

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 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 March 31, 2022

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: 001-40680

**MeridianLink, Inc.**

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of  
Incorporation or Organization)

82-4844620

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

3560 Hyland Avenue, Suite 200, Costa Mesa, CA

(Address of Principal Executive Offices)

92626

(Zip Code)

(714) 708-6950

(Registrant's Telephone Number, Including Area Code)

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

<i>Title of each class</i>	<i>Trading Symbol(s)</i>	<i>Name of each exchange on which registered</i>
Common stock, par value \$0.001 per share	MLNK	The New York Stock Exchange

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, 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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 Act). Yes  No

As of May 6, 2022 there were 80,531,780 shares of the registrant's common stock, par value \$0.001 per share, outstanding.

**MeridianLink, Inc.**  
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**PART 1. FINANCIAL INFORMATION****Item 1. Financial Statements**

**MERIDIANLINK, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

	As of	
	March 31, 2022 (unaudited)	December 31, 2021
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 146,746	\$ 113,645
Accounts receivable, net of allowance for doubtful accounts	32,160	24,913
Prepaid expenses and other current assets	10,010	9,398
Total current assets	188,916	147,956
Property and equipment, net	5,613	5,989
Right of use assets	2,311	—
Intangible assets, net	287,854	298,597
Deferred tax assets, net	1,608	4,286
Goodwill	564,799	564,799
Other assets	4,089	4,266
<b>Total assets</b>	<b>\$ 1,055,190</b>	<b>\$ 1,025,893</b>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,555	\$ 2,335
Accrued liabilities	25,872	24,667
Deferred revenue	29,293	14,707
Current portion of long-term debt, net of debt issuance costs	3,256	2,139
Total current liabilities	60,976	43,848
Long-term debt, net of debt issuance costs	424,712	425,371
Deferred rent	—	396
Other long-term liabilities	1,647	—
Total liabilities	487,335	469,615
Commitments and contingencies (Note 5)		
<b>Stockholders' Equity</b>		
Preferred stock, \$0.001 par value; 50,000,000 shares authorized; zero shares issued and outstanding at March 31, 2022 and December 31, 2021	—	—
Common stock, \$0.001 par value; 600,000,000 shares authorized, 80,325,231 and 79,734,984 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively	120	88
Additional paid-in capital	600,608	596,542
Accumulated deficit	(32,873)	(40,352)
Total stockholders' equity	567,855	556,278
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,055,190</b>	<b>\$ 1,025,893</b>

*The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.*

**MERIDIANLINK, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(unaudited)**  
**(in thousands, except share/unit and per share/unit data)**

	Three Months Ended March 31,	
	2022	2021
Revenues, net	\$ 72,754	\$ 67,811
Cost of revenues:		
Subscription and services	21,104	16,614
Amortization of developed technology	3,434	2,862
Total cost of revenues	24,538	19,476
Gross profit	48,216	48,335
<b>Operating expenses:</b>		
General and administrative	18,187	17,595
Research and development	8,409	6,986
Sales and marketing	4,743	3,599
Acquisition related costs	2,283	750
Total operating expenses	33,622	28,930
Operating income	14,594	19,405
<b>Other (income) expense, net:</b>		
Other income	(163)	(20)
Interest expense, net	4,358	10,062
Total other expense, net	4,195	10,042
Income before provision for income taxes	10,399	9,363
Provision for income taxes	2,920	2,132
Net income	\$ 7,479	\$ 7,231
Class A preferred return	—	(8,932)
Net income (loss) attributable to common stockholders	\$ 7,479	\$ (1,701)
Net income (loss) per share:		
Basic	\$ 0.09	\$ (0.03)
Diluted	0.09	(0.03)
Weighted average common stock outstanding:		
Basic	79,974,071	51,551,231
Diluted	82,228,936	51,551,231

*The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.*

**MERIDIANLINK, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF PREFERRED UNITS AND STOCKHOLDERS' EQUITY / MEMBERS' DEFICIT**  
**(unaudited)**  
**(in thousands, except share/unit and per share/unit data)**

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
Balance at December 31, 2021	79,734,984	\$ 88	\$ 596,542	\$ (40,352)	\$ 556,278
Vesting of restricted stock awards	484,401	32	—	—	32
Vesting of RSUs	76,937	—	—	—	—
Issuance of common stock due to exercise of stock options	28,909	—	179	—	179
Share-based compensation expense	—	—	3,887	—	3,887
Net income	—	—	—	7,479	7,479
Balance at March 31, 2022	80,325,231	\$ 120	\$ 600,608	\$ (32,873)	\$ 567,855

	Class A Preferred Units		Class B Common Units		Additional Paid-in Capital	Accumulated Deficit	Members' Deficit
	Shares	Amount	Shares	Amount			
Balance at December 31, 2020	319,913	\$ 319,913	51,492,805	\$ —	\$ 3,909	\$ (30,338)	\$ (26,429)
Payment of Class A units cumulative preferred return	—	—	—	—	—	(12)	(12)
Vesting of Class B carried equity units	—	—	575,004	38	—	—	38
Repurchase of vested units	(54)	(54)	(103,421)	(38)	(1,849)	—	(1,887)
Unit-based compensation expense	—	—	—	—	643	—	643
Net income	—	—	—	—	—	7,231	7,231
Balance at March 31, 2021	319,859	\$ 319,859	51,964,388	\$ —	\$ 2,703	\$ (23,119)	\$ (20,416)

*The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.*

**MERIDIANLINK, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited)**  
**(in thousands)**

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 7,479	\$ 7,231
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	12,905	12,351
Amortization of debt issuance costs	484	1,072
Share-based compensation expense	3,808	643
Loss on disposal of fixed assets	135	76
Loss on sublease liability	—	384
Deferred income taxes	2,679	2,064
Changes in operating assets and liabilities:		
Accounts receivable	(7,248)	(8,958)
Prepaid expenses and other assets	(460)	(1,637)
Accounts payable	301	195
Accrued liabilities	194	107
Deferred revenue	14,586	15,195
Deferred rent	—	(26)
Net cash provided by operating activities	<u>34,863</u>	<u>28,697</u>
<b>Cash flows from investing activities:</b>		
Acquisition, net of cash acquired – TazWorks, LLC	—	(85,646)
Capitalized software additions	(1,522)	(804)
Purchases of property and equipment	(419)	(245)
Net cash used in investing activities	<u>(1,941)</u>	<u>(86,695)</u>
<b>Cash flows from financing activities:</b>		
Repurchases of Class A Units	—	(54)
Repurchases of Class B Units	—	(1,887)
Proceeds from exercise of stock options	179	—
Proceeds from long-term debt	—	100,000
Principal payments of long-term debt	—	(1,295)
Payments of debt issuance costs	—	(1,970)
Payments of Class A cumulative preferred return	—	(12)
Payments of deferred offering costs	—	(1,013)
Net cash provided by financing activities	<u>179</u>	<u>93,769</u>
Net increase in cash, cash equivalents and restricted cash	33,101	35,771
Cash, cash equivalents and restricted cash, beginning of period	113,645	39,881
Cash, cash equivalents and restricted cash, end of period	<u>\$ 146,746</u>	<u>\$ 75,652</u>
Reconciliation of cash, cash equivalents, and restricted cash		
Cash and cash equivalents	\$ 146,746	\$ 73,510
Restricted cash	—	2,142
Cash, cash equivalents, and restricted cash	<u>\$ 146,746</u>	<u>\$ 75,652</u>

**MERIDIANLINK, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited)**  
**(in thousands)**

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid for interest	\$ 3,869	\$ 8,973
Cash paid for income taxes	44	11
<b>Non-cash investing and financing activities:</b>		
Initial recognition of operating lease liability	\$ 3,372	\$ —
Initial recognition of operating lease right-of-use asset	2,627	—
Share-based compensation expense capitalized to software additions	79	—
Vesting of restricted stock awards and RSUs	32	—
Purchases of property and equipment included in accounts payable and accrued expenses	—	13
Deferred offering costs included in accounts payable and accrued expenses	—	222
Vesting of Class B Units	—	38

*The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.*

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**Note 1 – Organization and Description of Business**

MeridianLink, Inc., and its wholly-owned subsidiaries, (collectively the “Company”) provides secure, cloud-based digital solutions that transform the ways in which traditional and emerging financial services providers engage with account holders and end users. The Company sells its solutions to financial institutions, including banks, credit unions, mortgage lenders, specialty lending providers, and consumer reporting agencies. The Company delivers its solutions to the substantial majority of its customers using a software-as-a-service (“SaaS”) model under which its customers pay subscription fees for the use of the Company’s solutions. The Company is controlled by its majority stockholder, which is represented by various investment funds of Thoma Bravo UBP, LLC and its affiliates (“Thoma Bravo”). The Company is headquartered in Costa Mesa, California.

**Corporate Conversion**

Prior to July 27, 2021, the Company operated as a Delaware limited liability company under the name Project Angel Parent, LLC (“Parent”), which directly and indirectly held all the equity interests in its operating subsidiaries. On May 31, 2018, a subsidiary of Parent acquired all the outstanding common stock of MeridianLink, Inc. (“MeridianLink”). Under the terms of the Amended and Restated Limited Liability Company Operating Agreement (“Agreement”), dated as of May 31, 2018, of Parent, the members were not obligated for debt, liabilities, contracts or other obligations of Parent. Profits and losses were allocated to members as defined in the Agreement.

On July 27, 2021, prior to the effectiveness of the registration statement for the Company’s initial public offering, MeridianLink, the then operating company and the indirect wholly owned subsidiary of Project Angel Parent, LLC, changed its name to ML California Sub, Inc. and Project Angel Parent, LLC converted into a Delaware corporation pursuant to a statutory conversion and changed its name to MeridianLink, Inc. As a result of the corporate conversion, MeridianLink, Inc. succeeded to all property and assets and debts and obligations of Project Angel Parent, LLC. Effective July 27, 2021, MeridianLink, Inc. is governed by its certificate of incorporation filed with the Delaware Secretary of State and its bylaws.

Upon its conversion into a corporation, the Company converted each of its outstanding Class A preferred units (“Class A Units”) into a number of shares of common stock equal to the result of the accrued preferred return price per Class A Unit divided by the per share of common stock conversion price determined by the board of directors to be \$25.50. The preferred return price for each Class A Unit was equal to the future value of \$1,000 at a 9% interest rate compounded quarterly over the time passed since the issuance of such unit. Upon the Company’s conversion into a corporation, the outstanding Class A Units converted into an aggregate of 16,607,235 shares of common stock and were reclassified in to permanent equity. Additionally, all the outstanding Class B common units (“Class B Units”) converted into an aggregate of 53,646,668 shares of common stock on a one-for-one basis. At the time of the corporate conversion there were 1,533,763 of such shares that remained subject to future vesting and were not included in the outstanding shares. Following the Corporate Conversion, there were no units of Class A Units outstanding.

The effects of the events described in the preceding two paragraphs are collectively referred to as the “Corporate Conversion.”

**Initial Public Offering and Reverse Stock Split**

On July 30, 2021, the Company completed its initial public offering (“IPO”) through an underwritten sale of 13.2 million shares of its common stock, of which 10.0 million newly issued shares were sold by the Company at a price to the public of \$26.00 per share. The Company received net proceeds of approximately \$242.1 million after deducting approximately \$17.9 million in underwriting discounts, commissions, and offering-related expenses.

The IPO also included the sale of 3.2 million shares of our common stock by the selling stockholders. The Company did not receive any proceeds from the sale of common stock by the selling stockholders. Additionally, the selling stockholders granted the underwriters an option, exercisable for 30 days after the effective date of the Prospectus, to purchase up to 2.0 million additional shares of common stock. The option was exercised for 1.2 million additional shares on August 26, 2021.

**MERIDIANLINK, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

In connection with the listing of the Company's common stock on the New York Stock Exchange (the "NYSE"), the Company entered into indemnification agreements with its directors and certain officers and employees that require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or services as directors, officers, or employees.

In advance of the IPO, on July 16, 2021, the Company effected a 1-for-2 reverse unit split of the Company's Class B Units, whereby every two Class B Units converted into one Class B Unit. All Class B Unit and per unit information included in the accompanying condensed consolidated financial statements have been adjusted to reflect this reverse unit split for all periods presented. Following the Corporate Conversion, there were no units of Class B Units outstanding.

**COVID-19**

In March 2020, the World Health Organization characterized the novel coronavirus ("COVID-19") outbreak as a pandemic. To date, the Company has not experienced any significant effects on its partners or bad debts related to customer receivables as a result of the COVID-19 pandemic.

The Coronavirus Aid, Relief and Economic Security ("CARES") Act, enacted in March 2020 in response to the pandemic. The CARES Act did not have a material impact on the Company's income tax provision in 2021 and 2022. As of March 31, 2022, the Company deferred \$0.8 million of payments related to employer social security taxes, which will be due on December 31, 2022 and are included in accrued liabilities on the Company's condensed consolidated balance sheets.

The Company continues to evaluate market and economic conditions surrounding the COVID-19 pandemic as well as current and potential impacts on the Company's business and financial position. Due to the unpredictable circumstances, however, the Company cannot reasonably estimate such impacts on future financial results at this time.

**Note 2 – Significant Accounting Policies**

**Basis of Presentation**

The unaudited condensed consolidated financial statements of the Company have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany balances and transactions have been eliminated in consolidation.

**Unaudited Condensed Consolidated Financial Information**

In the Company's opinion, the unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation. Certain information and disclosures normally included in the notes to the annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted from these unaudited condensed consolidated financial statements pursuant to the rules and regulations of the SEC. Accordingly, these unaudited condensed consolidated financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements and accompanying notes in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 ("Annual Report"). The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022 or for any other period.

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

**Use of Estimates**

The preparation of the accompanying condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the reported amounts of revenues and expenses. Significant items subject to such estimates include revenue recognition including determining the nature and timing of satisfaction of performance obligations, variable consideration, and other revenue items requiring significant judgment; share-based compensation; the fair value of acquired intangibles; the capitalization of software development costs; the useful lives of property and equipment and long-lived intangible assets; impairment of goodwill and long-lived assets; the determination of the incremental borrowing rate used for operating lease liabilities; and income taxes. In accordance with GAAP, management bases its estimates on historical experience and on various other assumptions that management believes are reasonable under the circumstances. Management regularly evaluates its estimates and assumptions using historical experience and other factors; however, actual results could differ significantly from those estimates.

**Significant Accounting Policies**

The Company's significant accounting policies are discussed in Note 2, "Significant Accounting Policies" in the Company's Annual Report. There have been no changes to the Company's significant accounting policies described in the Company's Annual Report that have had a material impact on its condensed consolidated financial statements and related notes, except for updates resulting from the adoption of ASU 2016-02, "Leases (Topic 842)" as discussed below.

***Leases***

Leases arise from contractual obligations that convey the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. At the inception of the contract, the Company determines if an arrangement contains a lease based on whether there is an identified asset and whether the Company controls the use of the identified asset. The Company also determines the classification of that lease, between financing and operating, at the lease commencement date. The Company accounts for and allocates consideration to the lease and non-lease components as a single lease component.

A right-of-use ("ROU") asset represents the Company's right to use an underlying asset, and a lease liability represents the Company's obligation to make payments during the lease term. ROU assets are recorded and recognized at commencement for the lease liability amount, adjusted for initial direct costs incurred and lease incentives received, and adjusted for prepaid or accrued lease payments. Lease liabilities are recorded at the present value of the future lease payments over the lease term at commencement. The discount rate used to determine the present value is the incremental borrowing rate, unless the interest rate implicit in the lease is readily determinable. As the implicit rate for the operating leases is generally not determinable, the Company uses an incremental borrowing rate as the discount rate at the lease commencement date to determine the present value of lease payments. The Company determines the discount rate of the leases by considering various factors, such as the credit rating, interest rates of similar debt instruments of entities with comparable credit ratings, jurisdictions, and the lease term.

The Company's operating leases typically include non-lease components such as common-area maintenance costs, utilities, and other maintenance costs. For real estate leases, the Company has elected to include non-lease components with lease payments for the purpose of calculating lease right-of-use assets and liabilities to the extent that they are fixed. Non-lease components that are not fixed are expensed as incurred as variable lease payments.

The Company's lease terms may include options to extend or terminate the lease. The Company generally uses the base, non-cancelable, lease term when recognizing the lease assets and liabilities, unless it is reasonably certain that the Company will exercise those options. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company's ROU assets are included in right of use assets and the current and non-current portions of the lease liabilities are included in accrued liabilities and other long-term liabilities, respectively, on the condensed consolidated balance sheets. The Company does not record leases with terms of 12 months or less on the condensed consolidated balance sheets. Lease expense is recognized on a straight-line basis over the expected lease term.

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

The Company has entered into subleases, or has made decisions and taken actions to exit and sublease certain unoccupied leased office space. Sublease income is recorded as a reduction of rent expense straight-line over the term of the sublease. The Company tests ROU assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. For leased assets, such circumstances would include the decision to leave a leased facility prior to the end of the minimum lease term or subleases for which estimated cash flows do not fully cover the costs of the associated lease. No impairment of ROU assets was recorded during the three months ended March 31, 2022.

**Accounting Pronouncements Recently Adopted**

The Company is an emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 (the “JOBS Act”) and has elected to use the extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies.

***ASU 2016-02, “Leases (Topic 842)”***

The new standard establishes a right-of-use model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the condensed consolidated statements of operations. The new standard provides for a modified retrospective approach which requires recognition at the beginning of the earliest comparative period presented of leases that exist at that date, as well as adjusting equity at the beginning of the earliest comparative period presented as if the new standard had always been applied. In July 2018, the FASB issued ASU 2018-11, which provides an additional transition method. Under the additional transition method, an entity initially applies the new lease guidance at the adoption date (rather than at the beginning of the earliest period presented). Therefore, an entity which elects the additional transition method would apply Topic 840 in the comparative periods and recognize the effects of applying Topic 842 as a cumulative adjustment to retained earnings as of the adoption date. If an entity elects the new transition method, it is required to provide the Topic 840 disclosures for all prior periods presented that remain under the legacy lease guidance.

The Company adopted the new standard on January 1, 2022, utilizing the optional transition approach to not apply Topic 842 in the comparative periods presented. Additionally, the Company elected the package of practical expedients to not (1) reassess whether any expired or existing contracts are considered or contain leases; (2) reassess the lease classification for any expired or existing leases; and (3) reassess the initial direct costs for any existing leases. The most significant impact was related to its long-term office space leases that resulted in the recognition of right of use assets and related liabilities of approximately \$2.6 million and \$3.4 million, respectively, on the Company’s condensed consolidated balance sheets.

***ASU 2021-08, “Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers”***

The amendments in this ASU require that an acquirer recognizes and measures contract assets and contract liabilities acquired in a business combination in accordance with Topic 606 rather than at fair value. The ASU is effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years and should be applied prospectively to business combinations occurring on or after the effective date of the amendments. Early adoption is permitted.

The Company adopted the new standard on January 1, 2022, prospectively, for business combinations that occur subsequent to the adoption date. The adoption did have an impact on the Company’s condensed consolidated financial statements.

## MERIDIANLINK, INC.

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)

**Recent Accounting Pronouncements Not Yet Adopted*****ASU 2016-13, “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.”***

Rather than generally recognizing credit losses when it is probable that the loss has been incurred, the revised guidance requires companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost that the company expects to collect over the instrument’s contractual life.

ASU 2016-13 is effective for the Company for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years; early adoption is permitted. The Company intends to adopt the new standard as of January 1, 2023 as a cumulative effect adjustment to retained earnings. The Company is in the early stages of evaluating the effect of this guidance on its condensed consolidated financial statements and disclosures.

***ASU 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”***

The standard simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 related to the approach for intraperiod tax allocation and the recognition of deferred tax liabilities for outside basis differences and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard also improves consistent application of and simplifies GAAP for other areas of Topic 740 by clarifying and amending existing guidance. For the Company, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted. The Company is currently evaluating the timing of and impact of this guidance on the Company’s condensed consolidated financial statements.

***ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting”***

ASU 2020-04 provides optional guidance for a limited time to ease the potential accounting burden associated with transitioning away from reference rates, such as the London Inter-Bank Offered Rate (LIBOR), which regulators in the United Kingdom are currently phasing out. The expedients and exceptions provided by ASU 2020-04 are for the application of U.S. GAAP to contracts, hedging relationships, and other transactions affected by the rate reform, and will not be available after December 31, 2022, other than for certain hedging relationships entered into before December 31, 2022. Companies can apply the ASU immediately. However, the guidance will only be available for a limited time. The Company is currently evaluating the impact of this guidance on its condensed consolidated financial statements and related disclosures.

**Note 3 – Revenue Recognition****Disaggregation of Revenue**

The following table disaggregates the Company’s net revenues by solution type (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Lending Software Solutions	\$ 49,167	\$ 43,134
Data Verification Software Solutions	23,587	24,677
<b>Total</b>	<b>\$ 72,754</b>	<b>\$ 67,811</b>

Lending Software Solutions accounted for 68% and 64% of total revenues for the three months ended March 31, 2022, and 2021, respectively. Data Verification Software Solutions accounted for 32% and 36% of total revenues for the three months ended March 31, 2022 and 2021, respectively.

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

The following table disaggregates the Company's net revenues by major source (in thousands):

	Three Months Ended March 31,	
	2022	2021
Subscription fees	\$ 63,469	\$ 60,316
Professional services	7,112	5,491
Other	2,173	2,004
Total revenues	<u>\$ 72,754</u>	<u>\$ 67,811</u>

**Deferred Revenue**

The changes in the Company's deferred revenue as of March 31, 2022 and 2021 were as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Deferred revenue, beginning balance	\$ 14,707	\$ 10,873
Billing of transaction consideration	87,340	83,006
Revenue recognized	(72,754)	(67,811)
Deferred revenue, ending balance	<u>\$ 29,293</u>	<u>\$ 26,068</u>

**Assets Recognized from Costs to Obtain a Contract with a Customer**

Sales commissions related to the Company's customer agreements are capitalized and charged to expense over the expected period of customer benefit. Current costs are included in prepaid expenses and other current assets, and non-current costs are included in other assets on the accompanying condensed consolidated balance sheets. The following table represents the changes in contract cost assets (in thousands):

	Three Months Ended March 31,	
	2022	2021
Beginning balance	\$ 5,835	\$ 3,207
Additions	607	992
Amortization	(554)	(259)
Ending balance	<u>\$ 5,888</u>	<u>\$ 3,940</u>
Contract cost assets, current	2,572	1,572
Contract cost assets, noncurrent	3,316	2,368
Total deferred contract cost assets	<u>\$ 5,888</u>	<u>\$ 3,940</u>

**Allowance for Doubtful Accounts**

Allowance for doubtful accounts as of March 31, 2022 and December 31, 2021 was \$0.1 million and \$0.2 million, respectively.

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

**Note 4 – Balance Sheet Components****Prepaid Expenses and Other Current Assets**

Prepaid expenses and other current assets consisted of the following (in thousands):

	As of March 31, 2022	As of December 31, 2021
Prepaid expenses	\$ 7,083	\$ 6,752
Contract cost assets – current	2,572	2,402
Others	355	244
Total prepaid expenses and other current assets	<u>\$ 10,010</u>	<u>\$ 9,398</u>

**Property and Equipment, Net**

Property and equipment, net consisted of the following (in thousands):

	As of March 31, 2022	As of December 31, 2021
Computer equipment and software	\$ 8,303	\$ 7,995
Leasehold improvements	2,994	2,994
Office equipment and furniture	1,180	1,378
Total	12,477	12,367
Less: Accumulated depreciation	(6,864)	(6,378)
Property and equipment, net	<u>\$ 5,613</u>	<u>\$ 5,989</u>

Depreciation expense amounted to \$0.6 million for each of the three months ended March 31, 2022 and 2021. The Company disposed of office furniture that resulted in a loss of \$0.1 million during each of the three months ended March 31, 2022 and 2021. The losses are included in general and administrative expenses in the accompanying condensed consolidated statements of operations.

**Intangible Assets, Net**

Intangible assets, net consisted of the following (in thousands):

	As of March 31, 2022		
	Gross Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 328,600	\$ (107,487)	\$ 221,113
Developed technology	74,800	(31,733)	43,067
Trademarks	24,175	(8,142)	16,033
Non-competition agreements	600	(300)	300
Capitalized software	12,503	(5,162)	7,341
Total intangible assets, net	<u>\$ 440,678</u>	<u>\$ (152,824)</u>	<u>\$ 287,854</u>

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

	As of December 31, 2021		
	Gross Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	\$ 328,600	\$ (99,320)	\$ 229,280
Developed technology	74,800	(29,207)	45,593
Trademarks	24,175	(7,474)	16,701
Non-competition agreements	600	(225)	375
Capitalized software	10,902	(4,254)	6,648
Total intangible assets, net	<u>\$ 439,077</u>	<u>\$ (140,480)</u>	<u>\$ 298,597</u>

The weighted average remaining useful lives for intangible assets at March 31, 2022 were as follows:

	Weighted Average Remaining Useful Life
Customer relationships	7 years
Developed technology	5 years
Trademarks	7 years
Non-competition agreements	1 year
Capitalized software	3 years

Amortization expense related to intangible assets was as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Cost of sales	\$ 3,434	\$ 2,862
General and administrative expense	8,910	8,905
Total amortization expense	<u>\$ 12,344</u>	<u>\$ 11,767</u>

The estimated future amortization of intangible assets as of March 31, 2022 was as follows (in thousands):

Years ending December 31, 2022 (remaining nine months)	\$ 37,027
2023	47,542
2024	45,632
2025	40,474
2026	37,514
Thereafter	79,665
Total amortization expense	<u>\$ 287,854</u>

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

**Accrued Liabilities**

Accrued liabilities consisted of the following (in thousands):

	As of	
	March 31, 2022	December 31, 2021
Accrued bonuses	\$ 2,021	\$ 6,708
Accrued payroll and payroll-related expenses	7,758	8,522
Sales tax liability from acquisitions	2,939	2,939
Accrued costs of revenues	4,570	2,217
Accrued operating costs	2,170	2,099
Acquisition related costs	1,755	—
Lease liability	1,337	233
User conference	1,247	170
Other accrued expenses	2,075	1,779
Total accrued liabilities	<u>\$ 25,872</u>	<u>\$ 24,667</u>

**Note 5 – Commitments and Contingencies****Legal Matters**

The Company is, and from time to time may be, involved in legal proceedings and claims arising out of the Company's operations in the ordinary course of business. Management is not currently aware of any legal proceedings or claims against it that could have a material adverse effect on the financial position, results of operations, or cash flows of the Company.

**Other Contractual Commitments**

On March 5, 2022, the Company signed a merger agreement to acquire StreetShares, Inc. ("StreetShares"), a financial technology company that provides digital small business lending technology to banks and credit unions, for consideration of \$58.9 million, which includes \$30.0 million in escrow for a contingent earnout, subject to adjustment as defined in the purchase agreement, and \$1.1 million in acquisition costs. As of March 31, 2022, the transaction remained subject to certain closing conditions. See Note 12 – Subsequent Events for additional information.

The Company's other contractual commitments primarily consist of third-party cloud infrastructure agreements and service subscription arrangements used to support operations at the enterprise level. Future minimum payments under the Company's non-cancelable purchase commitments as of March 31, 2022 are as follows (in thousands):

	Contractual Commitments	
Years ending December 31,		
2022 (remaining nine months)	\$	227
2023		375
2024		395
2025		11,872
Total	<u>\$</u>	<u>12,869</u>

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

**Note 6 – Leases**

The Company leases office space under various operating lease agreements that expire through December 2026. The Company recognizes the related rent expense on a straight-line basis over the term of each lease. Free rent and rental increases are recognized on a straight-line basis over the term of each lease.

As of March 31, 2022, the weighted average remaining lease term was 3 years and the weighted average discount rate was 5.0%. The Company does not have any finance leases as of March 31, 2022.

One lease is with a related party with a termination date of December 2022. The monthly payments during each of the three months ended March 31, 2022 and 2021 were \$0.1 million. The monthly payments are subject to annual increases.

The Company also has subleases of former office spaces which expire at various dates from 2022 to 2024. Sublease income from operating leases, which is recorded as a reduction of rental expense, was \$0.1 million for each of the three months ended March 31, 2022 and 2021. One of the subleases was entered into during March 2022 resulting in a total loss \$0.1 million from the disposal of related assets. The loss is included in general and administrative expense on the condensed consolidated statements of operations for the three months ended March 31, 2022.

Rent expense, gross of sublease income, has been recorded in the condensed consolidated statements of operations for the three months ended March 31, 2022 (in thousands):

	<b>Three Months Ended March 31, 2022</b>
Cost of revenues	\$ 162
General and administrative	44
Research and development	97
Sales and marketing	44
<b>Total rent expense</b>	<b>\$ 347</b>

The following table presents supplemental cash flow information about the Company's leases (in thousands):

	<b>Three Months Ended March 31, 2022</b>
Cash paid for amounts included in the measurement of lease liabilities	\$ 400
Operating lease assets obtained in exchange for new operating lease liabilities	—

The following table presents supplemental balance sheet information about the Company's leases (in thousands):

	<b>As of March 31, 2022</b>
Operating lease ROU assets	\$ 2,311
Operating lease liabilities, current	\$ 1,337
Noncurrent operating lease liabilities	1,632
<b>Total operating lease liabilities</b>	<b>\$ 2,969</b>

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

As of March 31, 2022, remaining maturities of lease liabilities were as follows (in thousands):

	Related Party	Third Party	Total
Years Ending December 31,			
2022 (remaining nine months)	\$ 657	\$ 548	\$ 1,205
2023	—	750	750
2024	—	676	676
2025	—	320	320
2026	—	244	244
Total operating lease payments <sup>(1)</sup>	\$ 657	\$ 2,538	\$ 3,195
Less: imputed interest	(11)	(215)	(226)
Total operating lease liabilities	\$ 646	\$ 2,323	\$ 2,969

(1) Presented gross of sublease income. The Company expects to receive sublease income of approximately \$0.3 million in the remainder of the year ended December 31, 2022, \$0.1 million in 2023, and \$0.0 million thereafter.

As of December 31, 2021, prior to the adoption of Topic 842, the aggregate future non-cancelable minimum rental payments and expected sublease receipts were as follows (in thousands):

	Related Party	Third Party	Sublease Receipts	Total
Years Ending December 31,				
2022	\$ 875	\$ 736	\$ (293)	\$ 1,318
2023	—	753	—	753
2024	—	722	—	722
2025	—	319	—	319
2026	—	244	—	244
Thereafter	—	—	—	—
Total future minimum lease payments	\$ 875	\$ 2,774	\$ (293)	\$ 3,356

Rent expense for the three months ended March 31, 2021 was as follows (in thousands):

	Three Months Ended March 31, 2021
Cost of revenues	\$ 235
General and administrative	58
Research and development	154
Sales and marketing	65
Total rent expense	\$ 512

As of December 31, 2021, the Company had an accrued lease termination liability related to leased office space it ceased using during February 2021. The termination liability as of December 31, 2021 was \$0.2 million. Upon adoption of ASC 842 on January 1, 2022, the termination liability was removed as an adjustment to the related right of use asset.

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

**Note 7 – Long-Term Debt**

Long-term debt consisted of the following (in thousands):

	As of March 31, 2022	As of December 31, 2021
2021 Term loan	\$ 435,000	\$ 435,000
Debt issuance costs	(7,032)	(7,490)
Total debt, net	\$ 427,968	\$ 427,510
Less: Current portion of long-term debt		
2021 Term loan	\$ 4,350	\$ 3,263
Debt issuance costs	(1,094)	(1,124)
Total current portion of long-term debt, net	3,256	2,139
Total non-current portion of long-term debt, net	\$ 424,712	\$ 425,371

Amortization of deferred financing fees was \$0.5 million and \$1.1 million for the three months ended March 31, 2022 and 2021, respectively. Total interest expense, excluding amortization of deferred financing fees, was \$3.9 million and \$9.0 million for the three months ended March 31, 2022 and 2021, respectively.

**2021 Credit Agreement**

On November 10, 2021, the Company entered into a credit agreement (the “2021 Credit Agreement”), which provides for a term loan facility (the “2021 Term Loan”) in an aggregate principal amount of \$435.0 million, and a revolving credit facility (the “2021 Revolving Credit Facility”) in an aggregate principal amount of \$50.0 million, inclusive of a \$10.0 million letter of credit sub-facility. The Company used the proceeds from the 2021 Term Loan to pay all outstanding amounts due under the Company’s previous 2018 First Lien plus certain fees and expenses. The 2021 Term Loan and 2021 Revolving Credit Facility mature on November 10, 2028 and November 10, 2026, respectively. The Company has not drawn on the 2021 Revolving Credit Facility as of March 31, 2022.

The obligations under the 2021 Credit Agreement are secured by a lien on substantially all tangible and intangible property of the Company, subject to customary exceptions, limitations, and exclusions from the collateral.

The 2021 Credit Agreement contains customary affirmative covenants, negative covenants and events of default, including covenants and restrictions that, among other things, require the Company to satisfy a financial covenant, and restricts or limits the ability of the Company to grant or incur liens, incur additional indebtedness, enter into joint ventures or partnerships, engage in mergers and acquisitions, engage in asset sales, and declare dividends on its capital stock, subject in each case to certain customary exceptions. A failure to comply with certain covenants could permit the lenders to declare the 2021 Term Loan, and any then outstanding borrowings on the 2021 Revolving Credit Facility, together with accrued interest and fees thereon, to be immediately due and payable. The Company was in compliance with all financial covenants of the 2021 Credit Agreement at March 31, 2022.

**2021 Term Loan**

Borrowings under the 2021 Term Loan bear interest at a variable rate, elected by the Company, equal to the Base Rate (as defined in the 2021 Credit Agreement) or the Adjusted Eurocurrency Rate (as defined in the 2021 Credit Agreement), plus, an initial margin based on the Company’s Consolidated First Lien Net Leverage Ratio (as defined by the 2021 Credit Agreement), which was 3.00% at March 31, 2022. Beginning in June 2022, the Company is required to make quarterly principal payments equal to 0.25% of the original principal, with the remainder due at maturity.

Debt issuance costs of \$7.6 million were included as a reduction of the debt balance on the condensed consolidated balance sheets and are amortized into interest expense over the contractual life of the loans using the effective interest method. Included in the debt issuance costs were \$4.8 million incurred in connection with the 2021 Term Loan, and \$2.8 million carried forward from the Company’s previous 2018 First Lien. The Company recognized \$0.5 million of amortization of debt issuance costs for the 2021 Term Loan during three months ended March 31, 2022. The effective interest rate on the 2021 Term Loan was 4.3% as of March 31, 2022.

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

**2021 Revolving Credit Facility**

Borrowings under the 2021 Revolving Credit Facility bear interest, at the election of the Company, at a rate equal to the Base Rate (as defined in the 2021 Credit Agreement) or the Adjusted Eurocurrency Rate (as defined in the 2021 Credit Agreement), plus, in each case, the Applicable Rate (as defined in the 2021 Credit Agreement), which shall vary based on the Company's Consolidated First Lien Net Leverage Ratio.

In connection with the 2021 Revolving Credit Facility, the Company incurred \$0.5 million in debt issuance costs. Expenses associated with the issuance of the revolving credit facility are presented in the accompanying condensed consolidated balance sheets in prepaid expenses and other current assets and other assets, and are amortized to interest expense over the life of the 2021 Revolving Credit Facility using the straight-line method.

The 2021 Revolving Credit Facility also requires a quarterly commitment fee based on the Company's consolidated first lien net leverage ratio. As of March 31, 2022, the applicable rate was 0.5%, which was applied against the \$50.0 million unused revolving credit facility balance.

**Future Principal Payments**

Future principal payments of long-term debt as of March 31, 2022 were as follows (in thousands):

Years ending December 31,		
2022 (remaining nine months)	\$	3,263
2023		4,350
2024		4,350
2025		4,350
2026		4,350
Thereafter		414,337
Total	\$	<u>435,000</u>

**Note 8 – Share-based Compensation****2021 Stock Option and Incentive Plan**

The 2021 Stock Option and Incentive Plan (the "2021 Plan") was adopted by the board of directors and approved by the Company's stockholders following the Corporate Conversion and became effective as of July 26, 2021. The 2021 Plan replaced both the Company's 2019 Equity Option Plan (the "2019 Plan") and the Project Angel Parent, LLC Equity Plan (the "2018 Plan"). Outstanding options to purchase Class B Units granted under the 2019 Plan were converted into options to purchase shares of common stock, and all outstanding Carried Equity Units granted under the 2018 Plan were converted into restricted stock awards ("RSAs"), both of which have been granted under the 2021 Plan.

The Company had initially reserved 13,171,588 shares of its common stock for the issuance of awards under the 2021 Plan. The 2021 Plan provides that the number of shares reserved and available for issuance under the 2021 Plan will automatically increase on January 1, 2022 and each January 1 thereafter, by 5% of the outstanding number of shares of common stock on the immediately preceding December 31, or such lesser number of shares as determined by the Company's compensation committee. The number of shares reserved under the 2021 Plan is subject to adjustment in the event of a stock split, stock dividend, or other change in the Company's capitalization.

The 2021 Plan provides flexibility to the Company's compensation committee to use various equity-based incentive awards as compensation tools to motivate the Company's workforce. The incentive awards that may be granted under the 2021 Plan include, but are not limited to, options to purchase common stock, stock appreciation rights, restricted shares of common stock, restricted stock units, and cash bonuses.

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

**Stock Options**

A summary of stock option activity during the three months ended March 31, 2022 is as follows (in thousands, except options, price per option, and term amounts):

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contract Term	Aggregate Intrinsic Value
Outstanding – January 1, 2022	4,256,812	\$ 13.05	8.44	\$ 42,429
Granted	28,033	18.76		
Exercised	(28,909)	6.19		
Forfeited	(123,054)	18.87		
Outstanding – March 31, 2022	4,132,882	\$ 12.96	8.19	\$ 31,643,537
Vested and expected to vest in the future at March 31, 2022	4,132,882	12.96	8.19	31,643,537
Exercisable at March 31, 2022	2,328,904	\$ 6.38	7.58	\$ 27,360,724

The total fair value of options that vested during the three months ended March 31, 2022 and 2021 was \$1.5 million and \$1.1 million, respectively. The total intrinsic value of options exercised during the three months ended March 31, 2022 and 2021 was \$0.4 million and none, respectively.

The Company recognized approximately \$1.4 million and \$0.5 million in share-based compensation expense related to time-based and performance-based stock options for the three months ended March 31, 2022 and 2021, respectively. During the three months ended March 31, 2022 and 2021, performance-based options were probable of vesting and, therefore, were included as part of share-based compensation expense.

As of March 31, 2022, there was approximately \$17.7 million of unrecognized share-based compensation expense related to stock options, which is expected to be recognized over a weighted-average period of approximately 2.75 years.

**Restricted Stock Awards**

The number of restricted stock awards vested during the three months ended March 31, 2022 was 484,401. The liability balance as of March 31, 2022, related to the unvested RSAs was \$0.01 million. As of March 31, 2022, the number of unvested RSAs amounted to 183,741. There were a total of 22,212 RSAs cancelled or forfeited during three months ended March 31, 2022.

The Company recognized approximately \$0.1 million in share-based compensation expense related to RSAs for the three months ended March 31, 2022. The Company recognized \$0.1 million in share-based compensation expense during the three months ended March 31, 2021. Share-based compensation expense related to the excess of fair value per unit on date of issuance over the \$0.06 per share purchase price paid by the participants, has been recognized as additional compensation expense attributable to the participants.

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

**Restricted Stock Units**

A summary of restricted stock unit (“RSU”) activity during the three months ended March 31, 2022, is as follows:

	Number of RSUs	Weighted Average Grant Date Fair Value
Non-vested – January 1, 2022	1,073,529	\$ 25.76
Granted	17,635	18.76
Vested	(76,937)	25.84
Forfeited	(45,418)	25.76
Non-vested – March 31, 2022	968,809	\$ 25.63

As of March 31, 2022, 968,809 RSUs are expected to vest. The Company recognized approximately \$2.2 million in share-based compensation expense related to RSUs for the three months ended March 31, 2022.

As of March 31, 2022, there was approximately \$20.5 million of unrecognized share-based compensation expense related to RSUs, which is expected to be recognized over a weighted-average period of approximately 2.91 years.

**Employee Stock Purchase Program**

As of March 31, 2022, the Company has not issued any shares of common stock pursuant to the 2021 Employee Stock Purchase Plan under its employee stock purchase program (“ESPP”). As of March 31, 2022, there was approximately \$0.1 million of unrecognized share-based compensation related to the ESPP that is expected to be recognized over the remaining term of the current offering period. The Company recognized \$0.2 million of share-based compensation expense related to the ESPP for the three months ended March 31, 2022.

**Share-Based Compensation**

Share-based compensation for share-based awards granted to participants has been recorded in the condensed consolidated statements of operations for the three months ended March 31, 2022 and 2021 as follows (in thousands):

	Three Months Ended March 31,	
	2022	2021
Cost of revenues	\$ 965	\$ 72
General and administrative	1,381	353
Research and development <sup>(1)</sup>	1,077	82
Sales and marketing	385	136
Total share-based compensation expense	\$ 3,808	\$ 643

(1) Net of \$0.1 million and no additions to capitalized software on the Company’s condensed consolidated balance sheets during the three months ended March 31, 2022 and 2021, respectively.

**Note 9 – Income Taxes**

In accordance with applicable accounting guidance, the Company is required to use an estimated annual effective tax rate to compute its tax provision during an interim period. The Company’s provision for income taxes reflected an effective tax rate of approximately 28% and 22% for the three months ended March 31, 2022 and 2021, respectively. The Company’s effective tax rate differs from the U.S. federal statutory rate primarily due to R&D credits, state taxes, permanent differences related to share-based compensation expense, and other expected permanent differences.

The Company has gross unrecognized tax benefits with respect to R&D credits of \$2.4 million as of March 31, 2022 and \$1.9 million as of December 31, 2021. There are no penalties or interest recorded on these liabilities as the credits have not yet been utilized.

**MERIDIANLINK, INC.****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

The Company assesses whether a valuation allowance should be recorded against its deferred tax assets based on the consideration of all available evidence, using a “more likely than not” realization standard. The four sources of taxable income that must be considered in determining whether deferred tax assets will be realized are: (1) future reversals of existing taxable temporary differences (i.e., offset of gross deferred tax assets against gross deferred tax liabilities); (2) taxable income in prior carryback years, if carryback is permitted under the applicable tax law; (3) tax planning strategies; and (4) future taxable income exclusive of reversing temporary differences and carryforwards. Based on the evaluation of the evidence and sources of taxable income, the Company has determined that no valuation allowance is necessary as of March 31, 2022.

**Note 10 – Related Party Transactions**

The Company has leased one property from a related party. Rental expense for this property totaled \$0.2 million for each of the three months ended March 31, 2022 and 2021.

On May 31, 2018, the Company entered into an Advisory Services Agreement with Thoma Bravo, a private equity firm, that owns the majority of the Company through private equity funds managed by the firm. During the three months ended March 31, 2021, the Company recorded \$0.5 million in general and administrative expenses on the accompanying condensed consolidated statements of operations for management and advisory fees. The Advisory Services Agreement was terminated upon completion of the IPO.

During the three months ended March 31, 2022 and 2021, the Company recorded \$0.4 million and \$0.3 million, respectively, in cost of sales on the accompanying condensed consolidated statements of operations for third-party expenses with a Thoma Bravo affiliated company. As of March 31, 2022 and December 31, 2021, the Company had accounts payable of \$0.1 million and \$0.2 million, respectively, and accrued liabilities of \$0.3 million and \$0.2 million, respectively, with a Thoma Bravo affiliated company.

**Note 11 – Net Income (Loss) Per Share**

The following table presents the calculation of basic and diluted net income (loss) per share (in thousands, except share and per share data):

	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
Basic and diluted net income (loss) per share		
Numerator:		
Net income (loss) attributable to common stockholders	\$ 7,479	\$ (1,701)
Denominator:		
Weighted average common stock outstanding:		
Basic	79,974,071	51,551,231
Diluted	82,228,936	51,551,231
Net income (loss) per share:		
Basic	\$ 0.09	\$ (0.03)
Diluted	0.09	(0.03)

**MERIDIANLINK, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (CONTINUED)**

The following outstanding potentially dilutive securities were excluded from the calculation of diluted net income (loss) per share attributable to common stockholders because their impact would have been anti-dilutive for the periods presented:

	As of March 31,	
	2022	2021
Options to purchase common stock outstanding, unexercised	1,476,592	3,207,196
Restricted stock awards, unvested	—	2,077,272
Restricted stock units, unvested	874,425	—
Total	2,351,017	5,284,468

**Note 12 – Subsequent Events****Acquisition of StreetShares**

On April 1, 2022, the Company acquired all of the outstanding stock of StreetShares for cash consideration of \$58.9 million, which includes \$30.0 million in escrow for a contingent earnout, subject to adjustment as defined in the purchase agreement, and \$1.1 million in acquisition costs. The acquisition was funded by the Company's available cash. StreetShares is based out of Reston, VA, and is a financial technology company that provides digital small business lending technology to banks and credit unions. The acquisition will be accounted for using the acquisition method of accounting whereby the acquired assets and liabilities will be recorded at their respective fair values and added to those of the Company, including an amount for goodwill representing the difference between the acquisition consideration and the fair value of the identifiable net assets.

Results of operations of StreetShares will be included in the operations of the Company beginning with the closing date of the acquisition. As of the date of issuance of these condensed consolidated financial statements, the initial acquisition and disclosures under ASC 805, *Business Combinations*, have not been prepared as the Company has not obtained all of the information necessary, nor has there been sufficient time, to complete the related activities.

**Equity Grants**

Pursuant to approval by the Company's compensation committee and board of directors, in May 2022, the Company awarded approximately 1,852,330 service-based RSUs and 502,825 stock options. The stock option awards were granted with an exercise price equal to the closing price of the Company's common stock on the date of grant. Service-based RSUs and stock options generally vest over four years, subject to the participant's continued service relationship with the Company through each such vesting date.

### Special Note about Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q, including statements regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as “may,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements described under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021 and in this Quarterly Report on Form 10-Q. These forward-looking statements are based on management’s current beliefs, based on currently available information, as to the outcome and timing of future events. You should not rely upon forward-looking statements as predictions of future events. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, gross profit or gross margin, operating expenses, ability to generate cash flow, revenue mix, and ability to achieve and maintain future profitability;
- our ability to execute on our strategies, plans, objectives, and goals;
- our ability to compete with existing and new competitors in existing and new markets and offerings;
- our ability to develop and protect our brand;
- our ability to effectively manage privacy and information and data security;
- increases in spending by financial institutions on cloud-based technology;
- anticipated trends and growth rates in our business and in the markets in which we operate;
- our ability to maintain and expand our customer base and our partner network;
- our ability to sell our applications and expand internationally;
- our ability to comply with laws and regulations;
- our ability to anticipate market needs and successfully develop new and enhanced solutions to meet those needs;
- the impact of the novel coronavirus, or COVID-19, pandemic and other global financial, economic and political events on our industry, business and results of operations;
- our ability to successfully identify, acquire and integrate complementary businesses and technologies;
- our ability to hire and retain necessary qualified employees to grow our business and expand our operations;
- the evolution of technology affecting our applications, platform and markets;
- economic and industry trends;
- seasonal fluctuations in consumer borrowing trends;
- our ability to adequately protect our intellectual property; and
- our ability to service our debt obligations.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make. Although we undertake no obligation to revise or update any forward-looking statements, whether as a result of new information, future events or otherwise, you are advised to consult any additional disclosures that we may make directly to you or through reports that we, in the future, may file with the Securities and Exchange Commission, or SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements 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 you are cautioned not to unduly rely upon these statements.

In this Quarterly Report on Form 10-Q, the terms “MeridianLink,” “we,” “us,” and “our” refer to MeridianLink, Inc. and its subsidiaries, unless the context indicates otherwise.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2021 (our “2021 Annual Report on Form 10-K”), filed with the SEC on March 10, 2022. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that could impact our business. In particular, we encourage you to review the risks and uncertainties described in the section titled “Risk Factors” included elsewhere in this Quarterly Report on Form 10-Q and our 2021 Annual Report on Form 10-K. These risks and uncertainties could cause actual results to differ materially from those projected in forward-looking statements contained in this report or implied by past results and trends. Our fiscal year ends on December 31. Our historical results are not necessarily indicative of the results that may be expected for any period in the future, and our interim results are not necessarily indicative of the results we expect for the full fiscal year or any other period.*

### **Overview**

We are a leading provider of cloud-based software solutions for financial institutions, including banks, credit unions, mortgage lenders, specialty lending providers, and consumer reporting agencies (“CRAs”). Financial institutions are undergoing digital transformation as they seek to transition business models, create new revenue streams, and increase customer engagement. We support our customers’ digital transformations by helping them create a superior consumer experience with our mission-critical loan origination software, or LOS, digital lending platform, and data analytics. Our solutions allow our customers to meet their clients’ financial needs across the institution, which enables improved client acquisition and retention. Additionally, our solutions allow our customers to operate more efficiently by enabling automated loan decisioning and enhanced risk management.

The effective delivery and management of secure and advanced digital solutions in the complex and heavily regulated financial services industry requires significant resources, personnel, and expertise. We provide digital solutions that are designed to be highly configurable, scalable, and adaptable to the specific needs of our customers. We design and develop our solutions with an open platform approach intended to provide comprehensive integration among our solution offerings and our customers’ internal systems and third-party systems. Our solutions are central to the financial institution’s technology ecosystem and help drive additional business volume for our customers both directly and indirectly through our Partner Marketplace. Our omni-channel borrowing experience seamlessly integrates all the touch points a borrower may have with the financial institution (remote via the web or an app, in person at a branch, or telephonically through an operator). In addition to our streamlined workflow, which has been refined over twenty years with input from across our customer base, our Partner Marketplace provides our customers optional integrations, the collective capabilities of which we believe further distinguish our solution from that of competitors.

The financial services sector is in the midst of a transition from offering primarily in-branch services to providing hybrid in-person and digital experiences for consumers. This transition has recently accelerated, leading to increased investment in software that enables digital capabilities. We are well-positioned to assist our customers to compete with tier 1 banks and digital market entrants. We enable mid-market financial institutions to leverage their cost of capital advantage and community presence by allowing them to execute faster. With the digital edge we provide, our customers can become more competitive in this evolving environment, which, in turn, can drive further volume on our platform.

We deliver our solutions to the substantial majority of our customers using a SaaS model under which our customers pay subscription fees for the use of our solutions as well as fees for transactions processed using our solutions. Our subscription fees consist of revenues from software solutions that are governed by pricing and terms contained in contracts between us and our customers. The initial term of our contracts is typically three years, but may range from one to seven years. Our customer contracts are typically not cancellable without penalty. Our contracts almost always contain an evergreen auto-renewal term that is often for a one-year extension after the initial term, but can extend the auto-renewal of the contract up to the length of the original term. Our subscription fee revenues include annual base fees, platform partner fees, and, depending on the product, fees per search or per loan application or per closed loan (with contractual minimums based on volume) that are charged on a monthly basis, which we refer to as volume-based fees. We earn additional revenues based on the volume of loan applications or closed loans processed above our customers’ contractual minimums.

As a result of this pricing approach, our revenues from our customers grow as our customers add additional transaction types, purchase more modules, utilize more of our partner integrations, or see increased transaction volume. We generally sell our solutions through our direct sales organization or channel partners and recognize our subscription fee revenues over the terms of the customer agreements.

Our revenues per customer vary from period to period based on the length and timing of customer implementations, sales of additional solutions to existing customers, changes in the number of transactions processed (including impacts from seasonality and cyclicalities), and variations among existing customers and new customers with respect to the mix of purchased solutions and related pricing.

We seek to strengthen and grow our customer relationships by providing consistent, high-quality implementations and customer support services, which we believe drive higher customer retention and incremental sales opportunities within our existing customer base. We plan to continue investing in migrating our solutions onto a single platform resident in a public cloud and driving product development to further increase customer cross-selling opportunities and retention. We believe that our increased focus on our go-to-market strategy and strategic partnerships will drive incremental opportunities for revenue and accelerate client cross-sell growth.

In addition, we believe there is untapped market potential in the loan origination and digital banking markets. We believe significant opportunity for additional customer acquisition and revenue growth exists as financial institutions continue to adopt online lending and account opening practices and require more efficient technologies. We provide these services to institutions of all sizes and complexities, but currently focus on the middle market. By focusing on better sales execution, providing and allocating resources where needed, and improving marketing efforts, we are confident in our ability to expand our customer base within our current target market.

We cater largely to financial institutions such as community banks and credit unions with assets under management between \$100 million and \$10 billion. In recent years community banks have continued to compete with their typically larger non-community bank competitors, and the FDIC reported that in 2019 net interest income accounted for over 78 percent of community bank net operating revenues. A large opportunity exists in expanding our target market to new customers with less than \$100 million or greater than \$10 billion in assets under management. In our down-market, smaller institutions commonly use spreadsheets or other inexpensive alternatives. These companies have a smaller volume of loans per month, but there is opportunity to alter our solutions to offer decreased pricing and functionality in order to lower implementation fees.

We have continuously invested in expanding and improving our solutions since they were first introduced two decades ago, and we intend to continue investing both organically and inorganically through acquisitions to expand our portfolio. We are focused on introducing new solutions and enhancing services and capabilities in areas including digital lending, data insights, and collections to further expand our reach into the consumer lending markets. In addition to developing our solutions organically, such as the combination of our capabilities to create our patented consumer debt optimization functionality, we may selectively pursue acquisitions, joint ventures, or other strategic transactions that provide additional capabilities or customers, or both. Acquisitions to date have included CRIF Lending Solutions (“CRIF”) in June 2018, and Teledata Communications, Inc. (“TCI”) in November 2020. TCI is the creator of DecisionLender, a SaaS loan origination solution. We believe that with the addition of TCI, our position as a vendor of choice is enhanced among financial institutions seeking solutions to manage their needs from initiation of client relationships to facilitating the extension of credit to their clients. In December 2020, we acquired all of the assets of TazWorks, LLC (“TazWorks”). TazWorks provides software and data solutions to CRAs focused on the employment and tenant screening market, a market that is adjacent and complementary to our current solutions for credit-focused CRAs. In April 2021, we acquired Saylent Technologies, Inc. (“Saylent”), a data analytics and marketing solution that offers insights to financial institutions that help drive account and credit and debit card usage and enabled us to more rapidly bring to market our MeridianLink Engage product.

We have designed our Partner Marketplace to act as the gateway for third parties to access our customers, which allows our customers to leverage the capabilities from these third parties to enable an accelerated loan process with improved efficiency and reduced cost. We are able to capitalize on one-time service fees from our partners upon their integration into our Partner Marketplace and a revenue share from our partners as they derive revenues from our software solution. As we grow our business, we expect to add additional product partners and drive additional monetization opportunities. We also intend to cultivate and leverage existing and future partners to grow our market presence.

We believe that delivery of consistent, high-quality implementations and customer support services is a significant driver of purchasing and renewal decisions of our prospects and customers. To develop and maintain a reputation for high-quality service, we seek to build deep relationships with our customers through our customer support organization, which we staff with personnel who are motivated by our common mission of using technology to help our customers succeed and who are knowledgeable with respect to the regulated and complex nature of the financial services industry. As we grow and scale our business, we intend to continue to invest in and grow our internal services and support organization, as well as partner with high quality third-party organizations, to support our customers' needs and maintain our reputation.

### ***Impact of the COVID-19 Pandemic***

The COVID-19 pandemic has had widespread, rapidly-evolving, and unpredictable impacts on global societies, economies, financial markets, and business practices (including in California where our corporate headquarters are located). Federal and state governments have implemented various measures in an effort to contain the virus and different variants of the virus that have emerged, some of which have been subsequently rescinded or modified, have caused, and we expect will continue to cause, business slowdowns or shutdowns in affected areas, both regionally and worldwide.

Our focus remains on promoting employee health and safety, serving our customers, complying with regulations, and ensuring business continuity. We continue to assess local regulations and restrictions across the United States and the administration of vaccine programs to ensure that our return to work is thoughtful, prudent, and handled with an abundance of caution with the health of our employees being the top priority.

There continues to be uncertainty as to the duration and extent to which the COVID-19 pandemic, as well as the emergence of new variants, may adversely impact our business operations, financial performance, and results of operations, as well as macroeconomic conditions, at this time. See Part II, Item 1A. "Risk Factors" for further discussion of the impact and possible future impacts of the COVID-19 pandemic on our business.

### **Components of Operating Results**

We have one primary business activity and operate in a single operating and reportable segment.

#### ***Revenues***

Our revenues consist of three components: subscription fees, professional services, and other revenues.

#### ***Subscription Fee Revenues***

Our subscription fees consist of revenues from software solutions that are governed by pricing and terms contained in contracts between us and our customers. Our subscription fee revenues include annual base fees, platform partner fees, and, depending on the solution, fees per search or per loan application or per closed loan (with contractual minimums based on volume) that are charged on a monthly basis, which we refer to as volume-based fees.

Our software solutions are hosted in either our data centers or cloud-based hosting services and are generally available for use as hosted application arrangements under subscription fee agreements. Subscription fees from these applications are recognized over time on a ratable basis over the customer agreement term beginning on the date our solution is made available to the customer. Amounts that have been invoiced are recorded in accounts receivable and deferred revenues or revenues, depending on whether the revenue recognition criteria have been met. Additional fees for monthly usage above the levels included in the standard subscription fee are recognized as revenue in the month when the usage amounts are determined and reported.

#### ***Professional Services Revenues***

We offer implementation, configuration, consulting, and training services for our software solutions and SaaS offerings. Revenues from services are recognized in the period the services are performed, provided that revenue recognition criteria have been met.

### *Other Revenues*

We enter into referral and marketing agreements with various third parties, in which revenues are primarily generated from transactions initiated by the third parties' customers. We may introduce our customers to a referral partner or offer additional services available from the referral partner via an integration with our solutions. We market our partners' solutions to our customers as a way not only to generate revenue but also to ensure that our customers are leveraging the full benefit of our solution, which includes the capabilities offered through our partners. Revenues are recognized in the period the services are performed, provided that collection of the related receivable is reasonably assured.

### *Cost of Revenues*

Cost of revenues consists primarily of salaries and other personnel-related costs, including employee benefits, bonuses, and share-based compensation for employees providing services to our customers. This includes the costs of our implementation, customer support, data center, and customer training personnel. Additional expenses include fees paid to third-party vendors in connection with delivering services to customers.

Cost of revenues also includes cloud-based hosting services, an allocation of general overhead costs, and the amortization of developed technology. We allocate general overhead expenses to all departments based on the number of employees in each department, which we consider to be a fair and representative means of allocation.

We capitalize certain software development costs related to programmers, software engineers, and quality control teams working on our software solutions. We commence amortization of capitalized costs for solutions that have reached general release. Capitalized software development costs are amortized to cost of revenues over their estimated economic lives.

We intend to continue to increase our investments in our implementation and customer support teams and technology infrastructure to serve our customers and support our growth. We expect cost of revenues to continue to grow in absolute dollars, after adjusting for one-time share-based compensation charges resulting from our corporate conversion and initial public offering ("IPO"), as we grow our business but to fluctuate as a percentage of revenues based principally on the level and timing of implementation and support activities and other related costs. For more information on our corporate conversion in connection with our IPO, see Note 1 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

### *Gross Profit and Gross Margin*

Gross profit is revenues less cost of revenues, and gross margin is gross profit as a percentage of revenues. Gross profit has been, and will continue to be, affected by various factors, including the mix of our subscription fees, professional service and other revenues, the costs associated with our personnel, third-party vendors, and cloud-based hosting services, and the extent to which we expand our implementation and customer support services. We expect that our gross margin will fluctuate from period to period depending on the interplay of these various factors. Our gross margin was 66.3% and 71.3% for the three months ended March 31, 2022 and 2021, respectively.

### *Operating Expenses*

#### *General and Administrative*

General and administrative expenses consist primarily of salaries and other personnel-related costs, including employee benefits, bonuses, and share-based compensation, of our administrative, finance and accounting, information systems, legal, and human resources employees. General and administrative expenses also include consulting and professional fees, insurance, franchise taxes, and travel.

General and administrative expenses include depreciation and amortization of property and equipment and amortization of acquired intangibles. Identifiable intangible assets with finite lives, such as customer relationships, trademarks, and non-competition agreements, are amortized over their estimated useful lives on either a straight-line or accelerated basis, depending on the nature of the intangible asset.

We expect to continue to incur incremental expenses associated with the growth of our business and to meet increased compliance requirements associated with operating as a public company. These expenses include costs to comply with Section 404 of the Sarbanes-Oxley Act and other regulations governing public companies, increased costs of directors' and officers' liability insurance, and investor relations activities, partially offset by the termination of sponsor-related costs. As a result, we expect our general and administrative expenses to increase in absolute dollars, after adjusting for one-time share-based compensation charges resulting from our corporate conversion and IPO, but to decrease as a percentage of revenues over the long term as we scale the business and continue to adjust to being a public reporting company.

#### *Research and Development*

Research and development expenses include salaries and other personnel-related costs, including employee benefits, bonuses, and share-based compensation. Research and development expenses also include third-party contractor expenses, software development costs, allocated overhead, and other related expenses incurred in developing new solutions and enhancing existing solutions.

Certain research and development costs that are related to our internal software development, which include salaries and other personnel-related costs attributed to certain programmers, software engineers, and quality control teams, are capitalized and are included in intangible assets, net on the condensed consolidated balance sheets.

We believe that continuing to improve and enhance our solutions is essential to maintaining our reputation for innovation and growing our customer base and revenues. We plan to continue investing in research and development by increasing the number of our software developers. As a result, we expect our research and development expenses to increase in absolute dollars, after adjusting for one-time share-based compensation charges resulting from our corporate conversion and IPO, over the long term as we scale the business, including through integration of our acquisitions.

#### *Sales and Marketing*

Sales and marketing expenses consist primarily of salaries and other personnel-related costs, including commissions, employee benefits, bonuses, and share-based compensation. Sales and marketing expenses also include expenses related to advertising, lead generation, promotional event programs, corporate communications, travel, outside consulting fees, and allocated overhead. Commissions related to software sales are generally capitalized and then amortized over the expected period of customer benefit.

Sales and marketing expenses are also impacted by the timing of significant marketing programs such as our annual client conference, which we typically hold during the second quarter. We plan to continue investing in sales and marketing by increasing our number of sales and marketing personnel and expanding our sales and marketing activities. As a result, we expect our sales and marketing expenses to increase in absolute dollars, after adjusting for one-time share-based compensation charges resulting from our corporate conversion and IPO, and as a percentage of revenues over the long term as we scale the business and integrate our acquisitions. We believe these investments will help us build brand awareness, add new customers, and expand sales to our existing customers as they continue to buy more solutions from us.

#### *Total Other (Income) Expense, Net*

Total other (income) expense, net consists primarily of interest expense, net. Interest expense consists of interest attributable to our credit facilities and amortization of lender-related fees and other direct incremental costs of securing financing, partially offset by interest income from our interest-bearing cash accounts.

#### *Provision for Income Taxes*

Our income tax expense, deferred tax assets and liabilities, and liabilities for unrecognized tax benefits reflect management's best estimate of current and future taxes to be paid. We are subject to federal income taxes in the United States and numerous state jurisdictions. Significant judgments and estimates are required in the determination of the consolidated income tax expense.

We recognize deferred tax assets to the extent that these assets are more likely than not to be realized. If they are not, deferred tax assets are reduced by a valuation allowance. In making such a determination, all available positive and negative evidence is considered, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If it is subsequently determined that deferred tax assets would be more likely than not realized in the future, in excess of their net recorded amount, an adjustment would be made to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. After a review of the four sources of taxable income (as described above), and after consideration of our continuing cumulative income position, inclusive of impact from permanent differences, as of March 31, 2022, we have not recorded a valuation allowance on its deferred tax assets.

We have recorded an uncertain tax position with respect to our R&D credits. There are no penalties or interest recorded on these liabilities as the credits have not yet been fully utilized, and therefore the uncertain tax position is recorded primarily as a reduction of the deferred tax asset related to these credits.

## Results of Operations

### Condensed Consolidated Statements of Operations

The following table sets forth our condensed consolidated statements of operations data for each of the periods indicated:

Condensed consolidated statements of operations data (in thousands, except share and unit and per share and per unit amounts)	Three Months Ended March 31,	
	2022	2021
Revenues, net	\$ 72,754	\$ 67,811
Cost of revenues:		
Subscription and services <sup>(1)</sup>	21,104	16,614
Amortization of developed technology	3,434	2,862
Total cost of revenues	24,538	19,476
Gross profit	48,216	48,335
<b>Operating expenses:</b>		
General and administrative <sup>(1)</sup>	18,187	17,595
Research and development <sup>(1)</sup>	8,409	6,986
Sales and marketing <sup>(1)</sup>	4,743	3,599
Acquisition related costs	2,283	750
Total operating expenses	33,622	28,930
Operating income	14,594	19,405
<b>Other (income) expense, net:</b>		
Other income	(163)	(20)
Interest expense, net	4,358	10,062
Total other expense, net	4,195	10,042
Income before provision for income taxes	10,399	9,363
Provision for income taxes	2,920	2,132
Net income	\$ 7,479	\$ 7,231
Class A preferred return	—	(8,932)
Net income (loss) attributable to common stockholders	\$ 7,479	\$ (1,701)
Net income (loss) per share:		
Basic	\$ 0.09	\$ (0.03)
Diluted	0.09	(0.03)
Weighted average common stock outstanding		
Basic	79,974,071	51,551,231
Diluted	82,228,936	51,551,231

(1) Share-based compensation is as follows:

	Three Months Ended March 31,	
	2022	2021
Cost of revenues	\$ 965	\$ 72
General and administrative	1,381	353
Research and development, net of amounts capitalized	1,077	82
Sales and marketing	385	136
Total share-based compensation expense	\$ 3,808	\$ 643

**Comparison of the Three Months Ended March 31, 2022 and 2021***Revenues, net*

(in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Revenues, net	\$ 72,754	\$ 67,811	\$ 4,943	7 %

Revenues increased \$4.9 million, or 7%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. Lending Software Solutions saw a 9% increase primarily from new and ramping customers as well as volume and revenue increases from existing customers. Lending Software Solutions growth was partially offset by a decline in Data Verification Software Solutions revenue, driven primarily by the anticipated decline in mortgage refinance application volumes. For both of our solutions, we receive incremental revenues if customers exceed their minimum commitments for monthly transactions, which typically is based off of number of applications or closed and funded loans for Lending Software Solutions and credit, tenant, or employment verification reports for our Data Verifications Software Solutions.

*Cost of Revenues and Gross Profit**Subscription and services*

(in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Subscription and services	\$ 21,104	\$ 16,614	\$ 4,490	27 %

Subscription and services cost of revenues increased \$4.5 million, or 27%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was partially due to \$1.1 million in additional third-party costs, driven by higher revenue volume, and an increase of \$0.9 million in stock compensation expense primarily related to the vesting of options and new equity grants upon completion of our IPO. The remaining increase was related to higher compensation and benefits spend, largely from additional employee headcount.

*Amortization of Developed Technology*

(in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Amortization of Developed Technology	\$ 3,434	\$ 2,862	\$ 572	20 %

Amortization of developed technology increased \$0.6 million, or 20%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was due to increased amortization for internally developed software and additional amortization on developed technology from the acquisition of Saylent.

*Gross Profit*

(in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Gross Profit	\$ 48,216	\$ 48,335	\$ (119)	— %

Gross profit decreased \$0.1 million, or 0.2%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The decrease was primarily due to an increase of revenues, as described above, more than offset by an increase in cost of revenues due to an increase in third-party costs, share-based compensation expense, and increased personnel-related expenses from increased employee headcount.

## Operating Expenses

### General and Administrative

(in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
General and Administrative	\$ 18,187	\$ 17,595	\$ 592	3 %

General and administrative expenses increased \$0.6 million, or 3%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase includes an additional \$1.0 million stock compensation expense primarily related to the vesting of options and new equity grants upon completion of our IPO, and \$1.2 million increased insurance costs for director and officer insurance. The increase was mostly offset by lower advisory services spend compared to 2021, as prior year costs were higher in connection with our IPO.

### Research and Development

(in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Research and Development	\$ 8,409	\$ 6,986	\$ 1,423	20 %

Research and development expenses increased \$1.4 million, or 20%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was primarily due to an additional \$1.1 million stock compensation expense related to the vesting of options and new equity grants upon completion of our IPO, and additional personnel-related expenses from increased employee headcount.

### Sales and Marketing

(in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Sales and Marketing	\$ 4,743	\$ 3,599	\$ 1,144	32 %

Sales and marketing expenses increased \$1.1 million, or 32%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was primarily due to an additional \$0.3 million stock compensation expense related to the vesting of options and new equity grants upon completion of our IPO, as well as additional personnel-related expenses from increased headcount on our sales and marketing teams.

### Acquisition Related Costs

(in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Acquisition Related Costs	\$ 2,283	\$ 750	\$ 1,533	204 %

Acquisition related costs increased \$1.5 million, or 204%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was primarily due to higher acquisition costs for StreetShares during 2022 compared to Saylent during 2021, as well as additional professional services costs incurred while pursuing other strategic opportunities.

**Total Other Expense, net**

(in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Total Other Expense, net	\$ 4,195	\$ 10,042	\$ (5,847)	(58)%

Total other expense, net decreased \$5.8 million, or 58%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The decrease was due to lower interest expense on debt during 2022 as a result of principal repayments and debt refinancing that occurred in 2021.

**Provision for Income Taxes**

(in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Provision for Income Taxes	\$ 2,920	\$ 2,132	\$ 788	37 %

Provision for income taxes increased \$0.8 million, or 37%, for the three months ended March 31, 2022 compared to the three months ended March 31, 2021. The increase was primarily due to increased income before provision for income taxes and an increase in permanent tax differences including acquisition related costs and certain share-based compensation that are not tax deductible.

## Liquidity and Capital Resources

### Sources of Liquidity

We have financed our operations primarily through cash flows from operations, long-term debt, and, concurrent with the completion of our IPO on July 30, 2021, through proceeds from the issuance of our common stock. In connection with our IPO, we sold 10.0 million shares of our common stock at a price of \$26.00 per share, before underwriting discounts and commissions, which generated net proceeds to us of approximately \$242.1 million, after deducting \$17.9 million in underwriting discounts and commissions and offering costs.

As of March 31, 2022, our principal sources of liquidity were cash and cash equivalents of \$146.7 million and unused capacity under our revolving line of credit of \$50.0 million. Based upon our current levels of operations, we believe that our cash flows from operations along with our other sources of liquidity are adequate to meet our cash requirements for at least the next twelve months.

Our primary uses of cash are funding operations, funding acquisitions, capital expenditures, debt payments, and interest expense. Our use of cash is impacted by the timing and extent of the required payments for each of these activities.

Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support research and development efforts, the continued expansion of sales and marketing activities, the introduction of new and enhanced solutions, the seasonality impacts on our business, the timing and extent of spending to support our growth strategy, the continued market acceptance of our solutions, and the future acquisitions of solutions or businesses. In the event that additional financing is required from outside sources, we may not be able to raise such financing on terms acceptable to us or at all. We continue to monitor our financing requirements and may pursue refinancing opportunities to potentially reduce interest rates and extend maturities. If we are unable to raise additional capital when desired, our business, operating results, and financial condition would be adversely affected.

### Operating Leases

We lease office space under various operating lease agreements that expire through December 2026. We recognize the related rent expense on a straight-line basis over the term of each lease. Free rent and rental increases are recognized on a straight-line basis over the term of each lease.

One lease is with a related party with a term date of December 2022. The monthly payments during each of the three months ended March 31, 2022 and 2021 were \$0.1 million.

### Long-Term Debt

For a detailed description of our long-term debt, please see Note 7 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on 10-Q.

### Cash Flows

The following table summarizes our cash flows for the periods presented (in thousands):

(in thousands)	Three Months Ended March 31,		Change	
	2022	2021	\$	%
Net cash provided by (used in):				
Operating activities	\$ 34,863	\$ 28,697	\$ 6,166	21 %
Investing activities	(1,941)	(86,695)	84,754	(98)%
Financing activities	179	93,769	(93,590)	100 %
Net increase in cash, cash equivalents, and restricted cash	\$ 33,101	\$ 35,771	\$ (2,670)	7 %

### *Cash Flows from Operating Activities*

Our largest source of operating cash is cash collection from sales of subscriptions to our customers. Our primary uses of cash from operating activities are for personnel-related expenses, marketing expenses, and payments to third-party vendors.

Operating cash flow is derived by adjusting our net income (loss) for non-cash operating items, such as depreciation and amortization, amortization of debt issuance costs, share-based compensation expense, deferred income taxes, loss on disposal of fixed assets, and changes in operating assets and liabilities, which reflect timing differences between the receipt and payment of cash associated with transactions and when they are recognized in our results of operations.

For the three months ended March 31, 2022, cash provided by operating activities was \$34.9 million, primarily driven by net income adjusted for depreciation and amortization, share-based compensation expense, and deferred income taxes. Net income was \$7.5 million, adjusted by non-cash charges of \$20.0 million and an increase of \$7.4 million in operating assets and liabilities. The non-cash charges consist primarily of depreciation and amortization of \$12.9 million, share-based compensation of \$3.8 million, and deferred income taxes of \$2.7 million. Net cash inflows from changes in operating assets and liabilities of \$7.2 million primarily consisted of increased deferred revenue of \$14.6 million, partially offset by increased accounts receivable of \$7.2 million and an increase in prepaid expenses and other assets of \$0.5 million.

For the three months ended March 31, 2021, the net cash inflows from changes in operating assets and liabilities of \$4.9 million primarily consisted of increases in deferred revenue of \$15.2 million, accounts payable of \$0.2 million, and accrued liabilities of \$0.1 million, partially offset by an increase in accounts receivable of \$9.0 million, increase in prepaid expenses and other assets of \$1.6 million, and a decrease in deferred rent of \$0.1 million.

### *Cash Flows from Investing Activities*

Net cash used in investing activities of \$1.9 million for the three months ended March 31, 2022 consisted of \$1.5 million for capitalized software additions and \$0.4 million for purchases of property and equipment.

Net cash used in investing activities of \$86.7 million for the three months ended March 31, 2021 included \$85.6 million of cash paid for the acquisition TazWorks, \$0.8 million for capitalized software additions, and \$0.2 million cash paid for purchases of property and equipment.

### *Cash Flows from Financing Activities*

Net cash provided by financing activities of \$0.2 million for the three months ended March 31, 2022 consisted entirely of proceeds from exercise of stock options.

Net cash provided by financing activities of \$93.8 million for three months ended March 31, 2021 consisted of \$100.0 million in proceeds from issuance of long-term debt, partially offset by \$1.3 million of principal payments of long-term debt, \$2.0 million of payments of debt issuance costs, \$1.9 million of repurchases of units, \$1.0 million payments of deferred offering costs.

### **Recent Accounting Pronouncements**

See Note 2, “Significant Accounting Policies” to our unaudited condensed consolidated financial statements included in Part I, Item 1 included in this Quarterly Report on Form 10-Q for a description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on our results of operations, financial condition, and cash flows.

### ***Emerging Growth Company Status***

We are an emerging growth company, as defined in the JOBS Act. Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it (i) is no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, our financial results may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates. We expect to use the extended transition period for any other new or revised accounting standards during the period in which it remains an emerging growth company.

### **Critical Accounting Policies and Significant Judgments and Estimates**

The preparation of our unaudited condensed consolidated financial statements in accordance with GAAP requires estimates, judgments, and assumptions that affect the reported amounts and classifications of assets and liabilities, revenues and expenses and the related disclosures of contingent liabilities in our unaudited condensed consolidated financial statements and accompanying notes. We have identified revenue recognition, contract balances, accounts receivable, deferred revenues, fair value of financial instruments, research and development and capitalized software, share-based compensation, business combinations, goodwill and intangible assets, impairment of long-lived assets, and income taxes to be critical accounting policies and estimates.

We evaluate our estimates, judgments, and assumptions on an ongoing basis, and while we believe that our estimates, judgments and assumptions are reasonable, they are based upon information available at the time. Actual results may differ significantly from these estimates under different assumptions, judgments, or conditions.

There have been no material changes to our critical accounting policies and estimates since December 31, 2021. For a full discussion of these estimates and policies, see “Critical Accounting Policies and Significant Judgments” within “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2021 Annual Report on Form 10-K.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk**

There have been no significant changes in our exposures to market risk since December 31, 2021. For a full discussion of our exposures to market risks, see “quantitative and Qualitative Disclosures about Market Risk” within “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2021 Annual Report on Form 10-K.

### **Item 4. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q.

Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2022, our disclosure controls and procedures were effective at the reasonable assurance level.

#### **Changes in Internal Control Over Financial Reporting**

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act) during the quarter ended March 31, 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Inherent Limitations on Effectiveness of Controls**

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitation in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

We are not currently a party to any litigation or claims that, if determined adversely to us, would have a material adverse effect on our business, operating results, financial condition, or cash flows. We are, from time to time, party to litigation and subject to claims in the ordinary course of business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

### **Item 1A. Risk Factors**

*Investing in our common stock involves substantial risks. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the financial statements and the related notes, before deciding to invest in our common stock. Any of the risk factors we describe below could have a material adverse effect on our business, financial condition, results of operations, cash flow, and prospects. The market price of our common stock could decline if one or more of these risks or uncertainties develop into actual events, causing you to lose all or part of your investment. Other risks, events, and uncertainties that we do not currently anticipate or that we currently deem immaterial may also affect our business. Certain statements contained in the risk factors described below are forward-looking statements. See the section titled “Special Note Regarding Forward-Looking Statements” for more information.*

#### **Summary of Risk Factors**

The following risk factor summary provides an overview of the inherent uncertainty investing in us presents. This summary does not contain all of the information that may be important to you, and you should read this risk factor summary together with the more detailed discussion of risks and uncertainties set forth following this section as well as elsewhere in this Quarterly Report on Form 10-Q. The risks and uncertainties to which our business is subject include, but are not limited to, the following:

#### ***Risks Related to Our Strategy and Industry***

- Failure to retain or attract customers, expand our offerings, features, and functionalities, or increase brand recognition may limit both growth and profitability.
- Opportunities to grow our business may be limited by inability to identify suitable partnerships, acquisitions, or new business opportunities, or to effectively integrate businesses we acquire.
- Changing dynamics, such as pricing pressure, new entrants, and customer preferences, within our highly-fragmented and competitive landscape may adversely affect our operations.
- The mortgage lending market and the broader financial services industry in which our customers operate are subject to various economic factors, the deterioration of which would directly affect our performance.

#### ***Risks Related to Our Business and Operations***

- Any disruption in the performance or delivery of our software solutions, whether due to security compromises, third-party providers, or other unforeseeable circumstances, could affect brand perception, decrease demand, and subject us to substantial liability.
- Integration or implementation challenges could affect the functionality of our software solutions and delay revenue recognition.
- Challenges in measuring and tracking key operating metrics could affect our ability to consistently report results over time or develop long-term strategies.
- The seasonal and cyclical nature of our business, including our usage and volume-based pricing and sales process, could result in volatility in our operating results.
- Failure to retain or expand personnel, including management, sales, marketing, development, and support functions, to sustain our growth and infrastructure may result in operational disruptions, reduced sales opportunities, and increased expenses.
- Our success is dependent on our ability to retain and attract product partners to drive further volume through our platform.

***Risks Related to Legal and Regulatory Matters***

- Failures in data protection, privacy, and information security and intellectual property rights could critically impair our offerings and ability to conduct business.
- Failure to comply with laws and regulations as a technology provider to our customers who operate in a highly regulated industry, as well as failure to create solutions that assist our customers to comply with their regulatory requirements, could disrupt our operations and result in significant expense to alter and update our solutions.
- Changes in laws and regulations could affect our ability to compete, require us to change our pricing model, or result in additional charges booked to our balance sheet.

***Risks Related to Finance and Accounting***

- Fluctuations in performance and our inability to accurately forecast results may affect our market perception.
- Accounting treatments, such as revenue recognition or goodwill impairment, may cause fluctuations in earnings that do not fully reflect the underlying performance of our business.
- High levels of indebtedness, as well as the terms of our existing debt, or our inability to effectively access capital markets may restrict our ability to compete, react to changes in our business, and fund future needs.
- Changes in applicable tax laws, rules, or regulations could adversely affect our financial position.

***Risks Related to Potential Conflicts of Interests and Related Parties***

- Thoma Bravo holds a controlling stake in our company, and their interests may conflict with ours and those of our other stockholders.

***Risks Related to Our Common Stock and Governance Structure***

- Market conditions, issuances of additional or preferred stock, and payments of dividends may result in dilution or otherwise affect our stockholders' return on investment.
- Delaware law and certain provisions in our charter and bylaws could restrict certain strategic activity or limit stockholder actions that may be beneficial or favorable to our stockholders.

***Risks Related to Our Strategy and Industry***

***If we fail to increase the number of our customers or retain existing customers, our business may be harmed.***

Our growth depends in large part on increasing the number of customers using our software solutions. To attract customers to our solutions, we must convince them that the utility of, and access to, our software solutions can assist them in their digital transformations, help create new revenue streams, and increase engagement with their customers. In particular, we must enhance the features and functionality of our software solutions and convince financial institutions of the benefits of our software solutions and encourage them to switch from competing loan origination, digital lending, and data analytics solutions or to forgo using more traditional processes and procedures, including (with respect to the loan origination business) paper, facsimile, courier, mail, and e-mail processing.

Due to the fragmented nature of the consumer lending (including mortgage) and consumer reporting agency industries, many industry participants may not be familiar with our software solutions and the benefits of our solutions. Any consolidation in our industry could also decrease our market advantage and may impact our competitive position. Some of our current and potential customers have developed, and may continue to develop, their own proprietary technologies and may one day become our competitors. In particular, some of our customers and potential customers have increasing market share in their respective markets that could be leveraged to introduce, directly or indirectly, alternative solutions to the use of our services in the short term with the potential to replace our solutions within their organizations in the long term. As our customers increase their spend with us, there may be internal pressure to evaluate and potentially create their own internal solutions as a cost-savings measure. We cannot assure you that we will be successful in attracting new customers or retaining existing customers, and increased competition from both competitors and any internal development efforts by our current customers could harm our business.

Additionally, with increased competition, existing customers may decide not to continue to use our software solutions in favor of other alternatives for financial or other reasons. Customer attrition could impact the performance of our business in the future. We have agreements in place with various product partners with respect to the integration between their businesses and our solutions, such as e-signing vendors, insurance providers, dealership integrators, credit card processors, home banking systems, and settlement service tools. Most of these contracts are not long term or are subject to termination rights. An unexpected termination, or a failure to renew, of a significant number of our agreements or relationships with these platform partners could have an adverse effect on our business as our customers may find our solutions less valuable without these integrations. If we lose existing platform partners due to terminations or failures to renew our agreements, we would also lose revenues associated with such platform partners, which could have a material adverse impact on our results of operations and financial condition.

In addition, our future development efforts are focused on our cloud-based offerings, and, as a result, we do not intend to invest in upgrading certain legacy products or developing added functionality for them, including legacy products acquired through past strategic transactions such as the acquisition of CRIF in 2018. As a result, customers using these legacy products may determine that these legacy offerings no longer satisfy their needs. If we are unsuccessful in transitioning these customers to our newer, cloud-based offerings, these customers may cease doing business with us. Therefore, we must continue to demonstrate to our customers that using our solutions is the most effective and cost-efficient way to maximize their results and if we are not successful our business and results of operations could be materially and adversely impacted.

***We may not accurately predict the long-term rate of customer subscription renewals or adoption of our software solutions, or any resulting impact on our revenues or operating results.***

Our customers have no obligation to renew their subscriptions for our software solutions after the expiration of the initial or current subscription term, and our customers, if they choose to renew at all, may renew for shorter subscription terms, or on less favorable usage-based or volume-based pricing terms. Since we have only been tracking our retention rates since November of 2020, we have limited historical data with respect to rates of customer subscription renewals and cannot be certain of anticipated renewal rates. Our renewal rates may decline or fluctuate as a result of a number of factors, including our customers' satisfaction with our pricing or our software solutions or their ability to continue their operations or spending levels. Strategic acquisitions can further complicate our ability to predict customer subscription renewals. If our customers do not renew their subscriptions for our software solutions on similar pricing terms, our revenues may decline and our business could suffer.

Additionally, as the markets for our solutions develop, or as new or existing competitors introduce new solutions or services that compete with ours, we may experience pricing pressure and be unable to renew our agreements with existing customers, or we may be unable to attract new customers based on the same subscription models that we have used historically or at fee levels that are consistent with our pricing models and operating budget. Moreover, large or influential customers may demand more favorable pricing or other contract terms from us. In addition, our pricing strategy for new solutions may prove to be unappealing to our potential customers, and our competitors could choose to bundle certain solutions and services competitive with ours. If any of these were to occur, we may in the future be required to change our pricing model, reduce our prices, or accept other unfavorable contract terms, any of which could adversely affect our revenues, gross margin, profitability, financial position, cash flow, or growth prospects.

***If we fail to expand our offerings, features, and functionalities or respond to evolving technological requirements, our software solutions could become obsolete or less competitive and our revenue growth rate may be reduced.***

The market for our software solutions is characterized by rapid technological advancements, changes in customer requirements and technologies, frequent new solution introductions and enhancements, and changing regulatory requirements. The life cycles of our software solutions are difficult to estimate. Rapid technological changes and the introduction of new products and enhancements by new or existing competitors or large financial institutions could undermine our current market position. Other means of digital or virtual consumer lending and banking may be developed or adopted in the future, and our software solutions may not be compatible with these new technologies. In addition, the technological needs of, and services provided by, the banks, credit unions, mortgage lenders, specialty lending providers, and CRAs that we endeavor to serve may change if they or their competitors offer new services to account holders. Maintaining adequate research and development resources to meet the demands of the market is essential. The process of developing new technologies and software solutions is complex and expensive. The introduction of new products by our competitors, the market acceptance of competitive products based on new or alternative technologies, or the emergence of new technologies or products in the broader financial services industry could render our solutions obsolete or less effective.

The success of any enhanced or new software solution depends on several factors, including timely completion, adequate testing, and market release and acceptance of the solution. Any new software solutions that we develop or acquire may not be introduced in a timely or cost-effective manner, may contain defects, or may not achieve the broad market acceptance necessary to generate significant revenues. In addition, we must continuously develop, market, and sell new features and functionalities to our existing software solutions that respond to the changing needs of our customers and offer better functionality than competing offerings from other providers. If we are unable to anticipate customer requirements or work with our customers successfully on implementing new software solutions or features in a timely manner or enhance our existing software solutions to meet our customers' requirements, our business, growth prospects, and operating results may be adversely affected.

***If we fail to develop, maintain, and enhance our brands, our ability to expand our business, operating results, and financial condition could be adversely affected.***

We believe that maintaining and enhancing the brands associated with our solutions is important to support the marketing and sale of our existing and future solutions to new customers and to increase adoption of our solutions by existing customers. Successfully maintaining and enhancing our brands will depend largely on the effectiveness of our marketing and demand generation efforts, our ability to provide reliable solutions that continue to meet the needs of our customers at competitive prices, our ability to maintain our customers' trust, our ability to continue to develop new functionality and solutions, and our ability to successfully differentiate our solutions from competitive products and services. Our promotion activities may not generate brand awareness or yield increased revenues, and even if they do, any increased revenues may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brands, our business, operating results, and financial condition could be adversely affected.

***We have entered, and may in the future enter into, partnership agreements with third parties for reseller services, which may adversely affect our ability to generate revenues.***

We have entered into and may seek to enter into additional collaborations or partnerships with third parties for reseller services. Should we seek to collaborate with a third party with respect to a prospective reseller program, we may not be able to locate a suitable partner or to enter into an agreement on commercially reasonable terms or at all. Even if we succeed in securing partners for reseller services, such as the arrangement we have entered into with Jack Henry & Associates, Inc., we have limited control over the time and resources that our partners may dedicate to such services. These partnerships pose a number of risks, including the following:

- partners may not have sufficient resources or decide not to devote the necessary resources due to internal constraints such as budget limitations, lack of human resources, or a change in strategic focus; or
- partners may decide to pursue a competitive product developed outside of the collaboration arrangement.

As a result of the foregoing risks and others, partnership agreements may not lead to successful reseller programs. We also face competition in seeking out partners. If we are unable to secure new partnerships that achieve the partner's objectives and meet our expectations, we may be unable to generate meaningful revenues.

***We may acquire or invest in companies, or pursue business partnerships, which may prove difficult to integrate, divert our management's attention, or dilute stockholder value, and we may be unable to realize the expected benefits of such acquisitions, investments, or partnerships.***

From time to time, we consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products, and other assets. For example, in April 2022, we acquired StreetShares, a financial technology company that provides digital small business lending technology to banks and credit unions. We may also enter into relationships with other businesses to expand our products, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing, or investments in other companies. Negotiating these transactions can be time-consuming, difficult, and expensive, and our ability to close these transactions may be subject to approvals that are beyond our control. If an acquired business fails to meet our expectations, our operating results, business, and financial position may suffer. We may not be able to find and identify desirable acquisition targets, we may incorrectly estimate the value of an acquisition target, and we may not be successful in entering into an agreement with any particular target. We may not integrate an acquired company smoothly, successfully, or within our budgetary expectations and anticipated timetable. If we are successful in acquiring additional businesses, we may not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- our inability to integrate or benefit from developed technologies or services;
- unanticipated costs or liabilities associated with the acquisition;
- incurrence of acquisition-related costs;
- difficulty, including unanticipated delays, costs, or inefficiencies associated with, integrating the operational and compliance policies and practices, technology, accounting systems, operations, and control environments of the acquired business and integrating the acquired business or its employees into our culture;
- difficulties and additional expenses associated with supporting legacy products and infrastructure of the acquired business;
- difficulty converting the customers of the acquired business to our software solutions and contract terms, including disparities in subscription terms;
- additional costs for the support or professional services model of the acquired company;
- diversion of management's attention and other resources;
- adverse effects to our existing business relationships with business partners and customers;
- the issuance of additional equity securities that could dilute the ownership interests of our stockholders;
- incurrence of debt on terms unfavorable to us or that we are unable to repay;
- incurrence of substantial liabilities;
- difficulties retaining key employees of the acquired business; and
- adverse tax consequences, substantial depreciation, or deferred compensation charges.

Accordingly, we may fail to realize some or all of the anticipated benefits of the acquisition, such as increase in our scale, diversification, cash flows, and operational efficiency. In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations.

***The markets in which we participate are intensely competitive and highly fragmented, and pricing pressure, new technologies, or other competitive dynamics could adversely affect our growth, business, results of operations, and future prospects.***

We have experienced rapid growth in recent periods. In future periods, we may not be able to sustain net revenue growth consistent with recent history, or at all. We believe our net revenue growth depends on several factors, including, but not limited to, our ability to add new customers and to expand our existing customers' usage of our solutions. The markets in which we compete, however, are highly competitive, fragmented, evolving, complex, and defined by rapidly changing technology and customer demands. We currently compete with providers of technology and products in the financial services industry, primarily point solution vendors that focus on building functionality that competes with specific components of our solutions. From time to time, we also compete with systems internally developed by financial institutions.

Many existing and potential competitors enjoy substantial competitive advantages, such as:

- larger sales, development, support, and marketing budgets and resources;
- the ability to bundle competitive offerings;
- greater brand recognition and longer operating histories;
- more extensive customer bases and broader customer relationships;
- lower labor and development costs;
- greater resources to make acquisitions;
- larger and more mature intellectual property portfolios; and
- substantially greater financial, technical, management and other resources.

Further, one of our competitors may establish or strengthen a cooperative relationship with, or acquire one or more software application, data analytics, compliance, or network vendors. We may also face competition from new companies entering our markets, which may include large established businesses that decide to develop, market, or resell cloud-based banking technology, acquire one of our competitors, or form a strategic alliance with one of our competitors. In addition, new companies entering our markets may choose to offer cloud-based consumer lending and related products at little or no additional cost to the customer by bundling them with their existing products, including adjacent financial services technologies.

We expect competition to intensify in the future, and these competitive pressures in our markets or our failure to compete effectively may result in fewer customers, increased pricing pressure, reduced revenues and gross profit, increased sales and marketing expenses, and loss of market share. Any failure to meet and address these factors could materially and adversely affect our business, operating results, and financial condition.

***Mortgage lending volume is expected to be lower in 2022 than it was in 2020 or 2021 due to various economic factors, including the anticipated increase in mortgage interest rates, which could adversely affect our business.***

Factors that adversely impact mortgage lending volumes include reduced consumer and investor demand for mortgages, more stringent underwriting guidelines, decreased liquidity in the secondary mortgage market, high levels of unemployment, high levels of consumer debt, lower consumer confidence, changes in tax, and other regulatory policies, including the recent expiration of the home buyer's tax credit and other macroeconomic factors.

In addition, mortgage interest rates have risen from historic lows and many economists predict that mortgage interest rates will rise further in 2022. Mortgage interest rates are influenced by a number of factors, particularly monetary policy. The Federal Reserve Bank has begun to raise the Federal funds rate in light of recent higher than expected inflation in the United States or otherwise and has signaled expectations to begin selling Fannie Mae and Freddie Mac mortgage-backed securities, each of which would likely cause mortgage interest rates to rise. Increases in mortgage interest rates would reduce the volume of new mortgages originated, in particular the volume of mortgages refinanced.

The expected lower levels of residential mortgage loan market volume in 2022 as compared to 2020 and 2021 levels will require us to increase either our share of loan volume, our revenues per loan effected through use of our solutions, or both, in order to maintain our financial performance. Any additional decrease in residential mortgage loan market volumes would exacerbate our need to increase either our share of loan volume, our revenues per loan effected through use of our solutions, or both. We cannot assure you that we will be successful in our efforts to increase either our share of loan volume, our revenues per loan effected through use of our solutions, or both, which could materially adversely affect our business.

In addition, increases in interest rates and supply chain shortages for goods subject to financing generally may also negatively impact consumer demand for loans other than mortgages. If demand for non-mortgage loans also decreases as a result of increased interest rates, our business and operating results could be materially adversely affected.

***If the market for cloud-based solutions develops more slowly than we expect or changes in a way that we fail to anticipate, our sales would suffer and our results of operations would be adversely affected.***

We do not know whether our prospective customers will continue to adopt cloud-based financial products such as our software solutions or whether the market will change in ways we do not anticipate. Many potential customers have invested substantial personnel and financial resources in legacy software, and these institutions may be reluctant, unwilling, or unable to convert from their existing systems to our solutions. Furthermore, these potential customers may be reluctant, unwilling, or unable to use cloud-based financial solutions due to various concerns such as the security of their data and reliability of the delivery model. These concerns or other considerations may cause prospects to choose not to adopt cloud-based financial products such as ours or to adopt them more slowly than we anticipate, either of which would adversely affect us. Our future success also depends on our ability to sell additional solutions and functionality to our current and prospective customers. As we create new solutions and enhance our existing solutions to meet anticipated market demand, these solutions and enhancements may not be attractive to customers. In addition, promoting and selling new and enhanced functionality may require increasingly costly sales and marketing efforts, and if customers choose not to adopt this functionality our business and results of operations could suffer. If potential customers are unwilling or unable to transition from their legacy systems, or if the demand for our solutions does not meet our expectations, our results of operations and financial condition will be adversely affected.

***We derive all of our revenues from customers in the financial services industry, and any downturn or consolidation or decrease in technology spend in the financial services industry could adversely affect our business.***

All of our revenues are derived from customers in the financial services industry, an industry which has experienced significant pressure in recent years due to economic uncertainty, low interest rates, liquidity concerns, and increased regulation. In the past, financial institutions have experienced consolidation, distress, and failure. It is possible these conditions may reoccur. If any of our customers merge with or are acquired by other entities, such as financial institutions that have internally developed technology products or that are not our customers or use our software solutions less, we may lose business. Additionally, changes in management of our customers could result in delays or cancellations of the implementation of our software solutions. Consolidation could also produce a smaller number of large customers, which could increase their bargaining power and lead to lower prices or more favorable terms for our customers. Our business may also be materially and adversely affected by weak economic conditions in the financial services industry. Any downturn in the financial services industry may cause our customers to reduce their spending on technology or cloud-based financial products or to seek to terminate or renegotiate their contracts with us. Additionally, a prolonged economic slowdown may result in reduced consumer demands for loans and reduced application volume for credit, employment, tenant, or other forms of screening, which would negatively impact our revenues from existing customers due to the volume-based aspect of our customer agreements. Due to recent increases in inflation, the U.S. Federal Reserve has indicated that it will increase interest rates, which could also reduce consumer demand for loans and materially and adversely impact our business. Moreover, even if the overall economy is robust, economic fluctuations caused by factors such as the U.S. Federal Reserve changing interest rates or otherwise managing market liquidity may cause potential new customers and existing customers to become less profitable and therefore forego or delay purchasing our software solutions or reduce the amount of spend with us, which would also materially and adversely affect our business.

### **Risks Related to Our Business and Operations**

***Uncertain or weakened economic conditions, including as a result of the COVID-19 pandemic, may continue to heighten many of our known risks and has affected, continues to affect, and may adversely affect our industry, business, and results of operations.***

Our overall performance depends on economic conditions, which are beyond our control and may be difficult or impossible to forecast. The United States and other key international economies have experienced significant economic and market downturns, including currently in connection with the COVID-19 pandemic, and are likely to experience additional cyclical downturns from time to time, in which economic activity is impacted by falling demand for a variety of goods and services, restricted credit, poor liquidity, inflation, fluctuations in interest rates, reduced corporate profitability, volatility in credit and equity markets, bankruptcies, and overall uncertainty. Macroeconomic developments can arise suddenly, as did the conditions associated with the COVID-19 pandemic, and the full impact can be difficult to predict. These conditions affect the rate of technology spending generally and could adversely affect our customers' ability or willingness to purchase our software solutions, delay prospective customers' purchasing decisions, reduce the value or duration of their subscriptions or affect renewal rates, or impact the demand for our customers' services, any of which could adversely affect our results of operations.

The COVID-19 pandemic continues to have widespread, evolving, and unpredictable impacts on global society, economies, financial markets, and business practices. Even as vaccines are introduced and administered, governmental restrictions are lifted, and economies gradually reopen, the ongoing economic impacts, including government economic stimulus, and health concerns associated with the pandemic, the emergence of more transmissible variants, and the global availability and efficacy of vaccines, there is substantial uncertainty in the pandemic's continued and long-term effects. Efforts to contain the spread of COVID-19 in the United States (including in California where our corporate headquarters are located) have resulted in federal and state governments implementing measures such as quarantines, shelter-in-place orders, vaccination programs, and various other government restrictions.

COVID-19 has impacted, and may continue to impact, our business operations, employees, customers, their clients, the industries in which our customers operate, partners, suppliers, and communities. We have taken certain measures, and will continue to implement applicable steps, to manage the evolving risks and uncertainties. We have largely suspended travel for employees, temporarily closed our offices, virtually conducted our user forums, and, since mid-March 2020, have requested that our employees work remotely. We are beginning to phase in travel for our employees, and we are conducting our first in-person user forum since the COVID-19 pandemic began in May 2022. While we have been operating effectively under our remote work model, and we do not foresee it changing, we cannot be certain that a prolonged remote work model will continue to be effective or will not introduce new operational difficulties that could result in harm to our business. Our shift to remote work has caused us to assess our IT security measures, identify any vulnerabilities, and enhance protections against unauthorized access to our network and systems. While we have not yet experienced a network breach or intrusion as a result of moving to a remote work model, we are unable to unequivocally affirm that the protective measures we have taken will remain sufficient given the ever-changing threat landscape, and any such related security compromise that may occur could materially and adversely impact our business, results of operations, or reputation.

We continue to evaluate, and adjust, our hiring plans and investment spending accordingly. We are monitoring the potential effects of changed rate of spending on software solutions, purchasing decisions, delayed payments, and supply chain shortages on our business. We are also assessing how our physical facilities requirements might change upon a return to increased onsite operations, including the costs associated with ensuring a safe work environment and the likely increased prevalence of working from home for many employees. The timing and amount of these investments will vary based on the rate at which we expect to add new customers or sell additional solutions to existing customers, our customer retention rates, the implementation and support needs of our customers, our software development plans, our technology and physical infrastructure requirements, and changes thereto resulting from the COVID-19 pandemic, and other needs of our organization (including needs resulting from the COVID-19 pandemic). Many of these investments will occur in advance of our realizing any potential benefit, which may make it difficult to determine if we are effectively allocating our resources.

The pace and shape of the COVID-19 recovery as well as the impact and extent of potential resurgences is not presently known. We continue to monitor and evaluate the nature and extent of changes to the market and economic conditions related to the COVID-19 pandemic and current and potential impact on our business and financial position. However, given the dynamic nature of this situation, we cannot reasonably estimate the impacts of COVID-19 on our future results of operations or cash flows at this time.

To the extent economic volatility, including as a result of the COVID-19 pandemic, adversely affects our business, results of operations, financial condition, or liquidity, many of the other risks described in this “Risk Factors” section may also be heightened.

***A breach or compromise of our security measures or those we rely on could result in unauthorized access to or other compromise of customers’ data or customers’ clients’ data, which may materially and adversely impact our reputation, business, and results of operations.***

Certain elements of our business and software solutions, particularly our origination and analytics solutions, involves the processing and storage of personally identifiable information, or PII, such as banking information and PII of our customers’ clients. We may also have access to PII during various stages of the implementation process of our solutions or during the course of providing customer support. Furthermore, as we develop additional functionality, we may gain greater access to PII and process additional PII. We maintain policies, procedures, and technological safeguards designed to protect the confidentiality, integrity, and availability of this information and our information technology systems. However, we cannot entirely eliminate the risk of improper, unlawful, or unauthorized access to, or disclosure, alteration, corruption, unavailability, or loss of PII or other data that we process or maintain, other security events that impact the integrity or availability of PII or our systems and operations (including ransomware and other security attacks), or the related costs we may incur to mitigate the consequences from such events. Additionally, we may be exposed to increased risk of security breaches or other security compromises with our employees working remotely, as they have since the beginning of the COVID-19 pandemic.

Further, our solutions are a combination of flexible and complex software, and there is a risk that configurations of, or defects in, one or more of the solutions or errors in implementation could create vulnerabilities to, or result in, security breaches or other security compromises. We may face difficulties or delays in identifying or responding to security compromises or breaches. In addition, because we leverage third-party providers, including cloud, software, data center, and other critical technology vendors to deliver our software solutions to our customers and their clients, we rely heavily on the data security procedures, measures, and policies adopted by these third-party providers. A vulnerability in a third-party provider's software or systems, a failure of our third-party providers' safeguards, policies, measures, or procedures, or a breach of a third-party provider's software or systems could result in the compromise of the confidentiality, integrity, or availability of our systems or of data housed in our platform or that is maintained or processed by such third-party provider. When engaging third-party providers, we assess their policies and procedures relating to cybersecurity and privacy, however, we have no formal policy regarding subsequent audits of these providers to confirm their ongoing compliance efforts, and our failure to detect issues with these third-party providers could result in vulnerabilities that would materially and adversely impact our business, customers, and results of operations.

Cyberattacks and other malicious internet-based activity continue to increase and evolve, and cloud-based providers of products and services have been and are expected to continue to be targeted. In addition to traditional computer "hackers," malicious code (such as viruses and worms), phishing attempts, theft or misuse and other intentional or negligent acts of our employees and contractors, ransomware attacks, denial-of-service attacks, sophisticated criminal networks, as well as nation-state and nation-state supported actors now engage in intrusions and attacks, including advanced persistent threat intrusions. Current or future criminal capabilities, discovery of existing or new vulnerabilities, and attempts to exploit those vulnerabilities or other developments, may compromise or breach our systems or software solutions. In the event our or our third-party providers' protection efforts are unsuccessful and our systems or software solutions are breached or compromised, we could suffer substantial harm. A security breach or compromise could result in operational disruptions, loss, compromise, unauthorized use of, or access to, alteration, or corruption of customer data or customers' client data or data we rely on to provide our software solutions, including our analytics initiatives and offerings, that impair our ability to provide our software solutions and meet our customers' requirements. Such impairment would result in decreased revenues and otherwise materially negatively impact our financial results. Also, in the event that any of these events occurs or is perceived to have occurred, our reputation could suffer irreparable harm, causing our current and prospective customers to decline to use our software solutions in the future. Further, we could be forced to expend significant financial and operational resources in response to any actual or perceived security breach or compromise, including repairing system damage, increasing security protection costs by deploying additional personnel and protection technologies, and defending against and resolving legal and regulatory claims and proceedings, all of which could be costly and divert resources and the attention of our management and key personnel away from our business operations. While maintaining and enhancing an incident response and disaster recovery program in the event of any of the foregoing attacks or system unavailability are internal priorities, we cannot be certain that our incident response and disaster recovery efforts will be adequate if they are needed, and any gaps in our ability to respond to incidents and move our customers to back-up systems would result in additional adverse impacts on our business, results of operations, and reputation. We anticipate expending increasing expenses and other resources in an effort to identify, prevent, and respond to actual or potential security breaches.

Federal and state regulations may require us or our customers to notify individuals or other persons or entities, including regulatory authorities of data security breaches or compromises involving certain types of personal data or information technology systems, and we otherwise may find it necessary or appropriate to notify customers, individuals, or other parties of certain data security incidents. Security breaches or compromises experienced by others in our industry, our customers, or us may lead to public disclosures and widespread negative publicity. Any security breach or compromise in our industry, whether actual or perceived, could erode customer confidence in the effectiveness of our security measures, negatively impact our ability to attract new customers, cause existing customers to elect not to renew or expand their use of our software solutions, or subject us to third-party claims and lawsuits, indemnification, or other claims from customers and other third parties, regulatory investigations or proceedings, fines or other actions or liabilities, which could materially and adversely affect our business and results of operations.

In addition, some of our customers contractually require notification of data security breaches or compromises and include representations and warranties in their contracts with us that our software solutions comply with certain legal and technical standards related to data security and privacy and meets certain service levels. In certain of our contracts, a data security breach or compromise or operational disruption impacting us or one of our vendors, or system unavailability or damage due to other circumstances, may constitute a material breach and give rise to a customer's right to terminate their contract with us or may cause us to be liable for certain monetary penalties, including as a result of a failure to meet service level agreements. While we have not, as of the date of this Quarterly Report on Form 10-Q, incurred any material monetary penalties as a result of these provisions, we cannot be certain that we will not in the future be liable for such payments, which could materially and adversely impact our business, results of operations, and reputation with our customers. In these circumstances, it may be difficult or impossible to cure such a breach or compromise in order to prevent customers from potentially terminating their contracts with us. Furthermore, although our customer contracts typically include limitations on our potential liability, there can be no assurance that such limitations of liability would be adequate. We also cannot be sure that our existing general liability insurance coverage and coverage for errors or omissions will be available on acceptable terms or in sufficient amounts to cover one or more claims or that our insurers will not deny or attempt to deny coverage as to any future claim. The successful assertion of one or more claims against us, the inadequacy or denial of coverage under our insurance policies, litigation to pursue claims under our policies, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or coinsurance requirements, could materially and adversely affect our business and results of operations.

***We depend on data centers operated by us as well as third parties and third-party Internet hosting providers, and any disruption in the operation of these facilities or access to the Internet could adversely affect our business.***

We currently serve our customers from our own internal data center located in Costa Mesa, California and two third-party data center hosting facilities located in Lone Mountain, Nevada and Atlanta, Georgia. The third-party owners and operators of these current and future facilities do not guarantee that our customers' access to our software solutions will be uninterrupted, error-free, or secure. We may experience website disruptions, outages, and other performance problems at our data center and third-party data centers. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks (including ransomware attacks), fraud, spikes in customer usage, and denial of service issues. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Data center facilities are vulnerable to damage or interruption from human error, intentional bad acts, power loss, hardware failures, telecommunications failures, fires, wars, terrorist attacks, floods, earthquakes, hurricanes, tornadoes, or similar catastrophic events. They also could be subject to break-ins, computer viruses, sabotage, intentional acts of vandalism, and other misconduct. The occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or terminate our hosting arrangement or other unanticipated problems could result in lengthy interruptions in the delivery of our software solutions, cause system interruptions, prevent our customers' account holders from accessing their accounts online, cause reputational harm and loss, corruption, or unavailability of critical data, prevent us from supporting our software solutions, or cause us to incur additional expense in arranging for new facilities and support.

We also depend on third-party Internet-hosting providers and continuous and uninterrupted access to the Internet through third-party bandwidth providers to operate our business. As we continue to expand the number of our customers and available solutions, we may not be able to scale our technology to accommodate the increased capacity requirements, which may result in interruptions or delays in service. In addition, the failure of data centers, Internet service providers, or other third-party service providers to meet our capacity requirements could result in interruptions or delays in access to our solutions or impede our ability to grow our business and scale our operations. If our third-party infrastructure service agreements are terminated, if there is a service lapse, interruption of Internet service provider connectivity, or damage to data centers, or if we experience a service loss or disruption of one or more of our Internet-hosting or bandwidth providers for any reason, such as viruses, denial of service, ransomware, cybersecurity attacks or other attacks on their systems, human error, intentional bad acts, power loss, hardware failures, telecommunications failures, fires, wars, terrorist attacks, floods, earthquakes, hurricanes, tornadoes, or other catastrophic events, we could experience disruption in our ability to offer our software solutions and adverse perception of our software solutions' reliability. We could also be required to retain the services of replacement providers, which could cause interruptions in access to our solutions as well as delays and additional expense in arranging new facilities and services and could also increase our operating costs and harm our business and reputation. Additionally, any need to change Internet-hosting service providers would require a significant amount of time and effort by our information technology department.

***The transition of our software solutions to the public cloud could present significant risks and uncertainties unique to such a migration, which could adversely affect our business and operations.***

We are working to transition all of our software solutions to the public cloud, with targeted completion by the end of 2022. This migration could introduce risks associated with data and services migration that could affect our business continuity, result in loss, corruption, or compromise of data, and impact the provision of our software solutions. Further, the success in transitioning to the public cloud is dependent on our ability to effectively align, prioritize, and allocate our information technology, information security, product, and other resources to balance the needs of maintaining our existing infrastructure, while also innovating in future products and features and ensuring security and resiliency.

While we expect the transition to allow for greater scalability and integration, if this planned transition is delayed or impacts the reliability and availability of our software solutions, we may not realize our financial and strategic objectives. In addition, any unanticipated interruption, delay, or degradation in the performance and delivery of our solutions could negatively impact our customer relationships. Accordingly, any such transition delays, errors, or difficulties may result in operational challenges, security failures, increased costs, or reputational harm, any of which could materially adversely impact our profitability and operations.

***Defects, errors, or other performance problems in our software solutions could harm our reputation, result in significant costs to us, impair our ability to sell our software solutions, and subject us to substantial liability.***

Our software solutions are complex and may contain defects, viruses, or errors when implemented or when new functionality is released. Such defects or disruptions could be the result of undetected vulnerabilities in third-party supplied software and technologies, bug fixes or upgrades, whether in connection with day-to-day operations or otherwise, or employee, contractor, or other third-party acts or inaction. Despite extensive testing, from time to time we have discovered, and may in the future discover, defects or errors in our software solutions. We may experience temporary system interruptions, either to our solutions as a whole, individual software solutions or groups thereof, or to some or all of our software hosting locations, for a variety of reasons, including network failures, power failures, software errors, or an overwhelming number of users trying to access our software solutions during periods of strong demand. Defects, errors, or other performance problems or disruptions in our software solutions or service could be costly for us, damage our customers' businesses, result in loss of credibility with current or potential customers or partners, and harm our reputation, any of which could result in a material adverse effect on our business, operating results, and financial condition. In addition, our customers could seek to terminate their contracts, elect not to renew their subscriptions, delay or withhold payment, or make claims against us.

Because we are dependent on third parties for the implementation and maintenance of certain aspects of our systems and because some of the causes of system interruptions may be outside of our control, we may not be able to remedy such interruptions in a timely manner, if at all. As we rely heavily on our servers, computer, and communications systems and the Internet to conduct our business, any of these actions could result in liability, lost business, increased insurance costs, difficulty in collecting accounts receivable, costly litigation, or adverse publicity. Errors, defects, or other problems could also result in reduced sales or a loss of, or delay in, the market acceptance of our software solutions.

***If we are unable to effectively integrate our software solutions with other systems, products, or other technologies used by our customers and prospective customers, or if there are performance issues with such third-party systems, products, or other technologies, our software solutions will not operate effectively and our operations will be adversely affected.***

The functionality of our software solutions depends on our ability to integrate with other third-party systems, products, and other technologies used by our customers. Certain providers of these third-party systems, products, or other technologies also offer products that are competitive with our software solutions. These products may have an advantage over ours if customers using their software are better able to integrate with their own software. In addition, these third-party providers may be able to bundle their competitive products with other applications used by our customers and prospective customers at favorable pricing.

In addition, some of our competitors may be able to disrupt the operations or compatibility of our solutions with their products or services or exert strong business influence on our ability to, and terms on which we, provide our solutions. For example, core banking system companies provide critical back-end services to financial institutions. If these core banking system companies seek to compete with us in the markets we target or make it more difficult for us to integrate our solutions with their offerings, our business and results of operations could be materially and adversely affected. We do not have formal arrangements with many of these third-party providers regarding our access to their application programming interfaces, or APIs, to enable these customer integrations.

Our business may be harmed if any of our third-party providers:

- change the features or functionality of their applications and platforms in a manner adverse to us;
- discontinue or limit our software solutions' access to their systems or other technologies;
- terminate or do not allow us to renew or replace our existing contractual relationships on the same or better terms;
- modify their terms of service or other legal terms or policies, including fees charged to, or other restrictions on, us or our customers;
- establish exclusive or more favorable relationships with one or more of our competitors, or acquire one or more of our competitors and offer competing services; or
- otherwise have or develop their own competitive offerings.

Third-party services and products are constantly evolving. We may not be able to modify our solutions to assure compatibility with that of other third parties as they continue to develop or emerge in the future or make such modifications in a timely and cost-effective manner. Such changes could limit or prevent us from integrating our software solutions with these third-party systems, which could impair the functionality of, prohibit the use of, or limit our ability to sell our software solutions to customers. If we are not permitted or able to integrate with such third-party technologies as a result of changes to, or third parties restricting our access to, the technologies during the terms of existing customer agreements, we may not be able to meet our contractual obligations to customers who use such third-party software. Should any of our competitors modify their products or standards in a manner that degrades the functionality of our solutions or gives preferential treatment to our competitors or competitive products, whether to enhance their competitive position or for any other reason, the interoperability of our products with these products could decrease, and our business, results of operations, and financial condition would be harmed. In addition, if any third-party technology providers experience an outage, our software solutions integrated with such technology will not function properly or at all, and our customers may be dissatisfied with our software solutions. If the technology of such third-party providers has performance or other problems, such issues may reflect poorly on us, and the adoption and renewal of our software solutions and our business may be harmed. Although our customers may be able to switch to alternative technologies if a provider's services were unreliable or if a provider were to limit such customer's access and utilization of its data or the provider's functionality, our business could nevertheless be harmed due to the risk that our customers could reduce their use of our software solutions.

***As the number of customers that we serve increases, we may encounter implementation challenges, and we may have to delay revenue recognition for some complex engagements, which would harm our business and operating results.***

We may face unexpected implementation challenges related to the complexity of our customers' implementation and integration requirements. Our implementation expenses increase when customers have unexpected data, hardware, or software technology challenges or complex or unanticipated business requirements. In addition, certain of our customers require complex acceptance testing related to the implementation of our software solutions. Further, because we do not fully control our customers' implementation schedules, implementation issues may occur if our customers do not allocate the internal resources necessary to meet implementation timelines or if there are unanticipated implementation delays. Any difficulties or delays in implementation processes could cause customers to delay or forego future purchases of our software solutions or require us to delay revenue recognition under the related customer agreement longer than expected, either of which would adversely affect our business, operating results, and financial condition.

***If we fail to meet our service level commitments, we could be obligated to provide credits or refunds or face contract terminations, which could adversely affect our business, operating results, and financial condition.***

Certain of our agreements with our customers contain service level commitments. If we are unable to meet the stated service level commitments or suffer extended periods of unavailability for our solutions, we may be contractually obligated to provide these parties with service credits or refunds. In addition, we could face contract terminations, in which case we would be subject to a loss of future revenues. Our revenues could be significantly affected if we suffer unexcused downtime under our agreements with our customers and partners. Further, any extended service outages could adversely affect our reputation, revenues, and operating results.

***Certain of our key operating metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.***

We track certain key operating metrics using internal tools, which have certain limitations. In addition, we rely on data received from third parties, including industry forecast reports, to track certain performance indicators. We have only a limited ability to verify data from both of these sources. Our methodologies for tracking metrics may also change over time, which could result in changes to the metrics we report. If we under count or over count performance due to the internal tools we use or issues with the data received from third parties, or if our internal tools contain errors, the data we report may not be accurate or comparable with prior periods. In addition, limitations, changes or errors with respect to how we measure data may affect our understanding of certain details of our business, which could affect our longer-term strategies.

If our performance metrics are not, or are not perceived to be, accurate representations of our financial or operational performance, if we discover material inaccuracies in our metrics, or if we can no longer calculate any of our key performance metrics with a sufficient degree of accuracy and cannot find an adequate replacement for the metric, our business, operating results, and financial condition could be adversely affected.

***Our usage and volume-based pricing can cause revenue fluctuation and may adversely affect our business and operating results.***

Our customer relationships are generally conducted in accordance with the terms of multi-year contracts that, among other things, may provide for minimum purchases and specified levels of pricing based on the volume of loans, applications, or searches conducted or processed during the applicable billing period. These contractual features are key determinants of profitability. Certain of our contracts provide for contractually scheduled price changes. From time to time, we also negotiate pricing or other changes with our existing customers that include, but are not limited to, extending or renewing a contract or adjusting minimum volumes. Our usage and volume-based pricing, which is seasonal and cyclical, can cause our revenues to fluctuate which could affect our business. Additionally, our usage and volume-based pricing can be negatively impacted by macroeconomic trends, which may disproportionately impact our revenues.

We depend on satisfied customers to succeed and, in certain instances, have aligned our financial goals with those of our customers. Our historical contracts are subject to de minimis minimum commitments with certain of our customers, who may be less willing or able to accommodate modifications to our contracts given their own business constraints. Such minimum commitment obligations may not be cost-effective or provide positive returns.

***Our sales cycle can be unpredictable, time-consuming, and costly, which could harm our business and operating results.***

Our sales process involves educating prospective customers and existing customers about the use, technical capabilities, and benefits of our software solutions. Prospective customers often undertake a prolonged evaluation process, which typically involves not only our software solutions but also those of our competitors, and typically lasts from six to nine months or longer. We may spend substantial time, effort, and money on our sales and marketing efforts without any assurance that our efforts will produce any sales. It is also difficult to predict the level and timing of sales opportunities that come from our referral partners. Events affecting our customers' businesses may occur during the sales cycle that could affect the size or timing of a purchase, contributing to more unpredictability in our business and operating results. As a result of these factors, we may face greater costs, longer sales cycles, and less predictability in the future.

***If we fail to effectively expand our sales and marketing capabilities and teams, including through partner relationships, we may not be able to increase our customer base and achieve broader market acceptance of our software solutions.***

Increasing our customer base and achieving broader market acceptance of our software solutions will depend on our ability to expand our sales and marketing organizations and their abilities to obtain new customers and sell additional solutions and services to existing customers. We believe there is significant competition for direct sales professionals with the skills and knowledge that we require, and we may be unable to hire or retain sufficient numbers of qualified individuals in the future. Our ability to achieve significant future revenue growth will depend on our success in recruiting, training, and retaining a sufficient number of direct sales professionals. New hires require significant training and time before they become fully productive and may not become as productive as quickly as we anticipate. As a result, the cost of hiring and carrying new representatives cannot be offset by the revenues they produce for a significant period of time. Our growth prospects will be harmed if our efforts to expand, train, and retain our direct sales team do not generate a corresponding significant increase in revenues. Additionally, if we fail to sufficiently invest in our marketing programs or they are unsuccessful in creating market awareness of our company and software solutions, our business may be harmed, and our sales opportunities may be limited.

In addition to our direct sales team, we also extend our sales distribution through formal and informal relationships with referral and reseller partners. While we are not substantially dependent upon referrals from any partner, our ability to achieve significant revenue growth in the future will depend upon continued referrals from our partners and growth of the network of our referral partners. These partners are under no contractual obligation to continue to refer business to us, nor do these partners have exclusive relationships with us and may choose to instead refer potential customers to our competitors. We cannot be certain that these partners will prioritize or provide adequate resources for promoting our software solutions or that we will be successful in maintaining, expanding, or developing our relationships with referral partners. Our competitors may be effective in providing incentives to third parties, including our partners, to favor their software products or prevent or reduce subscriptions to our software solutions, either by disrupting our relationship with existing customers or limiting our ability to win new customers. Establishing and retaining qualified partners and training them with respect to our software solutions requires significant time and resources. If we are unable to devote sufficient time and resources to establish and train these partners or if we are unable to maintain successful relationships with them, we may lose sales opportunities and our revenues could suffer.

***Our product partners may change their dependence on our system for providing service to their customers, which could harm our business and operating results.***

Our continued success will depend in part on our ability to retain a number of key product partners. In addition, we believe that our future success will depend in large part on our ability to attract product partners who utilize our system to service their customers, driving further volumes through our platform. Value associated with our platform is derived from the ability of our customers to access these product partners through our solutions. There can be no assurance that we will be successful in attracting and retaining such partners. The loss of certain key product partners or our inability to attract or retain other product partners could have a material adverse effect on our business, operating results, and financial condition.

***If we fail to offer high-quality customer support, or if our support is more expensive than anticipated, our business and reputation could suffer.***

Our customers rely on our customer support services to resolve issues and realize the full benefits provided by our solutions. High-quality support is also important to maintain and drive further adoption by our existing customers. We primarily provide customer support over the phone, chat, and via web portal. If we do not help our customers quickly resolve issues and provide effective ongoing support or if our support personnel or methods of providing support are insufficient to meet the needs of our customers, our ability to retain customers, increase adoption by our existing customers, and acquire new customers could suffer, and our reputation with existing or potential customers could be harmed. If we are not able to meet the customer support needs of our customers during the hours that we currently provide support, we may need to increase our support coverage and provide additional support, which may reduce our profitability.

***We depend on key and highly skilled personnel to operate our business, and if we are unable to retain our current personnel or hire additional personnel, our ability to develop and successfully market our business could be harmed.***

We believe our future success will depend in large part upon our ability to attract and retain highly skilled managerial, technical, finance, creative, and sales and marketing personnel. Moreover, we believe that our future success is highly dependent on the contributions of our executive officers. All of our officers and other employees are at-will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. In addition, the loss of any key employees or the inability to attract or retain qualified personnel could delay the development and introduction of, and harm our ability to sell, our software solutions and harm the market's perception of us. Qualified individuals are in high demand, and we may incur significant costs to attract them. We may be unable to attract and retain suitably qualified individuals who are capable of meeting our growing sales, operational, and managerial requirements, or may be required to pay increased compensation in order to do so. If we are unable to attract and retain the qualified personnel we need to succeed, our business will suffer.

Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key employees. Certain of our employees have become, or will soon become, vested in a substantial amount of stock options. Employees may be more likely to leave us if the shares they own or the shares underlying their vested options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the vested options, or if the exercise prices of the options that they hold are significantly above the market price of our common stock. If we are unable to retain our named executive officers or other key employees, our business will be harmed.

***Growth may place significant demands on our management and our infrastructure.***

Our growth has placed, and may continue to place, significant demands on our management and our operational and financial infrastructure. As our operations grow in size, scope, and complexity, we will need to improve and upgrade our systems and infrastructure to offer an increasing number of customers enhanced software solutions, features, and functionality. The expansion of our systems and infrastructure will require us to commit substantial financial, operational, and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. To support our growth, we must also continue to improve our management resources and our operational and financial controls and systems, and these improvements may increase our expenses more than anticipated and result in a more complex business. Continued growth could also strain our ability to maintain reliable service levels for our customers and recruit, train, and retain highly skilled personnel.

Managing our growth will require significant expenditures and allocation of valuable management resources. If we fail to achieve the necessary level of efficiency in our organization as it grows, our business would be harmed.

***We have shifted a significant portion of our product development operations to India, which poses risks.***

Since August 2018, unrelated third parties have provided us with technology development services, as well as certain customer implementation and support services through individuals based in India. We have increased the proportion of our product development work being performed by contractors in India in order to take advantage of cost efficiencies associated with India's lower wage scale. However, we may not achieve the cost savings and other benefits we anticipate from these programs, and we may not be able to find sufficient numbers of developers with the necessary skill sets in India to meet our needs. While our experience to date with our India-based contractors has been positive, there is no assurance that this will continue. Specifically, there are a number of risks associated with this activity, including but not limited to the following:

- communications and information flow may be less efficient and accurate as a consequence of the time and distance differences between our primary development organization and the foreign-based activities, resulting in delays in development or errors in the software developed;
- in addition to the risk of misappropriation of intellectual property from departing personnel, there is a general risk of the potential for misappropriation of our intellectual property that might not be readily discoverable;
- the ability to obtain fulsome rights to intellectual property arising from the work performed by India-based individuals may be more difficult than it is with respect to intellectual property arising from work performed for us by our U.S.-based employees;
- the quality of the development efforts undertaken offshore may not meet our requirements, including due to experiential differences, resulting in potential product errors and/or delays;

- currency exchange rates could fluctuate and adversely impact the cost advantages intended from maintaining these relationships; and
- as would be the case with any of our third-party developers, if those based in India were to leave their employment or if the third-party development services agreement with us were terminated, we would lose some short-term development capacity, and while we believe we would still be able to continue maintaining and improving all of our service offerings, we would need to expend resources and management time to on-board additional development resources.

In addition, as a result of the foregoing arrangements, we have a heightened risk exposure to changes in the economic, security, and political conditions of India. India has also been affected by the pandemic and taken measures to try to contain it, at times resulting in disruptions to their work force and slowdowns in certain deliverables. Economic and political instability, military actions, and other unforeseen occurrences in India could impair our ability to develop and introduce new software applications and functionality in a timely manner, which could put our products at a competitive disadvantage whereby we lose existing customers and/or fail to attract new customers.

***Our business is subject to the risks of earthquakes, fires, floods, and other natural catastrophic events and to interruption by man-made problems such as terrorism.***

Our systems and operations are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, and similar events beyond our control, many of which are becoming more acute and frequent as a result of climate change. Any such event could have a material adverse impact on our business, operating results, and financial condition. Significant recovery time could be required to resume operations and any negative effects of a catastrophic event could be compounded if concurrently occurring with another unexpected and adverse event. Our corporate offices and one of the facilities we lease to house our computer and telecommunications equipment are located in Southern California, a region known for seismic activity. In addition, acts of terrorism, which may be targeted at metropolitan areas which have higher population density than rural areas, could cause disruptions in our or our customers' businesses or the economy as a whole. We may not have sufficient protection or recovery plans in certain circumstances, such as natural disasters affecting Southern California, and our business interruption insurance may be insufficient to compensate us for losses that may occur.

#### **Risks Related to Legal and Regulatory Matters**

***Any future litigation against us could damage our reputation and be costly and time-consuming to defend.***

We have in the past and may become in the future subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our customers in connection with commercial disputes or employment claims made by current or former employees. In other instances, our customers become involved in litigation where we are required to provide information pursuant to a court order. From time to time, we also may initiate litigation to enforce our rights, including with respect to payments that we are owed. Litigation could result in reputational damage and substantial costs and may divert management's attention and resources, any of which may adversely impact our business, overall financial condition, and results of operations and affect the value of our common stock. While we maintain insurance coverage for certain types of claims, such insurance coverage may be insufficient to cover all losses or all types of claims that may arise. We are not currently aware of any material pending or threatened litigation against us but can make no assurances the same will continue to be true in the future.

***If we are unable to protect our intellectual property, our business could be adversely affected.***

We rely on a combination of copyrights, trademarks, service marks, patents and trade secret laws, confidentiality obligations, and other contractual restrictions to establish and protect our intellectual property and other proprietary rights. Despite our efforts, these protections may be limited and may not adequately permit us to gain or keep any competitive advantage. Unauthorized third parties may try to copy or reverse engineer our solutions, technology, systems, methods, processes, or proprietary information. A third party may develop software solutions, adopt trade names or domain names, or acquire other intellectual property and proprietary rights similar to ours, thus diluting or diminishing the value of our intellectual property, proprietary rights, and overall brand. Our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes could be limited by our agreements with third parties. Our patents may be invalidated or circumvented. A patent application may not be issued with the claim scope we seek, if at all. In addition, the laws of some countries do not provide the same level of intellectual property protection as U.S. laws and courts.

We may be required to spend significant resources to monitor and protect our intellectual property rights. We may initiate claims or litigation against third parties for infringement of our proprietary rights or to establish the validity of our proprietary rights. We may also allow certain of our registered intellectual property rights, or our pending applications or registrations for intellectual property rights, to lapse or to become abandoned if we determine that obtaining or maintaining the applicable registered intellectual property rights is not worthwhile. Our inability to protect our intellectual property against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay sales or the implementation of our software solutions, impair the functionality of our software solutions, delay introductions of new software solutions, result in our substituting less-advanced or more-costly technologies into our software solutions, or harm our reputation. In addition, should any of our protections fail, we may be required to license additional intellectual property from third parties to develop and market new software solutions, and we cannot ensure that we could license that intellectual property on commercially reasonable terms or at all.

***We use open source software in our solutions, which could subject us to litigation or other actions, or otherwise negatively affect our ability to sell our solutions.***

Our solutions incorporate software modules licensed to us by third-party authors under "open source" licenses. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, warranties, indemnification, or other contractual protections regarding infringement claims or the quality of the code. In addition, the public availability and unknown vulnerabilities of such software may make our solutions more susceptible to compromise. The terms of many open source licenses have not been interpreted by U.S. or foreign courts, and there is a risk that these licenses could be construed in a way that imposes unanticipated conditions or restrictions on our ability to provide or distribute our solutions.

We could become subject to lawsuits by parties claiming ownership of what we believe to be open source software. If we are held to have breached or failed to fully comply with all the terms and conditions of an open source software license, we could face infringement or other liability, or be required to seek costly licenses from third parties, to re-engineer our solutions, to discontinue or delay the provision of our offerings if re-engineering could not be accomplished on a timely basis, or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, financial condition, and results of operations. In addition, some open source licenses may require us to release source code for modifications or derivative works or to license our intellectual property. A release of our proprietary code could also allow our competitors to create similar offerings with lower development effort and time and ultimately could result in a loss of our competitive advantages. Although we monitor our use of open source software to avoid subjecting our solutions to unintended conditions, such use may require us to take remedial action that may divert resources away from our development efforts and could materially adversely affect our business.

***Lawsuits by third parties against us or our customers for alleged infringement of the third parties' proprietary rights or for other intellectual property-related claims relating to our solutions or business could result in significant expenses and harm our operating results.***

Our industry is characterized by the existence of a large number of patents, copyrights, trademarks, trade secrets, and other intellectual property and proprietary rights, along with frequent litigation based on allegations of infringement or other violations of intellectual property rights. We have been, are currently, and, from time to time, expect to be involved in disputes related to patent and other intellectual property rights of third parties. To date, none of these disputes have resulted in material liabilities. Our business could be adversely affected by any significant disputes between us and our customers as to the applicability or scope of our indemnification obligations to them. There can be no assurances that any existing limitations of liability provisions in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. If such claims are successful, or if we are required to indemnify or defend our customers from these or other claims, these matters could be disruptive to our business and management, result in material liabilities, and have an adverse effect on our business, operating results, and financial condition.

From time to time, we have received, and may continue to receive, threatening letters or notices or, in the future, may be the subject of claims that our software solutions and underlying technology infringe or otherwise violate the intellectual property rights of others, and we may be found to be infringing upon or otherwise violating such rights. We also face, from time to time, trade name or trademark or service mark infringement claims brought by owners of other registered or unregistered trademarks or service marks, including trademarks or service marks that may incorporate variations of our brand names. In addition, the risk of patent litigation has been amplified by the increase in the number of patent holding companies or other adverse patent owners that have no relevant product revenues, and therefore, our existing patent and any patents we may obtain in the future may provide little or no deterrence as we would not be able to assert them against such entities or individuals. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us or our customers whom we indemnify, could subject our technologies to injunction preventing us from accessing such third-party intellectual property rights, require that we pay substantial damages or ongoing royalty payments, prevent us from offering our software solutions, or require that we comply with other unfavorable terms. Even if the claims do not result in litigation or are resolved in our favor, these claims and the time and resources necessary to resolve them could divert the resources of our management and harm our business and operating results. Any claims related to our intellectual property or customer confusion related to our solutions could damage our reputation and adversely affect our growth prospects.

***Any use of our solutions by our customers in violation of legal or regulatory requirements could damage our reputation and subject us to additional liability.***

If our customers or their clients use our solutions in violation of regulatory requirements and applicable laws, we could suffer damage to our reputation and could become subject to claims in connection with their use of our solutions. We rely on our customers' contractual obligations that their use and their clients' use of our solutions will comply with applicable laws. However, we do not audit our customers or their clients to confirm compliance. Even if claims asserted against us do not result in liability, we may incur costs in investigating and defending against such claims. If we are found liable in connection with our customers' or their clients' activities, we could incur liabilities and be required to redesign our solutions or otherwise expend resources to remedy any damages caused by such actions and to avoid future liability.

***Privacy, information security, and data protection concerns, data collection and transfer restrictions, and related domestic regulations may limit the use and adoption of our software solutions and adversely affect our business and results of operations.***

The regulatory framework governing privacy, information security, data protection, and the collection, processing, storage, and use of certain information, particularly financial and other personally identifiable information, is rapidly evolving. We expect that there will continue to be new proposed and adopted laws, regulations, and industry standards concerning privacy, data protection, and information security in the United States. For example, California enacted the California Consumer Privacy Act, or CCPA, which went into effect in January 2020 and, among other things, requires companies covered by the legislation to provide new disclosures to California consumers and afford such consumers new rights of access and deletion for personal information, as well as the right to opt-out of certain sales of personal information. Additionally, on November 3, 2020, the California Privacy Rights Act, or CPRA, was approved by California voters. The CPRA amends and expands the CCPA. The CCPA and the CPRA will require us to modify and augment our practices and policies and incur substantial costs and expenses in an effort to comply or respond to further changes to laws or regulations.

We cannot yet fully determine the impact these or future laws, rules, and regulations may have on our business or operations. Any such laws, rules, and regulations may be inconsistent among different jurisdictions, subject to new or differing interpretations, or conflict with our current or future practices. Additionally, we may be bound by contractual requirements applicable to our collection, use, processing, and disclosure of various types of information, including financial and PII, and may be bound by, or voluntarily comply with, self-regulatory or other industry standards relating to these matters that may further change as laws, rules, and regulations evolve. Any failure or perceived failure by us, our third-party service providers, or any other third parties with which we do business, to comply with these laws, rules, and regulations, or with other obligations to which we or such third parties are or may become subject, may materially and adversely affect our business and results of operations, and result in reputational harm, governmental investigations and enforcement actions, litigation, claims, fines and penalties, or adverse publicity.

Additionally, if in the future we seek to sell our solutions outside of the United States, we would face similar or potentially more stringent laws and regulations relating to personal privacy, information security, and data protection and we cannot be certain we would be able to adequately address these laws and regulations as part of any international expansion.

***Our customers are highly regulated and subject to a number of challenges and risks. Our failure to comply with laws and regulations applicable to us as a technology provider to financial institutions could adversely affect our business and results of operations, increase costs, and impose constraints on the way we conduct our business.***

Our customers and prospective customers are highly regulated and are generally required to comply with stringent regulations in connection with performing business functions that our software solutions address. As a provider of technology to financial institutions, and as a result of obligations under some of our customer contracts, we are required to comply with certain provisions of the Gramm-Leach-Bliley Act, or GLBA, related to the privacy and security of certain consumer information, in addition to other contractual obligations that relate to our customers' obligations under the GLBA and other laws and regulations to which they are subject. We also may be subject to other laws and regulations, including those relating to privacy and data security, due to the software solutions we provide to financial institutions.

Matters subject to review and examination by federal and state financial institution regulatory agencies and external auditors include our internal information technology controls in connection with our performance of data processing services, the agreements giving rise to those processing activities, and the design of our software solutions. Any inability to satisfy these examinations and maintain compliance with applicable regulations could adversely affect our ability to conduct our business, including attracting and maintaining customers. If we have to make changes to our internal processes and software solutions as result of these regulations, we could be required to invest substantial additional time and funds and divert time and resources from other corporate purposes to remedy any identified deficiency.

Our indirect, wholly-owned subsidiary, Professional Credit Reporting, Inc., functions as a consumer reporting agency and, as a result, is subject to rules and regulations applicable to consumer reporting agencies, such as the Fair Credit Reporting Act, or FCRA. In addition, with our acquisition of the assets of TazWorks, we may have additional exposure to FCRA. Other than these exposures to FCRA, we have adopted the position that we are not otherwise subject directly to the FCRA in our position as a provider of technology to financial institutions. It is possible that this position may be challenged by regulatory authorities or others, however, which could result in regulatory investigations and other proceedings, claims, and other liability, and which could require us to redesign our solutions and otherwise substantially modify our operations, processes, and solutions. This could require dedication of substantial funds and other resources, and time of management and technical personnel, and could be highly disruptive to our operations. This could adversely affect our business and results of operations.

The evolving, complex, and often unpredictable regulatory environment in which our customers operate could result in our failure to provide compliant software solutions, which could result in customers not purchasing our software solutions or terminating their contracts with us or the imposition of fines or other liabilities for which we may be responsible. In addition, as a service provider to financial institutions, we may be subject to direct regulation and examination by federal and/or state agencies, and such agencies may attempt to further regulate our activities in the future which could adversely affect our business and results of operations.

***The financial services industry is heavily regulated and changes in current legislation or new legislation could adversely affect our business.***

The financial services industry in the United States, and, in particular, the consumer lending and mortgage industries, are heavily regulated. Our software solutions are designed to assist our customers with their compliance of consumer protection laws and institutionally mandated compliance policies and, therefore, must continually be updated to incorporate changes to such laws and policies. For example, we made the decision to make certain changes to our software solutions to assist our customers with compliance with modifications to the Truth in Lending Act, or TILA. Federal and state governments and agencies could enact legislation or other policies that could negatively impact the business of our customers and our product partners. Any changes to existing laws or regulations or adoption of new laws or regulations that increase restrictions on the consumer lending and mortgage industries may decrease usage and volumes transacted with our solutions or otherwise limit the ability of our customers and our product partners to operate their businesses, resulting in decreased usage of our software solutions. Updates that we have undertaken in the past have caused us to incur significant expense, and future updates to address such legal and regulatory developments will likely similarly cause us to incur significant expense.

While our customers are ultimately responsible for compliance with the laws and regulations that apply to the consumer lending and mortgage industries, a failure to design or to appropriately update our software solutions to reflect and comply with changes to existing laws or regulations or with new laws or regulations may contribute to violations by our customers of such laws and regulations. Any such violations could encourage our customers to discontinue using our software solutions and cause us reputational harm, which would negatively impact our financial position and results of operations.

***Failure to comply with anti-bribery, anti-corruption, and anti-money laundering laws, foreign export controls and trade sanctions, and similar laws, could subject us to penalties and other adverse consequences.***

Failure to comply with anti-bribery, anti-corruption, anti-money laundering, and similar laws could subject us to penalties and other adverse consequences. We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, and other federal, state, and local laws that address anti-bribery, anti-corruption, and anti-money laundering. If we expand internationally, we may become subject to the anti-corruption, anti-bribery, and anti-money laundering laws of other countries. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, agents, representatives, business partners, and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector.

If we pursue international expansion, our risks under these laws may increase as we, our employees, agents, representatives, business partners, and our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities, and we may be held liable for the corrupt or other illegal activities of these employees, agents, representatives, business partners, or third-party intermediaries even if we do not explicitly authorize such activities. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions.

While we have policies and procedures to address compliance with such laws, we cannot ensure that none of our employees, agents, representatives, business partners, or third-party intermediaries will take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

In some cases, our solutions may be subject to U.S. and foreign export controls, trade sanctions, and import laws and regulations. Governmental regulation of the import or export of our solutions, or our failure to obtain any required import or export authorization for our solutions, when applicable, could harm future international sales and adversely affect our revenue. Compliance with applicable regulatory requirements regarding the export of our solutions may create delays in the introduction of our solutions in international markets or, in some cases, prevent the export of our solutions to some countries altogether. Furthermore, U.S. export control laws and economic sanctions prohibit the shipment of certain products and services to countries, governments, and persons targeted by U.S. sanctions. If we fail to comply with export and import regulations and such economic sanctions, penalties could be imposed, including fines and/or denial of certain export privileges. Moreover, any new export or import restrictions, new legislation, or shifting approaches in the enforcement or scope of existing regulations, or in the countries, persons, or products targeted by such regulations, could result in decreased use of our solutions by, or in our decreased ability to export our solutions to, existing or potential customers with international operations. Any decreased use of our solutions or limitation on our ability to export or sell our solutions would likely adversely affect our business.

Any allegations or violation of the FCPA or other applicable anti-bribery or anti-corruption laws, anti-money laundering laws, or foreign export controls and trade sanctions could result in whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, fines, damages, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from U.S. government contracts, all of which may have an adverse effect on our reputation, business, results of operations, and prospects. Responding to any investigation or action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees. In addition, the U.S. government may seek to hold us liable for successor liability for FCPA violations committed by companies in which we invest or that we acquire. As a general matter, investigations, enforcement actions, and sanctions could harm our reputation, business, results of operations, and financial condition.

*If one or more U.S. states or local jurisdictions successfully assert that we should have collected, or in the future should collect, additional sales or use taxes on our fees, we could be subject to additional liability with respect to past or future sales, and the results of our operations could be adversely affected.*

An increasing number of states have considered or adopted laws that attempt to impose sales tax collection obligations on out-of-state sellers. We do not collect state and local sales and use taxes in all jurisdictions in which our customers are located, based on our belief that such taxes are not applicable. Jurisdictions in which we do not collect sales and use taxes may assert that such taxes are applicable and require us to calculate, collect, and remit taxes, interest, and penalties, as well as collect such taxes in the future. In addition, one or more states, the federal government, or other countries may seek to impose additional reporting, record-keeping, or indirect tax collection obligations on businesses like ours that offer subscription services. For example, on June 21, 2018, the Supreme Court held in *South Dakota v. Wayfair, Inc.* that states could impose sales tax collection obligations on out-of-state sellers even if those sellers lack any physical presence within the states imposing the sales taxes. In response to *Wayfair*, states may require us to collect and remit sales and use taxes where we have not collected and remitted sales and use taxes that occurred in prior tax years. The imposition by state governments or local governments of sales tax collection obligations on out-of-state sellers could also create additional administrative burdens for us, subject us to additional costs, put us at a competitive disadvantage if similar obligations are not imposed on our competitors, and decrease our future sales, which could have an adverse effect on our business, financial condition, and results of operations.

### **Risks Related to Finance and Accounting**

*Our quarterly results may fluctuate significantly and may not fully reflect the underlying performance of our business.*

Our quarterly results of operations, including the levels of our revenues, gross margin, profitability, and cash flow may vary significantly in the future and, accordingly, period-to-period comparisons of our results of operations may not be meaningful. Thus, the results of any one quarter should not be relied upon as an indication of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, and may not fully or accurately reflect the underlying performance of our business. For example, while subscriptions with our customers often include multi-year terms that typically range from three to five years, a majority of our revenues from these subscriptions comes from usage or volume-based fees, such as application fees and per inquiry fees, as opposed to annual or monthly base fees. As such, if our customers terminate their agreements with us prior to their scheduled term, we may only recover all or a portion of our contractual base fees, and not any usage or volume-based fees. Fluctuation in quarterly results may negatively impact the value of our common stock. Factors that may cause fluctuations in our quarterly financial results include, without limitation, those listed below:

- our ability to retain current customers or attract new customers;
- the overall usage and volume of transactions handled or processed using our software solutions, which may vary based on external factors such as macroeconomic conditions, including the impact of the COVID-19 pandemic, and seasonality;
- the activation, delay in activation, or cancellation by customers;
- the timing of recognition of professional services revenues;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations, and infrastructure;
- consolidations between or mergers or acquisitions of our customers, to the extent the combined entity or acquirer elects not to continue using our solutions or reduces subscriptions to it;
- customer renewal, expansion, and retention rates;
- increases or decreases in usage or pricing changes upon renewals of customer contracts;
- network outages or security breaches;
- general economic, industry, and market conditions (particularly those affecting financial institutions);
- changes in our pricing policies or those of our competitors;
- seasonal variations in sales of our software solutions, which have historically been highest in the third quarter of our fiscal year;

- the timing and success of introductions of new solutions or features and functionality by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers, or strategic partners;
- unexpected expenses such as those related to litigation and other disputes; and
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies.

***Our forecasts are subject to significant risks, assumptions, estimates, and uncertainties, which may cause our revenues, market share, expenses, and profitability to differ materially from our expectations.***

Our forecasts, as well as our internal estimates and research, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. We operate in rapidly evolving, fragmented, and competitive industries, which make our results of operations difficult to predict. Additionally, we have a limited operating history at the current scale of our business, which makes it difficult to forecast our future results.

Forecasts are inherently imperfect predictors of actual results due to their basis on historical data and assumptions regarding factors, such as the competition our business faces, our ability to attract and retain customers and partners, our ability to successfully implement our business strategy, future demand, subscription renewals, and industry and market trends. In addition, any issues with the quality or effectiveness of our data aggregation and validation procedures, as well as the quality and integrity of data inputs, could result in ineffective or inaccurate forecast outputs and reports. Forecasts based on historical data sets might not be accurate predictors of future outcomes, and their ability to appropriately predict future outcomes may degrade over time.

Given the challenges of predicting future behavior, management judgment is used at every stage of the forecasting process, from forecast design decisions regarding core underlying assumptions, to interpreting and applying final output. Further, when market conditions change quickly and unpredictably, there is an increased risk that the assumptions and data inputs for our forecasts are not representative of the most recent market conditions, which requires management judgment to make adjustments or overrides to our forecasts. In a rapidly changing environment, we may be unable to update existing forecasts expeditiously to properly account for the most recently available data and events.

If the forecasts of market growth, anticipated spending, or predictions regarding market size prove to be inaccurate, our business and growth prospects could be adversely affected. Even if all or some of the forecasted growth occurs, our business may not grow at a similar rate, or at all. If actual results differ from our estimates, analysts may negatively react and our stock price could be materially impacted.

***Because we recognize certain subscription fee revenues over the term of the contract, downturns or upturns in our business may not be fully reflected in our results of operations until future periods.***

We generally recognize revenues from subscription fees ratably over the terms of our customer contracts, which typically have an initial term of three years. As such, a portion of the subscription fee revenues we report each quarter are derived from the recognition of deferred revenues relating to subscriptions activated in previous quarters. Consequently, a reduction in customer subscriptions in any single quarter may only have a small impact on our revenues for that quarter. However, such a decline will negatively affect our revenues in future quarters. Accordingly, the effect of significant downturns in sales or market acceptance of our software solutions may not be fully reflected in our results of operations until future periods.

***If our goodwill and other intangibles become impaired, we may be required to record a significant charge to earnings.***

We have a significant amount of goodwill and other intangibles. Our goodwill and other intangible asset balances as of March 31, 2022 were approximately \$564.8 million and \$287.9 million, respectively. We test goodwill at least annually, on October 1, or more frequently if circumstances indicate that goodwill may not be recoverable. Testing involves estimates and judgments by management. Such assets are considered to be impaired when the carrying value of an intangible asset exceeds its estimated fair value. We may be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets is determined. While no impairment has been recorded in the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q, any future impairment of a significant portion of our goodwill could materially adversely affect our financial condition and results of operations.

***Our debt agreements contain restrictions that limit our flexibility.***

Our debt agreements contain, and any future indebtedness of ours would likely contain, a number of covenants that impose significant operating and financial restrictions on us, including restrictions on our and our subsidiaries' ability, among other things, to:

- incur additional indebtedness;
- incur liens;
- engage in mergers, consolidations, liquidations, or dissolutions;
- pay dividends and distributions on, or redeem, repurchase, or retire our capital stock;
- make investments, acquisitions, loans, or advances;
- create negative pledge or restrictions on the payment of dividends or payment of other amounts owed from subsidiaries;
- sell, transfer, or otherwise dispose of assets, including capital stock of subsidiaries;
- make prepayments of material debt that is subordinated with respect to right of payment or liens, or is unsecured;
- engage in certain transactions with affiliates;
- modify certain documents governing material debt that is subordinated with respect to right of payment; and
- change our lines of business.

As a result of these covenants, we will be limited in the manner in which we conduct our business, and we may be unable to engage in favorable business activities or finance future operations or capital needs.

***We are highly leveraged and have substantial indebtedness, which reduces our capability to withstand adverse developments or business conditions.***

We have incurred substantial amounts of indebtedness to finance our business operations, including our growth initiatives. Our level of indebtedness increases the possibility that we may be unable to generate cash sufficient to pay, when due, the principal of, interest on, or other amounts due in respect of our indebtedness.

Our overall leverage and the terms of our financing arrangements could also:

- make it more difficult for us to satisfy obligations under our outstanding indebtedness, and any failure to comply with the obligations under any of our debt instruments, including restrictive covenants, could result in an event of default under any of the agreements governing our indebtedness;
- limit our ability to obtain additional financing in the future for working capital, capital expenditures, or acquisitions;
- limit our ability to refinance our indebtedness on terms acceptable to us or at all;
- delay investments, restrict us from making strategic acquisitions, or cause us to make non-strategic divestitures;
- require us to dedicate a significant portion of our cash flow from operations to paying the principal of and interest on our indebtedness, thereby limiting the availability of our cash flow to fund future capital expenditures, working capital, and other corporate purposes;
- increase our vulnerability to adverse economic and industry conditions, which could place us at a competitive disadvantage or require us to dispose of assets to raise funds if needed for working capital;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a competitive disadvantage compared with competitors that have a less significant debt burden; and
- expose us to increased market interest rates resulting in our variable-rate debt having higher debt service requirements.

***We may not be able to secure sufficient additional financing on favorable terms, or at all, to meet our future capital needs.***

We may require additional capital in the future to pursue business opportunities or acquisitions or respond to challenges and unforeseen circumstances. We may also decide to engage in equity or debt financings or enter into additional credit facilities for other reasons. We may not be able to secure additional debt or equity financing in a timely manner, on favorable terms, or at all.

***The phase-out, replacement, or unavailability of the London Inter-Bank Offered Rate, or LIBOR, could affect interest rates under our revolving credit facility, as well as our ability to obtain future debt financing on favorable terms.***

We are subject to interest rate risk on floating interest rate borrowings under our credit facilities. Borrowings under our credit facilities use LIBOR as a benchmark for establishing the interest rate. In July 2017, the Financial Conduct Authority (the regulatory authority over LIBOR) stated that it would phase out LIBOR as a benchmark after 2021 to allow for an orderly transition to an alternative reference rate, and have since initiated the phase-out of LIBOR. Our term loan and revolving credit facilities provide for alternative methods of calculating the interest rate payable on such facilities by moving through a waterfall of defined successor SOFR-based benchmark interest rates (or, if a SOFR-based benchmark rate is not available, such rate as agreed between us and the administrative agent of the credit facility), along with technical changes to reflect the adoption of any such new benchmark rate upon the occurrence of certain triggering events. It is not presently known whether SOFR or any other alternative reference rates that have been proposed will attain market acceptance as replacements of LIBOR. In addition, the overall financial markets may be disrupted as a result of the phase-out or replacement of LIBOR. Furthermore, the consequences of the transition from LIBOR could result in an increase in the cost of our borrowings on our variable rate debt, which could adversely impact our interest expense, results of operations and cash flows. Uncertainty as to the nature of such phase out and selection of an alternative reference rate, together with disruption in the financial markets, could have a material adverse effect on our financial condition, results of operations and cash flows, and may adversely affect our ability to obtain future debt financing on favorable terms.

***Amendments to existing, or enactment of new unfavorable, tax laws, rules, or regulations could adversely affect our financial position.***

Changes in applicable U.S. federal, state, and local income taxation laws, rules, or regulations, or their interpretation and application, including possible retroactive effect, could adversely affect our tax expense and profitability. In recent years, many such changes have been made, and changes are likely to continue to occur in the future. For example, many provisions of the Tax Cuts and Jobs Act of 2017 and the CARES Act, enacted in March 2020, still require guidance through the issuance or finalization of regulations by the U.S. Treasury Department in order to fully assess their effects. There may be substantial delays before such regulations are promulgated or finalized as well as proposed technical corrections or other legislation, resulting in uncertainty as to their ultimate effects. The CARES Act included certain changes in tax law intended to stimulate the U.S. economy in light of the COVID-19 pandemic, including temporary beneficial changes to the treatment of net operating losses, interest deductibility limitations, and payroll tax matters. Changes in our tax provisions or an increase in our tax liabilities, whether due to changes in applicable laws and regulations, the interpretation or application thereof, or a final determination of tax audits or litigation or agreements, could have an adverse effect on our financial position.

## **Risks Related to Potential Conflicts of Interests and Related Parties**

*We are a controlled company within the meaning of the NYSE rules and, as a result, qualify for and rely on exemptions from certain corporate governance requirements.*

Thoma Bravo, as the ultimate general partner of the Thoma Bravo Funds, and its related entities own a majority of the voting power of our outstanding common stock. As a result, we are, and expect we will continue to be, a controlled company within the meaning of the New York Stock Exchange, or NYSE, corporate governance standards. Under the NYSE rules, a company of which more than 50% of the voting power is held by another person or group of persons acting together is a controlled company and may elect not to comply with certain NYSE corporate governance requirements, including the requirements that:

- a majority of the board of directors consist of independent directors as defined under the rules of the NYSE;
- the nominating and governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

We have and, for so long as we remain a controlled company, expect to continue to use some or all of these exemptions. Additionally, our executive officers, directors, and the Thoma Bravo Funds beneficially own approximately 69.8% of our issued and outstanding shares of common stock as of May 6, 2022. These stockholders may be able to determine all matters requiring stockholder approval including, but not limited to, elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common stock that you may feel are in your best interest as one of our stockholders. Accordingly, you may not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

*Thoma Bravo has a controlling influence over matters requiring stockholder approval, which may have the effect of delaying or preventing changes of control, or limiting the ability of other stockholders to approve transactions they deem to be in their best interest.*

As of May 6, 2022, Thoma Bravo, as the ultimate general partner of the Thoma Bravo Funds, and its related entities beneficially own, in the aggregate, approximately 50.2% of our issued and outstanding shares of common stock. As a result, Thoma Bravo could exert significant influence over our operations and business strategy and would have sufficient voting power to determine the outcome of all matters requiring stockholder approval. These matters may include:

- the composition of our board of directors, which has the authority to direct our business and to appoint and remove our officers;
- approving or rejecting a merger, consolidation, or other business combination;
- raising future capital; and
- amending our charter and bylaws, which govern the rights attached to our common stock.

Pursuant to our certificate of incorporate and bylaws, for so long as Thoma Bravo beneficially owns 30% or more of our outstanding shares of common stock, Thoma Bravo will have the right to designate a majority of our board of directors. Accordingly, we expect the directors designated by Thoma Bravo to constitute a majority of each committee of our board of directors, other than the audit committee, and to chair each of the committees, other than the audit committee. At such time as we are not a "controlled company" under the NYSE corporate governance standards, however, our board of directors and committee membership will comply with all applicable requirements of those standards.

This concentration of ownership of our common stock could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs, or other purchases of our common stock that might otherwise give you the opportunity to realize a premium over the then-prevailing market price of our common stock, and could, in turn, adversely affect our share price.

***Thoma Bravo may pursue corporate opportunities independent of us that could present conflicts with our and our stockholders' interests.***

Thoma Bravo is in the business of making or advising on investments in companies and holds (and may from time to time in the future acquire) interests in or provides advice to businesses that may directly or indirectly compete with our business or be suppliers or customers of ours. Thoma Bravo may also pursue acquisitions that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

Our charter provides that none of our officers or directors who are also an officer, director, employee, partner, managing director, principal, independent contractor, or other affiliate of Thoma Bravo will be liable to us or our stockholders for breach of any fiduciary duty by reason of the fact that any such individual pursues or acquires a corporate opportunity for its own account or the account of an affiliate, as applicable, instead of us, directs a corporate opportunity to any other person, instead of us, or does not communicate information regarding a corporate opportunity to us. Such provision will apply for so long as Thoma Bravo holds any of our securities.

**Risks Related to Our Common Stock and Governance Structure**

***The trading price of our common stock could be volatile, and you could lose all or part of your investment.***

Our IPO occurred in July 2021. As such, there has only been a public market for our common stock for a short period of time. An active trading market for our common stock may not develop or be sustained. In addition, the trading prices of technology stocks have historically experienced high levels of volatility. The trading price of our common stock may fluctuate substantially.

Some of the factors that may cause the market price of our common stock to fluctuate, many of which may be beyond our control and may not be related to our operating performance, include:

- announcements of new products or technologies, commercial relationships, acquisitions, or other events by us or our competitors;
- changes in how customers perceive the benefits of software solutions;
- shifts in the mix of billings and revenues attributable to subscription fees, service fees, and product partner fees, from quarter to quarter;
- departures of key personnel;
- price and volume fluctuations in the overall stock market from time to time;
- fluctuations in the trading volume of our shares or the size of our public float;
- sales of large blocks of our common stock, including by the Thoma Bravo Discover Fund, L.P., Thoma Bravo Discover Fund A, L.P., Thoma Bravo Discover Fund II, L.P., Thoma Bravo Discover Fund II-A, L.P., and Thoma Bravo Discover Executive Fund II, L.P. (collectively, the “Thoma Bravo Funds”);
- actual or anticipated changes or fluctuations in our operating results;
- unfavorable securities analysts’ research and reports published about us, our business, our market, or our competitors;
- whether our operating results meet the expectations of securities analysts or investors, or changes in actual or future expectations of investors or securities analysts;
- fluctuations in our quarterly or annual earnings results or those of other companies in our industry;
- litigation involving us, our industry, or both;
- changes in monetary policy by the Federal Reserve;
- regulatory developments;
- actual or perceived security compromises or breaches;
- general economic conditions and trends, including changes in interest rates and consumer borrowing habits;
- major catastrophic events in domestic and foreign markets; and
- the other factors described in these “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q.

These fluctuations may limit or prevent investors from readily selling their shares of common stock, could cause investors to lose all or part of their investment in our common stock, and may otherwise negatively affect the liquidity of our common stock.

In addition, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, operating results, or financial condition. The trading price of our common stock might also decline in reaction to events that affect other companies in our industry even if these events do not directly affect us. In the past, following periods of volatility in the trading price of a company's securities, securities class action litigation has often been brought against that company.

***For as long as we are an emerging growth company, we will not be required to comply with certain requirements that apply to other public companies.***

We are an emerging growth company, as defined in the JOBS Act. For as long as we are an emerging growth company, unlike other public companies, we will not be required to, among other things: (i) provide an auditor's attestation report on management's assessment of the effectiveness of our system of internal control over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act of 2002, or Sarbanes-Oxley Act; (ii) comply with any new requirements adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotation or a supplement to the auditor's report in which the auditor would be required to provide additional information about the audit and the financial statements of the issuer; (iii) provide certain disclosures regarding executive compensation required of larger public companies; or (iv) hold nonbinding advisory votes on executive compensation and any golden parachute payments not previously approved. In addition, the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for adopting new or revised financial accounting standards. We intend to take advantage of the longer phase-in periods for the adoption of new or revised financial accounting standards permitted under the JOBS Act until we are no longer an emerging growth company. If we were to subsequently elect instead to comply with these public company effective dates, such election would be irrevocable pursuant to the JOBS Act.

We will remain an emerging growth company up until December 31, 2026, although we will lose that status sooner if we have more than \$1.07 billion of revenues in a fiscal year, have more than \$700 million in market value of our common stock held by non-affiliates (and have been a public company for at least 12 months and have filed one annual report on Form 10-K), or issue more than \$1.0 billion of non-convertible debt over a three-year period.

To the extent that we rely on any of the exemptions available to emerging growth companies, you will receive less information about our executive compensation and internal control over financial reporting than issuers that are not emerging growth companies. We cannot predict if investors will find our common stock less attractive because we will rely on these exemptions. If some investors find our common stock to be less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

***Our issuance of additional capital stock in connection with financings, acquisitions, investments, our stock incentive plans, or otherwise will dilute all other stockholders.***

We may issue additional capital stock in the future that will result in dilution to all other stockholders. We may also raise capital through equity financings in the future. As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies and issue equity securities to pay for any such acquisition or investment. We have issued and currently plan to issue common stock pursuant to our 2021 Stock Option and Incentive Plan, 2021 Employee Stock Purchase Plan, or other equity incentive plans that we may adopt in the future. Any such issuances of additional capital stock may cause stockholders to experience significant dilution of their ownership interests and the per share value of our common stock to decline.

***We do not intend to pay dividends on our common stock and, consequently, our stockholders' return on investment will depend on appreciation in the price of our common stock.***

We have never declared or paid any dividends on our common stock. We intend to retain any earnings to finance the operation and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. As a result, you may only receive a return on your investment in our common stock if the market price of our common stock increases.

***We may issue preferred stock the terms of which could adversely affect the voting power or value of our common stock.***

Our charter authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations, and relative rights, including preferences over our common stock respecting dividends and distributions, as our board of directors may determine. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of our common stock.

***Delaware law and certain provisions in our charter and bylaws could delay, discourage, or prevent a change in control of our company.***

Our status as a Delaware corporation and the existence of certain provisions of our charter and bylaws contain provisions that could delay, discourage, or prevent a change in control of our company that a stockholder may consider favorable. These provisions include:

- a classified board of directors with three-year staggered terms;
- after Thoma Bravo ceases to beneficially own at least 30% of the outstanding shares of our common stock, the removal of directors only for cause and subject to the affirmative vote of holders of at least 66 2/3% of our voting power;
- the ability of our board of directors to both issue shares of preferred stock and determine the price and other terms of those shares without stockholder approval;
- allowing Thoma Bravo to fill any vacancy on our board of directors for so long as affiliates of Thoma Bravo own 30% or more of our outstanding shares of common stock and, thereafter, allowing only our board of directors to fill vacancies on our board of directors;
- after Thoma Bravo ceases to beneficially own at least a majority of the outstanding shares of our common stock, a prohibition on stockholder action by written consent;
- after we cease to be a controlled company, the requirement that a special meeting of stockholders may be called only by our board of directors, the chairperson of our board of directors, our chief executive officer, or our president (in the absence of a chief executive officer);
- after we cease to be a controlled company, the requirement for the affirmative vote of holders of at least 66 2/3% of our outstanding voting stock, voting together as a single class, to amend the provisions of our charter relating to the management of our business or the requirement for the affirmative vote of holders of at least 75% of our outstanding voting stock, voting together as a single class, to amend certain provisions of our bylaws;
- the ability of our board of directors to amend our bylaws;
- advance notice procedures for stockholders to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting; and
- prohibition of cumulative voting in the election of our board of directors.

Our charter also provides us with protections similar to Section 203 of the Delaware General Corporation Law and prevents certain business combinations with a stockholder owning at least 15% of our outstanding voting stock, unless approved in a prescribed manner. Our charter also provides, however, that transactions with Thoma Bravo, including the Thoma Bravo Funds and any persons to whom any Thoma Bravo Fund sells its common stock, will be deemed to have been approved by our board of directors.

While these provisions may protect our stockholders from coercive or otherwise unfair takeover tactics, these provisions could also delay, discourage, or prevent a change in control transaction or changes in our board of directors that some stockholders may consider beneficial or prevent our stockholders from receiving a premium over the market price of our common stock that they might otherwise receive.

***Our bylaws designate the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.***

Our bylaws provide that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for state law claims for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a breach of fiduciary duty by one or more of our directors, officers or employees, (iii) any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum selection clause may impose additional litigation costs on stockholders, discourage claims, or limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. Although this provision may be beneficial in its consistency in the application of Delaware law, the Court of Chancery of the State of Delaware may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments may be more or less favorable to us than our stockholders. Alternatively, if the enforceability of the choice of forum provision contained in our bylaws is challenged and a court finds such provision to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. Our bylaws further provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. This provision would not apply to any action brought to enforce a duty or liability created by the Exchange Act and the rules and regulations thereunder. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provisions.

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

### ***Use of IPO Proceeds***

On July 27, 2021, the Registration Statement on Form S-1 (File No. 333-255680) relating to our IPO was declared effective by the SEC. There has been no material change in the use of proceeds from our IPO as described in our final prospectus dated July 27, 2021 and as filed with the SEC on July 28, 2021 pursuant to Rule 424(b) of the Securities Act and other periodic reports previously filed with the SEC.

## **Item 3. Default upon Senior Securities**

None.

## **Item 4. Mine Safety Disclosures**

Not applicable.

## **Item 5. Other Information**

None.

**Item 6. Exhibit Index**

<b>Exhibit No.</b>	<b>Exhibit Title</b>	<b>Form</b>	<b>Exhibit</b>	<b>Filing Date</b>
3.1	<a href="#">Certificate of Incorporation of the Registrant.</a>	10-Q	3.1	September 7, 2021
3.2	<a href="#">Bylaws of the Registrant.</a>	S-1	3.3	April 30, 2021
4.1	<a href="#">Specimen Common Stock Certificate.</a>	S-1	4.1	April 30, 2021
4.2	<a href="#">Registration Rights Agreement, dated May 31, 2018, by and among the Registrant and certain of its shareholders.</a>	S-1	4.2	April 30, 2021
31.1	<a href="#">Certification of Principal Executive Officer pursuant to SEC Rule 13a-14(a)/15d-14(a).</a>	—	—	Filed herewith
31.2	<a href="#">Certification of Principal Financial Officer pursuant to SEC Rule 13a-14(a)/15d-14(a).</a>	—	—	Filed herewith
32.1#	<a href="#">Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	—	—	Filed herewith
32.2#	<a href="#">Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>	—	—	Filed herewith
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).	—	—	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	—	—	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	—	—	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	—	—	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	—	—	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	—	—	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	—	—	Filed herewith

# The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed “furnished” and not “filed” for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filings under the Securities Act or the Exchange Act, except to the extent that the Registrant specifically incorporates them by reference.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

MERIDIANLINK, INC.

Dated: May 12, 2022

By: /s/ Nicolaas Vlok

Name: **Nicolaas Vlok**

Title: Chief Executive Officer (Principal Executive Officer)

Dated: May 12, 2022

By: /s/ Chad Martin

Name: **Chad Martin**

Title: Chief Financial Officer (Principal Financial and Accounting Officer)

**Certification of Principal Executive Officer  
Pursuant to SEC Rule 13a-14(a)/15d-14(a)**

I, Nicolaas Vlok, certify that:

1. I have reviewed this report on Form 10-Q of MeridianLink, Inc. for the period ended March 31, 2022;
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)) 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) (Paragraph omitted in accordance with Exchange Act Rule 13a-14(a));
  - (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(s) 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.

May 12, 2022

/s/ Nicolaas Vlok

Name: Nicolaas Vlok

Title: President and Chief Executive Officer  
(Principal Executive Officer)

**Certification of Principal Financial Officer  
Pursuant to SEC Rule 13a-14(a)/15d-14(a)**

I, Chad Martin, certify that:

1. I have reviewed this report on Form 10-Q of MeridianLink, Inc. for the period ended March 31, 2022;
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)) 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) (Paragraph omitted in accordance with Exchange Act Rule 13a-14(a));
  - (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(s) 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.

May 12, 2022

/s/ Chad Martin

Name: Chad Martin

Title: Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

**Certification of Principal Executive Officer  
Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code,  
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report on Form 10-Q of MeridianLink, Inc. (the "Company") for the period ended March 31, 2022, as filed with the Securities and Exchange Commission (the "Report"), I, Nicolaas Vlok, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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.
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Nicolaas Vlok

Name: Nicolaas Vlok  
Title: President and Chief Executive Officer  
(Principal Executive Officer)  
May 12, 2022

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

**Certification of Principal Financial Officer  
Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code,  
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the quarterly report on Form 10-Q of MeridianLink, Inc. (the "Company") for the period ended March 31, 2022, as filed with the Securities and Exchange Commission (the "Report"), I, Chad Martin, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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.
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Chad Martin

Name: Chad Martin

Title: Chief Financial Officer and Treasurer  
(Principal Financial and Accounting Officer)

May 12, 2022

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

This certification is being furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section. This certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.