
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): May 8, 2023

Certara, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-39799
(Commission
File Number)

82-2180925
(IRS Employer
Identification No.)

**100 Overlook Center
Suite 101
Princeton, New Jersey**
(Address of principal executive offices)

08540
(Zip Code)

(609) 716-7900

(Registrant's telephone number, including area code)

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

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

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	CERT	The Nasdaq Global Select Market

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

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

Item 2.02 Results of Operations and Financial Condition.

On May 8, 2023, Certara, Inc. (the “Company”) issued a press release announcing its financial results for the three-month period ended March 31, 2023. A copy of the press release containing the announcement is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

The information furnished pursuant to this Item 2.02, including Exhibit 99.1, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”) or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933 or the Exchange Act.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1*	Press Release dated May 8, 2023.
104	Cover Page Interactive Data File (formatted as Inline XBRL).

* Furnished herewith.

SIGNATURES

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

Date: May 8, 2023

CERTARA, INC.
(Registrant)

By: /s/ Richard M. Traynor
Richard M. Traynor
Senior Vice President and General Counsel

Certara Reports First Quarter 2023 Financial Results

Reiterates 2023 Financial Guidance

PRINCETON, N.J.— May 8, 2023-- Certara, Inc. (Nasdaq: CERT), a global leader in biosimulation, today reported its financial results for the first quarter of fiscal year 2023.

First Quarter Highlights:

- Revenue was \$90.3 million, compared to \$81.6 million in the first quarter of 2022, representing growth of 11% over the first quarter of 2022 on a reported basis and 13% at constant currency.
- Net income was \$1.4 million, compared to \$2.2 million in the first quarter of 2022, representing a decrease of 39% over the first quarter of 2022.
- Adjusted EBITDA was \$32.3 million, compared to \$27.7million in the first quarter of 2022, representing growth of 17% over the first quarter of 2022.
- Certara was added to the S&P SmallCap 600 Index effective March 22, 2023.

“We are pleased with our first quarter financial results and performance in software and biosimulation services” said William F. Feehery, chief executive officer. “We continue to innovate and maintain strong relationships with our customers in support of our long-term initiatives and execution on our growth targets for software and services.”

First Quarter 2023 Results

“We saw solid business momentum and executed commercially in the first quarter of 2023. Our bookings remain healthy, and we have a strong balance sheet. We remain well positioned to achieve our financial and strategic objectives and look forward to continued success in 2023,” said John Gallagher, Chief Financial Officer.

Total revenue for the first quarter of 2023 was \$90.3 million, representing growth of 11% over the first quarter of 2022. The overall increase in revenue was primarily due to growth in our technology-driven services and software product offerings from client expansion and new customer acquisitions. The increase was partially offset by the negative impact on our revenues from fluctuations foreign currency exchange rates.

On a constant currency basis, total revenue for the first quarter of 2023 was \$91.9 million, representing growth of 13% over the first quarter of 2022. Please see note (1) in the section *A Note on Non-GAAP Financial Measures* below for more information on constant currency revenue.

Total cost of revenue for the first quarter of 2023 was \$34.9 million, an increase of \$2.1 million from \$32.8 million in the first quarter of 2022, primarily due to a \$1.3 million increase in employee-related costs resulting from billable head count growth, a \$0.3 million increase in stock-based compensation costs, a \$0.3 million increase in intangible assets amortization, and a \$0.3 million increase in travel expense.

Total operating expenses for the first quarter of 2023 were \$48.0 million, which increased by \$5.4 million from \$42.6 million in the first quarter of 2022, primarily due to a \$3.2 million increase in employee-related costs, a \$1.3 million increase in expense from remeasuring fair value of contingent consideration related to the Vyasa business acquisition, a \$0.7 million increase in stock-based compensation cost, a \$0.6 million increase in travel expenses, a \$0.4 million increase in intangible asset amortization, and a \$0.3 million increase in professional and consulting cost, partially offset by a \$0.7 million decrease in Sarbanes-Oxley implementation costs, and a \$0.4 million decrease in insurance cost.

Net income for the first quarter of 2023 was \$1.4 million, compared to a net income of \$2.2 million in the first quarter of 2022, representing a 39% decrease. The \$0.9 million decrease in net income was primarily due to a \$5.4 million increase in operating expenses, a \$2.2 million increase in interest expense, a \$2.1 million increase in cost of revenues, and a \$1.6 million currency remeasurement loss, partially offset by a \$8.8 million increase in revenue, a \$1.3 million increase in interest income, and a \$0.4 million decrease in tax expense.

Diluted earnings per share for the first quarter 2023 was \$0.01, as compared to \$0.01 in the first quarter of 2022.

Adjusted EBITDA for the first quarter of 2023 was \$32.3 million compared to \$27.7 million for the first quarter of 2022, representing 17% growth. See note (2) in the section *A Note on Non-GAAP Financial Measures* below for more information on adjusted EBITDA.

Adjusted net income for the first quarter of 2023 was \$19.3 million compared to \$16.9 million for the first quarter of 2022, representing 14% growth. Adjusted diluted earnings per share for the first quarter 2023 was \$0.12 compared to \$0.11 for the first quarter of 2022. See note (3) in the section *A Note on Non-GAAP Financial Measures* below for more information on adjusted net income and adjusted diluted earnings per share.

	Three Months Ended March 310,	
	2023	2022
<i>Key Financials (in millions, except per share data)</i>		
Revenue	\$ 90.3	\$ 81.6
Net income	\$ 1.4	\$ 2.2
Diluted earnings per share	\$ 0.01	\$ 0.01
Adjusted EBITDA	\$ 32.3	\$ 27.7
Adjusted net income	\$ 19.3	\$ 16.9
Adjusted diluted earnings per share	\$ 0.12	\$ 0.11
Cash and cash equivalents	\$ 244.1	\$ 184.3

Reiterating 2023 Financial Outlook

Certara continues to expect the following:

Full year 2023 revenue to be in the range of \$370 million to \$385 million.

Full year 2023 adjusted EBITDA to be in the range of \$131 million to \$137 million.

Full year adjusted diluted earnings per share to be in the range of \$0.50 - \$0.55.

Fully diluted shares to be in the range of 159 million to 162 million.

Webcast and Conference Call Details

Certara will host a conference call today, May 08, 2023, at 5:00 p.m. ET to discuss its first quarter 2023 financial results.

Investors interested in listening to the conference call are required to register online in advance of the call. A live and archived webcast of the event will be available on the “Investors” section of the Certara website at <https://ir.certara.com/>.

About Certara

Certara accelerates medicines using proprietary biosimulation software, technology and services to transform traditional drug discovery and development. Its clients include more than 2,300 biopharmaceutical companies, academic institutions, and regulatory agencies across 70 countries.

Please visit our website at www.certara.com. We intend to use our website as a means of disclosing material, non-public information and for complying with our disclosure obligations under Regulation FD.

Such disclosures will be included in the Investor Relations section of our website at <https://ir.certara.com>. Accordingly, investors should monitor such portion of our website, in addition to following our press releases, Securities and Exchange Commission filings and public conference calls and webcasts.

Forward-Looking Statements

This press release contains certain statements that constitute forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, with respect to the Company’s future business and financial performance, revenue, margin, and bookings. These statements typically contain words such as “believe,” “may,” “potential,” “will,” “plan,” “could,” “estimate,” “expects” and “anticipates” or the negative of these words or other similar terms or expressions. Any statement in this press release that is not a statement of historical fact is a forward-looking

statement and involves significant risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot provide any assurance that these expectations will prove to be correct. You should not rely upon forward-looking statements as predictions of future events and actual results, events, or circumstances. Actual results may differ materially from those described in the forward-looking statements and are subject to a variety of assumptions, uncertainties, risks and factors that are beyond our control, including the Company's ability to compete within its market; any deceleration in, or resistance to, the acceptance of model-informed biopharmaceutical discovery; changes or delays in relevant government regulation; increasing competition, regulation and other cost pressures within the pharmaceutical and biotechnology industries; economic conditions, including inflation, recession, currency exchange fluctuation and adverse developments in the financial services industry; trends in research and development (R&D) spending; delays or cancellations in projects due to supply chain interruptions or disruptions or delays to pipeline development and clinical trials experienced by our customers due to COVID-19 or other external factors; consolidation within the biopharmaceutical industry; reduction in the use of the Company's products by academic institutions; pricing pressures; the Company's ability to successfully enter new markets, increase its customer base and expand its relationships with existing customers; the impact of acquisitions and our ability to successfully integrate such acquisitions; the occurrence of natural disasters and epidemic diseases; the occurrence of global conflicts, such as the conflict between Russian and Ukraine; any delays or defects in the release of new or enhanced software or other biosimulation tools; failure of our existing customers to renew their software licenses or any delays or terminations of contracts or reductions in scope of work by its existing customers; our ability to accurately estimate costs associated with its fixed-fee contracts; our ability to retain key personnel or recruit additional qualified personnel; lower utilization rates by our employees as a result of natural disasters and epidemic diseases; risks related to our contracts with government customers; our ability to sustain recent growth rates; our ability to successfully operate a global business; our ability to comply with applicable laws and regulations; risks related to litigation; the adequacy of its insurance coverage and ability to obtain adequate insurance coverage in the future; our ability to perform in accordance with contractual requirements, regulatory standards and ethical considerations; the loss of more than one of our major customers; future capital needs; the ability of our bookings to accurately predict future revenue and our ability to realize revenue on bookings; disruptions in the operations of the third-party providers who host our software solutions or any limitations on their capacity; our ability to reliably meet data storage and management requirements, or the experience of any failures or interruptions in the delivery of our services over the internet; our ability to comply with the terms of any licenses governing use of third-party open source software; any breach of its security measures or unauthorized access to customer data; our ability to adequately enforce or defend ownership and use of our intellectual property and other proprietary rights; any allegations of infringement, misappropriation or violations of a third party's intellectual property rights; our ability to meet obligations under indebtedness and have sufficient capital to operate our business; any limitations on our ability to pursue business strategies due to restrictions under our current or future indebtedness; any impairment of goodwill or other intangible assets; our ability to use our net operating losses and R&D tax credit carryforwards; the accuracy of management's estimates and judgments relating to critical accounting policies and

changes in financial reporting standards or interpretations; any inability to design, implement, and maintain effective internal controls or inability to remediate any internal controls deemed ineffective; the costs and management time associated with operating as a publicly traded company; and the other factors detailed under the captions “Risk Factors” and “Special Note Regarding Forward-Looking Statements” and elsewhere in our Securities and Exchange Commission (“SEC”) filings, and reports, including the Form 10-K filed by the Company with the Securities and Exchange Commission on March 1, 2023, and subsequent reports filed with the SEC. Any forward-looking statements speak only as of the date of this release and, except to the extent required by applicable securities laws, we expressly disclaim any obligation to update or revise any of them to reflect actual results, any changes in expectations or any change in events. Factors that may materially affect our results and those risks listed in filings with the SEC.

A Note on Non-GAAP Financial Measures

This press release contains “non-GAAP measures” that are financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with U.S. generally accepted accounting principles (“GAAP”). Specifically, the Company makes use of the non-GAAP financial measures adjusted EBITDA, adjusted net income (loss), adjusted diluted earnings per share, and constant currency (“CC”) revenue, which are not recognized terms under GAAP. These measures should not be considered as alternatives to net income (loss) or GAAP diluted earnings per share or revenue as measures of financial performance or any other performance measure derived in accordance with GAAP and should not be considered a measure of discretionary cash available to the Company to invest in the growth of its business. The presentation of these measures has limitations as an analytical tool and should not be considered in isolation, or as a substitute for the Company’s results as reported under GAAP. Because not all companies use identical calculations, the presentations of these measures may not be comparable to other similarly titled measures of other companies and can differ significantly from company to company.

You should refer to the footnotes below as well as the “Non-GAAP Financial Measures” section in this press release below for a further explanation of these measures and reconciliations of these non-GAAP measures in specific periods to their most directly comparable financial measure calculated and presented in accordance with GAAP for those periods.

Management uses various financial metrics, including total revenues, income (loss) from operations, net income (loss), and certain non-GAAP measures, including those discussed above, to measure and assess the performance of the Company’s business, to evaluate the effectiveness of its business strategies, to make budgeting decisions, to make certain compensation decisions, and to compare the Company’s performance against that of other peer companies using similar measures. In addition, management believes these metrics provide useful measures for period-to-period comparisons of the Company’s business, as they remove the effect of certain non-cash expenses and other items not indicative of its ongoing operating performance.

Management believes that adjusted EBITDA, adjusted net income (loss), adjusted diluted earnings per share, and CC revenue are helpful to investors, analysts, and other interested parties because they can assist in providing a more consistent and comparable overview of our operations across our historical periods. In addition, each of these measures is frequently used by analysts, investors, and other interested parties to evaluate and assess performance. Furthermore, our business has operations outside the United States that are conducted in local currencies. As a result, the comparability of the financial results reported in U.S. dollars is affected by changes in foreign currency exchange rates. We adjust revenues for constant currency to provide a framework for assessing how our business performed excluding the effect of foreign currency rate fluctuations and we believe it is helpful for investors to present operating results on a comparable basis period over period to evaluate its underlying performance.

Please note that the Company has not reconciled the adjusted EBITDA or adjusted diluted earnings per share forward-looking guidance included in this press release to the most directly comparable GAAP measures because this cannot be done without unreasonable effort due to the variability and low visibility with respect to costs related to acquisitions, financings, and employee stock compensation programs, which are potential adjustments to future earnings. We expect the variability of these items to have a potentially unpredictable, and a potentially significant, impact on our future GAAP financial results.

- (1) CC revenue excludes the effects of foreign currency exchange rate fluctuations by assuming constant foreign currency exchange rates used for translation. Current periods revenue reported in currencies other than U.S. Dollars are converted into U.S. Dollars at the average exchange rates in effect for the comparable prior periods.
- (2) Adjusted EBITDA represents net income excluding interest expense, provision (benefit) for income taxes, depreciation and amortization expense, intangible asset amortization, equity-based compensation expense, change in fair value of contingent consideration, acquisition and integration expense and other items not indicative of our ongoing operating performance.
- (3) Adjusted net income and adjusted diluted earnings per share exclude the effect of equity-based compensation expense, amortization of acquisition-related intangible assets, change in fair value of contingent consideration, acquisition and integration expense, and other items not indicative of our ongoing operating performance as well as income tax provision adjustment for such charges.

In evaluating adjusted EBITDA, adjusted net income, and adjusted diluted earnings per share, you should be aware that in the future the Company may incur expenses similar to those eliminated in this presentation and this presentation should not be construed as an inference that future results will be unaffected by unusual items.

Contacts:

Investor Relations Contact:

David Deuchler
Gilmartin Group
ir@certara.com

Media Contact:

Daniel Younger
Kekst CNC
daniel.yunger@kekstcnc.com

CERTARA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

**THREE MONTHS ENDED
MARCH 31,**

(IN THOUSANDS, EXCEPT PER SHARE AND SHARE DATA)

	2023	2022
Revenues	\$ 90,301	\$ 81,551
Cost of revenues	34,856	32,789
Operating expenses:		
Sales and marketing	8,002	6,111
Research and development	9,287	7,548
General and administrative	19,772	18,339
Intangible asset amortization	10,535	10,149
Depreciation and amortization expense	411	482
Total operating expenses	48,007	42,629
Income from operations	7,438	6,133
Other income (expenses):		
Interest expense	(5,475)	(3,228)
Net other income	506	841
Total other expenses	(4,969)	(2,387)
Income before income taxes	2,469	3,746
Provision of income taxes	1,111	1,536
Net Income	1,358	2,210
Net income per share attributable to common stockholders:		
Basic	\$ 0.01	\$ 0.01
Diluted	\$ 0.01	\$ 0.01
Weighted average common shares outstanding:		
Basic	158,177,025	155,936,953
Diluted	159,727,412	159,160,321

