UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 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: 001-40575

EverCommerce Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**81-4063248**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3601 Walnut Street, Suite 400 Denver, Colorado	**80205**
(Address of principal executive offices)	(Zip Code)

(720) 647-4948
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.00001 par value	EVCM	The Nasdaq Stock Market LLC

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

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

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

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

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

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

As of August 2, 2024, there were 184,252,867 shares of the registrant's common stock, par value $0.00001, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in 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"). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "targets," "projects," "contemplates," "believes," "estimates," "forecasts," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to statements regarding our future results of operations and financial position, industry and business trends, macroeconomic and market conditions, equity compensation, business strategy, plans, market growth, future acquisitions and other capital expenditures, progress towards remediation of our material weakness and our objectives for future operations.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to, our limited operating history and evolving business; our recent growth rates may not be sustainable or indicative of future growth; we have experienced net losses in the past and we may not achieve profitability in the future; we may continue to experience significant quarterly and annual fluctuations in our operating results due to a number of factors, which makes our future operating results difficult to predict; in order to support the growth of our business and acquisition strategy, we may need to incur additional indebtedness or seek capital through new equity or debt financings; we may not be able to continue to expand our share of our existing vertical markets or expand into new vertical markets; we face intense competition in each of the industries in which we operate; the industries in which we operate are rapidly evolving and subject to consolidation and the market for technology-enabled services that empower small and medium-sized businesses is relatively immature and unproven; we are subject to economic and political risk; we are dependent on payment card networks, such as Visa and MasterCard, and payment processors, such as Worldpay and PayPal, and if we fail to comply with the applicable requirements of the payment networks or our payment processors, they can seek to fine us, suspend us, terminate our agreements and/or terminate our registrations through our bank sponsors; if we cannot keep pace with rapid developments and changes in the electronic payments market or are unable to introduce, develop and market new and enhanced versions of our software solutions we may be put at a competitive disadvantage with respect to our services that incorporated payment technology; real or perceived errors, failures or bugs in our solutions could adversely affect our business results of operations, financial conditions and growth prospects; unauthorized disclosure, destruction or modification of data, disruption of our software or services or cyber breaches could expose us to liability, protracted and costly litigation and damage our reputation; our estimated total addressable market is subject to inherent challenges and uncertainties; failure to effectively develop and expand our sales and marketing capabilities; our ability to increase our customer base and achieve broader market acceptance and utilization of our solutions; our information technology systems and our third-party providers' information technology systems, including Worldpay, PayPal and other payment processing partners, may fail, or our third-party providers may discontinue providing their services or technology generally or to us specifically; failure to improve our margin, in particular within Marketing Technology Solutions; risks related to a future pandemic, epidemic, or outbreak of infectious disease; failure to achieve our objectives through acquisitions, divestitures or other strategic transactions; revenues and profits generated through acquisitions may be less than anticipated and we may fail to uncover all liabilities of acquisition targets; the increasing focus on environmental sustainability and social initiatives; our ability to adequately protect or enforce our intellectual property and other proprietary rights; risk of patent, trademark and other intellectual property infringement claims; risks related to governmental regulation; risks related to our sponsor stockholders agreement and qualifying as a "controlled company" under the rules of The Nasdaq Stock Market; significant increased costs as a result of operating as a public company, and our management is required to devote substantial time to new compliance initiatives; as well as the other factors described in our Annual Report on Form 10-K for the year ended December 31, 2023 ("Annual Report on Form 10-K"), as updated by our other filings with the Securities and Exchange Commission (the "SEC"). The forward-looking statements in this Quarterly Report on Form 10-Q are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference in this Quarterly Report on Form 10-Q and have filed as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. These forward-looking statements speak only as of the date of this Quarterly Report on Form 10-Q. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements
EverCommerce Inc.

Condensed Consolidated Balance Sheets
(in thousands, except per share and share amounts)
(unaudited)

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 86,697	$ 92,609
Restricted cash	—	3,570
Accounts receivable, net of allowance for expected credit losses of $5.8 million and $6.2 million at June 30, 2024 and December 31, 2023, respectively	52,607	45,417
Contract assets	16,351	16,117
Assets held for sale	13,236	—
Prepaid expenses and other current assets	26,846	22,434
Total current assets	195,737	180,147
Property and equipment, net	7,846	9,734
Capitalized software, net	40,631	42,511
Other non-current assets	40,282	42,722
Intangible assets, net	263,927	315,519
Goodwill	918,653	927,431
Total assets	1,467,076	1,518,064
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 11,075	$ 8,638
Accrued expenses and other	55,902	66,265
Deferred revenue	26,870	24,082
Customer deposits	11,863	12,891
Current maturities of long-term debt	5,500	5,500
Liabilities held for sale	5,532	—
Total current liabilities	116,742	117,376
Long-term debt, net of current maturities and deferred financing costs	524,565	526,696
Other non-current liabilities	41,677	47,956
Total liabilities	682,984	692,028
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, $0.00001 par value, 50,000,000 shares authorized and no shares issued or outstanding as of June 30, 2024 and December 31, 2023	—	—
Common stock, $0.00001 par value, 2,000,000,000 shares authorized and 184,581,163 and 186,934,031 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively	2	2
Accumulated other comprehensive loss	(10,610)	(8,017)
Additional paid-in capital	1,434,375	1,454,026
Accumulated deficit	(639,675)	(619,975)
Total stockholders' equity	784,092	826,036
Total liabilities and stockholders' equity	$ 1,467,076	$ 1,518,064

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

EverCommerce Inc.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(in thousands, except per share and share amounts)
(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2024	**2023**	**2024**	**2023**
Revenues:				
Subscription and transaction fees	$ 137,041	$ 130,305	$ 271,765	$ 254,125
Marketing technology solutions	35,007	34,455	65,299	66,243
Other	5,345	5,292	10,442	10,820
Total revenues	177,393	170,052	347,506	331,188
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization presented separately below)	61,347	58,185	118,140	114,131
Sales and marketing	30,952	30,675	60,720	61,574
Product development	20,164	18,331	40,364	37,034
General and administrative	35,654	35,089	69,444	68,952
Depreciation and amortization	21,938	25,990	44,889	51,940
Loss on held for sale and impairments	459	—	11,680	1,063
Total operating expenses	170,514	168,270	345,237	334,694
Operating income (loss)	6,879	1,782	2,269	(3,506)
Interest and other expense, net	(9,552)	(4,761)	(15,343)	(19,949)
Net loss before income tax (expense) benefit	(2,673)	(2,979)	(13,074)	(23,455)
Income tax (expense) benefit	(703)	2,083	(6,626)	1,784
Net loss	(3,376)	(896)	(19,700)	(21,671)
Other comprehensive loss:				
Foreign currency translation gain (loss), net	942	(682)	(2,593)	(781)
Comprehensive loss	$ (2,434)	$ (1,578)	$ (22,293)	$ (22,452)
Basic and diluted net loss per share attributable to common stockholders	$ (0.02)	$ —	$ (0.11)	$ (0.11)
Basic and diluted weighted-average shares of common stock outstanding used in computing net loss per share	185,182,906	188,277,209	185,907,621	189,157,212

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

EverCommerce Inc.
Condensed Consolidated Statements of Stockholders' Equity
(in thousands)
(unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2023	186,934	$ 2	$ 1,454,026	$ (619,975)	$ (8,017)	$ 826,036
Common stock issued upon vesting of restricted stock units	301	—	—	—	—	—
Stock-based compensation	—	—	5,576	—	—	5,576
Stock option exercises	160	—	1,072	—	—	1,072
Repurchase and retirement of common stock, including taxes	(1,234)	—	(12,139)	—	—	(12,139)
Foreign currency translation loss, net	—	—	—	—	(3,535)	(3,535)
Net loss	—	—	—	(16,324)	—	(16,324)
Balance at March 31, 2024	186,161	$ 2	$ 1,448,535	$ (636,299)	$ (11,552)	$ 800,686
Issuance of common stock for Employee Stock Purchase Plan	215	—	1,755	—	—	1,755
Common stock issued upon vesting of restricted stock units	470	—	—	—	—	—
Stock-based compensation	—	—	6,454	—	—	6,454
Stock option exercises	233	—	1,767	—	—	1,767
Repurchase and retirement of common stock, including taxes	(2,498)	—	(24,136)	—	—	(24,136)
Foreign currency translation gain, net	—	—	—	—	942	942
Net loss	—	—	—	(3,376)	—	(3,376)
Balance at June 30, 2024	184,581	$ 2	$ 1,434,375	$ (639,675)	$ (10,610)	$ 784,092

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

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2022	191,447	$ 2	$ 1,489,935	$ (573,046)	$ (10,198)	$ 906,693
Common stock issued upon vesting of restricted stock units	348	—	—	—	—	—
Stock-based compensation	—	—	7,514	—	—	7,514
Stock option exercises	103	—	609	—	—	609
Repurchase and retirement of common stock	(3,124)	—	(29,643)	—	—	(29,643)
Adoption of ASC 326, *Current Expected Credit Losses*	—	—	—	(1,309)	—	(1,309)
Foreign currency translation loss, net	—	—	—	—	(99)	(99)
Net loss	—	—	—	(20,775)	—	(20,775)
Balance at March 31, 2023	188,774	$ 2	$ 1,468,415	$ (595,130)	$ (10,297)	$ 862,990
Issuance of common stock for Employee Stock Purchase Plan	324	—	1,765	—	—	1,765
Common stock issued upon vesting of restricted stock units	404	—	—	—	—	—
Stock-based compensation	—	—	6,241	—	—	6,241
Stock option exercises	38	—	300	—	—	300
Repurchase and retirement of common stock, including taxes	(904)	—	(10,361)	—	—	(10,361)
Foreign currency translation loss, net	—	—	—	—	(682)	(682)
Net loss	—	—	—	(896)	—	(896)
Balance at June 30, 2023	188,636	$ 2	$ 1,466,360	$ (596,026)	$ (10,979)	$ 859,357

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

EverCommerce Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six months ended June 30, 2024	Six months ended June 30, 2023
Cash flows provided by operating activities:		
Net loss	$ (19,700)	$ (21,671)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	44,889	51,940
Stock-based compensation expense	12,030	13,755
Deferred taxes	5,609	(2,119)
Amortization of deferred financing costs and non-cash interest	818	827
Loss on held for sale and impairments	11,690	1,063
Bad debt expense	2,283	3,830
Other non-cash items	(5,154)	(1,442)
Changes in operating assets and liabilities:		
Accounts receivable, net	(10,040)	(7,344)
Prepaid expenses and other current assets	(2,731)	(4,492)
Other non-current assets	(46)	2,681
Accounts payable	2,721	2,591
Accrued expenses and other	(7,360)	1,868
Deferred revenue	3,372	1,978
Other non-current liabilities	(1,165)	(2,319)
Net cash provided by operating activities	37,216	41,146
Cash flows used in investing activities:		
Purchases of property and equipment	(1,036)	(1,201)
Capitalization of software costs	(8,718)	(9,485)
Proceeds from disposition of fitness solutions, net of transaction costs, cash and restricted cash	1,228	—
Net cash used in investing activities	(8,526)	(10,686)
Cash flows used in financing activities:		
Payments on long-term debt	(2,750)	(2,750)
Exercise of stock options	2,839	909
Proceeds from common stock issuance for Employee Stock Purchase Plan	1,755	1,765
Repurchase and retirement of common stock	(36,034)	(39,693)
Net cash used in financing activities	(34,190)	(39,769)
Effect of foreign currency exchange rate changes on cash	(638)	327
Net decrease in cash, cash equivalents and restricted cash, including cash and restricted cash classified as held for sale	(6,138)	(8,982)
Cash, cash equivalents and restricted cash, including cash and restricted cash classified as held for sale:		
Beginning of period	96,179	95,824
End of period	$ 90,041	$ 86,842
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 23,048	$ 22,166
Cash paid for income taxes	$ 3,199	$ 1,871

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

Note 1. Nature of the Business

EverCommerce Inc. and subsidiaries (the “Company” or “EverCommerce”) is a leading provider of integrated software-as-a-service (“SaaS”) solutions or services for service-based small- and medium-sized businesses (“service SMBs”). Our platforms span across the full lifecycle of interactions between consumers and service professionals with vertical-specific applications. As of December 31, 2023, the Company served more than 708,000 customers across three core verticals: Home Services; Health Services; and Fitness & Wellness Services. Excluding the customers associated with the sale of our fitness assets, the Company served more than 690,000 (see Note 4. Disposition and Held for Sale). Within the core verticals, customers operate within numerous micro-verticals, ranging from home service professionals, such as construction contractors and home maintenance technicians, to physician practices and therapists in the Health Services industry, to personal trainers and salon owners in the Fitness & Wellness sectors. The platform provides vertically-tailored SaaS solutions that address service SMBs’ increasingly nuanced demands, as well as highly complementary solutions that provide fully-integrated offerings, allowing service SMBs and EverCommerce to succeed in the market, and provide end consumers more convenient service experiences. The Company is headquartered in Denver, Colorado, and has operations across the United States, Canada, Jordan, United Kingdom, Australia and New Zealand.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2023 and the related notes (“Annual Report on Form 10-K”). The December 31, 2023 consolidated balance sheet was derived from our audited consolidated financial statements as of that date. Our unaudited interim condensed consolidated financial statements include, in the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair statement of the unaudited condensed consolidated financial statements. All intercompany accounts and transactions have been eliminated in consolidation. There have been no significant changes in accounting policies during the six months ended June 30, 2024 from those disclosed in the annual consolidated financial statements for the year ended December 31, 2023 and the related notes. Certain prior year amounts have been reclassified to conform to the current year presentation.

On March 13, 2024, the Company entered into definitive sale and purchase agreements to sell our fitness solutions to Jonas Fitness Portfolio Holdco Inc. (“Jonas Software”) (see Note 4. Disposition and Held for Sale). The sale of American Service Finance LLC., ASF Payment Solutions ULC and Technique Fitness Inc. (collectively, “North American Fitness”), closed simultaneous with signing. The sale of EverCommerce UK, including wholly-owned subsidiaries Fitii UK (MyPTHub and MyPTHub LLC) and ClubWise UK and its wholly-owned subsidiary ClubWise Australia (collectively, “UK Fitness”), closed on July 1, 2024 (see Note 19. Subsequent Event). The divestiture did not qualify for reporting as a discontinued operation. As a result, our unaudited condensed consolidated financial statements include the results of North American Fitness for all periods through the date of sale, while UK Fitness is classified as held for sale prospectively from the date of signing through June 30, 2024. Unless otherwise specified, the amounts and information presented in the notes to the unaudited condensed consolidated financial statements do not include assets and liabilities that have been reclassified as held for sale as of June 30, 2024.

The operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results expected for the full year ending December 31, 2024.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain amounts reported in the unaudited condensed consolidated financial statements, including the accompanying notes. The Company bases its estimates on historical factors, current circumstances, and the experience and judgment of management. The Company evaluates its estimates and assumptions on an ongoing basis. Actual results could differ from those estimates. Significant items subject to such estimates reflected in the unaudited condensed consolidated financial statements include: the estimation of the recoverability of goodwill and other intangible assets; income tax uncertainties, including valuation allowance for deferred tax assets and value of any uncertain tax positions; recognizing bad debt expense from expected credit losses, recognizing stock-based compensation expense and estimating standalone selling price, when applicable, for the allocation of transaction price when multiple performance obligations are included in a contract with a customer.

Assets and Liabilities Held for Sale

The Company classifies assets and liabilities as held for sale (the "disposal group") in the period when all the relevant classification criteria have been met. Assets and liabilities held for sale are measured at the lower of carrying value or fair value less costs to sell. Any loss resulting from the measurement is recognized in the period in which the held for sale criteria are met. Conversely, gains are not recognized on the sale of the disposal group until the date of sale. The fair value of the disposal group, less any costs to sell, will be reassessed during each subsequent reporting period it remains classified as held for sale, and any subsequent changes will be reported as an adjustment to the carrying value of the disposal group until the disposal group is no longer classified as held for sale. Upon determining that the disposal group meets the criteria to be classified as held for sale, the Company discontinues depreciation and amortization and the related assets and liabilities are reported as held for sale on the unaudited condensed consolidated balance sheets.

Emerging Growth Company

As an emerging growth company ("EGC"), the Jumpstart Our Business Startups Act ("JOBS Act") allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are applicable to private companies. The Company has elected to use the extended transition period under the JOBS Act until the earlier of the date that it is (i) no longer an EGC or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates. The adoption dates are discussed below to reflect this election within the *"Recently Issued Accounting Pronouncements"* section.

Recently Issued Accounting Pronouncements

We evaluate all Accounting Standards Updates ("ASUs) issued by the Financial Accounting Standards Board (the "FASB") for consideration of their applicability. ASUs not included in the disclosures in this report were assessed and determined to be either not applicable or are not expected to have a material impact on our consolidated financial statements.

Accounting pronouncements issued and adopted

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326); Measurement of Credit Losses on Financial Instruments,* which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost, which includes the Company's accounts receivable and contract assets. This updated standard is effective for annual reporting periods beginning after December 15, 2022. The Company adopted this ASU for the year ended December 31, 2023 and it did not have a material impact on the financial statements.

Accounting pronouncements not yet adopted

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting - Improving Reportable Segment Disclosures (Topic 280)*. The update is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant expenses. The ASU requires disclosures to include significant segment expenses that are regularly provided to the CODM, an amount and description of the composition of other segment items by reportable segment, and any additional measures of a segment's profit or loss used by the CODM when deciding how to allocate resources. The ASU also requires all annual disclosures currently required by Topic 280 to be included in interim periods. All disclosure requirements under ASU 2023-07 are also required for public entities with a single reportable segment. The amendments in this update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The amendments should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of adopting the amendments in this update on its consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This update is intended to improve transparency of income tax disclosure by requiring consistent categories and greater disaggregation within the rate reconciliation and disaggregation of income taxes paid by jurisdiction. The amendments in this update are effective for annual periods beginning after December 15, 2024 with early adoption permitted. The amendments in this update should be applied on a prospective basis with retrospective application permitted. The Company is currently evaluating the impact of adopting this update on its consolidated financial statements and disclosures. However, we do not expect that the adoption of this guidance will have a material impact on our consolidated financial statements.

Note 3. Kickserv Acquisition

On August 10, 2023, the Company acquired 100% of the interest of Norman's Dojo Inc. ("Kickserv"), a provider of field service management software for home service businesses for approximately $15 million in cash. The acquisition adds offerings for SMBs across diversified portfolios with an opportunity to capture a broader segment of new customers within the Home Services vertical.

We accounted for the acquisition as a business combination under ASC 805, *Business Combinations*. Accordingly, the Company recorded identifiable assets acquired and liabilities assumed at their acquisition date estimated fair values, with any excess consideration recognized as goodwill. Goodwill primarily represents the value associated with the assembled workforce and expected synergies subsumed into goodwill. The goodwill recognized as a result of the acquisition of Kickserv is not deductible for tax purposes.

We measured the identifiable assets and liabilities assumed at their acquisition date estimated fair values separately from goodwill, which represent Level 3 fair value measurements as defined in ASC 820, *Fair Value Measurement*. The estimated fair values were determined by management using the assistance of third-party valuation specialists. The valuation methods used to determine the estimated fair value of intangible assets included the income approach—relief from royalty method for developed technology with an estimated useful life of five years, and the income approach—multi period excess earnings method for customer relationships with an estimated useful life of 13 years. A number of assumptions and estimates were involved in the application of these valuation methods, including revenue forecasts, expected competition, costs of revenues, obsolescence, tax rates, capital spending, customer attrition rates, discount rates and working capital changes. Cash flow forecasts were generally based on pre-acquisition forecasts coupled with estimated revenues and cost synergies available to a market participant.

Each acquisition allows for an adjustment to the purchase price to be made subsequent to the transaction closing date based on the actual amount of working capital and cash delivered to the Company. The consideration paid and purchase price allocations disclosed reflect the effects of these adjustments.

The financial results of Kickserv since the closing through June 30, 2024, were not material to our condensed consolidated financial statements, nor were they material to our prior period consolidated results on a pro forma basis.

The following table summarizes the estimated fair values of consideration transferred, assets acquired and liabilities assumed at the acquisition date:

	August 10, 2023
	(in thousands)
Total consideration transferred:	
Cash	$ 14,974
Net assets acquired:	
Prepaid expenses and other assets	$ 51
Intangibles—definite lived	3,155
Goodwill	12,497
Accounts payable, accrued expenses and other	(11)
Deferred tax liability, net	(397)
Deferred revenue	(274)
Other non-current liabilities	(47)
Total net assets acquired	$ 14,974

Note 4. Disposition and Held for Sale

On March 13, 2024, we entered into definitive sale and purchase agreements to sell our fitness solutions to Jonas Software. The sale of North American Fitness closed simultaneously with signing. The sale of UK Fitness closed July 1, 2024 (see Note 19. Subsequent Event). During the three and six months ended June 30, 2024, we recognized losses of $0.2 million and $5.0 million, respectively, related to the disposal of North American Fitness, which are included in loss on held for sale and impairments on our unaudited condensed consolidated statements of operations and comprehensive loss. During the three months ended March 31, 2024, we recognized a $3.4 million goodwill impairment charge representing the allocated goodwill to North American Fitness, which is included in loss on held for sale and impairments on the unaudited condensed consolidated statements of operations and comprehensive loss.

The UK Fitness disposal group met the held for sale criteria upon entering into the definitive sale and purchase agreements. As such, the assets and liabilities of the disposal group are classified as held for sale on our unaudited condensed consolidated balance sheets as of June 30, 2024 but did not qualify as discontinued operations as it did not represent a strategic shift that will have a material effect on the Company's operations and financial results. During the three and six months ended June 30, 2024, we measured the assets and liabilities held for sale at fair value less costs to sell and recognized losses of $0.3 million and $2.9 million, respectively, which are included in loss on held for sale and impairments on our unaudited condensed consolidated statements of operations and comprehensive loss. The loss during the three months ended June 30, 2024 was primarily due to an increase in our accrual of estimated costs to sell.

The components of assets and liabilities classified as held for sale on our condensed consolidated balance sheets as of June 30, 2024 were as follows:

		June 30, 2024
		(in thousands)
Assets:		
Cash and cash equivalents	$	1,553
Restricted cash		1,791
Accounts receivable, net		195
Prepaid expenses and other current assets		142
Property and equipment, net		202
Capitalized software, net		2,320
Other non-current assets		912
Intangible assets, net		6,024
Goodwill		2,971
Total assets		16,110
Valuation allowance		(2,874)
Assets held for sale	$	13,236
Liabilities:		
Accounts payable	$	247
Accrued expenses and other		2,559
Deferred revenue		257
Other long-term liabilities		2,469
Liabilities held for sale		5,532
Currency translation adjustment		1,022
Assets held for sale, net	$	8,726

Note 5. Revenue

Disaggregation of Revenue

The following tables present a disaggregation of our revenue from contracts with customers by revenue recognition pattern and geographical market:

	Three months ended June 30,				Six months ended June 30,			
	2024		2023		2024		2023	
	(in thousands)							
By pattern of recognition (timing of transfer of services):								
Point in time	$	14,719	$	15,419	$	29,376	$	30,157
Over time		162,674		154,633		318,130		301,031
Total	$	177,393	$	170,052	$	347,506	$	331,188
By geographical market:								
United States	$	162,669	$	152,512	$	313,690	$	301,477
International		14,724		17,540		33,816		29,711
Total	$	177,393	$	170,052	$	347,506	$	331,188

Contract Balances

Supplemental balance sheet information related to contracts from customers as of:

	June 30, 2024	December 31, 2023
	(in thousands)	
Accounts receivable, net	$ 52,607	$ 45,417
Contract assets	$ 16,351	$ 16,117
Deferred revenue	$ 26,870	$ 24,082
Customer deposits	$ 11,863	$ 12,891
Long-term deferred revenue	$ 838	$ 2,168

Accounts receivable, net: Accounts receivable, net of allowance for expected credit losses, represent rights to consideration in exchange for products or services that have been transferred by us, when payment is unconditional and only the passage of time is required before payment is due.

Contract assets: Contract assets represent rights to consideration in exchange for products or services that have been transferred (i.e., the performance obligation or portion of the performance obligation has been satisfied), but payment is conditional on something other than the passage of time. These amounts typically relate to contracts that include on-premise licenses and professional services where the right to payment is not present until completion of the contract or achievement of specified milestones and the fair value of products or services transferred exceed this constraint.

Contract liabilities: Contract liabilities, or deferred revenue, represent our obligation to transfer products or services to a customer for which consideration has been received in advance of the satisfaction of performance obligations. Long-term deferred revenue is included within other non-current liabilities on the unaudited condensed consolidated balance sheets. Revenue recognized from the contract liability balance at December 31, 2023 was $20.4 million for the six months ended June 30, 2024.

Customer deposits: Customer deposits relate to payments received in advance for contracts, which allow the customer to terminate a contract and receive a pro rata refund for the unused portion of payments received to date.

Accounts Receivable

Activity in our allowance for expected credit losses is as follows as of:

	June 30,	
	2024	2023
	(in thousands)	
Allowance for expected credit losses, beginning of period	$ 6,183	$ 4,670
Beginning balance adjustment due to implementation of the new credit loss standard	—	1,309
Bad debt expense	2,283	3,830
Write-offs, net of recoveries	(2,567)	(2,945)
Disposition of North American Fitness	(96)	—
Transfer of UK Fitness to held for sale	(45)	—
Allowance for expected credit losses, end of period	$ 5,758	$ 6,864

Remaining Performance Obligations

Remaining performance obligations represent the transaction price of unsatisfied or partially satisfied performance obligations within contracts with an original expected contract term that is greater than one year for which fulfillment of the contract has started as of the end of the reporting period. Contracts that include 30-day termination rights are considered to be contracts with a term of one month and are therefore excluded from remaining performance obligations. Remaining performance obligations generally relate to those which are stand-ready in nature, as found within the subscription and marketing technology solutions revenue streams. The aggregate amount of transaction consideration allocated to remaining performance obligations as of June 30, 2024 was $18.9 million. The Company expects to recognize approximately 63% of its remaining performance obligations as revenue within the next year, 29% of its remaining performance obligations as revenue the subsequent year, 7% of its remaining performance obligations as revenue in the third year, and the remainder during the two-year period thereafter.

Cost to Obtain and Fulfill a Contract

Assets resulting from costs to obtain contracts are included within prepaid expenses and other current assets for short-term balances and other non-current assets for long-term balances on the Company's unaudited condensed consolidated balance sheets. The costs to obtain contracts are amortized over five years, which corresponds with the useful life of the related technology. Short-term assets were $9.4 million and $8.6 million at June 30, 2024 and December 31, 2023, respectively, and long-term assets were $18.3 million and $17.9 million at June 30, 2024 and December 31, 2023, respectively. The Company recorded amortization expense within sales and marketing on the unaudited condensed consolidated statements of operations and comprehensive loss of $1.7 million and $1.5 million for the three months ended June 30, 2024 and 2023, respectively, and $3.3 million and $2.8 million for the six months ended June 30, 2024 and 2023, respectively. The Company recorded amortization expense within cost of revenues on the unaudited condensed consolidated statements of operations and comprehensive loss of $0.8 million and $0.5 million for the three months ended June 30, 2024 and 2023, respectively, and $1.5 million and $1.0 million for the six months ended June 30, 2024 and 2023, respectively.

Note 6. Goodwill

Goodwill activity consisted of the following for the six months ended June 30, 2024 (in thousands):

Balance at December 31, 2023	$ 927,431
Impairment	(3,447)
Transfer to held for sale	(2,971)
Effect of foreign currency exchange rate changes	(2,360)
Balance at June 30, 2024	$ 918,653

In connection with the definitive sale and purchase agreements to sell our fitness solutions, we tested the goodwill balance for impairment as of March 31, 2024 (see Note 4. Disposition and Held for Sale). During the three months ended March 31, 2024, we recognized a $3.4 million goodwill impairment charge representing the allocated goodwill to North American Fitness, which is included in loss on held for sale and impairments on the unaudited condensed consolidated statements of operations and comprehensive loss. There has been no other impairment of goodwill.

Note 7. Intangible Assets

Intangible assets consisted of the following as of:

	June 30, 2024			
	Useful Life	Gross Carrying Value	Accumulated Amortization	Net Book Value
	(in thousands)			
Customer relationships	3-20 years	$ 574,572	$ 346,825	$ 227,747
Developed technology	2-12 years	102,439	78,291	24,148
Trade name	3-10 years	37,300	25,296	12,004
Non-compete agreements	2-5 years	2,380	2,352	28
Total		$ 716,691	$ 452,764	$ 263,927

	December 31, 2023			
	Useful Life	Gross Carrying Value	Accumulated Amortization	Net Book Value
	(in thousands)			
Customer relationships	3-20 years	$ 605,908	$ 336,558	$ 269,350
Developed technology	2-12 years	106,482	74,717	31,765
Trade name	3-10 years	38,627	24,293	14,334
Non-compete agreements	2-5 years	2,408	2,338	70
Total		$ 753,425	$ 437,906	$ 315,519

Amortization expense was $18.6 million and $22.9 million for the three months ended June 30, 2024 and 2023, respectively and $37.9 million and $46.1 million for the six months ended June 30, 2024 and 2023, respectively.

Note 8. Property and Equipment

Property and equipment consisted of the following as of:

	June 30, 2024	December 31, 2023
	(in thousands)	
Computer equipment and software	$ 11,562	$ 11,628
Furniture and fixtures	3,322	3,794
Leasehold improvements	10,565	11,756
Total property and equipment	25,449	27,178
Less accumulated depreciation	(17,603)	(17,444)
Property and equipment, net	$ 7,846	$ 9,734

Depreciation expense was $0.9 million and $1.0 million for the three months ended June 30, 2024 and 2023, respectively, and $2.0 million for both the six months ended June 30, 2024 and 2023.

Note 9. Capitalized Software

Capitalized software consisted of the following as of:

	June 30, 2024	December 31, 2023
	(in thousands)	
Capitalized software	$ 64,845	$ 64,137
Less: accumulated amortization	(24,214)	(21,626)
Capitalized software, net	$ 40,631	$ 42,511

Amortization expense was $2.4 million and $2.0 million for the three months ended June 30, 2024 and 2023, respectively, and $4.9 million and $3.8 million for the six months ended June 30, 2024 and 2023, respectively. During the ordinary course of business, the Company may determine that certain capitalized features of its software will no longer be used either internally or to deliver value to its customers. The Company recorded a charge of $0.4 million and $0.2 million for the three months ended June 30, 2024 and 2023, respectively, and $0.4 million and $0.5 million for the six months ended June 30, 2024 and 2023, respectively, related to capitalized costs associated with abandoned projects, which are included in general and administrative expense on the unaudited condensed consolidated statements of operations and comprehensive loss.

Note 10. Leases

The Company leases real estate from unrelated parties under operating lease agreements that have initial terms ranging from one year to 11 years. Some leases include one or more options to renew, generally at our sole discretion, of five additional years each.

The components of lease expense are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Operating lease cost	$ 1,010	$ 1,673	$ 2,289	$ 3,297
Variable lease cost	$ 850	614	$ 1,317	1,109
Short-term lease cost	$ 148	94	$ 264	149
Total lease cost	$ 2,008	$ 2,381	$ 3,870	$ 4,555

The Company ceased use of certain leased premises and subleased certain facilities resulting in impairment charges of $0.4 million and $1.1 million to impair the right-of-use lease assets to their fair value during the three months ended March 31, 2024 and 2023, respectively, which are included in loss on held for sale and impairments on our unaudited condensed consolidated statement of operations and comprehensive loss.

Supplemental cash flow information related to leases is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Cash paid for operating lease liabilities	$ 1,445	$ 1,891	$ 2,653	$ 3,733
Operating lease assets obtained in exchange for operating lease liabilities	$ 763	$ 183	$ 940	$ 183

Supplemental balance sheet information, included in other non-current assets, accrued expenses and other and other non-current liabilities on the unaudited condensed consolidated balance sheets, related to leases is as follows:

	June 30, 2024	December 31, 2023
	(in thousands)	
Operating lease right-of-use assets	$ 12,298	$ 15,861
Current operating lease liabilities	3,116	3,789
Long-term operating lease liabilities	15,324	19,400
Total operating lease liabilities	$ 18,440	$ 23,189

At June 30, 2024 and December 31, 2023, the weighted average remaining lease term for operating leases was 5.29 years and 5.75 years, respectively, and the weighted average discount rate was 5.2% and 5.1%, respectively.

Future undiscounted cash flows for each of the next five years and thereafter and reconciliation to the lease liabilities recognized on the balance sheet as of June 30, 2024 is as follows (in thousands):

Year ended December 31,	
2024 (remainder of year)	$ 2,262
2025	4,431
2026	4,240
2027	3,441
2028	2,774
Thereafter	4,721
Total lease payments	21,869
Less: imputed interest	(3,429)
Total present value of lease liabilities	$ 18,440

Note 11. Long-Term Debt

Long-term debt consisted of the following as of:

	June 30, 2024	December 31, 2023
	(in thousands)	
Term notes with interest payable monthly, interest rate at Adjusted SOFR, plus an applicable margin of 3.25% (8.44368% at June 30, 2024) quarterly principal payments of 0.25% of original principal balance with balloon payment due July 2028	$ 534,875	$ 537,625
Revolver with interest payable monthly, interest rate at Adjusted SOFR, plus an applicable margin of 3.25% (8.45841% at June 30, 2024), and outstanding balance due July 2026	—	—
Principal debt	534,875	537,625
Deferred financing costs on long-term debt	(3,529)	(3,983)
Discount on long-term debt	(1,281)	(1,446)
Total debt	530,065	532,196
Less current maturities	5,500	5,500
Long-term portion	$ 524,565	$ 526,696

The Company is party to a credit agreement, as amended, that provides for two term loans for an aggregate principal amount of $550.0 million (“Term Loans”), a revolver with a capacity of $190.0 million (“Revolver”) and a sub-limit of the Revolver available for letters of credit up to an aggregate face amount of $20.0 million. These debt arrangements are collectively referred to herein as the (“Credit Facilities”).

Effective as of July 1, 2023, borrowings under the Credit Facilities bear interest at the Company’s option at Alternative Base Rate (“ABR”) plus an applicable rate, or at a forward-looking term rate based upon the secured overnight financing rate (“SOFR”), plus (i) (a) with respect to Term Loans, credit spread adjustments of 0.11448%, 0.26161%, 0.42826% and 0.71513% for interest periods of one, three, six and twelve months, respectively, and (b) with respect to revolving loans, a credit spread adjustment of 0.0% (“Adjusted SOFR”) plus (ii) an applicable rate, in each case with such applicable rate based on the Company’s first lien net leverage ratio. The ABR represents the highest of the prime rate, Federal Reserve Bank of New York rate plus ½ of 1%, and the Adjusted SOFR for a one month interest period plus 1.0%. The applicable rate for the Term Loans and the Revolver is 3.0% for Adjusted SOFR borrowings and 2.0% for ABR borrowings, in each case subject to change based on our first lien net leverage ratio.

The Company determines the fair value of long-term debt based on trading prices for its debt if available. As of June 30, 2024, the Company obtained trading prices for the term notes outstanding. However, as such trading prices require significant unobservable inputs to the pricing model, such instruments are classified as Level 2. The fair value amounts were approximately $536.2 million and $540.3 million as of June 30, 2024 and December 31, 2023, respectively.

Effective October 31, 2022, the Company entered into an interest rate swap agreement (the “Initial Swap”) in connection with the Company’s Credit Facilities for a notional amount of $200.0 million to convert a portion of the floating rate component of the Term Loans from a floating rate to a fixed rate. The Initial Swap agreement has a term of five years with a fixed rate in the agreement of 4.212%, as amended in June 2023. Additionally, effective March 31, 2023, the Company entered into a second interest rate swap agreement (the “Second Swap” and together with the Initial Swap, the “Swap Agreements”) in connection with the Company’s Credit Facilities for a notional amount of $100.0 million to convert a portion of the floating rate component of the Term Loans from a floating rate to a fixed rate. The Second Swap agreement has a term of approximately 4.5 years with a fixed rate in the agreement of 3.951%, as amended in June 2023.

The Swap Agreements are accounted for as derivatives whereby the fair value of each contract is reported within the unaudited condensed consolidated balance sheets, and related gains or losses resulting from changes in the fair value are reported in interest and other expense, net, in the unaudited condensed consolidated statements of operations and comprehensive loss. As of June 30, 2024 the fair value of the Swap Agreements was an asset of $1.0 million, which is reported in other non-current assets on the unaudited condensed consolidated balance sheets. The related gains and losses resulting from changes in fair value were gains of $1.0 million and $6.4 million during the three months ended June 30, 2024 and 2023, respectively, and $5.8 million and $2.1 million during the six months ended June 30, 2024 and 2023, respectively.

The Company’s Credit Facilities are subject to certain financial and nonfinancial covenants and are secured by substantially all assets of the Company. As of June 30, 2024, the Company was in compliance with all of its covenants.

Aggregate maturities of the Company’s debt for the years ending December 31 are as follows as of June 30, 2024 (in thousands):

Year ending December 31:	
2024 (remainder of year)	$ 2,750,000
2025	5,500,000
2026	5,500,000
2027	5,500,000
2028	515,625,000
Thereafter	—
Total aggregate maturities of the Company’s debt	$ 534,875,000

Note 12. Equity

On July 6, 2021, the Company filed an Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware to authorize the issuance up to 2,050,000,000 shares, par value $0.00001 per share, consisting of 2,000,000,000 shares of common stock and 50,000,000 shares of preferred stock.

On June 14, 2022, our board of directors (our “Board”) approved a stock repurchase program (as subsequently amended, the “Repurchase Program”) with authorization to purchase up to $50.0 million in shares of the Company’s common stock through the expiration of the program on December 21, 2022. On November 7, 2022, November 5, 2023, and May 21, 2024, our Board increased the authorization of the Repurchase Program by an additional $50.0 million in shares of the Company’s common stock on each date for a total authorization to repurchase up to $200.0 million in shares of the Company’s common stock, and extended the expiration of the Repurchase Program most recently through December 31, 2025. Repurchases under the program may be made in the open market, in privately negotiated transactions or otherwise, with the amount and timing of repurchases to be determined at the Company’s discretion, depending on market conditions and corporate needs. The Repurchase Program does not obligate the Company to acquire any particular amount of common stock and may be modified, suspended or terminated at any time at the discretion of the Board. The Company expects to fund repurchases with existing cash on hand.

The Company repurchased and retired 2.5 million and 3.7 million shares of common stock pursuant to the Repurchase Program for $24.1 million and $36.3 million including transaction fees and taxes, during the three and six months ended June 30, 2024, respectively. As of June 30, 2024, $54.0 million remained available under the Repurchase Program, inclusive of shares purchased pursuant to our agreement with the selling stockholders as disclosed Note 11. Equity in our Annual Report on Form 10-K.

Note 13. Stock-Based Compensation

In 2016, the Company adopted the 2016 Equity Incentive Plan (the “2016 Plan”). The 2016 Plan provided for the granting of stock-based awards, including stock options, stock appreciation rights, restricted or unrestricted stock awards, phantom stock, performance awards, and other stock-based awards. In connection with the Initial Public Offering (“IPO”), the Company’s Board adopted, and the Company’s stockholders approved, the 2021 Incentive Award Plan (the “2021 Plan”), which became effective immediately prior to the effectiveness of the registration statement for the Company’s IPO and, as a result of which, the Company can no longer make awards under the 2016 Plan. The 2021 Plan provides for the issuance of incentive stock options, non-qualified stock options, stock awards, stock units, stock appreciation rights and other stock-based awards. The number of shares initially reserved for issuance under the 2021 Plan was 22,000,000 shares, inclusive of available shares previously reserved for issuance under the 2016 Plan. In addition, the number of shares reserved for issuance under the 2021 Plan is subject to an annual increase on the first day of each calendar year beginning on January 1, 2022 and ending on and including January 1, 2031, equal to the lesser of (i) 3% of the shares outstanding (on an as-converted basis) on the last day of the immediately preceding fiscal year and (ii) such smaller number of shares as determined by the Company’s Board, provided that no more than 22,000,000 shares may be issued upon the exercise of incentive stock options. Based on the Company’s outstanding shares of common stock as of December 31, 2023, as of January 1, 2024 the number of shares reserved for issuance under the 2021 Plan increased by 5.6 million.

In connection with the IPO, the Company’s Board adopted the 2021 Employee Stock Purchase Plan (the “ESPP”). For more information on the ESPP, refer to Note 12. Stock-Based Compensation in the Annual Report on Form 10-K.

The following table summarizes our restricted stock unit ("RSU") and stock option activity for the six months ended June 30, 2024:

	RSUs	Stock Options
	(in thousands)	
Outstanding as of January 1, 2024	3,337	13,337
Granted	2,615	—
Vested or exercised	(301)	(160)
Cancelled or forfeited	(303)	(195)
Outstanding as of March 31, 2024	5,348	12,982
Granted	213	—
Vested or exercised	(470)	(233)
Cancelled or forfeited	(56)	(139)
Outstanding as of June 30, 2024	5,035	12,610

As of June 30, 2024, total unrecognized compensation expense was $44.8 million and $6.0 million related to outstanding restricted stock units and stock options, respectively.

Stock-based compensation expense was classified in the unaudited condensed consolidated statements of operations and comprehensive loss as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Cost of revenues	$ 126	$ 127	$ 242	$ 235
Sales and marketing	370	477	711	879
Product development	576	604	1,103	1,166
General and administrative	5,382	5,033	9,974	11,475
Total stock-based compensation expense	$ 6,454	$ 6,241	$ 12,030	$ 13,755

Note 14. Net Loss Per Share Attributable to Common Stockholders

The following table presents the calculation of basic and diluted net loss per share for the Company's common stock as of:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(in thousands except per share amounts)			
Numerator for basic and diluted EPS – net loss attributable to common stockholders	$ (3,376)	$ (896)	$ (19,700)	$ (21,671)
Denominator:				
Denominator for basic and diluted EPS – weighted-average shares of common stock outstanding used in computing net loss per share	185,183	188,277	185,908	189,157
Basic and diluted net loss per share attributable to common stockholders	$ (0.02)	$ —	$ (0.11)	$ (0.11)

The following outstanding potentially dilutive common stock equivalents have been excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented due to their anti-dilutive effect as of:

	June 30,	
	2024	2023
	(in thousands)	
Outstanding stock options and unvested RSUs	17,645	17,965
Shares of common stock pursuant to ESPP	218	310
Total anti-dilutive outstanding potential common stock	17,863	18,275

Note 15. Fair Value of Financial Instruments

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair value.

The Company measures fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The Company utilizes a three-tier hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

- **Level 1:** Valuations based on quoted prices in active markets for identical assets or liabilities that an entity has the ability to access.
- **Level 2:** Valuations based on quoted prices for similar assets or liabilities, quoted prices for identical assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.
- **Level 3:** Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying value of cash and cash equivalents, accounts receivable, contract assets and accounts payable approximate their fair value because of the short-term nature of these instruments. Our interest rate swaps are valued based upon interest yield curves, interest rate volatility and credit spreads. Our interest rate swaps are classified within Level 2 of the fair value hierarchy as all significant inputs are corroborated by observable data.

There were no transfers between fair value measurement levels during the three and six months ended June 30, 2024 and 2023.

The following table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis as of:

	June 30, 2024				
	Level 1	Level 2	Level 3	Total	Balance Sheet Classification
	(in thousands)				
Assets:					
Money market	$ 8,065	$ —	$ —	$ 8,065	Cash equivalents
Interest rate swaps	$ —	$ 959	$ —	$ 959	Other non-current assets

	December 31, 2023				
	Level 1	Level 2	Level 3	Total	Balance Sheet Classification
	(in thousands)				
Asset:					
Money market	$ 764	$ —	$ —	$ 764	Cash equivalents
Liability:					
Interest rate swap	$ —	$ 4,889	$ —	$ 4,889	Other non-current liabilities

Note 16. Income Taxes

Our provision for income taxes in interim periods is based on our estimated annual effective tax rate plus the impact, if any, of discrete items recognized in the interim period. We record cumulative adjustments in the quarter in which a change in the estimated annual effective rate is determined.

The income tax (expense) benefit was $(0.7) million and $2.1 million for the three months ended June 30, 2024 and 2023, respectively, and $(6.6) million and $1.8 million for the six months ended June 30, 2024 and 2023, respectively. The difference in income tax (expense) benefit for the three and six months ended June 30, 2024 as compared to the corresponding periods in 2023 was driven primarily by an increase in U.S. federal and state income taxes and discrete items, including the sale of North American Fitness in the six months ended June 30, 2024, and the release of a foreign valuation allowance in the three and six months ended June 30, 2023.

Note 17. Commitments and Contingencies

The Company has non-cancelable contractual purchase obligations incurred in the normal course of business to help deliver our services and products and provide support to our customers. These contracts with vendors primarily relate to software service, targeted mail costs, third-party fulfillment costs and software hosting. Unrecognized future minimum payments due under these agreements are as follows (in thousands):

Year ended December 31,		
2024 (remainder of year)	$	7,901
2025		12,544
2026		3,745
2027		2,625
2028		687
Thereafter		—
Total future minimum payments due	$	27,502

From time to time, the Company is involved in various lawsuits and legal proceedings which arise in or outside the ordinary course of business. Litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Accruals for loss contingencies are recorded when a loss is probable, and the amount of such loss can be reasonably estimated. An adverse determination in one or more of these pending matters could have an adverse effect on the Company's consolidated financial position, results of operations or cash flows.

On January 31, 2024, plaintiff Vladimir Gusinsky Revocable Trust filed a putative class action lawsuit in the Court of Chancery of the State of Delaware against the Company, members of its Board and the other parties to its sponsor stockholders agreement, dated June 30, 2021, Providence Strategic Growth II L.P., Providence Strategic Growth II-A L.P., SLA Eclipse Co-Invest, L.P., and SLA CM Eclipse Holdings, L.P. (collectively, the "Sponsor Stockholders"), captioned Vladimir Gusinsky Revocable Trust v. Eric Remer, Penny Baldwin, et. al., Case No. 2024-0077 (Del Ch.). The complaint generally alleges violations of Section 141(a) of the Delaware General Corporation Law ("DGCL") by providing the Sponsor Stockholders with a veto right over the Board's ability to hire or fire the Company's Chief Executive Officer (the "CEO Approval Right") on the basis that it unlawfully limits the Board's authority to manage the business and affairs of the Company. The plaintiff seeks declaratory judgment that the CEO Approval Right is invalid and void, other declaratory and equitable relief for the class and/or the Company, attorneys' and experts' witness fees and other costs and expenses, and other equitable relief. The Company believes it has meritorious defenses to the claims of the plaintiff and members of the class and any liability for the alleged claims is not currently probable and the potential loss or range of loss is not reasonably estimable. On June 14, 2024, the Company filed a Motion to Dismiss, and on July 15, 2024, Plaintiff opposed that motion.

The Company is party to additional legal proceedings incidental to its business. While the outcome of these additional matters could differ from management's expectations, the Company does not believe that the resolution of such matters is reasonably likely to have a material effect on its results of operations or financial condition.

The Company assesses the applicability of nexus in jurisdictions in which the Company sells products and services. As of June 30, 2024 and December 31, 2023, the Company recorded a liability in the amount of $11.1 million in both periods within current liabilities and other long-term liabilities as a provision for sales and use, gross receipts and goods and services tax. In connection with the Company's accounting for acquisitions, the Company has recorded liabilities and corresponding provisional escrow or indemnity receivables within the purchase price allocations for instances in which the Company is indemnified for tax matters.

Note 18. Geographic Areas

The following table sets forth long-lived assets by geographic area as of:

	June 30, 2024	December 31, 2023
	(in thousands)	
United States	$ 38,784	$ 41,134
International	$ 9,693	$ 11,111

Note 19. Subsequent Event

On July 1, 2024, the sale of UK Fitness closed.

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

Unless the context requires otherwise, references in this Quarterly Report on Form 10-Q to "EverCommerce," the "Company," "we," "us" and "our" refer to EverCommerce Inc. and its consolidated subsidiaries. The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and our consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2023 (the "Annual Report on Form 10-K") filed with the Securities and Exchange Commission ("SEC") on March 14, 2024. Additionally, our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

EverCommerce is a leading provider of integrated, vertically-tailored software-as-a-service ("SaaS") solutions for service-based small- and medium-sized businesses ("service SMBs"). Our platform spans across the full lifecycle of interactions between consumers and service professionals with vertical-specific applications. As of December 31, 2023, we served more than 708,000 customers across three core verticals: Home Services; Health Services; and Fitness & Wellness Services. Excluding the customers associated with the sale of our fitness assets, we served more than 690,000 (see Note 4. Disposition and Held for Sale in this Quarterly Report on Form 10-Q). Within our core verticals, our customers operate within numerous micro-verticals, ranging from home service professionals, such as home improvement contractors and home maintenance technicians, to physician practices and therapists within Health Services, to personal trainers and salon owners within Fitness & Wellness. Our platform provides vertically-tailored SaaS solutions that address service SMBs' increasingly specialized demands, as well as highly complementary solutions that provide fully-integrated offerings, allowing service SMBs and EverCommerce to succeed in the market, and provide end consumers more convenient service experiences.

We offer several vertically-tailored suites of solutions, each of which follows a similar and repeatable go-to-market playbook: offer a "system of action" Business Management Software that streamlines daily business workflows, integrate highly complementary, value-add adjacent solutions and complete gaps in the value chain to create end-to-end solutions. These solutions focus on addressing how service SMBs market their services, streamline operations and retain and engage their customers.

- ***Business Management Software:*** Our vertically-tailored Business Management Software is the system of action at the center of a service business's operation, and is typically the point-of-entry and first solution adopted by a customer. Our software, designed to meet the day-to-day workflow needs of businesses in specific vertical end markets, streamlines front and back-office processes and provides polished customer-facing experiences. Using these offerings, service SMBs can focus on growing their customers, improving their services and driving more efficient operations.
- ***Billing & Payment Solutions:*** Our Billing & Payment Solutions provide integrated payments, billing and invoicing automation and business intelligence and analytics. Our omni-channel payments capabilities include point-of-sale, eCommerce, online bill payments, recurring billing, electronic invoicing and mobile payments. Supported payment types include credit card, debit card and Automated Clearing House ("ACH") processing. Our payments platform also provides a full suite of service commerce features, including customer management as well as cash flow reporting and analytics. These value-add features help small- and medium-sized businesses ("SMBs") to ensure more timely billing and payments collection and provide improved cash flow visibility.
- ***Customer Experience Solutions:*** Our Customer Experience Solutions modernize how businesses engage and interact with customers by leveraging innovative, bespoke customer listening and communication solutions to improve the customer experience and increase retention. Our software provides customer listening capabilities with real-time customer surveying and analysis to allow standalone businesses and multi-location brands to receive voice of the customer ("VoC") insights and manage the customer experience lifecycle. These applications include: customer health scoring, customer support systems, real-time alerts, Net Promoter Score-based customer feedback collection, review generation and automation, reputation management, customer satisfaction surveying and a digital communication suite, among others. These tools help our customers gain actionable insights, increase customer loyalty and repeat purchases and improve customer experiences.
- ***Marketing Technology Solutions:*** Our Marketing Technology Solutions work with our Customer Experience Solutions to help customers build their businesses by invigorating marketing operations and improving return on investment across the customer lifecycle. These solutions help businesses to manage campaigns, generate quality leads, increase conversion and repeat sales, improve customer loyalty and provide a polished brand experience. Our solutions include: custom website design, development and hosting, responsive web design, marketing campaign design and management, search engine optimization ("SEO"), paid search and display advertising, social media and blog automation, call tracking, review monitoring and marketplace lead generation, among others.

We go to market with suites of solutions that are aligned to our three core verticals: (i) the EverPro suite of solutions in Home Services; (ii) the EverHealth suite of solutions within Health Services; and (iii) the EverWell suite of solutions in Fitness & Wellness Services. Within each suite, our Business Management Software – the system of action at the center of a service business' operation – is typically the first solution adopted by a customer. This vertically-tailored point-of-entry provides us with an opportunity to cross-sell adjacent products, previously offered as fragmented and disjointed point solutions by other software providers. This "land and expand" strategy allows us to acquire customers with key foundational solutions and expand into offerings via product development and acquisitions that cover all workflows and power the full scope of our customers' businesses. This results in a self-reinforcing flywheel effect, enabling us to drive value for our customers and, in turn, improve customer stickiness, increase our market share and fuel our growth.

We generate three types of revenue: (i) Subscription and Transaction Fees, which are primarily recurring revenue streams, (ii) Marketing Technology Solutions, which includes both recurring and re-occurring revenue streams and (iii) Other revenue which consists primarily of one-time revenue streams. Our recurring revenue generally consists of monthly, quarterly and annual software and maintenance subscriptions, transaction revenue associated with integrated payments and billing solutions and monthly contracts for Marketing Technology Solutions. Additionally, our re-occurring revenue includes revenue related to the sale of marketing campaigns and lead generation under contractual arrangements with customers.

Our business benefits from attractive unit economics. Approximately 97% and 95% of our revenue was recurring or re-occurring in the six months ended June 30, 2024 and 2023, respectively, and we maintained an annualized net revenue retention rate of approximately 92% and 98% for the quarters ended June 30, 2024 and 2023, respectively. Our annualized pro forma net revenue retention rate was equal to the annualized net revenue retention rate for the quarters ended June 30, 2024 and 2023, respectively, as the acquisitions and dispositions closed during the prior period were not material to our prior period unaudited condensed consolidated results on a proforma basis. Excluding our marketing technology solutions, our annualized net revenue retention rate for our core software and payments solutions was approximately 97% and 100% for the quarters ended June 30, 2024 and 2023, respectively. We believe the retention and growth of revenue from our existing customers is a helpful measure of the health of our business and our future growth prospects. Our ability to cross sell additional products and services to our existing customers can increase customer engagement with our suite of solutions and thus have a positive impact on our net pro forma revenue retention rate. For example, we have leveraged our land and expand strategy to cross sell solutions to our existing customers, which has supported our high net pro forma revenue retention rate by increasing customer utilization of our solutions, educating customers as to how our platform and synergies can support their businesses and, in turn, improving customer stickiness.

We calculate our annualized net revenue retention rate based on the average of the annualized net revenue retention rate calculated for each month during the twelve-month period as of the most recent quarter end. Our calculation of net revenue retention rate for any fiscal period includes the positive recurring and re-occurring revenue impacts of selling new solutions to existing customers and the negative impacts of contraction and attrition among this set of customers. The annualized net revenue retention rate for a particular month is calculated as the recurring or re-occurring revenue gained/lost from existing customers, less the recurring or re-occurring revenue lost from cancelled customers as a percentage of total recurring or re-occurring revenue during the corresponding month of the prior year. For existing customers, we consider customers that existed 11 or more months prior to the current month and that do not have an end date (i.e., cancelled relationship) on or after the first day of the current month. For example, the recurring or re-occurring revenue gained/lost from existing customers in November 2023 is the difference between the recurring or re-occurring revenue generated in November 2023 and the same such revenue generated in November 2022, for customers with a start date prior to December 1, 2022 and no end date or cancelled relationship on or after November 1, 2023. For cancelled customers, we examine customers that cancelled their relationships on or after the first day of the month that is 12 months prior to the current month and before the first day of the current month. For example, the recurring or re-occurring revenue lost from cancelled customers in November 2023 is the difference between the recurring or re-occurring revenue generated in November 2023 and the same such revenue generated in November 2022, for customers that cancelled on or after November 1, 2022 and before November 1, 2023. The annualized pro forma net revenue retention rate is calculated as the annualized net revenue retention rate adjusted as though acquisitions and dispositions that were closed during the prior period presented were closed on the first day of such period presented. Our annualized net revenue retention rate and pro forma net revenue retention rate may fluctuate as a result of a number of factors, including the growing level of our revenue base, the level of penetration within our customer base, expansion of solutions, new acquisitions and dispositions and our ability to retain our customers. Our calculation of annualized net revenue retention rate and annualized pro forma net revenue retention rate may differ from similarly titled metrics presented by other companies.

Sale of Fitness Solutions

On March 13, 2024, we entered into definitive sale and purchase agreements to sell our fitness solutions to Jonas Software (see Note 4. Disposition and Held for Sale in this Quarterly Report on Form 10-Q). The sale of North American Fitness closed simultaneously with signing. The sale of UK Fitness closed July 1, 2024 (see Note 19. Subsequent Event in this Quarterly Report on Form 10-Q). The assets and liabilities of the UK Fitness disposal group are classified as held for sale and presented within other current assets and other current liabilities on our unaudited condensed consolidated balance sheets as of June 30, 2024. The divestiture did not qualify for reporting as a discontinued operation. As a result, our unaudited condensed consolidated financial statements include the results of North American Fitness for all periods through the date of sale, while the UK Fitness results are included in our results of operations for all periods presented. In connection with the sale of North American Fitness, we recognized losses of $0.2 million and $5.0 million during the three and six months ended June 30, 2024, respectively, related to the disposal of North American Fitness, and a goodwill impairment charge of $3.4 million representing the allocated goodwill to North American Fitness during the three months ended March 31, 2024, which are included within loss on held for sale and impairments on our unaudited condensed consolidated statements of operations and comprehensive loss. During the three and six months ended June 30, 2024, we measured the assets and liabilities of UK Fitness as held for sale at fair value less costs to sell and recognized losses of $0.3 million and $2.9 million, respectively, which are included within loss on held for sale and impairments on our unaudited condensed consolidated statements of operations and comprehensive loss. The loss during the three months ended June 30, 2024 was primarily due to an increase in our accrual of estimated costs to sell.

Impact of Macroeconomic Climate

The macroeconomic climate continues to see pressure from global developments such as international geopolitical conflict, terrorism, rising inflation, fluctuations in the value of the US Dollar, rising interest rates and supply chain disruptions. These developments have had and may continue to have an adverse effect on our revenues and demand for our products and services, as well as on our costs of doing business. We have taken and will continue to take actions to help mitigate the impact of these economic challenges, but there can be no assurance as to the effectiveness of our efforts going forward.

Key Factors Affecting Our Performance

We believe that our performance and future success depends on a number of factors that present significant opportunities for us but also pose risks and challenges. For discussion of these factors, please see "Part II, Item 7. *"Management's Discussion and Analysis of Financial Condition and Results of Operations* – "Key Factors Affecting Our Performance" included in our Annual Report on Form 10-K. For a discussion about why we consider our Non-GAAP measures useful and a discussion of the material risks and limitations of such measures, please see Part II, Item 7. *"Management's Discussion and Analysis of Financial Condition and Results of Operations – Key Business and Financial Metrics – Non-GAAP Financial Measures"* included in our Annual Report on Form 10-K filed on March 14, 2024.

Key Business and Financial Metrics (Non-GAAP Financial Measures*)*

In addition to our results and measures of performance determined in accordance with generally accepted accounting principles in the United States ("GAAP"), we believe the following key business and non-GAAP financial measures are useful in evaluating and comparing our financial and operational performance over multiple periods, identifying trends affecting our business, formulating business plans and making strategic decisions.

Pro Forma Revenue Growth Rate

Pro Forma Revenue Growth Rate is a key performance measure that our management uses to assess our consolidated operating performance over time. Management also uses this metric for planning and forecasting purposes.

Our year-over-year Pro Forma Revenue Growth Rate is calculated as though all acquisitions and divestitures completed as of the end of the latest period were completed as of the first day of the prior year period presented. In calculating Pro Forma Revenue Growth Rate, we add the revenue from acquisitions for the reporting periods prior to the date of acquisition (including estimated purchase accounting adjustments) and exclude revenue from divestitures for the reporting periods prior to the date of divestiture, and then calculate our revenue growth rate between the two reported periods. As a result, Pro Forma Revenue Growth Rate includes pro forma revenue from businesses acquired and excludes revenue from businesses divested of during the period, including revenue generated during periods when we did not yet own the acquired businesses and excludes revenue prior to the divestiture of the business. In including such pre-acquisition revenue and excluding pre-divestiture revenue, Pro Forma Revenue Growth Rate allows us to measure the underlying revenue growth of our business as it stands as of the end of the respective period, which we believe provides insight into our then-current operations. Pro Forma Revenue Growth Rate does not represent organic revenue generated by our business as it stood at the beginning of the respective period. Pro Forma Revenue Growth Rates are not necessarily indicative of either future results of operations or actual results that might have been achieved had the acquisitions and divestitures been consummated on the first day of the prior year period presented. We believe that this metric is useful to investors in analyzing our financial and operational performance period over period and evaluating the growth of our business, normalizing for the impact of acquisitions and divestitures. This metric is particularly useful to management due to the number of acquired entities.

Our Revenue Growth Rate was 4.3% and 4.9% for the three and six months ended June 30, 2024. Total revenues include post-acquisition revenue from Kickserv, which was acquired August 10, 2023 (see Note 3. Kickserv Acquisition in this Quarterly Report on Form 10-Q), of $0.7 million and $1.3 million during the three and six months ended June 30, 2024, respectively. Additionally, total revenues include pre-divestiture revenue from North American Fitness, which was divested in March 2024 (see Note 4. Disposition and Held for Sale in this Quarterly Report on Form 10-Q), of $3.3 million and $6.7 million during the three and six months ended June 30, 2023, respectively, and $2.7 million during the six months ended June 30, 2024. Our Pro Forma Revenue Growth rate was 6.0% and 5.8% for the three and six months ended June 30, 2024, respectively, reflective of the underlying growth in our business as a result of new customers and providing more solutions to existing customers.

Adjusted Gross Profit

Gross profit is calculated as total revenue less cost of revenue (exclusive of depreciation and amortization), amortization of developed technology, amortization of capitalized software and depreciation expense (allocated to cost of revenues). We calculate Adjusted Gross Profit as gross profit adjusted to exclude non-cash charges of depreciation and amortization allocated to cost of revenues. Adjusted Gross Profit should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income or loss, net earnings or loss and other GAAP measures of income (loss) or profitability.

The following table presents a reconciliation of gross profit, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted Gross Profit on a consolidated basis.

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	**2023**	**$**	**2024**	**2023**	**$**
			(in thousands)			
Revenue	$ 177,393	$ 170,052	$ 7,341	$ 347,506	$ 331,188	$ 16,318
Cost of revenues (exclusive of depreciation and amortization)	61,347	58,185	3,162	118,140	114,131	4,009
Amortization of developed technology	2,932	3,825	(893)	5,035	7,649	(2,614)
Amortization of capitalized software	2,408	2,013	395	4,930	3,827	1,103
Depreciation expense allocated to cost of revenues	216	257	(41)	492	528	(36)
Gross profit	110,490	105,772	4,718	218,909	205,053	13,856
Depreciation and amortization	5,556	6,095	(539)	10,457	12,004	(1,547)
Adjusted gross profit	$ 116,046	$ 111,867	$ 4,179	$ 229,366	$ 217,057	$ 12,309

Adjusted EBITDA

Adjusted EBITDA is calculated as net loss adjusted to exclude interest and other expense, net, income tax expense (benefit), depreciation and amortization, other amortization, stock-based compensation, and transaction-related and other non-recurring costs. Other amortization includes amortization for capitalized contract acquisition costs. Transaction-related costs are specific deal-related costs such as legal fees, financial and tax due diligence, consulting and escrow fees. Other non-recurring costs are expenses such as impairment charges, (gains) losses from disposition and assets held for sale, system implementation costs, severance expense related to planned restructuring activities, and costs associated with integration and transformation improvements. Transaction-related and other non-recurring costs are excluded as they are not representative of our underlying operating performance. Adjusted EBITDA should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income or loss, net earnings or loss and other GAAP measures of income (loss).

The following table presents a reconciliation of net loss, the most directly comparable financial measure calculated in accordance with GAAP, to Adjusted EBITDA on a consolidated basis.

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	2023	$	2024	2023	$
			(in thousands)			
Net loss	$ (3,376)	$ (896)	$ (2,480)	$ (19,700)	$ (21,671)	$ 1,971
Adjusted to exclude the following:						
Interest and other expense, net	9,552	4,761	4,791	15,343	19,949	(4,606)
Income tax expense (benefit)	703	(2,083)	2,786	6,626	(1,784)	8,410
Depreciation and amortization	21,938	25,990	(4,052)	44,889	51,940	(7,051)
Other amortization	1,683	1,444	239	3,353	2,753	600
Stock-based compensation expense	6,454	6,241	213	12,030	13,755	(1,725)
Transaction-related and other non-recurring costs	4,261	3,341	920	19,564	5,795	13,769
Adjusted EBITDA	$ 41,215	$ 38,798	$ 2,417	$ 82,105	$ 70,737	$ 11,368

Description of Certain Components of Financial Data

For additional information concerning our accounting policies, see Note 2. Summary of Significant Accounting Policies in the notes to the consolidated financial statements included in our Annual Report on Form 10-K.

Revenues

We derive our revenue from three primary sources which are described in detail below: (i) Subscription and Transaction Fees, which are primarily recurring revenue streams, (ii) Marketing Technology Solutions, which includes both recurring and re-occurring revenue streams and (iii) Other revenue, which consists primarily of the sale of distinct professional services and hardware. Our revenue recognition policies are discussed in more detail below under *"Critical Accounting Policies and Significant Judgments and Estimates."*

Subscription and Transaction Fees: Revenue includes (i) recurring monthly, quarterly and annual SaaS subscriptions and software license and maintenance fees from the sale of our Business Management, Customer Experience and Billing & Payment solutions; (ii) payment processing fees based on the transaction volumes processed through our integrated payment solutions and processing fees based on transaction volumes for our revenue cycle management, chronic care management and health insurance clearinghouse solutions; and (iii) membership subscriptions and our share of rebates from suppliers generated though group purchasing programs. Our revenue from payment processing fees is recorded net of credit card and ACH processing and interchange charges in the month the services are performed.

Marketing Technology Solutions: Revenue includes (i) recurring revenues for managing digital advertising programs on behalf of our customers including website hosting, search engine management and optimization, social media management and blog automation; and (ii) re-occurring fees paid by service professionals for consumer leads generated by our various platforms.

Other: Revenue includes (i) consulting, implementation, training and other professional services; (ii) website development; (iii) revenue from various business development partnerships; (iv) event income; and (v) hardware sales related to our business management or payment software solutions.

Cost of Revenues

Cost of revenue (exclusive of depreciation and amortization) consists of expenses related to delivering our services and products and providing support to our customers and includes employee costs and related overhead, customer credit card processing fees, targeted mail costs, third-party fulfillment costs and software hosting expenses.

We expect that cost of revenue as a percentage of revenue will fluctuate from period to period based on a variety of factors, including the mix of revenue between subscription and transaction fees and marketing technology solutions, labor costs, third-party expenses and acquisitions and dispositions. In particular, marketing technology solutions revenue generally has a higher cost of revenue as a percentage of revenue than our subscription and transaction fee revenue. For the three and six months ended June 30, 2024, revenue from subscription and transaction fees increased 5.2% and 6.9%, respectively, and revenue from marketing technology solutions increased 1.6% and decreased 1.4%, respectively, compared to the prior year periods. To the extent our marketing technology solutions revenue grows at a faster rate, whether by acquisition or otherwise, than our subscription and transaction fees revenue, it could negatively impact our cost of revenues as a percentage of revenue.

Sales and Marketing

Sales and marketing expense consists primarily of employee costs for our sales and marketing personnel, including salaries, benefits, bonuses, stock-based compensation and sales commissions. Sales and marketing expenses also include advertising costs, travel-related expenses and costs to market and promote our products, direct customer acquisition costs, costs related to conferences and events and partner/broker commissions. Software and subscription services dedicated for use by our sales and marketing organization, and outside services contracted for sales and marketing purposes are also included in sales and marketing expense. Sales commissions that are incremental to obtaining a customer contract are deferred and amortized ratably over the estimated period of our relationship with that customer. We expect our sales and marketing expenses will increase in absolute dollars for the foreseeable future as we continue to increase investments to support our growth.

Product Development

Product development expense consists primarily of employee costs for our product development personnel, including salaries, benefits, stock-based compensation and bonuses. Product development expenses also include third-party outsourced technology costs incurred in developing our platforms, and computer equipment, software and subscription services dedicated for use by our product development organization. We expect our product development expenses to increase in absolute dollars for the foreseeable future as we continue to dedicate substantial resources to develop, improve and expand the functionality of our solutions.

General and Administrative

General and administrative expense consists of employee costs for our executive leadership, accounting, finance, legal, human resources and other administrative personnel, including salaries, benefits, bonuses and stock-based compensation. General and administrative expenses also include external legal, accounting and other professional services fees, rent, software and subscription services dedicated for use by our general and administrative employees and other general corporate expenses. We expect general and administrative expense to increase on an absolute dollar basis for the foreseeable future as we continue to increase investments to support our growth and due to increased costs as a result of being a public company.

Depreciation and Amortization

Depreciation and amortization primarily relate to intangible assets, property and equipment and capitalized software.

Loss on Held for Sale and Impairments

Loss on held for sale represents the measurement of the UK Fitness disposal group at the lower of its carrying value or fair value less costs to sell in the period the held for sale criteria are met, and subsequent remeasurement each reporting period the disposal group remains classified as held for sale. Impairments include a goodwill impairment charge representing the allocated goodwill to North American Fitness, and a loss on disposition from the sale of North American Fitness representing the difference between the consideration received and the net carrying amount of the assets sold and transaction costs (see Note 4. Disposition and Held for Sale in this Quarterly Report on Form 10-Q). Impairments also include operating lease impairments related to the Company's decision to cease use of certain leased premises and sublease certain facilities.

Interest and Other Expense, net

Interest and other expense, net, primarily consists of interest expense on long-term debt, net of interest income. It also includes amortization expense of financing costs and discounts, as well as realized and unrealized gains and losses related to interest rate swap agreements.

Income Tax (Expense) Benefit

U.S. GAAP requires deferred tax assets and liabilities to be recognized for temporary differences between the tax basis and financial reporting basis of assets and liabilities, computed at the expected tax rates for the periods in which the assets or liabilities will be realized, as well as for the expected tax (expense) benefit of net operating loss and tax credit carryforwards. Income taxes are recognized for the amount of taxes payable by the Company's corporate subsidiaries for the current year and for the impact of deferred tax assets and liabilities, which represent future tax consequences of events that have been recognized differently in the financial statements than for tax purposes.

Results of Operations

The following tables summarize key components of our results of operations for the periods presented. The period-to-period comparisons of our historical results are not necessarily indicative of our results of operations that may be expected in the future. The following comparative information for results of operations includes the results of North American Fitness for all periods through the date of sale.

Comparison of the three and six months ended June 30, 2024 and 2023

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	2023	$	2024	2023	$
			(in thousands)			
Revenues:						
Subscription and transaction fees	$ 137,041	$ 130,305	$ 6,736	$ 271,765	$ 254,125	$ 17,640
Marketing technology solutions	35,007	34,455	552	65,299	66,243	(944)
Other	5,345	5,292	53	10,442	10,820	(378)
Total revenues	177,393	170,052	7,341	347,506	331,188	16,318
Operating expenses:						
Cost of revenues [(1)] (exclusive of depreciation and amortization presented separately below)	61,347	58,185	3,162	118,140	114,131	4,009
Sales and marketing [(1)]	30,952	30,675	277	60,720	61,574	(854)
Product development [(1)]	20,164	18,331	1,833	40,364	37,034	3,330
General and administrative [(1)]	35,654	35,089	565	69,444	68,952	492
Depreciation and amortization	21,938	25,990	(4,052)	44,889	51,940	(7,051)
Loss on held for sale and impairments	459	—	459	11,680	1,063	10,617
Total operating expenses	170,514	168,270	2,244	345,237	334,694	10,543
Operating income (loss)	6,879	1,782	5,097	2,269	(3,506)	5,775
Interest and other expense, net	(9,552)	(4,761)	(4,791)	(15,343)	(19,949)	4,606
Net loss before income tax (expense) benefit	(2,673)	(2,979)	306	(13,074)	(23,455)	10,381
Income tax (expense) benefit	(703)	2,083	(2,786)	(6,626)	1,784	(8,410)
Net loss	$ (3,376)	$ (896)	$ (2,480)	$ (19,700)	$ (21,671)	$ 1,971

(1) Includes stock-based compensation expense as follows:

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	2023	$	2024	2023	$
			(in thousands)			
Cost of revenues	$ 126	$ 127	$ (1)	$ 242	$ 235	$ 7
Sales and marketing	370	477	(107)	711	879	(168)
Product development	576	604	(28)	1,103	1,166	(63)
General and administrative	5,382	5,033	349	9,974	11,475	(1,501)
Total stock-based compensation expense	$ 6,454	$ 6,241	$ 213	$ 12,030	$ 13,755	$ (1,725)

Comparison of the three and six months ended June 30, 2024 and 2023 (percentage of revenue)

The following table provides the key components of operating costs within our results of operations as a percentage of revenue for the three and six months ended June 30, 2024 compared to the same period in 2023.

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	2023	%	2024	2023	%
Total Revenues	100.0%	100.0%		100%	100%	
Operating expenses:						
Cost of revenues (exclusive of depreciation and amortization presented separately below)	34.6 %	34.2 %	0.4 %	34.0 %	34.5 %	(0.5)%
Sales and marketing	17.4 %	18.0 %	(0.6)%	17.5 %	18.6 %	(1.1)%
Product development	11.4 %	10.8 %	0.6 %	11.6 %	11.2 %	0.4 %
General and administrative	20.1 %	20.6 %	(0.5)%	20.0 %	20.8 %	(0.8)%
Depreciation and amortization	12.4 %	15.3 %	(2.9)%	12.9 %	15.7 %	(2.8)%
Loss on held for sale and impairments	0.3 %	— %	0.3 %	3.4 %	0.3 %	3.1 %
Total operating expenses	96.1 %	99.0 %	(2.9)%	99.3 %	101.1 %	(1.8)%

While revenue growth remains a key focus, we remain committed to continued expansion of gross margin, net income and Adjusted EBITDA through ongoing transformation initiatives. As a percentage of revenue, the combination of cost of revenue, sales and marketing, product development and general and administrative costs declined in the six month period from 85.1% to 83.1%, an improvement of 200 basis points. A discussion on primary drivers of cost reductions resulting in improved margin follows in the subsequent sections.

