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): February 22, 2024

Altair Engineering Inc.

(Exact name of Registrant as Specified in Its Charter)

Delaware (State or Other Jurisdiction of Incorporation) 001-38263 (Commission File Number) 38-2591828 (IRS Employer Identification No.)

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

48083 (Zip Code)

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

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

	eck the appropriate box below if the Form 8-K filing is into owing provisions:	ended to simultaneously	satisfy the filing obligation of the registrant under any of the
	Written communications pursuant to Rule 425 under the	Securities Act (17 CFR	230.425)
	Soliciting material pursuant to Rule 14a-12 under the Ex	change Act (17 CFR 240).14a-12)
	Pre-commencement communications pursuant to Rule 1	4d-2(b) under the Exchar	nge Act (17 CFR 240.14d-2(b))
	Pre-commencement communications pursuant to Rule 1	3e-4(c) under the Exchar	nge Act (17 CFR 240.13e-4(c))
	Securities reg	gistered pursuant to Sec	tion 12(b) of the Act:
		Trading	
	Title of each class	Symbol(s)	Name of each exchange on which registered
	Class A Common Stock \$0.0001 par value per share	ALTR	The Nasdaq Global Select Market
	icate by check mark whether the registrant is an emerging pter) or Rule 12b-2 of the Securities Exchange Act of 193		ned in Rule 405 of the Securities Act of 1933 (§ 230.405 of this apter).
Em	erging growth company		
	n emerging growth company, indicate by check mark if the evised financial accounting standards provided pursuant to	•	ot to use the extended transition period for complying with any new change Act. \Box

Item 2.02. Results of Operations and Financial Condition.

On February 22, 2024, Altair Engineering Inc. issued a press release disclosing its financial information and operating metrics for its fourth quarter and full year ended December 31, 2023. A copy of the press release is being furnished as <u>Exhibit 99.1</u> to this Report on Form 8-K.

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

Item 9.01. Financial Statements and Exhibits.

Exhibit 99.1 Press Release issued by Altair Engineering Inc. dated February 22, 2024, furnished hereto.

Exhibit 104 Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the hereunto duly authorized.											
		ALTAIR ENGINEERING INC.									
Date: February 22, 2024	By:	/s/ Matthew Brown									
	_	Matthew Brown									
		Chief Financial Officer									

Altair Announces Fourth Quarter and Full Year 2023 Financial Results

Record-High Revenue and Profit for the Fourth Quarter and Full Year

TROY, Mich. – February 22, 2024 – Altair (Nasdaq: ALTR), a global leader in computational intelligence, today released its financial results for the fourth quarter and full year ended December 31, 2023.

"Altair finished 2023 with a strong fourth quarter, notching record-high revenue and profit for the quarter and full-year," said James R. Scapa, founder, chairman and chief executive officer of Altair. "We are seeing strong momentum across a number of verticals, where computational intelligence is becoming increasingly important. We are excited about our recent and upcoming product releases and believe that our investments in engineering AI are positioning us as a leader in this important and growing domain."

"Our global team worked hard to achieve outstanding results for 2023, and we finished the year exceeding our profitability goals. We are thrilled to have surpassed the 20% adjusted EBITDA margin target for 2023 that we established three years ago," said Matt Brown, chief financial officer of Altair. "Our strong results despite somewhat difficult macroeconomic conditions demonstrate the importance of our products in solving our customers' most important challenges. We are excited about the tremendous opportunity ahead of us as we continue to execute on our financial targets."

Fourth Quarter 2023 Financial Highlights

- Software product revenue was \$155.9 million compared to \$145.0 million for the fourth quarter of 2022, an increase of 7.6% in reported currency and 6.7% in constant currency
- Total revenue was \$171.5 million compared to \$160.4 million for the fourth quarter of 2022, an increase of 6.9% in reported currency and 6.0% in constant currency
- Net income was \$19.7 million compared to \$12.1 million for the fourth quarter of 2022. Net income per share, diluted was \$0.22 based on 89.0 million diluted weighted average common shares outstanding, compared to net income per share, diluted of \$0.14 for the fourth quarter of 2022, based on 87.5 million diluted weighted average common shares outstanding. Net income margin was 11.5% compared to net income margin of 7.5% for the fourth quarter of 2022
- Non-GAAP net income was \$41.1 million, compared to non-GAAP net income of \$27.5 million for the fourth quarter of 2022, an increase of 49.2%. Non-GAAP net income per share, diluted was \$0.46 based on 89.0 million non-GAAP diluted common shares outstanding, compared to non-GAAP net income per share, diluted of \$0.31 for the fourth quarter of 2022, based on 87.5 million non-GAAP diluted common shares outstanding
- Adjusted EBITDA was \$53.6 million compared to \$38.7 million for the fourth quarter of 2022, an increase of 38.3%. Adjusted EBITDA margin was 31.2% compared to 24.1% for the fourth quarter of 2022
- · Cash provided by operating activities was \$21.7 million, compared to \$13.0 million for the fourth quarter of 2022
- Free cash flow was \$19.3 million, compared to \$10.1 million for the fourth quarter of 2022.

Full Year 2023 Financial Highlights

- Software product revenue was \$550.0 million compared to \$506.5 million for the full year of 2022, an increase of 8.6% in reported currency and 9.8% in constant currency
- Total revenue was \$612.7 million compared to \$572.2 million for the full year of 2022, an increase of 7.1% in reported currency and 8.2% in constant currency
- Net loss was \$(8.9) million compared to net loss of \$(43.4) million for the full year of 2022. Net loss per share, diluted was \$(0.11) based on 80.6 million diluted weighted average common shares outstanding, compared to net loss per share, diluted of \$(0.55) for the full year of 2022, based on 79.5 million diluted weighted average common shares outstanding. Net loss margin was -1.5% compared to net loss margin of -7.6% for the full year of 2022
- Non-GAAP net income was \$98.8 million, compared to non-GAAP net income of \$75.6 million for the full year of 2022, an increase of 30.6%. Non-GAAP net income per share, diluted was \$1.13 based on 87.6 million non-GAAP diluted common shares outstanding, compared to non-GAAP net income per share, diluted of \$0.89 for the full year of 2022, based on 85.4 million non-GAAP diluted common shares outstanding
- Adjusted EBITDA was \$129.1 million compared to \$108.6 million for the full year of 2022, an increase of 18.9%. Adjusted EBITDA margin was 21.1% compared to 19.0% for the full year of 2022
- Cash provided by operating activities was \$127.3 million, compared to \$39.6 million for the full year of 2022
- Free cash flow was \$117.1 million, compared to \$29.9 million for the full year of 2022.

Business Outlook

Based on information available as of today, Altair is issuing the following guidance for the first quarter and full year 2024:

(in millions, except %)	First (Quarter 2	2024	Full Year 2024							
Software Product Revenue	\$ 152	to	\$	155	\$	600	to	\$	610		
Growth Rate	1.6%			3.6%		9.1%			10.9%		
Growth Rate - Constant Currency	0.8%			2.8%		8.3%			10.1%		
Total Revenue	\$ 167		\$	170	\$	663		\$	673		
Growth Rate	0.6%			2.4%		8.2%			9.8%		
Growth Rate - Constant Currency	-0.1%			1.7%		7.5%			9.1%		
Net Income	\$ 8.0		\$	11.0	\$	30.0		\$	37.7		
Non-GAAP Net Income	\$ 29.5		\$	31.7	\$	114.4		\$	120.4		
Adjusted EBITDA	\$ 37		\$	40	\$	143		\$	151		
Net Cash Provided by Operating Activities					\$	140		\$	148		
Free Cash Flow					\$	129		\$	137		

Conference Call Information

What: Altair's Fourth Quarter and Full Year 2023 Financial Results Conference Call

When: Thursday, February 22, 2024

Time: 5 p.m. ET

Webcast: http://investor.altair.com (live & replay)

Non-GAAP Financial Measures

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

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

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

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

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

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

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

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

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

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

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

About Altair

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

Cautionary Language Concerning Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including but not limited to, our guidance for the first quarter and full year 2024, our statements regarding our expectations for 2024, and our reconciliations of projected non-GAAP financial measures. These forward-looking statements are made as of the date of this release and are based on current expectations, estimates, forecasts and projections as well as the beliefs and assumptions of management. Words such as "expect," "anticipate," "should," "believe," "hope," "target," "project," "goals," "estimate," "potential," "predict," "may," "will," "might," "could," "intend," variations of these terms or the negative of these terms and similar expressions are intended to identify these forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, many of which involve factors or circumstances that are beyond Altair's control. Altair's actual results could differ materially from those stated or implied in our forward-looking statements due to a number of factors, including but not limited to, the risks detailed in Altair's quarterly and annual reports filed with the Securities and Exchange Commission as well as other documents that may be filed by the Company from time to time with the Securities and Exchange Commission. Past performance is not necessarily indicative of future results. The forward-looking statements included in this press release represent Altair's views as of the date of this press release. The Company anticipates that subsequent events and developments will cause its views to change. Altair undertakes no intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These forward-looking statements should not be relied upon as representing Altair's views as of any date subsequent to the date of this press rel

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ALTAIR ENGINEERING INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (Unaudited)

Managanahan Managanahan		Decem	oer 31,	r 31,			
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Convertible senior notes, net 225,929 305,604 Operating lease liabilities, net of current portion 22,625 24,065 Deferred revenue, non-current 32,347 31,379 Other long-term liabilities 47,151 41,216 TOTAL LIABILITIES 652,162 635,002 Commitments and contingencies STOCKHOLDERS' EQUITY Preferred stock (\$0.0001 par value), authorized 45,000 shares, none issued or outstanding — — Common stock (\$0.0001 par value) 5 5 Class A common stock, authorized 513,797 shares, issued and outstanding 55,240 5 5 and 52,277 shares as of December 31, 2023 and 2022, respectively 5 5 Class B common stock, authorized 41,203 shares, issued and outstanding 26,814 3 3 and 27,745 shares as of December 31, 2023 and 2022, respectively 3 3 Accumulated deficit (130,503) (121,577) Accumulated other comprehensive loss (22,309) (30,002) TOTAL STOCKHOLDERS' EQUITY 711,331 569,736	Total current liabilities	 324,110		232,738			
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TOTAL STOCKHOLDERS' EQUITY 711,331 569,736							
<u> </u>	•	 					
	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,363,493	\$	1,204,738			

ALTAIR ENGINEERING INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Mon December		Year Ended December 31, 2023				
(in thousands, except per share data)	 2023		2022		2023		2022
Revenue							
License	\$ 113,172	\$	107,418	\$	393,144	\$	363,520
Maintenance and other services	 42,761		37,535		156,830		142,988
Total software	155,933		144,953		549,974		506,508
Software related services	 7,751		7,518		28,032		30,661
Total software and related services	163,684		152,471		578,006		537,169
Client engineering services	6,561		6,469		29,497		28,883
Other	 1,258		1,493		5,198		6,169
Total revenue	171,503		160,433		612,701		572,221
Cost of revenue							
License	3,200		9,111		15,088		20,497
Maintenance and other services	14,340		13,318		56,094		51,946
Total software *	 17,540		22,429		71,182		72,443
Software related services	5,655		5,119		21,830		21,858
Total software and related services	 23,195		27,548		93,012		94,301
Client engineering services	5,129		5,187		24,450		23,577
Other	849		1,119		4,329		5,011
Total cost of revenue	29,173		33,854		121,791		122,889
Gross profit	 142,330		126,579		490,910		449,332
Operating expenses:							
Research and development *	52,519		51,934		212,645		202,542
Sales and marketing *	43,595		43,539		176,138		163,884
General and administrative *	17,096		18,234		70,887		72,288
Amortization of intangible assets	7,708		8,828		30,851		27,510
Other operating (income) expense, net	(1,178)		(572)		146		(9,955)
Total operating expenses	119,740		121,963		490,667		456,269
Operating income (loss)	 22,590		4,616		243		(6,937)
Interest expense	1,533		1,526		6,116		4,377
Other (income) loss, net	(8,794)		(9,183)		(18,492)		16,899
Income (loss) before income taxes	29,851		12,273		12,619		(28,213)
Income tax expense	10,176		208		21,545		15,216
Net income (loss)	\$ 19,675	\$	12,065	\$	(8,926)	\$	(43,429)
Income (loss) per share:						_	
Net income (loss) per share attributable to common stockholders, basic	\$ 0.24	\$	0.15	\$	(0.11)	\$	(0.55)
Net income (loss) per share attributable to common stockholders, diluted	\$ 0.22	\$	0.14	\$	(0.11)		(0.55)
Weighted average shares outstanding:							
Weighted average number of shares used in computing net income (loss) per share, basic	81,760		80,266		80,596		79,472
Weighted average number of shares used in computing net income (loss) per share, diluted	88,977		87,498		80,596		79,472

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

	(Unaudited)											
	ths End	ed			Ended iber 31,							
(in thousands)		2023 2022				2023		2022				
Cost of revenue – software	\$	2,303	\$	2,086	\$	10,095	\$	8,351				
Research and development		7,332		9,670		33,842		36,250				
Sales and marketing		6,271		7,865		28,376		30,370				
General and administrative		3,252		2,642		13,268		9,816				
Total stock-based compensation expense	\$	19,158	\$	22,263	\$	85,581	\$	84,787				

			(Unau	dited)				
	Three Months Ended December 31,				Year Ended December 31,			
(in thousands)	 2023		2022		2023		2022	
Employee stock-based compensation plans	\$ 16,688	\$	15,933	\$	73,548	\$	59,555	
Post combination expense in connection with acquisitions	2,470		6,330		12,033		25,232	
Total stock-based compensation expense	\$ 19,158	\$	22,263	\$	85,581	\$	84,787	

ALTAIR ENGINEERING INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

		Year E	nded December 31,	
(in thousands)	 2023		2022	2021
OPERATING ACTIVITIES:				
Net loss	\$ (8,926)	\$	(43,429)	\$ (8,794)
Adjustments to reconcile net loss to net cash provided by operating activities:	() /		(, ,	() /
Depreciation and amortization	39,124		35,504	25,644
Amortization of debt discount and issuance costs	1,869		1,792	11,428
Stock-based compensation expense	85,581		84,787	44,549
Deferred income taxes	(2,319)		(4,164)	(1,502)
Loss (gain) on mark-to-market adjustment of contingent consideration	5,706		(7,153)	_
Expense on repurchase of convertible senior notes	_		16,621	_
Other, net	74		387	1,271
Changes in assets and liabilities:				
Accounts receivable	(19,141)		(34,175)	(15,645)
Prepaid expenses and other current assets	(1,915)		1,014	(9,026)
Other long-term assets	(52)		2,852	(6,682)
Accounts payable	(1,878)		3,771	(3,857)
Accrued compensation and benefits	1,783		280	7,761
Other accrued expenses and current liabilities	9,068		(59,463)	6,365
Deferred revenue	 18,333		40,946	 10,111
Net cash provided by operating activities	127,307		39,570	61,623
INVESTING ACTIVITIES:	 _	· ·	_	_
Capital expenditures	(10,193)		(9,648)	(7,849)
Payments for acquisition of businesses, net of cash acquired	(3,236)		(134,541)	(53,983)
Other investing activities, net	(2,423)		(10,322)	(650)
Net cash used in investing activities	 (15,852)		(154,511)	 (62,482)
FINANCING ACTIVITIES:				
Proceeds from the exercise of common stock options	36,140		3,577	2,262
Proceeds from employee stock purchase plan contributions	7,978		8,976	4,222
Payments for repurchase and retirement of common stock	(6,255)		(19,659)	_
Proceeds from issuance of convertible senior notes,				
net of underwriters' discounts and commissions	_		224,265	_
Repurchase of convertible senior notes	_		(192,422)	_
Payments for issuance costs of convertible senior notes	_		(1,523)	_
Proceeds from private placement of common stock	_		_	200,000
Payments on revolving commitment	_		_	(30,000)
Other financing activities	 (97)		(233)	 (537)
Net cash provided by financing activities	 37,766		22,981	 175,947
Effect of exchange rate changes on cash, cash equivalents and restricted cash	 1,397	· ·	(5,094)	(2,623)
Net increase (decrease) in cash, cash equivalents and restricted cash	150,618		(97,054)	172,465
Cash, cash equivalents and restricted cash at beginning of year	316,958		414,012	241,547
Cash, cash equivalents and restricted cash at end of period	\$ 467,576	\$	316,958	\$ 414,012

Financial Results

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

			(Unauc	lited)			
	Three Months Ended December 31,						l ,
(in thousands, except per share amounts)	 2023		2022	2023			2022
Net income (loss)	\$ 19,675	\$	12,065	\$	(8,926)	\$	(43,429)
Stock-based compensation expense	19,158		22,263		85,581		84,787
Amortization of intangible assets	7,708		8,828		30,851		27,510
Non-cash interest expense	470		467		1,869		1,806
Impact of non-GAAP tax rate ⁽¹⁾	(4,261)		(9,468)		(13,158)		(11,346)
Special adjustments and other (2)	(1,659)		(6,614)		2,553		16,272
Non-GAAP net income	\$ 41,091	\$	27,541	\$	98,770	\$	75,600
Net income (loss) per share, diluted	\$ 0.22	\$	0.14	\$	(0.11)	\$	(0.55)
Non-GAAP net income per share, diluted	\$ 0.46	\$	0.31	\$	1.13	\$	0.89
GAAP diluted shares outstanding:	88,977		87,498		80,596		79,472
Non-GAAP diluted shares outstanding:	88,977		87,498		87,642		85,392

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

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

		(Unaud	dited)			
	Three Mon Decem	 led	Year End December			
(in thousands)	 2023	 2022		2023	2022	
Net income (loss)	\$ 19,675	\$ 12,065	\$	(8,926)	\$	(43,429)
Income tax expense	10,176	208		21,545		15,216
Stock-based compensation expense	19,158	22,263		85,581		84,787
Interest expense	1,533	1,526		6,116		4,377
Depreciation and amortization	9,853	11,412		39,124		35,504
Special adjustments, interest income and other (1)	(6,822)	(8,733)		(14,302)		12,145
Adjusted EBITDA	\$ 53,573	\$ 38,741	\$	129,138	\$	108,600

⁽¹⁾ The three months ended December 31, 2023, includes a \$1.2 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, \$2.9 million currency gains on acquisition-related intercompany loans, and \$5.2 million of interest income. The three months ended December 31, 2022, includes \$6.9 million currency gains on acquisition-related intercompany loans, a \$0.3 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, and \$2.1 million of interest income. The twelve months ended December 31, 2023, includes a \$5.7 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, \$3.2 million currency gains on acquisition-related intercompany loans, and \$16.9 million of interest income. The twelve months ended December 31, 2022, includes \$16.6 million expense on repurchase of convertible senior notes, \$6.8 million currency losses on acquisition-related intercompany loans, a \$7.2 million gain from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition, and \$4.1 million of interest income.

⁽²⁾ The three months ended December 31, 2023, includes a \$1.2 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition and \$2.9 million currency gains on acquisition-related intercompany loans. The three months ended December 31, 2022, includes \$6.9 million currency gains on acquisition-related intercompany loans and a \$0.3 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition. The twelve months ended December 31, 2023, includes a \$5.7 million loss from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition and \$3.2 million currency gains on acquisition-related intercompany loans. The twelve months ended December 31, 2022, includes \$16.6 million expense on repurchase of convertible senior notes, \$6.8 million currency losses on acquisition-related intercompany loans, and a \$7.2 million gain from the mark-to-market adjustment of contingent consideration associated with the World Programming acquisition.

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

	(Unaudited)								
	Three Months Ended December 31,				Year I Decem	Ended ber 31,			
(in thousands)	 2023		2022		2023		2022		
Net cash provided by operating activities ⁽¹⁾	\$ 21,651	\$	13,036	\$	127,307	\$	39,570		
Capital expenditures	(2,311)		(2,927)		(10,193)		(9,648)		
Free Cash Flow ⁽¹⁾	\$ 19,340	\$	10,109	\$	117,114	\$	29,922		

⁽¹⁾ The twelve months ended December 31, 2022, includes a \$65.9 million payment in January 2022 for a damages judgment assumed as part of an acquisition in 2021.

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

	(Unaudited)										
	 Three Mor December			Year Decen	,						
(in thousands)	 2023		2022		2023		2022				
Gross profit	\$ 142,330	\$	126,579	\$	490,910	\$	449,332				
Stock-based compensation expense	2,303		2,086		10,095		8,351				
Non-GAAP gross profit	\$ 144,633	\$	128,665	\$	501,005	\$	457,683				
Gross profit margin	83.0%	ó	78.9%	ó	80.1 %	o	78.5%				
Non-GAAP gross margin	84.3 %	ó	80.2 %	ó	81.8%	o o	80.0%				

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

	(Unaudited)								
	Three Months Ended December 31, 2023					Year I Decem			
(in thousands)		2023		2022		2023		2022	
Total operating expense	\$	119,740	\$	121,963	\$	490,667	\$	456,269	
Stock-based compensation expense		(16,855)		(20,177)		(75,486)		(76,436)	
Amortization		(7,708)		(8,828)		(30,851)		(27,510)	
(Gain) loss on mark-to-market adjustment of									
contingent consideration		(1,212)		(329)		(5,706)		7,153	
Non-GAAP operating expense	\$	93,965	\$	92,629	\$	378,624	\$	359,476	

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

	(Unaudited)							
	Three Months Ended December 31,							,
(in thousands)	2023 2023			2022		2023	2022	
Revenue	\$	171,503	\$	160,433	\$	612,701	\$	572,221
Ending deferred revenue		163,703		144,460		163,703		144,460
Beginning deferred revenue		(138,933)		(116,540)		(144,460)		(106,032)
Deferred revenue acquired		(149)		(449)		(149)		(3,047)
Billings	\$	196,124	\$	187,904	\$	631,795	\$	607,602

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

		(Unaudited)										
		Three Months Ended December 31, 2023						e Months Ended ember 31, 2022	Increase/ (Decrease) %			
(in thousands)	As	reported	Curre	ency changes		djusted for ant currency	A	As reported	As reported	As adjusted for constant currency		
Software revenue	\$	155.9	\$	(1.3)	\$	154.6	\$	145.0	7.6%	6.7 %		
Total revenue	\$	171.5	\$	(1.5)	\$	170.0	\$	160.4	6.9%	6.0 %		
Billings	\$	196.1	\$	(1.4)	\$	194.7	\$	187.9	4.4%	3.6%		
Adjusted EBITDA	\$	53.6	\$	0.3	\$	53.9	\$	38.7	38.3 %	39.1 %		

					(Unau	ıdited)						
				r Ended per 31, 2023			ar Ended nber 31, 2022	Increase/ (Decrease) %				
(in thousands)	As	reported	Curren	ncy changes	djusted for ant currency	As reported		As reported	As adjusted for constant currency			
Software revenue	\$	550.0	\$	6.4	\$ 556.4	\$	506.5	8.6%	9.8 %			
Total revenue	\$	612.7	\$	6.6	\$ 619.3	\$	572.2	7.1 %	8.2 %			
Billings	\$	631.8	\$	5.1	\$ 636.9	\$	607.6	4.0%	4.8%			
Adjusted EBITDA	\$	129.1	\$	5.2	\$ 134.3	\$	108.6	18.9%	23.7%			

Change in Classification of Indirect Costs

Beginning in the first quarter of 2023, the Company refined its classification of certain indirect costs to reflect the way management is now reviewing the information in decision making and to improve comparability with peers. These indirect costs include certain IT, facilities, and depreciation expenses that were previously reported primarily in General and administrative expense. These indirect costs have now been reclassified to Research and development, Sales and marketing, and General and administrative expenses based on global headcount. Management believes this refined methodology better reflects the nature of the costs and financial performance of the Company.

As a result, the Company's consolidated statements of operations have been recast for prior periods presented to reflect the effects of the changes to Research and development, Sales and marketing, and General and administrative expense. There was no net impact to total operating expenses, income from operations, net income or net income per share for any periods presented. The consolidated balance sheets, consolidated statements of comprehensive income, consolidated statements of changes in stockholders' equity, and the consolidated statements of cash flows were not affected by changes in the presentation of these costs.

Each prior period that will be presented in the forthcoming Form 10-Q and Form 10-K filings will be recast to conform to current period presentation. The following tables provide the relevant financial results as previously reported, as recast for the current period and forthcoming filings, and the associated impacts of the changes. Within these tables, the references to periods such as "FY 2021" and "Q1 2022" refer to the corresponding periods as reported in the applicable Form 10-K, Form 10-Q, or Form 8-K filings.

The following table summarizes the changes made to the consolidated statements of operations (in thousands):

	Previously Reported											
		FY 2021		Q1 2022		Q2 2022	Q3 2022	Q3 2022 Q4 2022		FY 2022		
Operating expenses:												
Research and development	\$	151,049	\$	43,094	\$	46,477	\$	48,781	\$	47,511	\$	185,863
Sales and marketing		132,750		35,682		39,116		39,244		41,203		155,245
General and administrative		91,500		23,569		24,367		24,677		24,993		97,606
Amortization of intangible assets		18,357		5,903		6,208		6,571		8,828		27,510
Other operating income, net		(3,482)		(781)		(5,767)		(2,835)		(572)		(9,955)
Total operating expenses	\$	390,174	\$	107,467	\$	110,401	\$	116,438	\$	121,963	\$	456,269
						Reca	st					
		FY 2021		Q1 2022		Q2 2022		Q3 2022		Q4 2022		FY 2022
Operating expenses:												
Research and development	\$	167,341	\$	47,079	\$	50,437	\$	53,092	\$	51,934	\$	202,542
Sales and marketing		141,484		37,840		41,153		41,352		43,539		163,884
General and administrative		66,474		17,426		18,370		18,258		18,234		72,288
Amortization of intangible assets		18,357		5,903		6,208		6,571		8,828		27,510
Other operating income, net	_	(3,482)		(781)		(5,767)		(2,835)		(572)		(9,955)
Total operating expenses	\$	390,174	\$	107,467	\$	110,401	\$	116,438	\$	121,963	\$	456,269
						Chan	ıge					
		FY 2021	_	Q1 2022	_	Q2 2022	_	Q3 2022		Q4 2022		FY 2022
Operating expenses:												
Research and development	\$	16,292	\$	3,985	\$	3,960	\$	4,311	\$	4,423	\$	16,679
Sales and marketing		8,734		2,158		2,037		2,108		2,336		8,639
General and administrative		(25,026)		(6,143)		(5,997)		(6,419)		(6,759)		(25,318)
Amortization of intangible assets		_		_		_		_		_		_
Other operating income, net											_	
Total operating expenses	\$		\$	_	\$		\$	_	\$	_	\$	_

Business Outlook

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

	(Unaudited)								
	Three Months Ending March 31, 2024					Year E Decembe	Ending r 31, 202		
(in thousands)		Low		High		Low		High	
Net income	\$	8,000	\$	11,000	\$	30,000	\$	37,700	
Stock-based compensation expense		18,900		18,900		74,500		74,500	
Amortization of intangible assets		7,400		7,400		28,800		28,800	
Non-cash interest expense		500		500		1,500		1,500	
Impact of non-GAAP tax rate ⁽¹⁾		(5,300)		(6,100)		(20,400)		(22,100)	
Non-GAAP net income	\$	29,500	\$	31,700	\$	114,400	\$	120,400	

⁽¹⁾ The Company uses a non-GAAP effective tax rate of 25%.

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

	(Unaudited)							
		Three Mont March 3				Year E December		
(in thousands)		Low		High		Low		High
Net income	\$	8,000	\$	11,000	\$	30,000	\$	37,700
Income tax expense		4,500		4,500		17,700		18,000
Stock-based compensation expense		18,900		18,900		74,500		74,500
Interest (income) expense, net		(3,900)		(3,900)		(16,600)		(16,600)
Depreciation and amortization		9,500		9,500		37,400		37,400
Adjusted EBITDA	\$	37,000	\$	40,000	\$	143,000	\$	151,000

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

	(Unaudited)						
	Year E December						
(in thousands)	 Low		High				
Net cash provided by operating activities	\$ 140,000	\$	148,000				
Capital expenditures	(11,000)		(11,000)				
Free cash flow	\$ 129,000	\$	137,000				