



2023 Annual Report



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2023

Dear Stockholders, Customers, Partners, and Employees:

2023 was an incredible year for PROS. Our team exceeded the expectations we set, delivering 14% subscription ARR growth, 10% total revenue growth, 15% subscription revenue growth, and a 152% improvement in free cash flow year-over-year.



We made it our goal to get to a Rule of 10 in 2023 and we outperformed that goal by reaching Rule of 14, staying focused on our long-term goal of becoming a Rule of 40 company.

When we started our transition to the cloud in 2015, we wanted to make our solutions accessible to the masses. This forced a whole new wave of innovation for PROS – embracing the most modern SaaS technology and rearchitecting our entire platform to build what we know as the PROS Platform today.

I am so proud that since that transition, we have grown our subscription revenue to \$234 million as of 2023, representing a compound annual growth rate of 30% since 2015.

Our platform has enabled us to accelerate our pace of innovation and continue to launch groundbreaking AI innovations that captivate the market. In 2023, we added over 400 new features across the PROS Platform, including revolutionary industry-first innovations such as Continuous Pricing for Airlines, Capacity-Aware Optimization, Collaborative Quoting, and Dynamic Ancillary Pricing, among many others. Our innovations continue to redefine the landscape, empowering our customers to thrive in generation AI.

Our platform has also made our market-leading AI innovations faster than ever to adopt through our land, realize and expand strategy. In 2023, we drove record-breaking deal volumes, accelerated deal velocity, improved rep productivity by nearly 20%, and achieved a notable 20% reduction in time-to-value across our core offerings year-over-year.

At the heart of our success lies a culture rooted in our core values of ownership, innovation, and care for each other, our customers, and our communities. Each member of our team embodies these values, demonstrating unwavering dedication to our mission of helping people and companies outperform.

This is such an exciting time at PROS. Today more businesses are focused on how they can use digitization, automation, and AI to drive profitable growth than ever before, and we enter 2024 extremely well-positioned to capitalize on this market opportunity.

Thank you for your ongoing support of PROS.

Andres

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12



PROS HOLDINGS, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check all boxes that apply):

- No fee required.
- Fee paid previously with preliminary materials.
- Fee computed on table in exhibit required by Item 25(b) per Exchange Act Rules 14a-6(i)(1) and 0-11.

Voting

Please vote your shares promptly to ensure a quorum at the meeting. You may vote online prior to the meeting by visiting proxyvote.com and entering the control number found in your Notice of Internet Availability of Proxy Materials, or, if you requested printed copies of the proxy materials, by phone or by mail. You may also vote during the Annual Meeting by visiting www.virtualshareholdermeeting.com/PRO2024, entering the control number and following the instructions. For more detailed information, see the section entitled [Voting Instructions](#).

Attending the Annual Meeting

Our 2024 annual meeting of stockholders (Annual Meeting) will be held in a virtual format to permit all stockholders equal access to the Annual Meeting.

To participate in the Annual Meeting, please follow the instructions posted at:

www.virtualshareholdermeeting.com/PRO2024

Online access to the meeting platform will begin 30 minutes prior to the meeting, which will begin promptly at:

8:00 a.m. Central Daylight Time on May 15, 2024

If you want to ask a question before the meeting, then beginning on April 15, 2024 and ending at 11:59 p.m. Eastern Time on April 30, 2024, you may log into proxyvote.com and enter your 16-digit control number. Questions pertinent to meeting matters which are submitted in advance will be answered during the Annual Meeting, subject to time constraints.

If you want to submit your question during the meeting, log into the virtual meeting platform at www.virtualshareholdermeeting.com/PRO2024, type your question into the “**Ask a Question**” field, and click “**Submit**.” Questions pertinent to meeting matters that are submitted during the meeting will be answered during the Annual Meeting. You do not need to attend the Annual Meeting to vote.

Even if you plan to attend the Annual Meeting, we encourage you to vote your shares in advance either online or as detailed under [Voting Instructions](#) in this Proxy Statement.