Revenues

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	2023	$	2024	2023	$
			(in thousands)			
Revenues:						
Subscription and transaction fees	$ 137,041	$ 130,305	$ 6,736	$ 271,765	$ 254,125	$ 17,640
Marketing technology solutions	35,007	34,455	552	65,299	66,243	(944)
Other	5,345	5,292	53	10,442	10,820	(378)
Total revenues	$ 177,393	$ 170,052	$ 7,341	$ 347,506	$ 331,188	$ 16,318

Revenues increased $7.3 million, or 4.3%, and $16.3 million, or 4.9%, for the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023. The growth of revenue from subscription and transaction fees was 5.2% and 6.9% during the three and six months ended June 30, 2024, respectively, as compared to the prior year periods, while the changes in marketing technology solutions and other revenues experienced more volatility in revenue generation than the delivery of services through our system of actions. The subscription and transaction revenue increases consist primarily of increases from (a) business management software and (b) billing and payment solutions. Business management software revenues drove a $6.0 million and $14.3 million increase in subscription and transaction revenues for the three and six months ended June 30, 2024, respectively, due to an expansion in our number of customers, certain price increases across our portfolio, and an increase in rebate revenue from contracted suppliers due to growth of membership subscriptions in group purchasing programs. Billing and payment solutions revenues drove an increase of $0.7 million and $3.3 million due to higher transaction volumes processed through our payment platforms during the three and six months ended June 30, 2024, respectively. Subscription and transaction revenues also include $0.7 million and $1.3 million of post-acquisition revenue from Kickserv for the three and six months ended June 30, 2024, respectively, and pre-divestiture revenue from North American Fitness of $3.3 million and $6.5 million for the three and six months ended June 30, 2023, and $2.6 million for the three months ended June 30, 2024, respectively (see Note 3. Kickserv Acquisition and Note 4. Disposition and Held for Sale, respectively, in this Quarterly Report on Form 10-Q). Marketing technology solutions revenues increased $0.6 million and decreased $0.9 million during the three and six months ended June 30, 2024, respectively. The increase in the three month period was primarily due to certain price increases and customer growth related to lead generation services, partially offset by a reduction in demand for digital advertising management services. The decrease in the six month period primarily resulted from a reduction in demand driven by decreases in consumer spending. Other revenues increased $0.1 million and decreased $0.4 million during the three and six months ended June 30, 2024, respectively. Other revenues were relatively flat for the three month period comparison, and the decrease in the six month period comparison was driven by revenue related to project implementation and customer development services which did not recur in the current year. The majority of our revenue growth is attributable to the successful delivery of system of action capabilities to our SMBs in our verticals of home services, health and wellness.

Cost of Revenues

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	2023	$	2024	2023	$
			(dollars in thousands)			
Cost of revenues (exclusive of depreciation and amortization presented separately below)	$ 61,347	$ 58,185	$ 3,162	$ 118,140	$ 114,131	$ 4,009

Cost of revenues increased by $3.2 million, or 5.4%, and $4.0 million, or 3.5%, for the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023. The increase for the three month period was primarily comprised of an additional $2.6 million of lead generation and ad spend subject to resale to customers, $0.7 million of campaign mail expenses, $0.5 million of software hosting expenses, and $0.4 million of application programming interface fees, partially offset by a $1.1 million decrease in personnel and compensation expense, and a $0.5 million decrease in outsourced services. The increase for the six month period was primarily comprised of an additional $4.4 million of lead generation and ad spend subject to resale to customers, $1.1 million of application programming interface fees, $1.0 million of software hosting expenses, and $0.6 million of campaign mail expenses, partially offset by a $2.4 million decrease in personnel and compensation expense, and a $0.9 million decrease in communication services.

Sales and Marketing

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	2023	$	2024	2023	$
			(dollars in thousands)			
Sales and marketing	$ 30,952	$ 30,675	$ 277	$ 60,720	$ 61,574	$ (854)

Sales and marketing expenses increased by $0.3 million, or 0.9%, and decreased $0.9 million, or 1.4%, for the three and six months ended June 30, 2024, respectively as compared to the same periods in 2023. Sales and marketing expenses were relatively consistent in the three month period as compared to the prior year period and declined as a percentage of revenue by 60 basis points. The decrease for the six month period was driven primarily by a $1.1 million reduction in personnel and compensation expense, a $0.4 million reduction in partner/broker commissions, and a $0.2 million reduction in stock-based compensation expense, partially offset by a $0.4 million increase in software and tools and $0.4 million in advertising expense.

Product Development

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	2023	$	2024	2023	$
			(dollars in thousands)			
Product development	$ 20,164	$ 18,331	$ 1,833	$ 40,364	$ 37,034	$ 3,330

Product development expenses increased by $1.8 million, or 10.0%, and $3.3 million, or 9.0%, for the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023. These increases for the three and six months ended June 30, 2024 were a result of continued investment in our technology and teams to support our various solutions as well as centralized security operations, information technology and cloud engineering, driven by an additional $1.6 million and $2.4 million of personnel and compensation expense, respectively, and $0.5 million and $0.9 million of outsourced services, respectively.

General and Administrative

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2023	2022	$	2024	2023	$
			(dollars in thousands)			
General and administrative	$ 35,654	$ 35,089	$ 565	$ 69,444	$ 68,952	$ 492

General and administrative expenses increased by $0.6 million, or 1.6%, and $0.5 million, or 0.7%, for the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023. General and administrative expenses were relatively consistent in the three and six month periods as compared to the prior year periods. As a percentage of revenue, general and administrative costs declined in the three month period from 20.6% to 20.1%, an improvement of approximately 40 basis points, and in the six month period from 20.8% to 20.0%, an improvement of 80 basis points, due to cost discipline through ongoing transformation initiatives.

Depreciation and Amortization

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	2023	$	2024	2023	$
			(dollars in thousands)			
Depreciation and amortization	$ 21,938	$ 25,990	$ (4,052)	$ 44,889	$ 51,940	$ (7,051)

Depreciation and amortization expenses decreased by $4.1 million, or 15.6%, and $7.1 million, or 13.6%, for the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023. The reduction in depreciation and amortization was driven primarily by the reduced rate of replacement assets resulting from a slowdown in business acquisitions. Specifically, these decreases for the three and six months ended June 30, 2024 were driven primarily by $4.3 million and $8.2 million in lower intangible assets' amortization, respectively, partially offset by $0.4 and $1.1 million of additional capitalized software amortization, respectively.

Loss on Held for Sale and Impairments

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	2023	$	2024	2023	$
			(dollars in thousands)			
Loss on held for sale and impairments	$ 459	$ —	$ 459	$ 11,680	$ 1,063	$ 10,617

Loss on held for sale and impairments increased by $0.5 million and $10.6 million for the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023. In March 2024, we entered into definitive sale and purchase agreements to sell our fitness solutions (see Note 4. Disposition and Held for Sale in this Quarterly Report on Form 10-Q). The North American Fitness transaction resulted in a loss on disposal of $0.2 million and $5.0 million during the three and six months ended June 30, 2024, respectively, and a goodwill impairment charge of $3.4 million representing allocated goodwill during the three months ended March 31, 2024. Additionally, we recognized a loss on held for sale of $0.3 million and $2.9 million during the three and six months ended June 30, 2024, respectively, which represents the measurement of the UK Fitness disposal group at fair value less costs to sell. We did not have similar expenses during the three and six months ended June 30, 2023. The increase for the six months ended June 30, 2024 was partially offset by lower right-of-use lease asset impairments charges of $0.7 million as compared to the same period in 2023.

Interest and Other Expense, net

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	2023	$	2024	2023	$
			(dollars in thousands)			
Interest and other expense, net	$ 9,552	$ 4,761	$ 4,791	$ 15,343	$ 19,949	$ (4,606)

Interest and other expense, net, increased by $4.8 million, or 100.6%, and decreased $4.6 million, or 23.1%, for the three and six months ended June 30, 2024, respectively, as compared to the same periods in 2023, with the changes primarily driven by volatility of interest rates on interest rate swaps. For the three month period, the increase was driven primarily by a decrease of $5.4 million in unrealized gains recorded on the interest rate swaps, partially offset by a $0.4 million increase in interest income. For the six month period, the decrease was driven primarily by an increase of $3.7 million in unrealized gains recorded on the interest rate swaps, and a $1.0 million increase in interest income.

Income Tax (Expense) Benefit

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2024	2023	$	2024	2023	$
			(dollars in thousands)			
Income tax (expense) benefit	$ (703)	$ 2,083	$ (2,786)	$ (6,626)	$ 1,784	$ (8,410)

Income tax expense increased by $2.8 million and $8.4 million for the three and six months ended June 30, 2024, respectively, as compared to the corresponding periods in 2023, with the change driven primarily by an increase in U.S. federal and state income taxes and discrete items, including the sale of North American Fitness during the six months ended June 30, 2024, and the release of a foreign valuation allowance in the three and six months ended June 30, 2023.

Liquidity and Capital Resources

To date, our primary sources of liquidity have been net cash provided by operating activities, proceeds from equity issuances and proceeds from long-term debt.

We utilize liquidity for items such as strategic investments in the ongoing transformation of our business and infrastructure, our recent business acquisition of Kickserv and share repurchases authorized through our Repurchase Program (defined below). For a description of our recent acquisitions, see Note 3. Acquisitions in the notes to the audited consolidated financial statements included in our Annual Report on Form 10-K and Note 3. Kickserv Acquisition in the notes to the unaudited consolidated financial statements included in this Quarterly Report on Form 10-Q. Absent significant deterioration of market conditions, we expect that working capital requirements, capital expenditures, acquisitions, the Repurchase Program, debt servicing and lease obligations will be our principal needs for liquidity going forward.

As of June 30, 2024, we had cash, cash equivalents and restricted cash, including cash and restricted cash classified as held for sale, of $90.0 million, $190.0 million of available borrowing capacity under our Revolver (as defined below) and $534.9 million outstanding under our Term Loans (as defined below). We believe that our existing cash, cash equivalents and restricted cash, availability under our Credit Facilities, and our cash flows from operations will be sufficient to fund our working capital requirements and planned capital expenditures, and to service our debt obligations for at least the next twelve months. However, our future working capital requirements will depend on many factors, including our rate of revenue growth, the timing and size of future acquisitions, and the timing of introductions of new products and services. If needed, additional funds may not be available on terms favorable to us, or at all. If we are unable to raise additional funds when desired, our business, financial condition and results of operations could be adversely affected. See Part II, Item 1A. "*Risk Factors*."

Cash Flows

The following table sets forth cash flow data for the periods indicated therein:

	Six months ended June 30,	
	2024	2023
	(in thousands)	
Net cash provided by operating activities	$ 37,216	$ 41,146
Net cash used in investing activities	(8,526)	(10,686)
Net cash used in financing activities	(34,190)	(39,769)
Effect of foreign currency exchange rate changes on cash	(638)	327
Net decrease in cash, cash equivalents and restricted cash	$ (6,138)	$ (8,982)

Cash Flow from Operating Activities

Net cash provided by operating activities was $37.2 million for the six months ended June 30, 2024, compared to $41.1 million for the six months ended June 30, 2023. Changes in net cash provided by operating activities resulted primarily from cash received from net sales within our subscription and transaction fees and marketing technology solutions. Other drivers of the changes in net cash provided by operating activities include payments for personnel expenses for our employees, costs related to delivering our services and products, partner commissions, advertising and interest on our long-term debt.

The increase in cash provided by operating activities for the six months ended June 30, 2024 compared to the six months ended June 30, 2023 was primarily due to higher cash collections from our subscription and transaction fees and marketing technology solutions of approximately $13.3 million, higher interest income of $1.0 million and lower interest payments of $0.5 million, partially offset by higher investments made to support the growth of our business of $8.8 million, higher costs directly related to the delivery of our services and products of $8.6 million, and higher taxes of $1.3 million.

Cash Flow from Investing Activities

During the six months ended June 30, 2024, net cash used in investing activities of $8.5 million related primarily to costs to develop software of $8.7 million and $1.0 million used for purchases of property and equipment, partially offset by proceeds from the sale of North American Fitness, net of transaction costs, cash and restricted cash sold for approximately $1.2 million.

During the six months ended June 30, 2023, net cash used in investing activities of $10.7 million related primarily to costs to develop software of $9.5 million and the remainder was used primarily for purchases of property and equipment.

