(dollars in thousands)			
Revenue:			
Subscription and support	\$ 67,078	\$ 72,914	(8) %
Perpetual license	1,470	1,571	(6) %
Total product revenue	68,548	74,485	(8) %
Professional services	2,188	2,571	(15) %
Total revenue	\$ 70,736	\$ 77,056	(8) %
Percentage of revenue:			
Subscription and support	95%	95%	
Perpetual license	2%	2%	
Total product revenue	97%	97%	
Professional services	3%	3%	
Total revenue	100%	100%	

For the Three Months Ended March 31, 2024

Total revenue was \$70.7 million in the three months ended March 31, 2024, compared to \$77.1 million in the three months ended March 31, 2023, a decrease of \$6.4 million, or 8%. This decrease is primarily due to the expected decline in revenue from Sunset Assets of \$4.4 million. The remaining decrease results from a decline in overage charges of \$0.5 million as a result of customers not exceeding contractual minimums to the extent they did in the prior year period, professional services revenue decline of \$0.4 million due to fewer implementation projects, and a decline of \$1.1 million due to lower subscription and support revenue from a subset of our products which we are addressing with our growth investments.

Cost of Revenue

	Three Months Ended March 31,		
	2024	2023	% Change
(dollars in thousands)			
Cost of revenue:			
Subscription and support ⁽¹⁾	\$ 19,829	\$ 23,485	(16) %
Professional services and other	1,220	2,051	(41) %
Total cost of revenue	21,049	25,536	(18) %
Gross profit	\$ 49,687	\$ 51,520	
Percentage of total revenue:			
Subscription and support ⁽¹⁾	28%	30%	
Professional services and other	2%	3%	
Total cost of revenue	30%	33%	
Gross profit	70%	67%	

⁽¹⁾ Includes depreciation, amortization and stock compensation expense as follows:

Depreciation	\$ —	\$ 2
Amortization	\$ 2,406	\$ 3,404
Stock Compensation	\$ 186	\$ 302

For the Three Months Ended March 31, 2024

Cost of subscription and support revenue was \$19.8 million in the three months ended March 31, 2024, compared to \$23.5 million in the three months ended March 31, 2023, a decrease of \$3.7 million, or 16%. The decrease in cost of subscription and support revenue is primarily related to a decrease of \$1.2 million in personnel-related costs, a decrease of \$1.0 million in infrastructure costs, a \$0.4 million decreases in variable telecom carrier costs, and a \$1.0 million decrease in amortization of intangible assets related to our Sunset Assets.

Cost of professional services and other revenue was \$1.2 million in the three months ended March 31, 2024, compared to \$2.1 million in the three months ended March 31, 2023, a decrease of \$0.9 million, or 41%. The decrease in cost of professional services was related to a decrease in personnel-related expenses.

Operating Expenses

Sales and Marketing Expense

	Three Months Ended March 31,		
	2024	2023	% Change
(dollars in thousands)			
Sales and marketing ⁽¹⁾	\$ 17,018	\$ 14,289	19 %
Percentage of total revenue	24%	19%	

⁽¹⁾ Includes stock compensation expense as follows:

Stock Compensation	\$ 397	\$ 576	
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For the Three Months Ended March 31, 2024

Sales and marketing expense was \$17.0 million in the three months ended March 31, 2024, compared to \$14.3 million in the three months ended March 31, 2023, an increase of \$2.7 million, or 19%. The increase in sales and marketing expense is attributable to a \$1.8 million increase in personnel-related expenses and a \$0.8 million increase in marketing expenses associated with the announced investments in our growth plan.

Research and Development Expense

	Three Months Ended March 31,		
	2024	2023	% Change
(dollars in thousands)			
Research and development ⁽¹⁾	\$ 12,455	\$ 12,530	(1) %
Percentage of total revenue	18%	16%	

⁽¹⁾ Includes stock compensation expense as follows:

Stock Compensation	\$ 606	\$ 655	
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For the Three Months Ended March 31, 2024

Research and development expense was \$12.5 million in the three months ended March 31, 2024, compared to \$12.5 million in the three months ended March 31, 2023. While research and development expense has remained relatively flat in total, we have shifted the mix of our spending by moving personnel-related expenses from higher cost centers in the United States and abroad to our lower cost center in our India Center of Excellence thereby increasing development productivity for the same cost.

General and Administrative Expense

	Three Months Ended March 31,		
	2024	2023	% Change
(dollars in thousands)			
General and administrative ⁽¹⁾	\$ 13,232	\$ 17,189	(23) %
Percentage of total revenue	19%	22%	

⁽¹⁾ Includes stock compensation expense as follows:

Stock compensation	\$ 2,333	\$ 4,929	
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For the Three Months Ended March 31, 2024

General and administrative expense was \$13.2 million in the three months ended March 31, 2024, compared to \$17.2 million in the three months ended March 31, 2023, a decrease of \$4.0 million, or 23%. This decrease is primarily due to reductions in personnel-related costs including a decrease of \$2.6 million in non-cash stock compensation expense.

Depreciation and Amortization Expense

	Three Months Ended March 31,		
	2024	2023	% Change
(dollars in thousands)			
Depreciation and amortization:			
Depreciation	\$ 292	\$ 328	(11) %
Amortization	11,104	14,766	(25) %
Total depreciation and amortization	\$ 11,396	\$ 15,094	(24) %
Percentage of total revenue:			
Depreciation	—%	1%	
Amortization	16%	19%	
Total depreciation and amortization	16%	20%	

For the Three Months Ended March 31, 2024

Depreciation and amortization expense was \$11.4 million in the three months ended March 31, 2024, compared to \$15.1 million in the three months ended March 31, 2023, a decrease of \$3.7 million, or 25%. This decrease primarily resulted from certain intangible assets related to Sunset Assets becoming fully amortized.

Acquisition-related Expenses

	Three Months Ended March 31,		
	2024	2023	% Change
(dollars in thousands)			
Acquisition-related expenses	\$ —	\$ 1,094	(100)%
Percentage of total revenue	—%	1%	

For the Three Months Ended March 31, 2024

Acquisition-related expense was nil in the three months ended March 31, 2024, compared to \$1.1 million in the three months ended March 31, 2023, a decrease of \$1.1 million, or 100%. We have had no new acquisitions since our two acquisitions during 2022. Acquisition-related expenses in the three months ended March 31, 2023 include expenses related to acquisitions closed in 2022.

Impairment of goodwill

	Three Months Ended March 31,		
	2024	2023	% Change
	(dollars in thousands)		
Impairment of goodwill	\$ 87,227	\$ 128,755	(32) %

Goodwill impairment is recognized on a non-recurring basis when the carrying value (or GAAP basis book value) of our Company (which is our only reporting unit) exceeds the estimated fair value of our Company as determined by reference to a number of factors and assumptions, including the trends in the stock price of our Common Stock. We assess goodwill for impairment annually on October 1st, or more frequently when an event occurs which could cause the carrying value of our Company to exceed the estimated fair value of our Company. As a result of declines in our stock price during the three months ended March 31, 2024 and the three months ended March 31, 2023, we performed a goodwill impairment evaluations in each quarter, which resulted in a goodwill impairments of \$87.2 million and \$128.8 million for the three months ended March 31, 2024 and 2023, respectively. See *Note 4. Goodwill and Other Intangible Assets* in the notes to our condensed consolidated financial statements for more information regarding our first quarter 2024 goodwill impairment. We will continue to evaluate goodwill for impairment in 2024 and future impairments of goodwill could occur if our stock price declines.

Other Income (Expense)

	Three Months Ended March 31,		
	2024	2023	% Change
	(dollars in thousands)		
Other expense:			
Interest expense, net	\$ (4,958)	\$ (5,461)	(9) %
Other income (expense), net	(78)	1,425	(105) %
Total other expense	<u>\$ (5,036)</u>	<u>\$ (4,036)</u>	<u>25 %</u>
Percentage of total revenue:			
Interest expense, net	(7)%	(7)%	
Other income (expense), net	—%	2%	
Total other expense	<u>(7)%</u>	<u>(5)%</u>	

For the Three Months Ended March 31, 2024

Interest expense, net of interest income was \$5.0 million in the three months ended March 31, 2024 compared to \$5.5 million in the three months ended March 31, 2023, a decrease of \$0.5 million or 9%, due to a decrease in interest expense as a result of paying down \$35 million of debt principal in August 2023 along with regularly scheduled principal payments lowering outstanding borrowings on our Credit Facility. Additionally, interest income earned on our cash balances has increased as interest rates have increased quarter over quarter.

Other expense, net was \$0.1 million in the three months ended March 31, 2024, compared to other income, net of \$1.4 million in the three months ended March 31, 2023. Other income (expense), net recognized during the three months ended March 31, 2024 and 2023 were related primarily to foreign currency exchange fluctuations.

Benefit from Income Taxes

	Three Months Ended March 31,		
	2024	2023	% Change
	(dollars in thousands)		
Benefit from income taxes	\$ 547	\$ 1,422	(62) %
Percentage of total revenue	1%	1%	

For the Three Months Ended March 31, 2024

Benefit from income taxes was \$0.5 million in the three months ended March 31, 2024, compared to a benefit for income taxes of \$1.4 million in the three months ended March 31, 2023, resulting in a decrease in benefit from income taxes of \$0.9 million. The benefit from income taxes for the three months ended March 31, 2024 related primarily to the deferred tax impact of the \$87.2 million goodwill impairment booked during the first quarter of 2024. This tax benefit is offset by the foreign income taxes associated with our combined non U.S. operations, changes in deferred tax liabilities associated with amortization of United States tax deductible goodwill, and U.S. state taxes in certain states in which the Company does not file on a consolidated basis or have net operating loss carryforwards.

The benefit from income taxes for the three months ended March 31, 2023 related primarily related to the deferred tax impact of the \$128.8 million goodwill impairment booked during the first quarter of 2023. This tax benefit is offset by the foreign income taxes associated with our combined non U.S. operations, changes in deferred tax liabilities associated with amortization of United States tax deductible goodwill, and U.S. state taxes in certain states in which the Company does not file on a consolidated basis or have net operating loss carryforwards.

Liquidity and Capital Resources

We have financed our operations primarily through cash generated from operating activities, the raising of capital including sales of our Common Stock or our convertible preferred stock, and borrowings under our credit facility. We believe that current cash and cash equivalents, cash flows from operating activities, and availability under our existing credit facility will be sufficient to fund our operations for at least the next twelve months. In addition, we may utilize the sources of capital available to us under our Revolver to support our continued growth via acquisitions.

As of March 31, 2024, we had cash and cash equivalents of \$231.6 million, \$60.0 million of available borrowings under our Revolver, as discussed below, and \$480.7 million of borrowings outstanding under our Term Loans. As of December 31, 2023, we had cash and cash equivalents of \$236.6 million, \$60.0 million of available borrowings under our Revolver, and \$482.1 million of borrowings outstanding under our Term Loans. The \$4.9 million decrease in cash and cash equivalents from December 31, 2023 to March 31, 2024 was due primarily to \$7.9 million paid to repurchase shares of the Company's Common Stock, and \$1.4 million in debt repayment, offset by \$5.1 million in cash flows from operations.

Our cash and cash equivalents held by our foreign subsidiaries was \$33.8 million as of March 31, 2024 and \$34.8 million as of December 31, 2023. Our intent is to permanently reinvest these funds outside the U.S. and our current plans do not demonstrate a need to repatriate them to fund our domestic operations. We do not provide for federal income taxes on the undistributed earnings of our foreign subsidiaries.

As of March 31, 2024 and December 31, 2023, we had working capital surpluses of \$165.8 million and \$169.6 million, respectively.

Credit Facility

As described in "Note 6. Debt—Credit Facility", the Company has a Credit Facility which includes the fully drawn Term Loans as of March 31, 2024, and a \$60 million undrawn Revolver. The Term Loans mature on August 6, 2026, after the scheduled quarterly principal amortization. The undrawn Revolver matures on August 6, 2024, and currently, the Company has no intent or need to draw on this Revolver before its maturity.

The following table summarizes our cash flows for the periods indicated:

	Three Months Ended March 31,	
	2024	2023
	(dollars in thousands)	
Consolidated Statements of Cash Flow data:		
Net cash provided by operating activities	\$ 5,121	\$ 15,825
Net cash used in investing activities	(183)	(215)
Net cash used in financing activities	(9,599)	(6,781)
Effect of exchange rate fluctuations on cash	(284)	238
Change in cash and cash equivalents	(4,945)	9,067
Cash and cash equivalents, beginning of period	236,559	248,653
Cash and cash equivalents, end of period	\$ 231,614	\$ 257,720

Cash Flows from Operating Activities

Cash provided by operating activities is significantly influenced by the amount of cash we invest in personnel and infrastructure to support the anticipated growth of our business. Included in net cash provided by operations are one-time acquisition related expenses incurred after each acquisition to transact and transform the acquired business into the Company's unified operating platform. Additionally, operating cash flows include the impact of earn-outs payments in excess of original purchase accounting estimates. Our working capital consists primarily of cash, receivables from customers, prepaid assets, unbilled professional services, deferred commissions, accounts payable, accrued compensation and other accrued expenses, acquisition related earnout and holdback liabilities, lease liabilities, and deferred revenues. The volume of professional services rendered, the volume and timing of customer bookings and contract renewals, and the related timing of collections on those bookings and renewals, as well as the timing of spending commitments and payments of our accounts payable, accrued expenses, accrued payroll and related benefits, all affect these account balances.

Cash provided by operating activities was \$5.1 million for the three months ended March 31, 2024 compared to cash provided by operating activities of \$15.8 million for the three months ended March 31, 2023, a decrease of \$10.7 million. Changes in working capital for the three months ended March 31, 2024 included collections on accounts receivable, increases in prepaid and other current assets, payments of current liabilities and decreases in deferred revenue.

A substantial source of cash is invoicing for subscriptions and support fees in advance, which is recorded as deferred revenue, and is included on our condensed consolidated balance sheets as a liability. Deferred revenue consists of the unearned portion of booked fees for our software subscriptions and support, which is amortized into revenue in accordance with our revenue recognition policy. We assess our liquidity, in part, through an analysis of new subscriptions invoiced, expected cash receipts on new and existing subscriptions, and our ongoing operating expense requirements.

Cash Flows from Investing Activities

Historically, our primary investing activities have consisted of acquisitions of complementary technologies and businesses. As our business grows, we expect our primary investing activities to continue to expand our product library, customer base, and market access.

For the three months ended March 31, 2024, cash used in investing activities consisted of purchases of property and equipment of \$0.2 million.

Cash Flows from Financing Activities

Our primary financing activities have consisted of capital raised to fund our acquisitions, proceeds from debt obligations incurred to finance our acquisitions, repayments and servicing of our debt obligations, share repurchases and share based employee payroll tax payment activity.

Cash used in financing activities changed by \$2.8 million for the three months ended March 31, 2024 compared to the same period in 2023 due to \$7.9 million used for Common Stock repurchases in 2024 offset by additional consideration paid to sellers of businesses of \$5.1 million for the three months ended March 31, 2023.

Critical Accounting Policies and the Use of Estimates

We prepare our condensed consolidated financial statements in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of our condensed consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from the estimates made by our management. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected. We believe that the accounting policies discussed below are critical to understanding our historical and future performance, as these policies relate to the more significant areas involving management's judgments and estimates.

The following critical accounting policies reflect significant judgments and estimates used in the preparation of our condensed consolidated financial statements:

- income taxes; and
- goodwill and other intangibles.

We are not aware of any specific event or circumstance that would require updates to our estimates or judgments or require us to revise the carrying value of our assets or liabilities as of May 2, 2024, the date of issuance of this Quarterly Report on Form 10-Q. These estimates may change as new events occur and additional information is obtained. Actual results could differ materially from these estimates under different assumptions or conditions.

Other Key Accounting Policies

Our unaudited interim financial statements and other financial information for the three months ended March 31, 2024, as presented herein and in " *Item 1. Financial Statements*" to this Quarterly Report on Form 10-Q, reflect no material changes in our critical accounting policies and estimates as set forth in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 22, 2024 (the "Annual Report"). Please refer to our Annual Report for a detailed description of our critical accounting policies that involve significant management judgment.

We evaluate our estimates, judgments and assumptions on an ongoing basis, and while we believe that our estimates, judgments and assumptions are reasonable, they are based upon information available at the time. Actual results may differ significantly from these estimates under different assumptions, judgments or conditions.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our condensed consolidated financial statements, refer to " *Note 2. Basis of Presentation and Summary of Significant Accounting Policies—Recent Accounting Pronouncements*" to our condensed consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business. These risks primarily include interest rate, foreign exchange and inflation risks, as well as risks relating to changes in the general economic conditions in the countries where we conduct business. Any impact on our statement of operations is mitigated by having an offsetting liability in deferred revenue to partially or completely offset against the outstanding receivable if an account should become uncollectible. Our cash balances are kept in customary operating accounts, a portion of which are insured by the Federal Deposit Insurance Corporation, and uninsured money market accounts. The majority of our cash balances in money market accounts are with the lender under our Credit Facility. To date, we have not used derivative instruments to mitigate the impact of our market risk exposures. We also have not used, nor do we intend to use, derivatives for trading or speculative purposes.

Interest Rate Risk

Our exposure to market risk for changes in interest rates primarily relates to our cash equivalents and variable rate indebtedness.

The primary objective of our investment activities is to preserve principal while maximizing yields without significantly increasing risk. This objective is accomplished currently by making diversified investments, consisting only of money market mutual funds and FDIC insured institutional liquid deposit accounts.

In 2019, the Company entered into floating-to-fixed interest rate swap agreements to limit exposure to interest rate risk related to our debt, effectively converting the entire balance of the Company's Term Loans from variable interest payments to fixed interest rate payments, based on an annualized fixed rate of 5.4%, for the 7-year term of debt. On August 24, 2023, the Company sold a portion of their interest rate swaps received \$20.5 million of net cash proceeds. After giving effect to such sale, \$257.9 million of the Term Loans has an effective annualized fixed interest rate of 5.4%, and the remaining principal outstanding at March 31, 2024 has a floating interest rate of 9.2% based on the interest rate as described in "Note 6. Debt."

The interest rate associated with our \$60 million Revolver remains floating.

As of March 31, 2024, we had an outstanding balance of \$480.7 under our Credit Facility. Based on the Company's outstanding balance of variable rate debt at March 31, 2024, a hypothetical change of 100 basis points could have resulted in a \$0.6 million increase to total interest expense for the three months ended March 31, 2024.

Foreign Currency Exchange Risk

Our customers are generally invoiced in the currency of the country in which they are located. In addition, we incur a portion of our operating expenses in foreign currencies, including Australian dollars, Canadian dollars, Indian Rupees, British pounds, Euros, and Israeli New Shekels and in the future as we expand into other foreign countries, we expect to incur operating expenses in other foreign currencies. As a result, we are exposed to foreign exchange rate fluctuations as the financial results of our international operations and our revenue and operating results could be adversely affected. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business could have resulted in a change in revenue of 0.4% for the three months ended March 31, 2024. We have not previously engaged in any currency hedging strategies. If we decide to hedge our foreign currency exchange rate exposure, we may not be able to hedge effectively due to lack of experience, unreasonable costs, or illiquid markets. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in foreign currency exchange rates.

The non-financial assets and liabilities of our foreign subsidiaries are translated into United States dollars using the exchange rates in effect at the balance sheet date. The related translation adjustments are recorded in a separate component of stockholders' equity in accumulated other comprehensive income (loss). In addition, we have intercompany loans that are used to fund the acquisition of foreign subsidiaries. Due to the long-term nature of these loans, the foreign currency gains (losses) resulting from remeasurement are recognized as a component of accumulated other comprehensive income (loss).

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that such information is accumulated and communicated to a company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2024, the end of the period covered by this Quarterly Report on Form 10-Q. Based upon such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of such date. Our management has concluded that the condensed consolidated financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented in conformity with GAAP.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a- 15(f) and 15d- 15(f) of the Exchange Act) during the quarter ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, the risk.

PART II – OTHER INFORMATION

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our 2023 Annual Report on Form 10-K, which could materially affect our business, financial condition or future results. There have been no material changes during 2024 to the risk factors that were included in the Company's Annual Report on Form 10-K filed with the SEC on February 22, 2024.

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

Issuer Purchases of Equity Securities

On September 1, 2023 and October 31, 2023, the Board of Directors authorized the Stock Repurchase Plan (as defined in Note 10. *Stockholders' Equity*) in the aggregate amount of up to \$15,000,000 and \$10,000,000, respectively, for a total of \$25,000,000 authorized, which allows the Company to repurchase shares of its issued and outstanding Common Stock, from time to time in the open market or otherwise including pursuant to a Rule 10b5-1 trading plan and in compliance with Rule 10b-18 under the Exchange Act. The authorization does not have a specified expiration date. Accordingly, unless terminated earlier by resolution of the Board, the stock repurchase program will expire when the Company has repurchased all shares authorized for repurchase. The Company is not obligated to acquire any particular amount of Common Stock and may modify or suspend the repurchases at any time in the Company's discretion.

In the three months ended March 31, 2024, the Company purchased 2,242,654 shares as part of the Stock Repurchase Plan at an average price of \$3.50 per shares, excluding commission costs and the impact of excise taxes.

The following table provides information about purchases of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act during the three months ended March 31, 2024.

Period	Total number of shares purchased	Average price paid per share (2)	Total number of shares purchased as part of the publicly announced plan	Maximum approximate dollar value of shares that may yet be purchased under the plan
1/1/2024 - 1/31/2024	691,096	\$ 4.12	691,096	\$ 7,901,000
2/1/2024 - 2/29/2024	681,570	\$ 3.93	681,570	\$ 5,172,000
3/1/2024 - 3/31/2024 ⁽¹⁾	1,006,609	\$ 2.66	869,988	\$ 2,801,000
	<u>2,379,275</u>		<u>2,242,654</u>	

(1) The total number of shares repurchased includes 136,621 shares withheld from employees to satisfy the statutory withholding tax liability upon the vesting of share-based awards.

(2) Average price paid per share excludes commission costs and excise taxes associated with the above mentioned repurchases.

Item 5. Other Information

Rule 10b5-1 Trading Plans

On February 27, 2024, Timothy Mattox, a director on the Company's Board of Directors, adopted a written plan for the sale of up to 13,843 shares of the Company's Common Stock that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act. The written plan will expire on December 31, 2024, or on any earlier date on which all of the shares have been sold.

During the three months ended March 31, 2024, none of our other officers (as defined in Rule 16a-1(f)) or directors adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K under the Securities Act).

Item 6. Exhibits

See the Exhibit Index immediately following this page, which is incorporated herein by reference.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
<u>10.1*</u>	<u>Amendment # 3 to Employment Agreement between the Registrant and John T. McDonald, dated January 30, 2024</u>
<u>10.2*</u>	<u>Amendment # 1 to Employment Agreement between the Registrant and Karen Cummings, dated January 30, 2024</u>
<u>31.1*</u>	<u>Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>31.2*</u>	<u>Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
<u>32.1**</u>	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
<u>32.2**</u>	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101*	Inline XBRL (Extensible Business Reporting Language). The following materials from this Quarterly Report on Form 10-Q for the periods ended March 31, 2024, formatted in Inline XBRL: (i) condensed consolidated balance sheets of Upland Software, Inc., (ii) condensed consolidated statements of operations of Upland Software, Inc., (iii) condensed consolidated statements of comprehensive income/(loss) of Upland Software, Inc., (iv) condensed consolidated statement of stockholders' equity of Upland Software, Inc., (v) condensed consolidated statements of cash flows of Upland Software, Inc. and (vi) notes to unaudited condensed consolidated financial statements of Upland Software, Inc. The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

** Furnished herewith.

SIGNATURE

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.

Dated: May 2, 2024

UPLAND SOFTWARE, INC.

/s/ Michael D. Hill

Michael D. Hill

Chief Financial Officer

EXECUTIVE OFFICER AMENDED AGREEMENT FOR KAREN CUMMINGS

Amendment # 1 to UPLAND SOFTWARE, INC.

EXECUTIVE EMPLOYMENT AGREEMENT

This Amendment #1 to the Executive Employment Agreement by and between Upland Software, Inc., a Delaware corporation (the "Company") and Karen Cummings ("Executive") dated December 16, 2022 ("Original Agreement"), is entered into as of January 30, 2024.

RECITALS

WHEREAS, the Company and Executive desire to amend Paragraph 1(a), Paragraph 3(a), Paragraph 3(c) and Paragraph 7(b) of the Original Agreement as of the date hereof (the "Amendment Effective Date").

AMENDMENTS

Paragraph 1(a) is hereby deleted and replaced in its entirety with the following:

"1(a) *Positions and Duties*. As of the Amendment Effective Date, Executive will be employed by the Company as President and Chief Operating Officer of the Company. The period of Executive's employment under this Agreement is referred to herein as the "Employment Term." During the Employment Term, Executive will render such business and professional services in the performance of Executive's duties as are customarily associated with Executive's positions within the Company and Executive agrees to perform such other duties and functions as shall from time to time be reasonably assigned or delegated to Executive by the Board of Directors (the "Board")."

Paragraph 3(a) is hereby deleted and replaced in its entirety with the following:

"3(a) *Base Salary*. Effective as of January 1, 2024 and thereafter during the Employment Term (subject to any increase or decrease as described below), the Company will pay Executive as compensation for Executive's services a base salary at the annualized rate of \$375,000.00 (the "Base Salary"). The Base Salary will be paid in regular installments in accordance with the Company's normal payroll practices (subject to required withholding). During the Employment Term, Executive's compensation shall be reviewed by the Board from time to time and at least once every 12 months. Any increase or decrease in Base Salary (together with the then existing Base Salary) shall serve as the "Base Salary" under this Agreement. The first and last payment will be adjusted, if necessary, to reflect a commencement or termination date other than the first or last working day of a pay period.."

Paragraph 3(c) is hereby deleted and replaced in its entirety with the following:

"3(c) *Equity*. Executive shall be entitled to receive annual equity grants of stock as determined appropriate by a duly-appointed committee of the Company's board of directors. Any equity awards granted to Executive at or before the Amendment Effective Date that are outstanding and unvested as of June 30, 2025 shall vest in full on June 30, 2025, subject to Executive continuing to be a Service Provider (as defined in the Company's 2014 Equity Incentive Plan, as amended (the "Equity Plan")) through such date. Unless otherwise specified herein, Executive's equity awards shall continue to be governed by the terms and conditions of the Equity Plan and the applicable equity award agreement.

Paragraph 7(b) is hereby deleted and replaced in its entirety with the following:

"7(b) Termination Without Cause by the Company; Termination For Good Reason by Executive. If the Company terminates Executive's employment without Cause or if Executive terminates Executive's employment for Good Reason, then Executive shall be entitled to receive (i) any earned but unpaid compensation, earned but unpaid Bonus, and accrued but unpaid vacation pay and any Expense Reimbursement, (ii) severance in the form of continuation of Executive's Base Salary in effect on the effective date of termination for a period of twelve (12) months after the date of such termination to be paid periodically in accordance with the Company's normal payroll practices, (iii) reimbursement of any health care benefit continuation premiums for a period of twelve (12) months after the date of such termination, provided Executive timely elects continuation of coverage under COBRA or applicable state law, and (iv) any equity awards that are outstanding and unvested at the time of such termination shall become fully vested effective upon the date of such termination; *provided, further,* that such COBRA premium reimbursements set forth in clause (iii) shall terminate upon commencement of new employment by an employer that offers health care coverage to its employees and Executive shall be required to notify the Company of such other employment prior to the effective date thereof. Notwithstanding the foregoing, upon Executive's material breach of this Agreement or the Proprietary Information Agreement (as defined in Section 11), the Company shall no longer be obligated to pay any amounts set forth in clauses (ii) and (iii), and Executive shall not be entitled to receive any further monthly installments of the severance payments set forth in clauses (ii) and (iii).

Except as specified in this Amendment #1, all terms and conditions of the Original Agreement shall continue in full force and effect and otherwise remain unchanged.

IN WITNESS WHEREOF, each of the parties has executed this Amendment # 1 to the Agreement, in the case of the Company by their duly authorized officers, as of the day and year first above written.

"COMPANY"
Upland Software, Inc.

By: ____
Name:
Title:

"EXECUTIVE"

Karen Cummings

EXECUTIVE OFFICER AMENDED AGREEMENT FOR JOHN MCDONALD

Amendment # 3 to UPLAND SOFTWARE, INC.

EXECUTIVE EMPLOYMENT AGREEMENT

This Amendment #3 to the Executive Employment Agreement by and between Upland Software, Inc., a Delaware corporation (the "Company") and John T. McDonald ("Executive") dated March 28, 2017 and amended March 13, 2019 and November 12, 2020 ("Original Agreement"), is entered into as of January 30, 2024.

RECITALS

WHEREAS, the Company and Executive desire to amend Paragraph 3(a), Paragraph 3(c) and Paragraph 7(b) of the Original Agreement as of the date hereof.

AMENDMENTS

Paragraph 3(a) is hereby deleted and replaced in its entirety with the following:

"3(a) *Base Salary*. Effective as of January 1, 2024 and thereafter during the Employment Term (subject to any increase or decrease as described below), the Company will pay Executive as compensation for Executive's services a base salary at the annualized rate of \$500,000 (the "Base Salary"). The Base Salary will be paid in regular installments in accordance with the Company's normal payroll practices (subject to required withholding). During the Employment Term, Executive's compensation shall be reviewed by the Board from time to time and at least once every 12 months. Any increase or decrease in Base Salary (together with the then existing Base Salary) shall serve as the "Base Salary" under this Agreement. The first and last payment will be adjusted, if necessary, to reflect a commencement or termination date other than the first or last working day of a pay period."

Paragraph 3(c) is hereby amended to add the following to the end thereof:

"If Executive transitions from his role as Chief Executive Officer and Chairman of the Company to a role as a member of the Board or a consultant to the Company ("*Executive's Continued Service*"), Executive's then outstanding equity awards shall continue to vest in accordance with their terms and the terms of the applicable equity incentive plan under which the awards were granted so long as Executive continues to serve in either such capacity; *provided, however*, upon a termination of Executive's Continued Service by the Company or the Board without Cause, any such awards that are outstanding and unvested as of the date of such termination shall vest in full (with any such equity awards with performance-based vesting conditions vesting in full on an accelerated basis at the target level) on the termination date. Unless otherwise specified herein, Executive's equity awards shall continue to be governed by the terms and conditions of the equity incentive plan under which the awards were granted and the applicable equity award agreements."

Paragraph 7(b) is hereby deleted and replaced in its entirety with the following:

"7(b) *Termination Without Cause by the Company; Termination For Good Reason by Executive*. If the Company terminates Executive's employment without Cause or if Executive terminates Executive's

employment for Good Reason, then Executive shall be entitled to receive (i) any earned but unpaid compensation, earned but unpaid Bonus, and accrued but unpaid vacation pay and any Expense Reimbursement, (ii) severance in the form of continuation of Executive's Base Salary in effect on the effective date of termination for a period of twelve (12) months after the date of such termination to be paid periodically in accordance with the Company's normal payroll practices, (iii) reimbursement of any health care benefit continuation premiums for a period of twelve (12) months after the date of such termination, provided Executive timely elects continuation of coverage under COBRA or applicable state law, and (iv) any equity awards that are outstanding and unvested at the time of such termination shall become fully vested (with any such equity awards with performance-based vesting conditions vesting at the target level) effective upon the date of such termination; *provided, however*, that Executive's right to receive the amounts set forth in clauses (ii), (iii) and (iv) above shall be conditioned upon Executive's and Executive's wife's execution and delivery (without revocation) of a general release of claims in favor of the Company and affirmation of Executive's other continuing obligations dated as of the date of termination; *provided, further*, that such COBRA premium reimbursements set forth in clause (iii) shall terminate upon commencement of new employment by an employer that offers health care coverage to its employees and Executive shall be required to notify the Company of such other employment prior to the effective date thereof. Notwithstanding the foregoing, upon Executive's material breach of this Agreement or the Proprietary Information Agreement (as defined in Section 11), the Company shall no longer be obligated to pay any amounts set forth in clauses (ii) and (iii), and Executive shall not be entitled to receive any further monthly installments of the severance payments set forth in clauses (ii) and (iii).

Except as specified in this Amendment #3, all terms and conditions of the Original Agreement shall continue in full force and effect and otherwise remain unchanged.

IN WITNESS WHEREOF, each of the parties has executed this Amendment # 3 to the Agreement, in the case of the Company by their duly authorized officers, as of the day and year first above written.

"COMPANY"
Upland Software, Inc.

By: ____
Name:
Title:

"EXECUTIVE"

John T. McDonald

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

I, John T. McDonald, certify that:

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

Date: May 2, 2024

/s/ John T. McDonald

John T. McDonald

Chief Executive Officer

(Principal Executive Officer)

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

I, Michael D. Hill, certify that:

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

Date: May 2, 2024

/s/ Michael D. Hill

Michael D. Hill

Chief Financial Officer

(Principal Financial Officer)

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

In connection with the Quarterly Report of Upland Software, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John T. McDonald, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 2, 2024

/s/ John T. McDonald

John T. McDonald

Chief Executive Officer

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

In connection with the Quarterly Report of Upland Software, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael D. Hill, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: May 2, 2024

/s/ Michael D. Hill

Michael D. Hill

Chief Financial Officer