In this Proxy Statement, the terms “PROS,” the “Company,” “we,” “us” and “our” refer to PROS Holdings, Inc. together with its consolidated subsidiaries. This Proxy Statement includes website addresses and references to additional materials found on those websites. These websites are not incorporated in this Proxy Statement by reference.

This document includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding our ESG goals and strategies. These statements involve risks and uncertainties. Actual results could differ materially from any future results expressed or implied by the forward-looking statements for a variety of reasons, including due to the risks and uncertainties that are discussed in our most recently filed periodic reports on [2023 10-K](#) and Form 10-Q and subsequent filings. We assume no obligation to update any forward-looking statements or information, which speak as of their respective dates.

We are mailing to our stockholders a Notice of Internet Availability of Proxy Materials (Notice) instead of a paper copy of this proxy statement (Proxy Statement) and our Annual Report to Stockholders for the Year Ended December 31, 2023 (2023 Annual Report). The Notice contains instructions on how to access those documents over the Internet. The Notice also contains instructions on how to request a paper copy of our proxy. These materials were first sent or made available to stockholders on April 4, 2024.



PROS HOLDINGS, INC.

Notice of 2024 Annual Meeting of Stockholders

Date and Time

May 15, 2024 - 8:00 A.M. Central Time

Virtual Meeting Site

www.virtualshareholdermeeting.com/PRO2024

Who Can Vote

Shareholders of record at the close of business on March 22, 2024
(Record Date)

Items of Business and Board Voting Recommendation

- | | | |
|---|---|---------------------------------|
| 1 | Elect three Class II directors (Raja Hammoud, Leland Jourdan and William Russell) to the board of directors of PROS Holdings, Inc. (Board of Directors or Board) to serve a three-year term until the annual meeting of our stockholders to be held in the year 2027 (2027 Annual Meeting); | FOR each of the nominees |
| 2 | Advisory vote on named executive officer compensation; | FOR |
| 3 | Ratification of appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2024; | FOR |

and other business as may properly come before the Annual Meeting and any postponements or adjournments thereof.

Sincerely,

/s/ Damian Olthoff

Damian Olthoff

General Counsel and Secretary

Houston, Texas

April 4, 2024

Your vote is important. Please vote.

The Notice of Meeting, Proxy Statement and 2023 Annual Report are available free of charge at proxyvote.com and at ir.pros.com.

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PROS Values

Our mission is to help people and companies outperform. Our people, culture and values, reflected in our motto "We are Owners. We are Innovators. We Care.", are at the heart of everything we do to deliver on this mission. Our values are simple, celebrated and guide how we show up, how we treat others and how we make decisions every day. We want our people to be proud of the work they do and of the company they work for. For more information on our culture and values, please visit ir.pros.com.

We are Owners

Our people's success is PROS success, and while our employees work hard every day to deliver the best experience for our customers, we look for every opportunity internally to create a better employee experience for our people. Our colleagues take pride in the work they do and in helping others, making everyone around them even better. We value and respect all voices across PROS, encouraging ongoing feedback to help us continuously learn and grow. We hold ourselves and others accountable and take ownership of our growth and development. PROS offers several ways for our people to get involved and grow their careers and skill sets, including leadership training, mentorship opportunities and employee resource groups.

We are Innovators

The diversity of experience and thought that our employees' unique perspectives bring to the table not only foster an inclusive culture but are a central driver to our innovation and business success. We continue to be recognized by industry analysts for top products and innovation, including market leadership positions in the Forrester Wave for CPQ, the IDC MarketScape for Price Optimization and Management, the Constellation ShortList for CPQ and Price Optimization, the G2 Grid for Pricing Software, the Nucleus Research Value Matrix for CPQ, and the Frost and Sullivan Frost Radar for CPQ.

We Care

About our Employees. We are truly a people-first culture where every person is encouraged to bring their authentic selves to work and feel they belong and are valued. It's how our company was started and how we'll always operate. We believe that cultivating an inclusive environment – through diversity of thought, backgrounds, cultures and experiences – is key to making an impact and enabling our people to reach their full potential. Our teams prioritize wellbeing and genuinely care for and support each other, our communities and customers. The impact of these efforts is evidenced by our award-winning culture, Certified™ by Great Place to Work® and recognized as a Best Workplace in Texas, Most Loved Workplace and People's 100 Companies that Care. In 2023, we were recognized as an Outstanding Diverse Organization by the Houston Business Journal's Diversity in Business Awards and achieved the Gold level of the Cigna Healthy Workforce Designation™.