CERTARA, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT PER SHARE AND SHARE DATA)	MARCH 31,	DECEMBER 31,
	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 244,135	\$ 236,586
Accounts receivable, net of allowances for credit losses of \$736 and \$1,250, respectively	82,404	82,584
Restricted cash	3,103	3,102
Prepaid expenses and other current assets	18,612	19,980
Total current assets	<u>348,254</u>	<u>342,252</u>
Other assets:		
Property and equipment, net	2,317	2,400
Operating lease right-of-use assets	13,405	14,427
Goodwill	718,841	717,743
Intangible assets, net of \$231,384 and \$217,705, respectively	476,554	486,782
Deferred income taxes	3,703	3,703
Other long-term assets	3,683	5,615
Total assets	<u>\$ 1,566,757</u>	<u>\$ 1,572,922</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 4,326	\$ 7,533
Accrued expenses	30,008	35,403
Current portion of deferred revenue	51,654	52,209
Current portion of long-term debt	3,020	3,020
Current operating lease liabilities	4,808	4,968
Other current liabilities	—	25
Total current liabilities	<u>93,816</u>	<u>103,158</u>
Long-term liabilities:		
Deferred revenue, net of current portion	2,780	2,815
Deferred income taxes	62,920	65,046
Operating lease liabilities, net of current portion	9,244	10,133
Long-term debt, net of current portion and debt discount	289,546	289,988
Other long-term liabilities	23,396	22,121
Total liabilities	<u>481,702</u>	<u>493,261</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred shares, \$0.01 par value, 50,000,000 shares authorized, no shares issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	—	—
Common shares, \$0.01 par value, 600,000,000 shares authorized, 160,218,109 and 159,676,150 shares issued as of March 31, 2023 and December 31, 2022, respectively; 159,839,743 and 159,525,943 shares outstanding as of March 31, 2023 and December 31, 2022, respectively	1,601	1,596
Additional paid-in capital	1,158,708	1,150,168
Accumulated deficit	(59,515)	(60,873)
Accumulated other comprehensive loss	(7,320)	(8,230)
Treasury stock at cost, 378,366 and 150,207 shares at March 31, 2023 and December 31, 2022, respectively	(8,419)	(3,000)
Total stockholders' equity	<u>1,085,055</u>	<u>1,079,661</u>
Total liabilities and stockholders' equity	<u>\$ 1,566,757</u>	<u>\$ 1,572,922</u>

CERTARA, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)	THREE MONTHS ENDED MARCH 31,	
	2023	2022
Cash flows from operating activities:		
Net income	\$ 1,358	\$ 2,210
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	411	482
Amortization of intangible assets	13,113	12,450
Amortization of debt issuance costs	383	386
(Recovery of) provision for credit losses	(168)	34
Loss on retirement of assets	4	5
Change in fair value of contingent consideration	1,261	—
Equity-based compensation expense	8,543	7,513
Deferred income taxes	(1,524)	(715)
Changes in assets and liabilities		
Accounts receivable	647	(3,244)
Prepaid and other assets	559	653
Accounts payable and accrued expenses	(14,196)	(11,830)
Deferred revenue	(1,034)	2,556
Change in other liabilities	600	(697)
Net cash provided by operating activities	<u>9,957</u>	<u>9,803</u>
Cash flows from investing activities:		
Capital expenditures	(317)	(506)
Capitalized development costs	(2,360)	(2,187)
Investment in intangible assets	(54)	—
Business acquisitions, net of cash acquired	—	(5,983)
Net cash used in investing activities	<u>(2,731)</u>	<u>(8,676)</u>
Cash flows from financing activities:		
Payments on long-term debt and finance lease obligations	(780)	(826)
Payments on financing component of interest rate swap	—	(646)
Payment of taxes on shares and units withheld for employee taxes	(70)	(48)
Net cash used in financing activities	<u>(850)</u>	<u>(1,520)</u>
Effect of foreign exchange rate changes on cash and cash equivalents, and restricted cash	1,174	(1,171)
Net increase in cash and cash equivalents, and restricted cash	<u>7,550</u>	<u>(1,564)</u>
Cash and cash equivalents, and restricted cash, at beginning of period	239,688	186,624
Cash and cash equivalents, and restricted cash, at end of period	<u>\$ 247,238</u>	<u>\$ 185,060</u>

NON-GAAP FINANCIAL MEASURES

The following table reconciles net income to adjusted EBITDA:

	THREE MONTHS ENDED MARCH 31,	
	2023	2022
	(in thousands)	
Net income ^(a)	\$ 1,358	\$ 2,210
Interest expense ^(a)	5,475	3,228
Interest income ^(a)	(1,354)	(11)
Provision for income taxes ^(a)	1,111	1,536
Depreciation and amortization expense ^(a)	411	482
Intangible asset amortization ^(a)	13,113	12,450
Currency (gain) loss ^(a)	894	(705)
Equity-based compensation expense ^(b)	8,543	7,513
Change in fair value of contingent consideration ^(d)	1,261	—
Acquisition-related expenses ^(e)	1,192	272
Integration expense ^(f)	102	—
Transaction-related expenses ^(g)	—	17
Loss on disposal of fixed assets ^(h)	4	5
Executive recruiting expense ⁽ⁱ⁾	196	—
First-year Sarbanes-Oxley implementation costs ⁽ⁱ⁾	—	653
Adjusted EBITDA	<u>\$ 32,306</u>	<u>\$ 27,650</u>

The following table reconciles net income to adjusted net income:

	THREE MONTHS ENDED	
	2023	2022
	(in thousands)	
Net income ^(a)	\$ 1,358	\$ 2,210
Currency (gain) loss ^(a)	894	(705)
Equity-based compensation expense ^(b)	8,543	7,513
Amortization of acquisition-related intangible assets ^(c)	11,256	10,880
Change in fair value of contingent consideration ^(d)	1,261	—
Acquisition-related expenses ^(e)	1,192	272
Integration expense ^(f)	102	—
Transaction-related expenses ^(g)	—	17
Loss on disposal of fixed assets ^(h)	4	5
Executive recruiting expense ⁽ⁱ⁾	196	—
First-year Sarbanes-Oxley implementation costs ⁽ⁱ⁾	—	653
Income tax expense impact of adjustments ^(k)	(5,495)	(3,916)
Adjusted net income	<u>\$ 19,311</u>	<u>\$ 16,929</u>

The following table reconciles diluted earnings per share to adjusted diluted earnings per share:

	THREE MONTHS ENDED MARCH 31,	
	2023	2022
	(in thousands except share and per share data)	
Diluted earnings per share ^(a)	\$ 0.01	\$ 0.01
Currency (gain) loss ^(a)	0.01	—
Equity-based compensation expense ^(b)	0.04	0.05
Amortization of acquisition-related intangible assets ^(c)	0.07	0.07
Change in fair value of contingent consideration ^(d)	0.01	—
Acquisition-related expenses ^(e)	0.01	—
Integration expense ^(f)	—	—
Transaction-related expenses ^(g)	—	—
Loss on disposal of fixed assets ^(h)	—	—
Executive recruiting expense ⁽ⁱ⁾	—	—
First-year Sarbanes-Oxley implementation costs ^(j)	—	—
Income tax expense impact of adjustments ^(k)	(0.03)	(0.02)
Adjusted Diluted Earnings Per Share	\$ 0.12	\$ 0.11
Diluted weighted average common shares outstanding	158,177,025	155,936,953
Effect of potentially dilutive shares outstanding ^(l)	1,550,387	3,223,368
Diluted weighted average common shares outstanding	159,727,412	159,160,321

The following tables reconcile revenues to the revenues adjusted for constant currency:

	THREE MONTHS ENDED MARCH 31,			CHANGE			
	2023	2023	2022	\$	%	\$	%
	Actual	CC	Actual	Actual	Actual	CC Impact	Adjust for CC
	(GAAP)	(non-GAAP)	(GAAP)	(GAAP)	(GAAP)	(non-GAAP)	(non-GAAP)
	(in thousands)						
Revenue							
Software	\$ 33,005	\$ 33,845	\$ 29,193	\$ 3,812	13%	\$ 840	16%
Services	57,296	58,051	52,358	4,938	9%	755	11%
Total Revenue	\$ 90,301	\$ 91,896	\$ 81,551	\$ 8,750	11%	\$ 1,595	13%

(a) Represents amounts as determined under GAAP.

(b) Represents expense related to equity-based compensation. Equity-based compensation has been, and will continue to be for the foreseeable future, a recurring expense in our business and an important part of our compensation strategy.

(c) Represents amortization costs associated with acquired intangible assets in connection with business acquisitions.

(d) Represents expense associated with remeasuring fair value of contingent consideration of business acquisition.

(e) Represents costs associated with acquisitions and any retention bonuses pursuant to the acquisitions.

(f) Represents integration costs related to post - acquisition integration activities.

- (g) Represents costs associated with our public offerings that are not capitalized.
 - (h) Represents the gain/loss related to disposal of fixed assets.
 - (i) Represents recruiting and relocation expenses related to hiring senior executives.
 - (j) Represents the first-year Sarbanes-Oxley costs for accounting and consulting fees related to the Company's preparation to comply with Section 404 of the Sarbanes-Oxley Act, as well as implementation cost of adopting ASC 842.
 - (k) Represents the income tax effect of the non-GAAP adjustments calculated using the applicable statutory rate by jurisdiction.
 - (l) Represents dilutive shares or potentially dilutive shares that were excluded from the Company's GAAP diluted weighted average common shares outstanding because the Company had a reported net loss and therefore including these shares would have been anti-dilutive.
-