

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 03, 2023

Altair Engineering Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation)

001-38263
(Commission File Number)

38-2591828
(IRS Employer
Identification No.)

1820 E. Big Beaver Road
Troy, Michigan
(Address of Principal Executive Offices)

48083
(Zip Code)

Registrant's Telephone Number, Including Area Code: (248) 614-2400

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock \$0.0001 par value per share	ALTR	The Nasdaq Global Select Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition.

On August 3, 2023, Altair Engineering Inc. issued a press release disclosing its financial information and operating metrics for its second quarter and six months ended June 30, 2023. A copy of the press release is being furnished as [Exhibit 99.1](#) to this Report on Form 8-K.

The information in this Report on Form 8-K and [Exhibit 99.1](#) attached hereto is intended to be furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”) or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

Exhibit 99.1 [Press Release issued by Altair Engineering Inc. dated August 3, 2023, furnished hereto.](#)
Exhibit 104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

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 hereunto duly authorized.

ALTAIR ENGINEERING INC.

Date: August 3, 2023

By:

/s/ Matthew Brown

Matthew Brown
Chief Financial Officer

Altair Announces Second Quarter 2023 Financial Results***Software Product Revenue and Total Revenue Above the High End of Guidance Range***

TROY, Mich. – August 3, 2023 – Altair (Nasdaq: ALTR), a global leader in computational science and artificial intelligence, today released its financial results for the second quarter and six months ended June 30, 2023.

“Altair had a solid second quarter of 2023, with software product revenue and total revenue above the high end of guidance,” said James Scapa, founder, chairman and chief executive officer of Altair. “Our Q2 performance aligns well with our guidance for the full year and demonstrates our continued success and strength.”

“We’re pleased with the outperformance we’ve seen in the first half of the year,” said Matt Brown, chief financial officer of Altair. “Our strong first half has been fueled by growth across a number of verticals and particularly in aerospace, defense, technology, and automotive, where demand for our products is robust.”

Second Quarter 2023 Financial Highlights

- Software product revenue was \$125.3 million compared to \$116.9 million for the second quarter of 2022, an increase of 7.2% in reported currency and 9.4% in constant currency
 - Total revenue was \$141.2 million compared to \$132.7 million for the second quarter of 2022, an increase of 6.4% in reported currency and 8.4% in constant currency
 - Net loss was \$(22.3) million compared to net loss of \$(33.8) million for the second quarter of 2022. Net loss per share, diluted was \$(0.28) based on 80.0 million diluted weighted average common shares outstanding, compared to net loss per share, diluted of \$(0.43) for the second quarter of 2022, based on 78.9 million diluted weighted average common shares outstanding. Net loss margin was -15.8% compared to net loss margin of -25.5% for the second quarter of 2022
 - Non-GAAP net income was \$13.2 million, compared to non-GAAP net income of \$10.9 million for the second quarter of 2022, an increase of 21.6%. Non-GAAP net income per share, diluted was \$0.15 based on 88.4 million non-GAAP diluted common shares outstanding, compared to non-GAAP net income per share, diluted of \$0.13 for the second quarter of 2022, based on 86.3 million non-GAAP diluted common shares outstanding
 - Adjusted EBITDA was \$17.1 million compared to \$16.4 million for the second quarter of 2022, an increase of 3.7%. Adjusted EBITDA margin was 12.1% compared to 12.4% for the second quarter of 2022
 - Cash provided by operating activities was \$30.0 million, compared to \$12.3 million for the second quarter of 2022
 - Free cash flow was \$25.6 million, compared to \$11.0 million for the second quarter of 2022.
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Business Outlook

Based on information available as of today, Altair is issuing the following guidance for the third quarter and full year 2023:

(in millions, except %)	Third Quarter 2023		Full Year 2023	
Software Product Revenue	\$ 111	to \$ 113	\$ 548	to \$ 558
<i>Growth Rate</i>	7.0%	8.9%	8.2%	10.2%
<i>Growth Rate - Constant Currency</i>	5.8%	7.7%	9.1%	11.0%
Total Revenue	\$ 126	\$ 128	\$ 611	\$ 621
<i>Growth Rate</i>	5.6%	7.2%	6.8%	8.5%
<i>Growth Rate - Constant Currency</i>	4.4%	6.1%	7.5%	9.3%
Net Loss	\$ (22.8)	\$ (20.9)	\$ (15.3)	\$ (5.6)
Non-GAAP Net Income	\$ 2.9	\$ 4.4	\$ 89.9	\$ 97.3
Adjusted EBITDA	\$ 3	\$ 5	\$ 119	\$ 129
Net Cash Provided by Operating Activities			\$ 120	\$ 128
Free Cash Flow			\$ 108	\$ 116

The following table provides a reconciliation of Full Year 2023 guidance to the last guidance provided in May:

(in millions)	(Unaudited)			
	Full Year 2023			
	Midpoint of Guidance in May	Increase/ (Decrease)	Currency Fluctuations from Prior Guidance	Midpoint of Guidance in August
Software Product Revenue	\$ 556.0	\$ —	\$ (3.0)	\$ 553.0
Total Revenue	\$ 619.0	\$ —	\$ (3.0)	\$ 616.0
Adjusted EBITDA	\$ 125.0	\$ —	\$ (1.0)	\$ 124.0

Conference Call Information

What: Altair's Second Quarter 2023 Financial Results Conference Call
When: Thursday, August 3, 2023
Time: 5 p.m. ET
Webcast: <http://investor.altair.com> (live & replay)

Non-GAAP Financial Measures

This press release contains the following non-GAAP financial measures: Non-GAAP Net Income, Non-GAAP Net Income Per Share, Billings, Adjusted EBITDA, Free Cash Flow, Non-GAAP Gross Profit and Non-GAAP Operating Expense.

Altair believes that these non-GAAP measures of financial results provide useful information to management and investors regarding certain financial and business trends relating to its financial condition and results of operations. The Company's management uses these non-GAAP measures to compare the Company's performance to that of prior periods for trend analysis, for purposes of determining executive and senior management incentive compensation and for budgeting and planning purposes. The Company also believes that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the Company's financial measures with other software companies, many of which present similar non-GAAP financial measures to investors.

Non-GAAP net income excludes stock-based compensation, amortization of intangible assets related to acquisitions, restructuring charges, asset impairment charges, non-cash interest expense, other special items as identified by management and described elsewhere in this press release, and the impact of non-GAAP tax rate to income tax expense, which approximates our tax rate excluding discrete items and other specific events that can fluctuate from period to period.

Non-GAAP diluted common shares includes the diluted weighted average shares outstanding per GAAP regardless of whether the Company is in a loss position.

Billings consists of total revenue plus the change in deferred revenue, excluding deferred revenue from acquisitions.

Adjusted EBITDA represents net income adjusted for income tax expense, interest expense, interest income and other, depreciation and amortization, stock-based compensation expense, restructuring charges, asset impairment charges and other special items as identified by management and described elsewhere in this press release.

Free cash flow consists of cash flow from operations less capital expenditures.

Non-GAAP gross profit represents gross profit adjusted for stock-based compensation expense, restructuring expense and other special items as identified by management and described elsewhere in this press release.

Non-GAAP operating expense represents operating expense excluding stock-based compensation expense, amortization, restructuring charges, asset impairment charges and other special items as identified by management and described elsewhere in this press release.

Company management does not consider these non-GAAP measures in isolation or as an alternative to financial measures determined in accordance with GAAP. The principal limitation of these non-GAAP financial measures is that they exclude significant expenses and income that are required by GAAP to be recorded in the Company's financial statements. In addition, they are subject to inherent limitations as they reflect the exercise of judgment by management about which expenses and income are excluded or included in determining these non-GAAP financial measures. Altair urges investors to review the reconciliation of its non-GAAP financial measures to the comparable GAAP financial measures, which it includes in press releases announcing quarterly financial results, including this press release, and not to rely on any single financial measure to evaluate the Company's business.

Reconciliation tables of the most comparable GAAP financial measures to the non-GAAP financial measures used in this press release are included with the financial tables at the end of this release.

About Altair

Altair is a global leader in computational science and artificial intelligence (AI) that provides software and cloud solutions in simulation, high-performance computing (HPC), data analytics and AI. Altair enables organizations across all industries to compete more effectively and drive smarter decisions in an increasingly connected world – all while creating a greener, more sustainable future. To learn more, please visit www.altair.com.

Cautionary Language Concerning Forward-Looking Statements

This press release contains “forward-looking statements” within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, our guidance for the third quarter and full year 2023, our statements regarding our expectations for 2023, and our reconciliations of projected non-GAAP financial measures. These forward-looking statements are made as of the date of this release and are based on current expectations, estimates, forecasts and projections as well as the beliefs and assumptions of management. Words such as “expect,” “anticipate,” “should,” “believe,” “hope,” “target,” “project,” “goals,” “estimate,” “potential,” “predict,” “may,” “will,” “might,” “could,” “intend,” variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond Altair's control. Altair's actual results could differ materially from those stated or implied in our forward-looking statements due to a number of factors, including but not limited to, the risks detailed in Altair's quarterly and annual reports filed with the Securities and Exchange Commission as well as other documents that may be filed by the Company from time to time with the Securities and Exchange Commission. Past performance is not necessarily indicative of future results. The forward-looking statements included in this press release represent Altair's views as of the date of this press release. The Company anticipates that subsequent events and developments will cause its views to change. Altair undertakes no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements should not be relied upon as representing Altair's views as of any date subsequent to the date of this press release.

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ALTAIR ENGINEERING INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands)	June 30, 2023 (Unaudited)	December 31, 2022
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 418,338	\$ 316,146
Accounts receivable, net	124,260	170,279
Income tax receivable	14,505	11,259
Prepaid expenses and other current assets	29,678	29,142
Total current assets	586,781	526,826
Property and equipment, net	39,107	37,517
Operating lease right of use assets	30,284	33,601
Goodwill	453,093	449,048
Other intangible assets, net	94,642	107,609
Deferred tax assets	8,183	9,727
Other long-term assets	43,717	40,410
TOTAL ASSETS	\$ 1,255,807	\$ 1,204,738
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,682	\$ 10,434
Accrued compensation and benefits	35,951	42,456
Current portion of operating lease liabilities	9,557	10,396
Other accrued expenses and current liabilities	66,044	56,371
Deferred revenue	121,853	113,081
Current portion of convertible senior notes, net	81,161	—
Total current liabilities	319,248	232,738
Convertible senior notes, net	225,320	305,604
Operating lease liabilities, net of current portion	21,337	24,065
Deferred revenue, non-current	26,694	31,379
Other long-term liabilities	42,993	41,216
TOTAL LIABILITIES	635,592	635,002
Commitments and contingencies		
STOCKHOLDERS' EQUITY:		
Preferred stock (\$0.0001 par value), authorized 45,000 shares, none issued and outstanding	—	—
Common stock (\$0.0001 par value)		
Class A common stock, authorized 513,797 shares, issued and outstanding 53,951 and 52,277 shares as of June 30, 2023, and December 31, 2022, respectively	5	5
Class B common stock, authorized 41,203 shares, issued and outstanding 27,175 and 27,745 shares as of June 30, 2023, and December 31, 2022	3	3
Additional paid-in capital	790,184	721,307
Accumulated deficit	(145,816)	(121,577)
Accumulated other comprehensive loss	(24,161)	(30,002)
TOTAL STOCKHOLDERS' EQUITY	620,215	569,736
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,255,807	\$ 1,204,738

ALTAIR ENGINEERING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue				
License	\$ 87,738	\$ 82,688	\$ 200,147	\$ 188,857
Maintenance and other services	37,583	34,205	74,817	68,933
Total software	125,321	116,893	274,964	257,790
Software related services	6,664	7,376	13,764	16,437
Total software and related services	131,985	124,269	288,728	274,227
Client engineering services	8,034	7,047	15,810	15,059
Other	1,142	1,340	2,657	3,151
Total revenue	141,161	132,656	307,195	292,437
Cost of revenue				
License	3,981	4,120	8,805	8,807
Maintenance and other services	13,639	12,884	28,065	25,603
Total software *	17,620	17,004	36,870	34,410
Software related services	5,308	5,464	10,924	11,499
Total software and related services	22,928	22,468	47,794	45,909
Client engineering services	6,767	5,914	13,391	12,555
Other	1,102	1,141	2,347	2,662
Total cost of revenue	30,797	29,523	63,532	61,126
Gross profit	110,364	103,133	243,663	231,311
Operating expenses:				
Research and development *	55,277	50,437	108,528	97,516
Sales and marketing *	44,982	41,153	88,474	78,993
General and administrative *	18,622	18,370	36,573	35,796
Amortization of intangible assets	7,625	6,208	15,439	12,111
Other operating expense (income), net	127	(5,767)	5,732	(6,548)
Total operating expenses	126,633	110,401	254,746	217,868
Operating (loss) income	(16,269)	(7,268)	(11,083)	13,443
Interest expense	1,528	700	3,054	1,285
Other (income) expense, net	(4,195)	21,907	(7,808)	23,975
Loss before income taxes	(13,602)	(29,875)	(6,329)	(11,817)
Income tax expense	8,678	3,899	17,910	10,429
Net loss	\$ (22,280)	\$ (33,774)	\$ (24,239)	\$ (22,246)
Loss per share:				
Net loss per share attributable to common stockholders, basic and diluted	\$ (0.28)	\$ (0.43)	\$ (0.30)	\$ (0.28)
Weighted average shares outstanding:				
Weighted average number of shares used in computing net loss per share, basic and diluted	79,986	78,948	80,088	79,204

* Amounts include stock-based compensation expense as follows (in thousands):

(in thousands)	(Unaudited)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cost of revenue – software	\$ 2,572	\$ 2,030	\$ 5,324	\$ 3,933
Research and development	9,943	8,979	18,686	16,337
Sales and marketing	7,581	7,664	15,172	14,699
General and administrative	3,640	2,527	6,715	4,845
Total stock-based compensation expense	<u>\$ 23,736</u>	<u>\$ 21,200</u>	<u>\$ 45,897</u>	<u>\$ 39,814</u>

(in thousands)	(Unaudited)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Employee stock-based compensation plans	\$ 19,189	\$ 14,873	\$ 37,673	\$ 28,132
Post combination expense in connection with acquisitions	4,547	6,327	8,224	11,682
Total stock-based compensation expense	<u>\$ 23,736</u>	<u>\$ 21,200</u>	<u>\$ 45,897</u>	<u>\$ 39,814</u>

ALTAIR ENGINEERING INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

(In thousands)	Six Months Ended June 30,	
	2023	2022
OPERATING ACTIVITIES:		
Net loss	\$ (24,239)	\$ (22,246)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	19,488	15,819
Stock-based compensation expense	45,897	39,814
Amortization of debt issuance costs	930	829
Deferred income taxes	2,015	(64)
Loss (gain) on mark-to-market adjustment of contingent consideration	7,987	(5,304)
Expense on repurchase of convertible senior notes	—	16,621
Other, net	405	229
Changes in assets and liabilities:		
Accounts receivable, net	45,077	29,270
Prepaid expenses and other current assets	(3,166)	2,056
Other long-term assets	(2,516)	4,397
Accounts payable	(5,529)	(2,070)
Accrued compensation and benefits	(6,591)	(9,742)
Other accrued expenses and current liabilities	4,857	(61,648)
Deferred revenue	4,614	10,080
Net cash provided by operating activities	89,229	18,041
INVESTING ACTIVITIES:		
Capital expenditures	(6,184)	(3,457)
Payments for acquisition of businesses, net of cash acquired	(721)	(37,660)
Other investing activities, net	(1,452)	(322)
Net cash used in investing activities	(8,357)	(41,439)
FINANCING ACTIVITIES:		
Proceeds from the exercise of common stock options	23,507	1,689
Payments for repurchase and retirement of common stock	(6,255)	(4,387)
Proceeds from employee stock purchase plan contributions	3,797	4,431
Proceeds from issuance of convertible senior notes, net of discounts and commissions	—	224,265
Repurchase of convertible senior notes	—	(192,792)
Payments of debt issuance costs	—	(1,157)
Other financing activities	(48)	(131)
Net cash provided by financing activities	21,001	31,918
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(44)	(6,226)
Net increase in cash, cash equivalents and restricted cash	101,829	2,294
Cash, cash equivalents and restricted cash at beginning of year	316,958	414,012
Cash, cash equivalents and restricted cash at end of period	\$ 418,787	\$ 416,306

Financial Results

The following table provides a reconciliation of Non-GAAP net income and Non-GAAP net income per share – diluted, to net loss and net loss per share – diluted, the most comparable GAAP financial measures:

(in thousands, except per share amounts)	(Unaudited)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net loss	\$ (22,280)	\$ (33,774)	\$ (24,239)	\$ (22,246)
Stock-based compensation expense	23,736	21,200	45,897	39,814
Amortization of intangible assets	7,625	6,208	15,439	12,111
Non-cash interest expense	465	422	930	839
Impact of non-GAAP tax rate ⁽¹⁾	4,033	79	2,100	(4,957)
Special adjustments and other ⁽²⁾	(361)	16,737	4,870	18,229
Non-GAAP net income	\$ 13,218	\$ 10,872	\$ 44,997	\$ 43,790
Net loss per share, diluted	\$ (0.28)	\$ (0.43)	\$ (0.30)	\$ (0.28)
Non-GAAP net income per share, diluted	\$ 0.15	\$ 0.13	\$ 0.51	\$ 0.51
GAAP diluted shares outstanding	79,986	78,948	80,088	79,204
Non-GAAP diluted shares outstanding	88,383	86,281	88,735	86,516

(1) The Company uses a non-GAAP effective tax rate of 26%.

(2) The three months ended June 30, 2023, includes \$1.0 million loss from a mark-to-market adjustment of contingent consideration associated with the World Programming acquisition and \$1.3 million currency gains on acquisition-related intercompany loans. The three months ended June 30, 2022, includes \$16.6 million expense on repurchase of convertible senior notes, \$5.4 million currency losses on acquisition-related intercompany loans, and a \$5.3 million gain from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. The six months ended June 30, 2023, includes \$8.0 million loss from a mark-to-market adjustment of contingent consideration associated with the World Programming acquisition and \$3.1 million currency gains on acquisition-related intercompany loans. The six months ended June 30, 2022, includes \$16.6 million expense on repurchase of convertible senior notes, \$6.9 million currency losses on acquisition-related intercompany loans and a \$5.3 million gain from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition.

The following table provides a reconciliation of Adjusted EBITDA to net loss, the most comparable GAAP financial measure:

(in thousands)	(Unaudited)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net loss	\$ (22,280)	\$ (33,774)	\$ (24,239)	\$ (22,246)
Income tax expense	8,678	3,899	17,910	10,429
Stock-based compensation expense	23,736	21,200	45,897	39,814
Interest expense	1,528	700	3,054	1,285
Depreciation and amortization	9,738	8,133	19,488	15,819
Special adjustments, interest income and other ⁽¹⁾	(4,344)	16,282	(1,999)	17,929
Adjusted EBITDA	\$ 17,056	\$ 16,440	\$ 60,111	\$ 63,030

(1) The three months ended June 30, 2023, includes \$1.0 million loss from a mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, \$4.0 million of interest income, and \$1.3 million currency gains on acquisition-related intercompany loans. The three months ended June 30, 2022, includes \$16.6 million expense on repurchase of convertible senior notes, \$5.4 million currency losses on acquisition-related intercompany loans, and a \$5.3 million gain from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. The six months ended June 30, 2023, includes \$8.0 million loss from a mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, \$6.9 million of interest income, and \$3.1 million currency gains on acquisition-related intercompany loans. The six months ended June 30, 2022, includes \$16.6 million expense on repurchase of convertible senior notes, \$6.9 million currency losses on acquisition-related intercompany loans and a \$5.3 million gain from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition.

The following table provides a reconciliation of Free Cash Flow to net cash provided by operating activities, the most comparable GAAP financial measure:

(in thousands)	(Unaudited)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net cash provided by operating activities ⁽¹⁾	\$ 30,030	\$ 12,255	\$ 89,229	\$ 18,041
Capital expenditures	(4,457)	(1,267)	(6,184)	(3,457)
Free cash flow ⁽¹⁾	<u>\$ 25,573</u>	<u>\$ 10,988</u>	<u>\$ 83,045</u>	<u>\$ 14,584</u>

(1) The six months ended June 30, 2022, includes a \$65.9 million payment in January 2022 for a damages judgement assumed as part of an acquisition in December 2021.

The following table provides a reconciliation of Non-GAAP gross profit to gross profit, the most comparable GAAP financial measure, and a comparison of Non-GAAP gross margin (Non-GAAP gross profit as a percentage of total revenue) to gross margin (gross profit as a percentage of total revenue), the most comparable GAAP financial measure:

(in thousands)	(Unaudited)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Gross profit	\$ 110,364	\$ 103,133	\$ 243,663	\$ 231,311
Stock-based compensation expense	2,572	2,030	5,324	3,933
Non-GAAP gross profit	<u>\$ 112,936</u>	<u>\$ 105,163</u>	<u>\$ 248,987</u>	<u>\$ 235,244</u>
Gross profit margin	78.2%	77.7%	79.3%	79.1%
Non-GAAP gross margin	80.0%	79.3%	81.1%	80.4%

The following table provides a reconciliation of Non-GAAP operating expense to Total operating expense, the most comparable GAAP financial measure:

(in thousands)	(Unaudited)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Total operating expense	\$ 126,633	\$ 110,401	\$ 254,746	\$ 217,868
Stock-based compensation expense	(21,164)	(19,170)	(40,573)	(35,881)
Amortization	(7,625)	(6,208)	(15,439)	(12,111)
(Loss) gain on mark-to-market adjustment of contingent consideration	(981)	5,304	(7,987)	5,304
Non-GAAP operating expense	<u>\$ 96,863</u>	<u>\$ 90,327</u>	<u>\$ 190,747</u>	<u>\$ 175,180</u>

The following table provides a reconciliation of Billings to revenue, the most comparable GAAP financial measure:

(in thousands)	(Unaudited)			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Revenue	\$ 141,161	\$ 132,656	\$ 307,195	\$ 292,437
Ending deferred revenue	148,547	112,926	148,547	112,926
Beginning deferred revenue	(141,943)	(118,403)	(144,460)	(106,032)
Deferred revenue acquired	—	(1,756)	—	(2,572)
Billings	<u>\$ 147,765</u>	<u>\$ 125,423</u>	<u>\$ 311,282</u>	<u>\$ 296,759</u>

The following table provides revenue, Billings and Adjusted EBITDA on a constant currency basis:

(in thousands)	(Unaudited)						
	Three Months Ended June 30, 2023			Three Months Ended June 30, 2022		Increase/ (Decrease) %	
	As reported	Currency changes	As adjusted for constant currency	As reported	As reported	As adjusted for constant currency	
Software revenue	\$ 125.3	\$ 2.6	\$ 127.9	\$ 116.9		7.2%	9.4%
Total revenue	\$ 141.2	\$ 2.7	\$ 143.9	\$ 132.7		6.4%	8.4%
Billings	\$ 147.8	\$ 2.3	\$ 150.1	\$ 125.4		17.8%	19.6%
Adjusted EBITDA	\$ 17.1	\$ 1.4	\$ 18.5	\$ 16.4		3.7%	12.8%

(in thousands)	(Unaudited)						
	Six Months Ended June 30, 2023			Six Months Ended June 30, 2022		Increase/ (Decrease) %	
	As reported	Currency changes	As adjusted for constant currency	As reported	As reported	As adjusted for constant currency	
Software revenue	\$ 275.0	\$ 7.9	\$ 282.9	\$ 257.8		6.7%	9.7%
Total revenue	\$ 307.2	\$ 8.5	\$ 315.7	\$ 292.4		5.0%	7.9%
Billings	\$ 311.3	\$ 8.6	\$ 319.9	\$ 296.8		4.9%	7.8%
Adjusted EBITDA	\$ 60.1	\$ 3.8	\$ 63.9	\$ 63.0		-4.6%	1.5%

Business Outlook

The following table provides a reconciliation of projected Non-GAAP net income to projected net loss, the most comparable GAAP financial measure:

(in thousands)	(Unaudited)			
	Three Months Ending September 30, 2023		Year Ending December 31, 2023	
	Low	High	Low	High
Net loss	\$ (22,800)	\$ (20,900)	\$ (15,300)	\$ (5,600)
Stock-based compensation expense	18,200	18,200	82,200	82,200
Amortization of intangible assets	7,600	7,600	30,400	30,400
Non-cash interest expense	500	500	1,800	1,800
Impact of non-GAAP tax rate ⁽¹⁾	(600)	(1,000)	(14,100)	(16,400)
Special adjustments and other ⁽²⁾	—	—	4,900	4,900
Non-GAAP net income	\$ 2,900	\$ 4,400	\$ 89,900	\$ 97,300

(1) The Company uses a non-GAAP effective tax rate of 26%.

(2) The year ending December 31, 2023, includes \$8.0 million loss from a mark-to-market adjustment of contingent consideration associated with the World Programming acquisition and \$3.1 million currency gains on acquisition-related intercompany loans.

The following table provides a reconciliation of projected Adjusted EBITDA to projected net loss, the most comparable GAAP financial measure:

(in thousands)	(Unaudited)			
	Three Months Ending September 30, 2023		Year Ending December 31, 2023	
	Low	High	Low	High
Net loss	\$ (22,800)	\$ (20,900)	\$ (15,300)	\$ (5,600)
Income tax expense	400	500	17,500	17,800
Stock-based compensation expense	18,200	18,200	82,200	82,200
Interest (income) expense	(2,500)	(2,500)	(9,000)	(9,000)
Depreciation and amortization	9,700	9,700	38,700	38,700
Special adjustments and other ⁽¹⁾	—	—	4,900	4,900
Adjusted EBITDA	\$ 3,000	\$ 5,000	\$ 119,000	\$ 129,000

(1) The year ending December 31, 2023, includes \$8.0 million loss from a mark-to-market adjustment of contingent consideration associated with the World Programming acquisition and \$3.1 million currency gains on acquisition-related intercompany loans.

The following table provides a reconciliation of projected Free Cash Flow to projected net cash provided by operating activities, the most comparable GAAP financial measure:

(in thousands)	(Unaudited)	
	Year Ending December 31, 2023	
	Low	High
Net cash provided by operating activities	\$ 120,200	\$ 128,200
Capital expenditures	(12,200)	(12,200)
Free cash flow	\$ 108,000	\$ 116,000