About our Communities. We believe in giving back and making a positive impact in the communities where we live and work. Through participation in community outreach projects, our people continue to create a culture that embraces inclusion and belonging and fosters a collaborative sense of purpose, creating a positive societal impact and further bringing our corporate values to life. Our employees volunteer their time to numerous social programs that are aimed at addressing a wide range of issues in the areas of homelessness, education, empowerment, crisis response and conservation.

About our World. We believe success is not just measured in dollars and cents; it is also measured in the impact we have on our communities. PROS continues to initiate sustainable activities that make a positive impact on the people and the environment around us. We are committed to understanding and minimizing our own environmental footprint. Our approach focuses on energy, emissions and waste across our operations including the PROS Platform and in our corporate facilities.

Our Commitment to Transparency

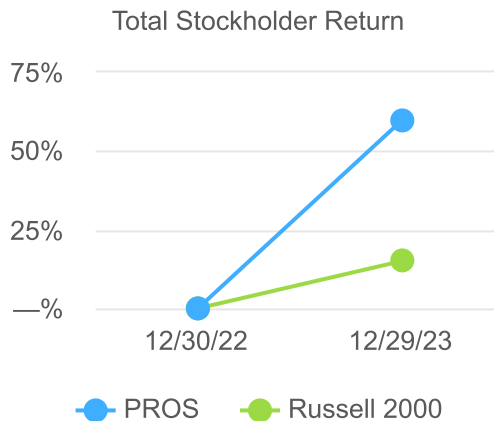
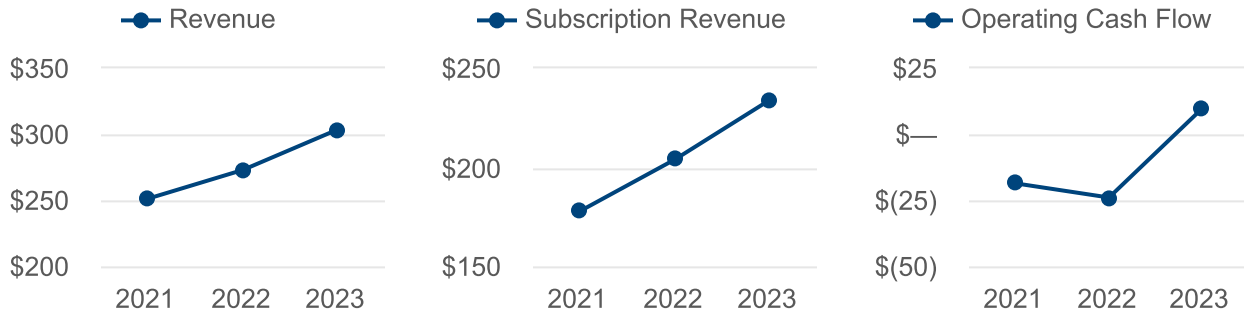
Consistent with our values, we publicly release information about our business across a number of important topics*.

ESG	Sustainability	Diversity & Inclusion
ir.pros.com/ESG	ir.pros.com	pros.com/about-pros/diversity-and-inclusion
Trust & Security	Human Rights Policy	Privacy
pros.com/trust-security/	ir.pros.com	ir.pros.com

*Our goals are aspirational and may change. Statements regarding the Company are not guarantees or promises that they will be met. For more information regarding CSR and ESG at PROS, including our diversity and inclusion programs and metrics as well as our environmental stewardship activities, please visit ir.pros.com.

Our Business

In 2023, we continued to deliver on our mission of helping people and companies outperform. Through our passion for innovation and our dedication to customer success, our team continued to enable our customers to optimize their shopping and selling experiences. In 2023, we added over 400 new features across the PROS Platform, including revolutionary industry-first innovations such as Continuous Pricing for Airlines, Capacity-Aware Optimization, Collaborative Quoting, and Dynamic Ancillary Pricing, among others. We believe our value proposition has never been more relevant, as businesses continue to lean into digitization, automation and AI to drive operational efficiencies and fuel revenue growth. The PROS Platform and our land, realize, expand strategy have made our solutions faster than ever to adopt, further driving our success in capturing our incredible market opportunity. As a result, in 2023 we made progress toward our long-term goal of being a 'rule of 40' company, as we delivered 15% subscription revenue growth and 10% total revenue growth while also improving our operating cash flow by 141%, each as compared to 2022. For more information on our financial performance, please see our Annual Report on Form 10-K for the year ended December 31, 2023 ([2023 10-K](#)).



2023 Highlights

\$303.7mm	15%	84%
Total Revenue	Subscription Revenue Growth over 2022	Recurring Revenue as a % of Total Revenue
\$33.8mm	93%+	3.4T
Improvement in operating cash flow over 2022	Annual Customer Gross Revenue Retention	Transactions Processed, a more than 60% increase over 2022

None of these accomplishments would have been possible without our dedicated team, inclusive culture, and strong values – We are Owners, We are Innovators, We Care – built into everything we do.

CORPORATE GOVERNANCE

Our Board and corporate governance structure is designed to assure that the long-term interests of our stockholders are being served. To satisfy the Board's duties, directors are expected to take a proactive approach to overseeing our CEO and other senior management to ensure that PROS is committed to business success while maintaining high ethical standards.

Board of Directors

Our Board oversees our CEO and other senior management to assure that the long-term interests of stockholders are being served. Our Board currently consists of ten members, divided into three classes, with each class serving for a staggered three-year term. The term of office of one class of directors expires each year in rotation so that one class is elected at each annual meeting. Our Board believes that our classified board structure aligns the Board with the Company's long-term interests and allows for stable and informed oversight, providing institutional perspective both to management and other directors. Our Board has adopted formal Corporate Governance Guidelines to ensure that it has the practices in place to review and evaluate our business operations as needed, to make decisions independent of our management, and to align the interests of directors and management with the interests of our stockholders.

In 2023, our Board met six times and acted via unanimous written consent four times. Each current director who served as a director in 2023 attended at least 75% of the meetings of our Board and the Committees on which he or she served during 2023. The Board encourages all directors to attend annual meetings of the stockholders. All then incumbent directors attended the 2023 meeting of stockholders which was held virtually.

2023 Focus Areas	Typical Board Meeting Process	
✓ Strategy	Before the meeting	Prep meetings with management, auditors and outside advisors
✓ Business Performance		
✓ Investor Relations		
✓ Human Capital Management	Day 1	Board committee meetings and full Board meeting (including reports from each committee chair)
✓ Enterprise Risk Management		
✓ Cybersecurity	Day 2	Full Board meeting, followed by an executive session
✓ Corporate Development		
✓ Convertible Debt Exchange	After the meeting	Management follow up to discuss, respond to and execute on Board guidance and requests
✓ Oversight of ESG efforts		
✓ Diversity and Inclusion		

Diverse Board Representation

40%

Women

60%

<4 years tenure

70%

Women and/or ethnically diverse

Audit Committee

Role	2023 Focus Areas & Select Activities
<p>Assists the Board in oversight and monitoring of:</p> <ul style="list-style-type: none"> our accounting and financial reporting processes and the audits of our financial statements; our independent auditors, including their qualifications, engagement, performance and independence; the results of the annual audit and the independent auditor's review of our annual and quarterly financial statements and reports, including discussions with independent auditors without management present; press releases regarding our financial results and any other financial information and earnings guidance provided; matters that have a significant impact on our financial statements; the scope, adequacy and effectiveness of our internal control over financial reporting and disclosure controls; our internal auditors; tax matters and tax strategies; risk management, including financial accounting, investment, capital structure, tax and business continuity; cybersecurity risk management and resilience; procedures for complaints for employees to submit concerns anonymously about questionable accounting, internal control or auditing matters; and all material related-party transactions that require disclosure. 	<ul style="list-style-type: none"> ✓ Reviewing management's proposed public disclosures and investor communications and recommending enhancements ✓ Overseeing the detailed audit plan and auditor budget ✓ Monitoring critical accounting and financial reporting matters ✓ Reviewing annual internal control assessments with internal and external auditors ✓ Reviewing with management and external advisors the status of open tax matters and future tax strategies ✓ Reviewing with management the annual risk assessment ✓ Providing oversight of cybersecurity risk management and resilience ✓ Reviewing and recommending Board authorization of the convertible debt exchange

Met nine times and acted via unanimous written consent one time in 2023.

Compensation and Leadership Development (CLD) Committee

Role	2023 Focus Areas & Select Activities
<p>Discharges the Board's responsibilities relating to the compensation and benefits for our executive officers and directors, including:</p> <ul style="list-style-type: none"> reviewing and approving the compensation arrangements for our executive officers and directors; engaging with a third-party independent advisor to assist in evaluating our executive compensation program; reviewing and approving corporate performance goals and objectives relevant to such compensation; reviewing our compensation discussion and analysis and CLD Committee report required by the rules of the SEC; administering our equity incentive plans; providing oversight on the overall leadership development program throughout the Company; and overseeing succession planning for executive officers jointly with the NCG Committee. 	<ul style="list-style-type: none"> ✓ Human Capital Management ✓ Updating peer group and developing NEO compensation program for 2023 ✓ Reviewing acquisition, retention and succession plans for critical talent ✓ Monitoring equity plan usage ✓ Administering the Company's equity plans, including increasing the number of shares available in the 2017 Plan ✓ Succession planning

Met five times and acted via unanimous written consent three times in 2023.

For more information regarding the roles of the CLD Committee, our independent compensation consultant, our CEO and stockholders with respect to executive compensation and other compensation matters, please see [Compensation Discussion and Analysis](#).

Nominating and Corporate Governance (NCG) Committee

Role	2023 Focus Areas & Select Activities
<p>Assists the Board in:</p> <ul style="list-style-type: none"> identifying qualified candidates to become directors and considering the nomination of our incumbent directors for reelection; evaluating stockholder nominations of candidates for election to our Board; reviewing our general policy relating to selection of director candidates and members of committees of our Board, including an assessment of the performance of our Board; reviewing and making recommendations to our Board regarding corporate governance principles and policies; reviewing periodically our environmental and corporate social responsibility policies and practices; and overseeing succession planning for executive officers jointly with the CLD Committee. 	<ul style="list-style-type: none"> ✓ Adding two new independent directors ✓ Reviewing director Committee assignments and Committee leadership ✓ Overseeing annual performance evaluation of Board, Committees and individual directors ✓ Reviewing Code of Conduct, Governance Guidelines and Bylaws

Met four times and acted via unanimous written consent one time in 2023.

The NCG Committee has the responsibility for establishing the criteria for recommending which directors should stand for reelection to our Board and the selection of new directors to serve on our Board. Although the NCG Committee has not formulated any specific minimum qualifications for director candidates, it has determined desirable characteristics including, but not limited to, business experience, mature judgment, leadership, personal and professional ethics, diversity and integrity. We do not have a formal policy with respect to consideration of diversity in identifying director nominees; however, in the process of selecting a director nominee, the NCG Committee assesses backgrounds, diversity and expected contributions of the individuals to the Board.

Board of Directors and Committee Composition

The Board is led by our independent non-executive chairman, Mr. Russell. The Board's current preferred governance structure is to have an independent director serve as chairman. We believe the current structure provides strong leadership for our Board and ensures independent oversight over the Company, while also positioning our Chief Executive Officer (CEO) as the leader of the Company. The Board has determined that all directors, other than Mr. Reiner, are independent under NYSE listing standards and federal securities laws as of December 31, 2023. All Board committees are comprised entirely of independent directors.

The Board has standing Audit, CLD and NCG Committees. Each Committee has a written charter, which can be found under the *Investor Relations* section of our website at ir.pros.com. Our Board has determined that each member of the Audit Committee qualifies as "financially literate" within the rules of the NYSE and that three members of the Audit Committee, Ms. Lesjak and Messrs. Petersen and Williams, qualify as an Audit Committee financial expert within the meaning of the SEC regulations. Each member of our CLD Committee is a non-employee director, as defined in Rule 16b-3 promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), and an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code (Code). The current composition of the Board and its committees is as follows:

Name	AC	CLD	NCG	Independent	Director Since	Other Public Company Boards
William Russell <i>Non-Executive Chairman</i>		M	C	✓	2008	accesso
Andres D. Reiner <i>President & CEO</i>					2010	Paylocity
Michelle Hughes Benfer				✓	2023	—
Carlos Dominguez	M			✓	2020	The Hartford
Raja Hammoud		M		✓	2020	—
Cynthia M. Johnson				✓	2023	—
Leland Jourdan		M		✓	2021	SilverBow Resources
Catherine Lesjak	C		M	✓	2020	General Electric; GE HealthCare
Greg B. Petersen	M	C		✓	2007	Plus Therapeutics
Timothy V. Williams	M		M	✓	2007	—

C = Committee Chair; M = Committee Member

Corporate Governance Practices

The Board of Directors has adopted corporate practices and policies that promote excellence in corporate governance. Our corporate governance practices are designed to assure that the long-term interests of stockholders are being served. Key corporate governance policies and practices include:

Independent Oversight	<ul style="list-style-type: none">• All non-employee directors are independent.• All Board committees are comprised entirely of independent directors.• Our Board holds regular executive sessions of independent directors.• Our Board has an independent non-executive Chairman.• Charters of each of the committees of the Board clearly establish the committees' respective roles and responsibilities.
Stock Ownership Guidelines	<ul style="list-style-type: none">• Strong ownership guidelines for directors and NEOs. See Accountability below.
Accountability	<ul style="list-style-type: none">• Clawback policy that applies to all incentive-based compensation, whether cash or equity. In addition, our stock plan has a clawback provision that applies to all equity awards (including time-based and performance-based equity awards).• Anti-hedging, anti-short and anti-pledging policies, applicable to all directors and employees.• Our director resignation policy requires director nominees who do not receive at least 50% of the stockholder votes "for" re-election to tender their resignation.• Directors may not serve on more than four other public company boards; directors who serve as CEOs should not serve on more than two other public company boards.
Ethics	<ul style="list-style-type: none">• Code of Business Conduct and Ethics annually affirmed by all employees.• Reporting hotline available to all employees, and PROS Audit Committee has procedures in place for the anonymous submission of employee complaints.
Stockholder Communication	<ul style="list-style-type: none">• We proactively engage with stockholders throughout each year, including at earnings conference calls, investor road shows and investor days, as well as at individual stockholder meetings. We also welcome stockholders to attend our annual OutPerform event for customers and prospects.• Annual "Say-on-Pay" advisory vote on our executive compensation program.
Board Refreshment	<ul style="list-style-type: none">• 60% of the Board refreshed since 2020, including two new independent directors added in 2023.
Board Performance Evaluations	<ul style="list-style-type: none">• Annual Board, committee and individual director performance evaluations, led by our non-executive Chairman.
Diversity	<ul style="list-style-type: none">• 40% of our Board of Directors are women and 40% are from diverse ethnicities.
Education	<ul style="list-style-type: none">• Directors regularly attend continuing education events related to board governance best practices, including conferences and webinars provided by the NYSE, NACD and Equilar, among others.
Succession Planning	<ul style="list-style-type: none">• Annual review of executive succession planning.

More information regarding our corporate governance is available under the Investor Relations section of our website at ir.pros.com, which also includes our corporate governance policies, our Code of Business Conduct and Ethics, and the charter for each committee of the Board.

Risk Management

The Board oversees our risk management process and programs. Management reviews the process, including identification of key risks and steps taken to address them, with the full Board at least on an annual basis. The Audit Committee, the CLD Committee and the NCG Committee assist the Board in discharging its oversight duties. