

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 September 30, 2023

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

(State or other jurisdiction of
incorporation or organization)

81-4063248

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

3601 Walnut Street, Suite 400
Denver, Colorado

(Address of principal executive offices)

80205

(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	EVCN	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 November 3, 2023, there were 188,658,621 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 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; we may reduce our rate of acquisitions and may be unsuccessful in achieving continued growth through acquisitions; revenues and profits generated through acquisitions may be less than anticipated, and we may fail to uncover all liabilities of acquisition targets; we may need to incur additional indebtedness or seek capital through new equity or debt financings, which may not be available to us on acceptable terms or at all; 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 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 and payment processors and if we fail to comply with the applicable requirements of our payment network or payment processors, they can seek to fine us, suspend us or terminate our registrations through our bank sponsors; the inability to 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; real or perceived errors, failures or bugs in our solutions; unauthorized disclosure, destruction or modification of data, disruption of our software or services or cyber breaches; our estimated total addressable market is subject to inherent challenges and uncertainties; actual or perceived inaccuracies in our operational metrics may harm our reputation; failure to effectively develop and expand our sales and marketing capabilities; failure to maintain and enhance our reputation and brand recognition; inability to retain current customers or to sell additional functionality and services to them may adversely affect our revenue growth; our systems and our third-party providers’ systems may fail or our third-party providers may discontinue providing their services or technology or to us specifically; faster growth of lower margin solutions and services than higher margin solutions and services; impacts from COVID-19 and the risk of future pandemics, epidemics or outbreaks of an infectious disease in the United States; economic and political risks, including the business cycles of our clients and changes in the overall level of consumer and commercial spending; our ability to retain and hire skilled personnel; risks related to our indebtedness; risks related to 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; as well as the other factors described in our Annual Report on Form 10-K for the year ended December 31, 2022 (“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)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 87,335	\$ 92,625
Restricted cash	3,488	3,199
Accounts receivable, net of allowance for expected credit losses of \$6.3 million and \$4.7 million at September 30, 2023 and December 31, 2022, respectively	50,725	48,032
Contract assets	13,233	12,971
Prepaid expenses and other current assets	24,480	23,760
Total current assets	179,261	180,587
Property and equipment, net	10,261	11,930
Capitalized software, net	40,607	32,554
Other non-current assets	46,563	46,855
Intangible assets, net	340,841	405,720
Goodwill	923,766	914,082
Total assets	1,541,299	1,591,728
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 8,354	\$ 8,373
Accrued expenses and other	57,935	56,963
Deferred revenue	24,639	22,885
Customer deposits	12,188	11,360
Current maturities of long-term debt	5,500	5,500
Total current liabilities	108,616	105,081
Long-term debt, net of current maturities and deferred financing costs	527,762	530,946
Other non-current liabilities	42,765	49,008
Total liabilities	679,143	685,035
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, \$0.00001 par value, 50,000,000 shares authorized and no shares issued or outstanding as of September 30, 2023 and December 31, 2022	—	—
Common stock, \$0.00001 par value, 2,000,000,000 shares authorized and 188,927,445 and 191,447,237 shares issued and outstanding at September 30, 2023 and December 31, 2022, respectively	2	2
Accumulated other comprehensive loss	(12,919)	(10,198)
Additional paid-in capital	1,471,713	1,489,935
Accumulated deficit	(596,640)	(573,046)
Total stockholders' equity	862,156	906,693
Total liabilities and stockholders' equity	\$ 1,541,299	\$ 1,591,728

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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenues:				
Subscription and transaction fees	\$ 132,640	\$ 120,085	\$ 386,765	\$ 343,734
Marketing technology solutions	36,838	36,276	103,081	101,340
Other	5,263	1,765	16,083	13,874
Total revenues	174,741	158,126	505,929	458,948
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization presented separately below)	61,471	57,655	175,602	163,503
Sales and marketing	30,086	29,440	91,660	89,531
Product development	19,318	18,508	56,352	53,568
General and administrative	31,538	32,164	101,553	96,748
Depreciation and amortization	26,035	27,613	77,975	82,524
Total operating expenses	168,448	165,380	503,142	485,874
Operating income (loss)	6,293	(7,254)	2,787	(26,926)
Interest and other expense, net	(6,666)	(8,890)	(26,615)	(21,070)
Net loss attributable to common stockholders before income tax (expense) benefit	(373)	(16,144)	(23,828)	(47,996)
Income tax (expense) benefit	(241)	291	1,543	5,953
Net loss attributable to common stockholders	(614)	(15,853)	(22,285)	(42,043)
Other comprehensive loss:				
Foreign currency translation losses, net	(1,940)	(6,978)	(2,721)	(15,811)
Comprehensive loss attributable to common stockholders	\$ (2,554)	\$ (22,831)	\$ (25,006)	\$ (57,854)
Basic and diluted net loss per share attributable to common stockholders	\$ —	\$ (0.08)	\$ (0.12)	\$ (0.22)
Basic and diluted weighted-average shares of common stock outstanding used in computing net loss per share	188,805,421	194,542,764	189,039,709	195,205,260

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, 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, <i>Current Expected Credit Losses</i>	—	—	—	(1,309)	—	(1,309)
Foreign currency translation losses, 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 losses, net	—	—	—	—	(682)	(682)
Net loss	—	—	—	(896)	—	(896)
Balance at June 30, 2023	188,636	\$ 2	\$ 1,466,360	\$ (596,026)	\$ (10,979)	\$ 859,357
Common stock issued upon vesting of restricted stock units	295	—	—	—	—	—
Stock-based compensation	—	—	5,855	—	—	5,855
Stock option exercises	156	—	1,073	—	—	1,073
Repurchase and retirement of common stock including taxes	(160)	—	(1,575)	—	—	(1,575)
Foreign currency translation losses, net	—	—	—	—	(1,940)	(1,940)
Net loss	—	—	—	(614)	—	(614)
Balance at September 30, 2023	188,927	\$ 2	\$ 1,471,713	\$ (596,640)	\$ (12,919)	\$ 862,156

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, 2021	195,384	\$ 2	\$ 1,500,643	\$ (513,230)	\$ (1,767)	\$ 985,648
Stock-based compensation	—	—	6,135	—	—	6,135
Stock option exercises	126	—	723	—	—	723
Foreign currency translation losses, net	—	—	—	—	(664)	(664)
Net loss	—	—	—	(13,309)	—	(13,309)
Balance at March 31, 2022	195,510	\$ 2	\$ 1,507,501	\$ (526,539)	\$ (2,431)	\$ 978,533
Issuance of common stock for Employee Stock Purchase Plan	218	—	1,804	—	—	1,804
Stock-based compensation	—	—	6,508	—	—	6,508
Stock option exercises	96	—	381	—	—	381
Repurchase and retirement of common stock	(296)	—	(2,665)	—	—	(2,665)
Foreign currency translation losses, net	—	—	—	—	(8,169)	(8,169)
Net loss	—	—	—	(12,881)	—	(12,881)
Balance at June 30, 2022	195,528	2	1,513,529	(539,420)	(10,600)	963,511
Issuance of common stock for Employee Stock Purchase Plan	—	—	(50)	—	—	(50)
Common stock issued upon vesting of restricted stock units	116	—	—	—	—	—
Stock-based compensation	—	—	7,133	—	—	7,133
Stock option exercises	95	—	571	—	—	571
Repurchase and retirement of common stock	(1,801)	—	(19,198)	—	—	(19,198)
Foreign currency translation losses, net	—	—	—	—	(6,978)	(6,978)
Net loss	—	—	—	(15,853)	—	(15,853)
Balance at September 30, 2022	193,938	\$ 2	\$ 1,501,985	\$ (555,273)	\$ (17,578)	\$ 929,136

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

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

	Nine months ended September 30,	
	2023	2022
Cash flows provided by operating activities:		
Net loss	\$ (22,285)	\$ (42,043)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	77,975	82,524
Stock-based compensation expense	19,610	19,776
Deferred taxes	(2,066)	(6,855)
Amortization of deferred financing costs and non-cash interest	1,240	1,622
Bad debt expense	5,285	2,362
Other non-cash items	(4,807)	1,583
Changes in operating assets and liabilities:		
Accounts receivable, net	(9,145)	(11,722)
Prepaid expenses and other current assets	(1,331)	(7,151)
Other non-current assets	4,511	(1,313)
Accounts payable	(62)	(1,450)
Accrued expenses and other	1,436	(1,308)
Deferred revenue	1,514	2,503
Other non-current liabilities	(3,288)	(916)
Net cash provided by operating activities	68,587	37,612
Cash flows used in investing activities:		
Purchases of property and equipment	(2,140)	(2,155)
Capitalization of software costs	(14,727)	(11,440)
Acquisition, net of cash acquired	(14,959)	—
Net cash used in investing activities	(31,826)	(13,595)
Cash flows used in financing activities:		
Payments on debt	(4,125)	(6,125)
Exercise of stock options	1,982	1,675
Proceeds from common stock issuance for Employee Stock Purchase Plan	1,765	1,754
Repurchase and retirement of common stock	(41,268)	(21,863)
Net cash used in financing activities	(41,646)	(24,559)
Effect of foreign currency exchange rate changes on cash	(116)	(1,796)
Net decrease in cash and cash equivalents and restricted cash	(5,001)	(2,338)
Cash and cash equivalents and restricted cash:		
Beginning of period	95,824	97,559
End of period	\$ 90,823	\$ 95,221
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 34,112	\$ 19,460
Cash paid for income taxes	\$ 2,939	\$ 1,950

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

Notes to Unaudited 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 platform spans across the full lifecycle of interactions between consumers and service professionals with vertical-specific applications. Today, the Company serves more than 685,000 customers across three core verticals: Home Services; Health Services; and Fitness & Wellness Services. 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 complete end-to-end 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 (“GAAP”) for interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with 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, 2022 and the related notes (“Annual Report on Form 10-K”). The December 31, 2022 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 nine months ended September 30, 2023 from those disclosed in the annual consolidated financial statements for the year ended December 31, 2022 and the related notes. Certain prior year amounts have been reclassified to conform to the current year presentation.

The operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results expected for the full year ending December 31, 2023.

Use of Estimates

The preparation of unaudited condensed consolidated financial statements in conformity with 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 estimates reflected in the consolidated financial statements include revenue recognition, allowance for expected credit losses, valuation allowances with respect to deferred tax assets, assumptions underlying the fair value used in the calculation of stock-based compensation, valuation of intangible assets and goodwill and useful lives of tangible and intangible assets, among others.

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*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 ending December 31, 2023 and it did not have a material impact on the financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which amends the guidance in ASC 805 to require that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. FASB's objective in issuing the ASU is to improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity and inconsistency related to both the recognition of an acquired contract liability and payment terms' effects on subsequent revenue recognized by the acquirer. This updated standard is effective for annual reporting periods beginning after December 15, 2022. The Company adopted this ASU on January 1, 2023 and it is prospectively applicable to all business combinations from the adoption date. The adoption of this standard was not material to the KickServ Acquisition (see Note 3).

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The pronouncement provides temporary optional expedients and exceptions to the current guidance on contract modifications and hedge accounting to ease the financial reporting burden related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The guidance was effective upon issuance and generally can be applied to applicable contract modifications through December 31, 2024. There was no material impact to our financial statements from the adoption of this standard.

We reviewed all other recently issued accounting pronouncements and concluded that they were either not applicable or not expected to have a significant impact to the 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 \$15.0 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.

Our purchase price allocation for the acquisition is preliminary and subject to revision with provisional amounts related to tax-related and other items. Additional information that existed as of the acquisition date but at the time was unknown to us may become known to us during the remainder of the measurement period, which is not to exceed 12 months from the acquisition date.

The financial results of Kickserv since the closing through September 30, 2023, were not material to our consolidated financial statements, nor were they material to our prior period consolidated results on a pro forma basis.

Notes to Unaudited Condensed Consolidated Financial Statements

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

	August 10, 2023
	<i>(in thousands)</i>
Total consideration transferred:	
Cash	\$ 14,993
Net assets acquired:	
Prepaid expenses and other assets	\$ 51
Intangibles—definite lived	3,155
Goodwill	12,516
Accounts payable, accrued expenses and other	(11)
Deferred tax liability, net	(397)
Deferred revenue	(274)
Other non-current liabilities	(47)
Total net assets acquired	<u>\$ 14,993</u>

Note 4. 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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(in thousands)</i>			
By pattern of recognition (timing of transfer of services):				
Point in time	\$ 17,984	\$ 14,496	\$ 48,141	\$ 40,112
Over time	156,757	143,630	457,788	418,836
Total	<u>\$ 174,741</u>	<u>\$ 158,126</u>	<u>\$ 505,929</u>	<u>\$ 458,948</u>
By geographical market:				
United States	\$ 159,859	\$ 146,492	\$ 461,336	\$ 418,510
International	14,882	11,634	44,593	40,438
Total	<u>\$ 174,741</u>	<u>\$ 158,126</u>	<u>\$ 505,929</u>	<u>\$ 458,948</u>

Contract Balances

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

	September 30, 2023	December 31, 2022
	<i>(in thousands)</i>	
Accounts receivable, net	\$ 50,725	\$ 48,032
Contract assets	\$ 13,233	\$ 12,971
Deferred revenue	\$ 24,639	\$ 22,885
Customer deposits	\$ 12,188	\$ 11,360
Long-term deferred revenue	\$ 2,192	\$ 2,496

Notes to Unaudited Condensed Consolidated Financial Statements

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 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. Short-term contract liabilities are included within deferred revenue on the condensed consolidated balance sheets. Long-term contract liabilities are included within long-term deferred revenue, which is classified within other non-current liabilities on the condensed consolidated balance sheets. Revenue recognized from the contract liability balance at December 31, 2022 was \$21.0 million for the nine months ended September 30, 2023.

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. In these arrangements, we have concluded there are no enforceable rights and obligations during the period in which the option to cancel is exercisable by the customer and therefore the consideration received is recorded as a customer deposit liability.

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. Variable consideration accounted for under the variable consideration allocation exception associated with unsatisfied performance obligations or an unsatisfied promise that forms part of a single performance obligation under application of the series guidance have been excluded. 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 September 30, 2023, was \$21.4 million, which is comprised of contracts where the contract term under ASC 606, *Revenue from Contracts with Customers*, is in excess of one year. The Company expects to recognize approximately 61% of its remaining performance obligations as revenue within the next year, 28% of its remaining performance obligations as revenue the subsequent year, 8% 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

The Company incurs certain costs to obtain contracts, principally sales and third-party commissions, which the Company capitalizes when the liability has been incurred if they are (i) incremental costs of obtaining a contract, (ii) expected to be recovered and (iii) have an expected amortization period that is greater than one year (as the Company has elected the practical expedient to expense any costs to obtain a contract when the liability is incurred if the amortization period of such costs would be one year or less).

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 condensed consolidated balance sheets. The costs to obtain contracts are amortized over five years, which corresponds with the useful life of the related capitalized software. Short-term assets were \$8.1 million and \$6.6 million at September 30, 2023 and December 31, 2022, respectively, and long-term assets were \$17.5 million and \$15.1 million at September 30, 2023 and December 31, 2022, respectively. The Company recorded amortization expense within sales and marketing on the condensed consolidated statements of operations and comprehensive loss of \$1.4 million and \$1.1 million for the three months ended September 30, 2023 and 2022, respectively, and \$4.2 million and \$3.1 million for the nine months ended September 30, 2023 and 2022, respectively. The Company recorded amortization expense within cost of revenues on the condensed consolidated statements of operations and comprehensive loss of \$0.6 million and \$0.4 million for the three months ended September 30, 2023 and 2022, respectively, and \$1.6 million and \$1.2 million for the nine months ended September 30, 2023 and 2022, respectively.

The Company has concluded that there are no other material costs incurred in fulfillment of customer contracts that are not accounted for under other GAAP, which meet the capitalization criteria under ASC 606 and FASB ASC Topic 340-40, *Accounting for Other Assets and Deferred Costs* ("ASC 340-40").

Notes to Unaudited Condensed Consolidated Financial Statements

Note 5. Goodwill

Goodwill activity consisted of the following for the nine months ended September 30, 2023 (in thousands):

Balance at December 31, 2022	\$ 914,082
Acquired goodwill	12,516
Effect of foreign currency exchange rate changes	(2,832)
Balance at September 30, 2023	<u>\$ 923,766</u>

Note 6. Intangible Assets

Intangible assets consisted of the following as of:

	September 30, 2023			
	Useful Life	Gross Carrying Value	Accumulated Amortization	Net Book Value
	<i>(in thousands)</i>			
Customer relationships	3-20 years	\$ 608,024	\$ 318,175	\$ 289,849
Developed technology	2-12 years	106,702	71,298	35,404
Trade name	3-10 years	38,655	23,183	15,472
Non-compete agreements	2-5 years	2,404	2,288	116
Total		<u>\$ 755,785</u>	<u>\$ 414,944</u>	<u>\$ 340,841</u>

	December 31, 2022			
	Useful Life	Gross Carrying Value	Accumulated Amortization	Net Book Value
	<i>(in thousands)</i>			
Customer relationships	3-20 years	\$ 605,753	\$ 265,342	\$ 340,411
Developed technology	2-12 years	105,766	59,208	46,558
Trade name	3-10 years	38,131	19,725	18,406
Non-compete agreements	2-5 years	2,402	2,057	345
Total		<u>\$ 752,052</u>	<u>\$ 346,332</u>	<u>\$ 405,720</u>

Amortization expense was \$22.5 million and \$25.2 million for the three months ended September 30, 2023 and 2022, respectively, and \$68.6 million and \$75.7 million for the nine months ended September 30, 2023 and 2022, respectively.

Note 7. Property and Equipment

Property and equipment consisted of the following as of:

	September 30, 2023	December 31, 2022
		<i>(in thousands)</i>
Computer equipment and software	\$ 10,737	\$ 9,327
Furniture and fixtures	3,741	3,570
Leasehold improvements	11,954	11,941
Total property and equipment	26,432	24,838
Less accumulated depreciation	(16,171)	(12,908)
Property and equipment, net	<u>\$ 10,261</u>	<u>\$ 11,930</u>

Depreciation expense was \$1.3 million and \$1.0 million for the three months ended September 30, 2023 and 2022, respectively, and \$3.3 million and \$3.1 million for the nine months ended September 30, 2023 and 2022, respectively.

Notes to Unaudited Condensed Consolidated Financial Statements

Note 8. Capitalized Software

Capitalized software consisted of the following as of:

	September 30, 2023	December 31, 2022
	<i>(in thousands)</i>	
Capitalized software	\$ 59,872	\$ 45,872
Less: accumulated amortization	(19,265)	(13,318)
Capitalized software, net	<u>\$ 40,607</u>	<u>\$ 32,554</u>

Amortization expense was \$2.3 million and \$1.4 million for the three months ended September 30, 2023 and 2022, respectively, and \$6.1 million and \$3.7 million for the nine months ended September 30, 2023 and 2022, 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 to general and administrative on the accompanying condensed consolidated statements of operations and comprehensive loss of \$0.1 million and \$0.1 million for the three months ended September 30, 2023 and 2022, respectively, and \$0.6 million and \$0.6 million for the nine months ended September 30, 2023 and 2022, respectively, related to capitalized features no longer expected to be used.

Note 9. 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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(in thousands)</i>			
Operating lease cost	\$ 1,578	\$ 1,851	\$ 4,875	\$ 5,928
Variable lease cost	478	374	1,587	1,121
Short-term lease cost	109	80	258	268
Total lease cost	<u>\$ 2,165</u>	<u>\$ 2,305</u>	<u>\$ 6,720</u>	<u>\$ 7,317</u>

Supplemental cash flow information related to leases is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(in thousands)</i>			
Cash paid for operating lease liabilities	\$ 1,127	\$ 2,105	\$ 4,860	\$ 6,080
Operating lease assets obtained in exchange for operating lease liabilities	\$ —	\$ 177	\$ 183	\$ 810

Notes to Unaudited Condensed Consolidated Financial Statements

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

	September 30, 2023	December 31, 2022
	<i>(in thousands)</i>	
Operating lease right-of-use assets	\$ 16,394	\$ 21,756
Current operating lease liabilities	3,692	5,239
Long-term operating lease liabilities	19,256	22,500
Total operating lease liabilities	<u>\$ 22,948</u>	<u>\$ 27,739</u>

At September 30, 2023 and December 31, 2022, the weighted average remaining lease term for operating leases was 6.03 years and 6.34 years, respectively, and the weighted average discount rate was 4.9%.

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 September 30, 2023 is as follows (in thousands):

Year ended December 31,	
2023 (remainder of year)	\$ 1,450
2024	4,751
2025	4,421
2026	4,225
2027	3,775
Thereafter	8,512
Total lease payments	<u>27,134</u>
Less: imputed interest	<u>4,187</u>
Total present value of lease liabilities	<u>\$ 22,948</u>

In addition to what is included in the table above, as of September 30, 2023, we have entered into an office lease that has not yet commenced with aggregate future lease payments of approximately \$1.6 million. This lease is expected to commence in the fourth quarter 2023, and will have a lease term of approximately three years.

Note 10. Long-Term Debt

Long-term debt consisted of the following as of:

	September 30, 2023	December 31, 2022
	<i>(in thousands)</i>	
Term notes with interest payable monthly, interest rate at Adjusted SOFR or Alternative Base Rate ("ABR"), plus an applicable margin of 3.25% (8.69554% at September 30, 2023) quarterly principal payments of 0.25% of original principal balance with balloon payment due July 2028	\$ 539,000	\$ 543,125
Revolver with interest payable monthly, interest rate at Adjusted SOFR or ABR, plus an applicable margin of 3.25% (8.68056% at September 30, 2023), and outstanding balance due July 2026	—	—
Principal debt	<u>539,000</u>	<u>543,125</u>
Deferred financing costs on long-term debt	(4,210)	(4,900)
Discount on long-term debt	(1,528)	(1,779)
Total debt	533,262	536,446
Less current maturities	<u>5,500</u>	<u>5,500</u>
Long-term portion	<u>\$ 527,762</u>	<u>\$ 530,946</u>

Notes to Unaudited Condensed Consolidated Financial Statements

In 2021, the Company agreed to 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”).

Prior to July 1, 2023, borrowings under the Credit Facilities are available as ABR or Eurocurrency borrowings. ABR borrowings under the Credit Facilities accrued interest at an alternate base rate plus an applicable rate, and Eurocurrency borrowings accrued interest at an adjusted LIBOR rate plus an applicable rate. The ABR rate represented the greater of the prime rate, Federal Reserve Bank of New York rate plus ½ of 1%, and an adjusted LIBOR rate for a one month interest period plus 1%. The applicable rate for the Term Loans and the Revolver is 3% for Eurocurrency borrowings and 2% for ABR Borrowings, in each case subject to change based on our first lien net leverage ratio.

On June 26, 2023, the Credit Facilities were amended to replace the reference rate of LIBOR with the Adjusted SOFR rate (see definition below). The interest rate on any loans outstanding under the Credit Facilities continued to be determined by reference to LIBOR until June 30, 2023, after which time the interest rates on such loans began bearing interest by reference to SOFR. The Company continues to monitor the impact of the transition from LIBOR to SOFR on its business but does not expect a significant impact to the consolidated financial statements.

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, 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.

The Company determines the fair value of long-term debt based on trading prices for its debt if available. As of September 30, 2023, 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. If no such trading prices are available, the Company determines the fair value of long-term debt using discounted cash flows, applying current interest rates and current credit spreads, based on its own credit risk. The fair value amounts were approximately \$539.7 million and \$531.6 million as of September 30, 2023 and December 31, 2022, 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 condensed consolidated balance sheets, and associated gains or losses resulting from changes in the fair value are reported in interest and other expense, net, in the statement of operations and comprehensive loss. As of September 30, 2023 the fair value of the Swap Agreements was an asset of \$3.7 million that is reported in other non-current assets on the condensed consolidated balance sheets.

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 September 30, 2023, the Company was in compliance with all of its covenants.

Notes to Unaudited Condensed Consolidated Financial Statements

Aggregate maturities of the Company's debt for the years ending December 31 are as follows as of September 30, 2023 (in thousands):

Year ending December 31:

2023 (remainder of year)	\$	1,375
2024		5,500
2025		5,500
2026		5,500
2027		5,500
Thereafter		515,625
Total aggregate maturities of the Company's debt	\$	<u>539,000</u>

Note 11. 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 approved a stock repurchase program (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. 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. This 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 of Directors. On November 7, 2022, our Board of Directors approved an expansion of the Repurchase Program with authorization to purchase up to an additional \$50.0 million in shares of the Company's common stock (\$100.0 million total) and an extension to the expiration of the Repurchase Program through December 31, 2023. The Company expects to fund repurchases with existing cash on hand.

The Company repurchased and retired 0.2 million and 4.2 million shares of common stock pursuant to the Repurchase Program for \$1.6 million and \$41.2 million including transaction fees, during the three and nine months ended September 30, 2023, respectively. As of September 30, 2023, \$16.0 million remained available under the Repurchase Program.

Note 12. 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 of directors 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 of directors, 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, 2022, as of January 1, 2023 the number of shares reserved for issuance under the 2021 Plan increased by 5.7 million.

In connection with the IPO, the Company's board of directors 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.

Notes to Unaudited Condensed Consolidated Financial Statements

The following table summarizes our restricted stock unit (“RSU”) and stock option activity for the nine months ended September 30, 2023:

	RSUs	Stock Options
	<i>(in thousands)</i>	
Outstanding as of January 1, 2023	2,022	16,937
Granted	2,839	—
Vested or exercised	(347)	(103)
Cancelled or forfeited	(24)	(78)
Outstanding as of March 31, 2023	4,490	16,756
Granted	149	—
Vested or exercised	(404)	(38)
Cancelled or forfeited	(188)	(2,799)
Outstanding as of June 30, 2023	4,047	13,919
Granted	87	—
Vested or exercised	(292)	(156)
Cancelled or forfeited	(122)	(124)
Outstanding as of September 30, 2023	3,720	13,639

As of September 30, 2023, total unrecognized compensation expense was \$34.1 million and \$12.4 million related to outstanding restricted stock units and outstanding 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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(in thousands)</i>			
Cost of revenues	\$ 127	\$ 109	\$ 362	\$ 278
Sales and marketing	402	380	1,281	1,127
Product development	642	501	1,808	1,389
General and administrative	4,684	6,143	16,159	16,982
Total stock-based compensation expense	\$ 5,855	\$ 7,133	\$ 19,610	\$ 19,776

Note 13. 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 September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	<i>(in thousands except per share amounts)</i>			
Numerator for basic and diluted EPS – net loss attributable to common stockholders	\$ (614)	\$ (15,853)	\$ (22,285)	\$ (42,043)
Denominator:				
Denominator for basic and diluted EPS – weighted-average shares of common stock outstanding used in computing net loss per share	188,805	194,543	189,040	195,205
Basic and diluted net loss per share attributable to common stockholders	\$ —	\$ (0.08)	\$ (0.12)	\$ (0.22)

Notes to Unaudited Condensed Consolidated Financial Statements

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:

	September 30,	
	2023	2022
	<i>(in thousands)</i>	
Outstanding options to purchase common stock and unvested RSUs	17,359	19,118
Total anti-dilutive outstanding potential common stock	17,359	19,118

Note 14. 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 nine months ended September 30, 2023 and 2022.

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

	September 30, 2023				Total	Balance Sheet Classification
	Level 1	Level 2	Level 3	Total		
	<i>(in thousands)</i>					
Assets:						
Money market	\$ 11,365	\$ —	\$ —	\$ 11,365		Cash equivalents
Interest rate swaps	\$ —	\$ 3,743	\$ —	\$ 3,743		Other non-current assets
	December 31, 2022					
	Level 1	Level 2	Level 3	Total	Balance Sheet Classification	
	<i>(in thousands)</i>					
Asset:						
Money market	\$ 6,568	\$ —	\$ —	\$ 6,568		Cash equivalents
Liability:						
Interest rate swap	\$ —	\$ 2,893	\$ —	\$ 2,893		Other non-current liabilities

Notes to Unaudited Condensed Consolidated Financial Statements

Note 15. Income Taxes

Our provision for income taxes in interim periods has historically been based on our estimated annual effective tax rate. We record cumulative adjustments in the quarter in which a change in the estimated annual effective rate is determined. In the third quarter of 2023, it is the Company's judgement that the estimated annual effective tax rate did not result in a reliable estimate, so an estimate was determined using year to date results.

The income tax (expense) benefit was expense of \$0.2 million and a benefit of \$0.3 million for the three months ended September 30, 2023 and 2022, respectively, and a benefit of \$1.5 million and \$6.0 million for the nine months ended September 30, 2023 and 2022, respectively. Our effective income tax rate was (64.6)% and 1.8% for the three months ended September 30, 2023 and 2022, respectively, and 6.5% and 12.4% for the nine months ended September 30, 2023 and 2022, respectively. The difference in income tax (expense) benefit for the three and nine months ended September 30, 2023 as compared to the corresponding period in 2022, with such changes driven primarily by discrete items. The nine months ended September 30, 2023 includes the release of a valuation allowance in the second quarter 2023. The nine months ended September 30, 2022 included a California law change, an intercompany intellectual property sale, and the establishment of a valuation allowance for our New Zealand subsidiaries in the first quarter of 2022.

Note 16. 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,

2023 (remainder of year)	\$	3,252
2024		13,040
2025		10,279
2026		2,125
2027		2,625
Thereafter		687
Total future minimum payments due	\$	<u>32,008</u>

From time to time, the Company may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, 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. We are currently not aware of any such legal proceedings or claims that we believe will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

The Company assesses the applicability of nexus in jurisdictions in which the Company sells products and services. As of September 30, 2023 and December 31, 2022, the Company recorded a liability in the amount of \$10.8 million and \$11.2 million, respectively, 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 17. Geographic Areas

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

	September 30, 2023	December 31, 2022
	<i>(in thousands)</i>	
United States	\$ 40,245	\$ 36,226
International	\$ 10,623	\$ 8,258

Note 18. Subsequent Event

On November 5, 2023, our Board of Directors approved an expansion of the Repurchase Program with authorization to purchase up to an additional \$50.0 million in shares of the Company's common stock (from \$100.0 million to \$150.0 million in total) and an extension to the expiration of the Repurchase Program through December 31, 2024.

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, 2022 (the “Annual Report on Form 10-K”) filed with the Securities and Exchange Commission (“SEC”) on March 16, 2023. 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. Today, we serve more than 685,000 customers across three core verticals: Home Services; Health Services; and Fitness & Wellness Services. 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 complete end-to-end 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, NPS-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 95% of our revenue in the nine months ended September 30, 2023 and 2022 was recurring or re-occurring, and we maintained an annualized net revenue retention rate of approximately 97% for the quarter ended September 30, 2023. Excluding our marketing technology solutions, our annualized net revenue retention rate for our core software and payments solutions was greater than 100% for the three months ended September 30, 2023. 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 monthly net pro forma revenue retention rate for a particular month 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 12 months prior, divided by 12. 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 2022 is the difference between the recurring or re-occurring revenue generated in November 2022 and the same such revenue generated in November 2021, for customers with a start date prior to December 1, 2021 and no end date or cancelled relationship on or after November 1, 2022. 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 2022 is the difference between the recurring or re-occurring revenue generated in November 2022 and the same such revenue generated in November 2021, for customers that cancelled on or after November 1, 2021 and before November 1, 2022. Net pro forma revenue retention is calculated as if acquisitions that were closed during the prior period presented were closed on the first day of such period presented. Our calculation of net pro forma 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. Our net pro forma 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 our ability to retain our customers. Our calculation of net pro forma revenue retention rate may differ from similarly titled metrics presented by other companies.

We acquire companies to deepen our competitive moats in existing verticals and enter new verticals and geographies. We have acquired 53 companies since our inception. We have an established framework for identification, execution, integration, and onboarding of targets, which leverages our significant acquisition experience and utilizes internal criteria for evaluating acquisition candidates and prospective businesses. We have developed and refined our internal criteria over time with our acquisitions, which has helped us to more readily identify attractive and complementary targets that can be efficiently onboarded. These acquired solutions can bring deep industry expertise and vertically-tailored software solutions that provide additional sources of growth. We believe that our methodology, track record, and reputation for sourcing, evaluating, and integrating acquisitions positions us as an “acquirer-of-choice” for potential targets.

Impact of Macroeconomic Climate

The macroeconomic climate continues to see pressure from global developments such as international geopolitical conflict, terrorism, COVID-19, rising inflation, the strengthened 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.

For more information regarding the potential impact of COVID-19 on our business, refer to Part I. Item 1A. *“Risk Factors—Risks Related to our Business—The COVID-19 pandemic has impacted, and a future pandemic, epidemic or outbreak of an infectious disease could impact, our business, financial condition and results of operations, as well as the business or operations of third parties with whom we conduct business”* in our Annual Report on Form 10-K.

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 “Key Factors Affecting Our Performance” in the Management’s Discussion and Analysis section of 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 15, 2022.

Key Business and Financial Metrics

In addition to our results and measures of performance determined in accordance with Generally Accepted Accounting Principles (“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 closed as of the end of the latest period were closed 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) to our results of operations, 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 during the period, including revenue generated during periods when we did not yet own the acquired businesses. In including such pre-acquisition 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 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. This metric is particularly useful to management due to the number of acquired entities.

Our Pro Forma Revenue Growth rate was 10.3% and 10.2% for the three and nine months ended September 30, 2023, respectively, reflective of the underlying growth in our business including new customers and providing more solutions to existing customers.

Non-GAAP Financial Measures

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 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 September 30,		Change \$	Nine months ended September 30,		Change \$
	2023	2022		2023	2022	
<i>(in thousands)</i>						
Revenue	\$ 174,741	\$ 158,126	\$ 16,615	\$ 505,929	\$ 458,948	\$ 46,981
Cost of revenues (exclusive of depreciation and amortization)	61,471	57,655	3,816	175,602	163,503	12,099
Amortization of developed technology	3,824	4,048	(224)	11,473	12,301	(828)
Amortization of capitalized software	2,224	1,346	878	6,051	3,686	2,365
Depreciation expense allocated to cost of revenues	336	50	286	864	611	253
Gross profit	106,886	95,027	11,859	311,939	278,847	33,092
Depreciation and amortization	6,384	5,444	940	18,388	16,598	1,790
Adjusted gross profit	\$ 113,270	\$ 100,471	\$ 12,799	\$ 330,327	\$ 295,445	\$ 34,882

Adjusted EBITDA

We calculate Adjusted EBITDA as net loss adjusted to exclude interest and other expense, net, income tax expense (benefit), depreciation and amortization, other amortization, acquisition related costs, stock-based compensation, and other non-recurring costs. Other amortization includes amortization for capitalized contract acquisition costs. Acquisition-related and non-recurring costs are specific deal-related costs such as legal fees, financial and tax due diligence, consulting and escrow fees as well as expenses such as system implementation costs and severance related to planned restructuring activities. Acquisition-related and 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 September 30,		Change \$	Nine months ended September 30,		Change \$
	2023	2022		2023	2022	
<i>(in thousands)</i>						
Net loss	\$ (614)	\$ (15,853)	\$ 15,239	\$ (22,285)	\$ (42,043)	\$ 19,758
Adjusted to exclude the following:						
Interest and other expense, net	6,666	8,890	(2,224)	26,615	21,070	5,545
Income tax expense (benefit)	241	(291)	532	(1,543)	(5,953)	4,410
Depreciation and amortization	26,035	27,613	(1,578)	77,975	82,524	(4,549)
Other amortization	1,431	1,093	338	4,184	3,063	1,121
Stock-based compensation expense	5,855	7,133	(1,278)	19,610	19,776	(166)
Acquisition-related and non-recurring costs	2,190	1,570	620	7,985	5,429	2,556
Adjusted EBITDA	\$ 41,804	\$ 30,155	\$ 11,649	\$ 112,541	\$ 83,866	\$ 28,675

Description of Certain Components of Financial Data

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 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 and 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 through 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. 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 nine months ended September 30, 2023, revenue from Subscription and Transaction Fees increased 10.5% and 12.5%, respectively, and revenue from Marketing Technology Solutions increased 1.5% and 1.7%, 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 and may increase as a percentage of revenue 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 and remain generally consistent as a percentage of revenue 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. As we are able to further scale our operations in the future, we would expect that general and administrative expenses would decrease as a percentage of revenue.

Depreciation and Amortization

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

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

US 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 the results that may be expected in the future. We operate as a single reportable segment to reflect the way our chief operating decision maker ("CODM") reviews and assesses the performance of our business. For additional information concerning our accounting policies, see Note 2. Summary of Significant Accounting Policies to our consolidated financial statements included in our Annual Report on Form 10-K.

Comparison of the three and nine months ended September 30, 2023 and 2022

	Three months ended September 30,		Change	Nine months ended September 30,		Change
	2023	2022	\$	2023	2022	\$
<i>(in thousands)</i>						
Revenues:						
Subscription and transaction fees	\$ 132,640	\$ 120,085	\$ 12,555	\$ 386,765	\$ 343,734	\$ 43,031
Marketing technology solutions	36,838	36,276	562	103,081	101,340	1,741
Other	5,263	1,765	3,498	16,083	13,874	2,209
Total revenues	174,741	158,126	16,615	505,929	458,948	46,981
Operating expenses:						
Cost of revenues ⁽¹⁾ (exclusive of depreciation and amortization presented separately below)	61,471	57,655	3,816	175,602	163,503	12,099
Sales and marketing ⁽¹⁾	30,086	29,440	646	91,660	89,531	2,129
Product development ⁽¹⁾	19,318	18,508	810	56,352	53,568	2,784
General and administrative ⁽¹⁾	31,538	32,164	(626)	101,553	96,748	4,805
Depreciation and amortization	26,035	27,613	(1,578)	77,975	82,524	(4,549)
Total operating expenses	168,448	165,380	3,068	503,142	485,874	17,268
Operating income (loss)	6,293	(7,254)	13,547	2,787	(26,926)	29,713
Interest and other expense, net	(6,666)	(8,890)	2,224	(26,615)	(21,070)	(5,545)
Net loss attributable to common stockholders before income tax (expense) benefit	(373)	(16,144)	15,771	(23,828)	(47,996)	24,168
Income tax (expense) benefit	(241)	291	(532)	1,543	5,953	(4,410)
Net loss attributable to common stockholders	\$ (614)	\$ (15,853)	\$ 15,239	\$ (22,285)	\$ (42,043)	\$ 19,758

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

	Three months ended September 30,		Change \$	Nine months ended September 30,		Change \$
	2023	2022		2023	2022	
<i>(in thousands)</i>						
Cost of revenues	\$ 127	\$ 109	\$ 18	\$ 362	\$ 278	\$ 84
Sales and marketing	402	380	22	1,281	1,127	154
Product development	642	501	141	1,808	1,389	419
General and administrative	4,684	6,143	(1,459)	16,159	16,982	(823)
Total stock-based compensation expense	\$ 5,855	\$ 7,133	\$ (1,278)	\$ 19,610	\$ 19,776	\$ (166)

Revenues

	Three months ended September 30,		Change \$	Nine months ended September 30,		Change \$
	2023	2022		2023	2022	
<i>(in thousands)</i>						
Revenues:						
Subscription and transaction fees	\$ 132,640	\$ 120,085	\$ 12,555	\$ 386,765	\$ 343,734	\$ 43,031
Marketing technology solutions	36,838	36,276	562	103,081	101,340	1,741
Other	5,263	1,765	3,498	16,083	13,874	2,209
Total revenues	\$ 174,741	\$ 158,126	\$ 16,615	\$ 505,929	\$ 458,948	\$ 46,981

Revenues increased \$16.6 million, or 10.5%, and \$47.0 million, or 10.2%, for the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022. These increases were driven primarily by a \$6.1 million and \$22.3 million increase, respectively, from software & subscription revenues due to an expansion in our number of customers and certain price increases across our portfolio. Additionally, there was a \$6.5 million and \$20.7 million increase, respectively, due to higher transaction volumes processed through our payment platforms.

Cost of Revenues

	Three months ended September 30,		Change \$	Nine months ended September 30,		Change \$
	2023	2022		2023	2022	
<i>(dollars in thousands)</i>						
Cost of revenues (exclusive of depreciation and amortization presented separately below)	\$ 61,471	\$ 57,655	\$ 3,816	\$ 175,602	\$ 163,503	\$ 12,099
Percentage of revenues	35.2 %	36.5 %		34.7 %	35.6 %	

Cost of revenues increased by \$3.8 million, or 6.6%, and \$12.1 million, or 7.4%, for the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022. The increase for the three month period was primarily comprised of an additional \$2.5 million of lead generation and ad spend subject to resale to customers, \$0.9 million of email and SMS expense, and \$0.8 million of campaign mail expense. The increase for the nine month period was primarily comprised of an additional \$4.3 million of lead generation and ad expense subject to resale to customers, \$2.3 million of email and SMS expense, \$2.3 million of campaign mail expense, and \$1.4 million of personnel and compensation expense. As a percentage of revenue, cost of revenues was 35.2% and 36.5% for the three months ended September 30, 2023 and 2022, respectively, and 34.7% and 35.6% for the nine months ended September 30, 2023 and 2022, respectively.

Sales and Marketing

	Three months ended September 30,		Change \$	Nine months ended September 30,		Change \$
	2023	2022		2023	2022	
	<i>(dollars in thousands)</i>					
Sales and marketing	\$ 30,086	\$ 29,440	\$ 646	\$ 91,660	\$ 89,531	\$ 2,129
Percentage of revenues	17.2 %	18.6 %		18.1 %	19.5 %	

Sales and marketing expenses increased by \$0.6 million, or 2.2%, and \$2.1 million, or 2.4%, for the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022. The increase for the three month period was driven primarily by an additional \$0.8 million of advertising expense, partially offset by a \$0.1 million decrease in personnel and compensation expense. The increase in the nine month period was driven primarily by an additional \$1.1 million of personnel and compensation expense and \$0.9 million of software and tools expense. As a percentage of revenue, sales and marketing expenses were 17.2% and 18.6% for the three months ended September 30, 2023 and 2022, respectively, and 18.1% and 19.5% for the nine months ended September 30, 2023 and 2022, respectively.

Product Development

	Three months ended September 30,		Change \$	Nine months ended September 30,		Change \$
	2023	2022		2023	2022	
	<i>(dollars in thousands)</i>					
Product development	\$ 19,318	\$ 18,508	\$ 810	\$ 56,352	\$ 53,568	\$ 2,784
Percentage of revenues	11.1 %	11.7 %		11.1 %	11.7 %	

Product development expenses increased by \$0.8 million, or 4.4%, and \$2.8 million, or 5.2%, for the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022. These increases 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 \$0.6 million and \$1.2 million of personnel and compensation expense, respectively, and \$0.3 million and \$1.1 million of software and tools expense, respectively. As a percentage of revenue, product development expenses were 11.1% and 11.7% for the three and nine months ended September 30, 2023 and 2022, respectively.

General and Administrative

	Three months ended September 30,		Change \$	Nine months ended September 30,		Change \$
	2023	2022		2023	2022	
	<i>(dollars in thousands)</i>					
General and administrative	\$ 31,538	\$ 32,164	\$ (626)	\$ 101,553	\$ 96,748	\$ 4,805
Percentage of revenues	18.0 %	20.3 %		20.1 %	21.1 %	

General and administrative expenses decreased by \$0.6 million, or 1.9%, and increased \$4.8 million, or 5.0%, for the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022. The decrease for the three month period was driven primarily by a \$1.5 million reduction in stock-based compensation expense, partially offset by a \$1.2 million increase in personnel and compensation expense. The increase for the nine month period was driven primarily by an additional \$3.2 million of personnel and compensation expense and \$2.9 million of bad debt expense, partially offset by a \$0.8 million decrease in stock-based compensation expense. As a percentage of revenue, general and administrative expenses were 18.0% and 20.3% for the three months ended September 30, 2023 and 2022, respectively, and 20.1% and 21.1% for the nine months ended September 30, 2023 and 2022, respectively.

Depreciation and Amortization

	Three months ended September 30,		Change \$	Nine months ended September 30,		Change \$
	2023	2022		2023	2022	
	(dollars in thousands)					
Depreciation and amortization	\$ 26,035	\$ 27,613	\$ (1,578)	\$ 77,975	\$ 82,524	\$ (4,549)
Percentage of revenues	14.9 %	17.5 %		15.4 %	18.0 %	

Depreciation and amortization decreased by \$1.6 million, or 5.7%, and \$4.5 million, or 5.5%, for the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022. 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 were driven primarily by \$2.7 million and \$7.2 million in intangible assets' amortization, respectively, partially offset by \$0.9 million and \$2.4 million of additional capitalized software amortization, respectively. As a percentage of revenue, depreciation and amortization expenses were 14.9% and 17.5% for the three months ended September 30, 2023 and 2022, respectively, and 15.4% and 18.0% for the nine months ended September 30, 2023 and 2022, respectively.

Interest and Other Expense, net

	Three months ended September 30,		Change \$	Nine months ended September 30,		Change \$
	2023	2022		2023	2022	
	(dollars in thousands)					
Interest and other expense, net	\$ 6,666	\$ 8,890	\$ (2,224)	\$ 26,615	\$ 21,070	\$ 5,545
Percentage of revenues	3.8 %	5.6 %		5.3 %	4.6 %	

Interest and other expense, net, decreased by \$2.2 million or 25.0% and increased by \$5.5 million, or 26.3%, for the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022. For the three month period, the decrease was driven primarily by an unrealized gain of \$4.5 million on the interest rate swaps recorded during the three months ended September 30, 2023 offset by higher interest expense on the Company's Credit Facilities (as defined below) of \$3.3 million. For the nine month period, the increase was driven primarily by higher interest expense on the Company's Credit Facilities of \$13.8 million offset by an unrealized gain of \$6.6 million on the interest rate swaps recorded during the nine months ended September 30, 2023. As a percentage of revenue, interest and other expense were 3.8% and 5.6% for the three months ended September 30, 2023 and 2022, respectively, and 5.3% and 4.6% for the nine months ended September 30, 2023 and 2022, respectively.

Income Tax (Expense) Benefit

	Three months ended September 30,		Change \$	Nine months ended September 30,		Change \$
	2023	2022		2023	2022	
	(dollars in thousands)					
Income tax (expense) benefit	\$ (241)	\$ 291	\$ (532)	\$ 1,543	\$ 5,953	\$ (4,410)
Percentage of revenues	(0.1)%	0.2 %		0.3 %	1.3 %	

Income tax (expense) benefit changed by \$(0.5) million and \$(4.4) million for the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022, with such changes driven primarily by discrete items. The nine months ended September 30, 2023 includes the release of a valuation allowance in the second quarter 2023. The nine months ended September 30, 2022 included a California law change, an intercompany intellectual property sale, and the establishment of a valuation allowance for our New Zealand subsidiaries in the first quarter of 2022. As a percentage of revenue, income tax (expense) benefit was (0.1)% and 0.2% for the three months ended September 30, 2023 and 2022, respectively, and 0.3% and 1.3% for the nine months ended September 30, 2023 and 2022, respectively.

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.

Our primary use of liquidity through 2021 was primarily associated with acquisitions of businesses. Subsequent to 2021, we have utilized liquidity for items such as strategic investment in the ongoing transformation of our business and infrastructure, our recent

business acquisition of Kickserv and share repurchases authorized through our Repurchase Program. For a description of our recent acquisitions, see Note 3. Acquisitions in our Annual Report on Form 10-K and Note 3. Kickserv Acquisition in this Quarterly Report on Form 10-Q. Absent significant deterioration of market conditions, we expect that working capital requirements, capital expenditures, acquisitions, the Company's Repurchase Program (defined below), debt servicing and lease obligations will be our principal needs for liquidity going forward.

As of September 30, 2023, we had cash, cash equivalents and restricted cash of \$90.8 million, \$190.0 million of available borrowing capacity under our Revolver (as defined below) and \$539.0 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. We expect to consummate acquisitions of complementary businesses in the future that could require us to seek additional equity or debt financing. Market and macroeconomic conditions may, from time to time, impact our ability to raise capital. 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:

	Nine months ended September 30,	
	2023	2022
	<i>(in thousands)</i>	
Net cash provided by operating activities	\$ 68,587	\$ 37,612
Net cash used in investing activities	(31,826)	(13,595)
Net cash used in financing activities	(41,646)	(24,559)
Effect of foreign currency exchange rate changes on cash	(116)	(1,796)
Net decrease in cash, cash equivalents and restricted cash	<u>\$ (5,001)</u>	<u>\$ (2,338)</u>

Cash Flow from Operating Activities

Net cash provided by operating activities was \$68.6 million for the nine months ended September 30, 2023, compared to \$37.6 million for the nine months ended September 30, 2022. Changes in net cash provided by operating activities result 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 nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 was primarily due to higher cash collections from our subscription and transaction fees and marketing technology solutions of approximately \$51.0 million and the timing of payments offset by higher interest payments of \$14.1 million, higher investments made to support the growth of our business including personnel expenses of \$6.9 million and payments directly related to the delivery of our services and products of \$10.5 million.

Cash Flow from Investing Activities

During the nine months ended September 30, 2023, net cash used in investing activities of \$31.8 million related primarily to the acquisition of Kickserv, net of cash acquired, for approximately \$15.0 million, costs to develop software of \$14.7 million and the remainder was used primarily for purchases of property and equipment.

During the nine months ended September 30, 2022, net cash used in investing activities of \$13.6 million related primarily to costs to develop software of \$11.4 million and the remainder was used primarily for purchases of property and equipment.

Cash Flow from Financing Activities

During the nine months ended September 30, 2023, net cash used in financing activities of \$41.6 million related primarily to the repurchase and retirement of shares of our common stock of \$41.3 million.

During the nine months ended September 30, 2022, net cash used in financing activities of \$24.6 million related primarily to the repurchase and retirement of shares of our common stock of \$21.9 million.

For additional information regarding our repurchase and retirement of shares of our common stock, refer to Note 11. Equity in the notes to the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

Credit Facilities

In 2021, the Company entered into a credit agreement providing 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.

Prior to July 1, 2023, borrowings under the Credit Facilities are available as ABR or Eurocurrency borrowings. ABR borrowings under the Credit Facilities accrued interest at an alternate base rate plus an applicable rate, and Eurocurrency borrowings accrued interest at an LIBOR rate plus an applicable rate. The ABR rate represented the greater of the prime rate, Federal Reserve Bank of New York rate plus ½ of 1%, and an adjusted LIBOR rate for a one month interest period plus 1%. The applicable rate for the Term Loans and the Revolver is 3% for Eurocurrency borrowings and 2% for ABR Borrowings, in each case subject to change based on our first lien net leverage ratio.

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.

On June 26, 2023, the Credit Facilities were amended to replace the reference rate of LIBOR with the Adjusted SOFR rate (see definition below). The interest rate on any loans outstanding under the Credit Facilities continued to be determined by reference to LIBOR until June 30, 2023, after which time the interest rates on such loans began bearing interest by reference to SOFR. The Company continues to monitor the impact of the transition from LIBOR to SOFR on its business but does not expect a significant impact to the consolidated financial statements.

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, 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, the Company 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 September 30, 2023, there was \$539.0 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 8.7% for the three months ended September 30, 2023.

As of September 30, 2023, 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 31, 2022. On November 7, 2022, our Board of Directors approved an expansion of the Repurchase Program with authorization to purchase up to an additional \$50.0 million in shares of the Company’s common stock (\$100.0 million total) and an extension to the expiration of the Repurchase Program through December 31, 2023. 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. This 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 of Directors. The Company expects to fund repurchases with existing cash on hand.

The Company repurchased and retired 159,943 shares and 4,187,715 shares of common stock for approximately \$1.6 million and \$41.2 million including transaction fees during the three and nine months ended September 30, 2023, respectively. As of September 30, 2023, \$16.0 million remained available under the Repurchase Program.

On November 5, 2023, our Board of Directors approved an expansion of the Repurchase Program with authorization to purchase up to an additional \$50.0 million in shares of the Company’s common stock (from \$100.0 million to \$150.0 million in total) and an extension to the expiration of the Repurchase Program through December 31, 2024.

Contractual Obligations

There have been no material changes to our contractual obligations as of September 30, 2023 from those disclosed in our Annual Report on Form 10-K.

Refer to Notes 9. Leases, 10. Long-Term Debt and 16. Commitments and Contingencies in the unaudited condensed consolidated financial statements included in this Quarterly Report on Form 10-Q and notes thereto 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 GAAP. The preparation of our financial statements in conformity with 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 nine months ended September 30, 2023, 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, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2023, 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, 2022.

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, 2022. 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 September 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

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, Use of Proceeds, and Issuer Purchases of Equity Securities

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

During the three months ended September 30, 2023, we repurchased approximately \$1.6 million in shares of our common stock under our stock repurchase program, including transaction fees. The stock repurchase activity under our stock repurchase program during the three months ended September 30, 2023 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⁾
	<i>(in thousands, except per share and share amounts)</i>			
September 1, 2023 - September 30, 2023	159,943	\$ 9.83	159,943	\$ 15,962

(1) On June 14, 2022, the Board of Directors of the Company 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, our Board of Directors approved an expansion of the Repurchase Program with authorization to purchase up to an additional \$50.0 million in shares of the Company’s common stock (\$100.0 million total) and an extension to the expiration of the Repurchase Program through December 31, 2023. 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. This 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 its board of directors. The Company expects to fund repurchases with existing cash on hand.

(2) On November 5, 2023, our Board of Directors approved an expansion of the Repurchase Program with authorization to purchase up to an additional \$50.0 million in shares of the Company’s common stock (from \$100.0 million to \$150.0 million in total) and an extension to the expiration of the Repurchase Program through December 31, 2024.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended September 30, 2023, no 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			Filing Date	Filed/ Furnished Herewith
		Form	File No.	Exhibit		
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: November 7, 2023

By: _____ /s/ Eric Remer

Eric Remer
Chief Executive Officer
(Principal Executive Officer)

Date: November 7, 2023

By: _____ /s/ Marc Thompson

Marc Thompson
Chief Financial Officer
(Principal Financial Officer)

Date: November 7, 2023

By: _____ /s/ Ryan H. Siurek

Ryan H. Siurek
Chief Accounting Officer
(Principal Accounting Officer)

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: November 7, 2023

By:

/s/ Eric Remer

Eric Remer

**Chief Executive Officer and Director
(principal executive officer)**

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: November 7, 2023

By:

/s/ Marc Thompson

Marc Thompson

**Chief Financial Officer
(principal financial officer)**

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

In connection with the Quarterly Report on Form 10-Q of EverCommerce Inc. (the "Company") for the period ended September 30, 2023 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 result of operations of the Company.

Date: November 7, 2023

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 September 30, 2023 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 result of operations of the Company.

Date: November 7, 2023

By:

/s/ Marc Thompson

Marc Thompson

**Chief Financial Officer
(principal financial officer)**