Cash Flow from Financing Activities

During the six months ended June 30, 2024, net cash used in financing activities of $34.2 million related primarily to the repurchase and retirement of shares of our common stock of $36.0 million.

During the six months ended June 30, 2023, net cash used in financing activities of $39.8 million related primarily to the repurchase and retirement of shares of our common stock of $39.7 million.

For additional information regarding our repurchase and retirement of shares of our common stock, refer to Note 12. Equity in the notes to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Credit Facilities

We are party to a credit agreement, as amended, that provides for two term loans for an aggregate principal amount of $550.0 million (“Term Loans”), a revolver with a capacity of $190.0 million (“Revolver”) and a sub-limit of the Revolver available for letters of credit up to an aggregate face amount of $20.0 million. These debt arrangements are collectively referred to herein as the (“Credit Facilities”).

Simultaneously with the execution of the Credit Facilities, we and various of our subsidiaries entered into a collateral agreement and guarantee agreement. Pursuant to the guarantee agreement, EverCommerce Intermediate Inc. and various of our subsidiaries are guarantors of the obligations under the Credit Facilities. Pursuant to the collateral agreement, the Credit Facilities are secured by liens on substantially all of our assets, including our intellectual property and the equity interests of our various subsidiaries, including EverCommerce Solutions Inc.

The Credit Facilities contain certain affirmative and negative covenants, including, among other things, restrictions on indebtedness, issuance of preferred equity interests, liens, fundamental changes and asset sales, investments, negative pledges, repurchases of stock, dividends and other distributions, and transactions with affiliates. In addition, we are subject to a financial covenant with respect to the Revolver whereby, if the aggregate principal amount of revolving loans (excluding letters of credit) outstanding on the last day of any fiscal quarter exceeds 35% of the aggregate commitments available under the Revolver, then our first lien leverage ratio as of the last day of such fiscal quarter must be 7.50 to 1.00 or less.

With respect to ABR borrowings, interest payments are due on a quarterly basis on the last business day of each March, June, September and December. With respect to Eurocurrency borrowings, interest payments are due on the last business day of the interest period applicable to the borrowing and, in the case of a Eurocurrency borrowing with an interest period of more than three months’ duration, each day prior to the last day of such interest period that occurs at intervals of three months’ duration after the first day of such interest period.

Effective as of July 1, 2023, borrowings under the Credit Facilities bear interest at the Company’s option at ABR plus an applicable rate, or at a forward-looking term rate based upon the secured overnight financing rate (“SOFR”), plus (i) (a) with respect to Term Loans, credit spread adjustments of 0.11448%, 0.26161%, 0.42826% and 0.71513% for interest periods of one, three, six and twelve months, respectively, and (b) with respect to revolving loans, a credit spread adjustment of 0.0% (“Adjusted SOFR”) plus (ii) an applicable rate, in each case with such applicable rate based on the Company’s first lien net leverage ratio. The ABR represents the highest of the prime rate, Federal Reserve Bank of New York rate plus ½ of 1%, and the Adjusted SOFR for a one month interest period plus 1%. The applicable rate for the Term Loans and the Revolver is 3.0% for Adjusted SOFR borrowings and 2.0% for ABR borrowings, in each case subject to change based on our first lien net leverage ratio.

Effective October 31, 2022, we entered into an interest rate swap agreement in connection with the Company's Credit Facilities for a notional amount of $200.0 million to convert a portion of the floating rate component of the Term Loans from a floating rate to a fixed rate (the "Initial Swap"). The Initial Swap has a term of five years with a fixed rate in the agreement of 4.212%, as amended in June 2023. Additionally, effective March 31, 2023, the Company entered into a second interest rate swap agreement in connection with the Company's Credit Facilities for a notional amount of $100.0 million to convert a portion of the floating rate component of the Term Loans from a floating rate to a fixed rate (the "Second Swap"). The Second Swap has a term of approximately 4.5 years with a fixed rate in the agreement of 3.951%, as amended in June 2023.

The Revolver has a variable commitment fee, which is based on our first lien leverage ratio. We expect the commitment fee to range from 0.25% to 0.375% per annum. We are obligated to pay a fixed fronting fee for letters of credit of 0.125% per annum.

Amounts borrowed under the Revolver may be repaid and re-borrowed through maturity of the Revolver in July 2026. The Term Loans mature in July 2028. The Term Loans may be repaid or prepaid but may not be re-borrowed.

As of June 30, 2024, there was $534.9 million outstanding under our Credit Facilities, all of which was related to the Term Loans as no amounts were outstanding under the Revolver. The effective interest rate on the Term Loans was approximately 8.4% for the three months ended June 30, 2024, excluding the effect of any interest rate swap agreements.

As of June 30, 2024, we were in compliance with the covenants under the Credit Facilities.

Stock Repurchase Program

On June 14, 2022, our Board of Directors approved the stock repurchase program (as subsequently amended, the "Repurchase Program") with authorization to purchase up to $50.0 million in shares of the Company's common stock through the expiration of the program on December 21, 2022. On November 7, 2022, November 5, 2023, and May 21, 2024, our Board increased the authorization of the Repurchase Program by an additional $50.0 million in shares of the Company's common stock on each date for a total authorization to repurchase up to $200.0 million in shares of the Company's common stock, and extended the expiration of the Repurchase Program most recently through December 31, 2025. Repurchases under the program may be made in the open market, in privately negotiated transactions or otherwise, with the amount and timing of repurchases to be determined at the Company's discretion, depending on market conditions and corporate needs. The Repurchase Program does not obligate the Company to acquire any particular amount of common stock and may be modified, suspended or terminated at any time at the discretion of the Board. The Company expects to fund repurchases with existing cash on hand.

The Company repurchased and retired 2.5 million and 3.7 million shares of common stock for approximately $24.1 million and $36.3 million, including transaction fees and taxes, during the three and six months ended June 30, 2024. As of June 30, 2024, $54.0 million remained available under the Repurchase Program.

Contractual Obligations

There have been no material changes to our contractual obligations as of June 30, 2024 from those disclosed in our Annual Report on Form 10-K.

Refer to Notes 10. Leases, 11. Long-Term Debt and 17. Commitments and Contingencies in the notes to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a discussion of our operating leases, debt and contractual obligations, respectively.

Critical Accounting Policies and Significant Judgments and Estimates

Our financial statements are prepared in accordance with U.S. GAAP. The preparation of our financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Our critical accounting policies are described in Part II Item 7, *"Management's Discussion and Analysis of Financial Condition and Results of Operations —Critical Accounting Policies"* in our Annual Report on Form 10-K. During the six months ended June 30, 2024, there were no material changes to our critical accounting policies from those discussed in our Annual Report on Form 10-K.

Recent Accounting Pronouncements

See Note 2. Summary of Significant Accounting Policies in the notes to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for a discussion of accounting pronouncements recently adopted and recently issued accounting pronouncements not yet adopted, and their potential impact to our financial statements.

Election Under the Jumpstart Our Business Startups Act of 2012

The Company currently qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. Accordingly, the Company is provided the option to adopt new or revised accounting guidance either (i) within the same periods as those otherwise applicable to non-emerging growth companies or (ii) within the same time periods as private companies.

The Company has elected to adopt new or revised accounting guidance within the same time period as private companies, unless management determines it is preferable to take advantage of early adoption provisions offered within the applicable guidance. Our utilization of these transition periods may make it difficult to compare our financial statements to those of non-emerging growth companies and other emerging growth companies that have opted out of the transition periods afforded under the JOBS Act.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to our disclosures regarding market risk as described in our Annual Report on Form 10-K under the heading Part II. Item 7A. *"Quantitative and Qualitative Disclosures about Market Risk."*

Item 4. Controls and Procedures

Limitations on effectiveness of controls and procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of disclosure controls and procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of June 30, 2024, our disclosure controls and procedures were not effective at the reasonable assurance level, due to the material weakness in our internal control over financial reporting as described in Part II, Item 9A. *"Controls and Procedures"* in our Annual Report on Form 10-K for the year ended December 31, 2023.

Changes in Internal Control over Financial Reporting

We continue to work to remediate our material weakness in our internal control over financial reporting as described in Part II, Item 9A. *"Controls and Procedures"* in our Annual Report on Form 10-K for the year ended December 31, 2023. There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

We are from time to time subject to various legal proceedings, claims, and governmental inspections, audits, or investigations that arise in the ordinary course of our business. We believe that the ultimate resolution of these matters would not be expected to have a material adverse effect on our business, financial condition, or operating results.

Item 1A. Risk Factors

In addition to the information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the risk factors disclosed in Part I. Item 1A "*Risk Factors*" of our Annual Report on Form 10-K. There have been no material changes to our risk factors from those included in our Annual Report on Form 10-K.

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

Recent Sales of Unregistered Securities; Purchases of Equity Securities by the Issuer or Affiliated Purchaser

During the three months ended June 30, 2024, we repurchased approximately $24.1 million in shares of our common stock under our Repurchase Program, including transaction fees and taxes. The stock repurchase activity under our Repurchase Program during the three months ended June 30, 2024 was as follows:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Approximate dollar value of shares that may yet be purchased under the plans or programs (1)
	(in thousands, except per share and share amounts)			
April 1, 2024 - April 30, 2024	947,591	$ 9.08	947,591	$ 69,322
May 1, 2024 - May 31, 2024	784,011	$ 9.92	784,011	$ 61,542
June 1, 2024 - June 30, 2024	766,495	$ 9.82	766,495	$ 54,013

(1) On June 14, 2022, our Board approved the Repurchase Program with authorization to purchase up to $50.0 million in shares of the Company's common stock through the expiration of the program on December 21, 2022. On November 7, 2022, November 5, 2023, and May 21, 2024, our Board increased the authorization of the Repurchase Program by an additional $50.0 million in shares of the Company's common stock on each date for a total authorization to repurchase up to $200.0 million in shares of the Company's common stock, and extended the expiration of the Repurchase Program most recently through December 31, 2025.

Repurchases under the program may be made in the open market, in privately negotiated transactions or otherwise, with the amount and timing of repurchases to be determined at the Company's discretion, depending on market conditions and corporate needs. Open market repurchases will be structured to occur in accordance with applicable federal securities laws, including within the pricing and volume requirements of Rule 10b-18 under the Exchange Act. The Company may also, from time to time, enter into Rule 10b5-1 plans to facilitate repurchases of its shares under this authorization. The Repurchase Program does not obligate the Company to acquire any particular amount of common stock and may be modified, suspended or terminated at any time at the discretion of the Board. The Company expects to fund repurchases with existing cash on hand.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On June 14, 2024, Eric Remer, our Chief Executive Officer and Chairman of the Board of Directors, entered into a Rule 10b5-1 trading arrangement intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) for the sale of up to 1.0 million shares of the Company's common stock held by Buckrail Partners LLC, an entity which Mr. Remer controls, until September 2025.

During the three months ended June 30, 2024, no other director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed/ Furnished Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation of EverCommerce Inc	8-K	001-40575	3.1	7/9/2021	
3.2	Amended and Restated Bylaws of EverCommerce Inc	8-K	001-40575	3.2	7/9/2021	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a)					*
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a)					*
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350					**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350					**
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.					*
101.SCH	Inline XBRL Taxonomy Extension Schema Document					*
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					*
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					*
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					*
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					*
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					*

* Filed herewith.
** Furnished herewith.

SIGNATURES

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

EVERCOMMERCE INC.

Date: August 6, 2024

By: /s/ Eric Remer

Eric Remer

Chief Executive Officer

(Principal Executive Officer)

Date: August 6, 2024

By: /s/ Marc Thompson

Marc Thompson

Chief Financial Officer

(Principal Financial Officer)

Date: August 6, 2024

By: /s/ Ryan H. Siurek

Ryan H. Siurek

Chief Accounting Officer

(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Eric Remer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of EverCommerce Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

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

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

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

5. The registrant's other certifying officer 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: August 6, 2024

By: /s/ Eric Remer

Eric Remer

Chief Executive Officer and Director
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Marc Thompson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of EverCommerce Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

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

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

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

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

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

5. The registrant's other certifying officer 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: August 6, 2024

By: /s/ Marc Thompson

Marc Thompson

Chief Financial Officer
(principal financial officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of EverCommerce Inc. (the "Company") for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: August 6, 2024	By:	/s/ Eric Remer
		Eric Remer
		Chief Executive Officer and Director **(principal 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 on Form 10-Q of EverCommerce Inc. (the “Company”) for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; 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: August 6, 2024

By: /s/ Marc Thompson

Marc Thompson
Chief Financial Officer
(principal financial officer)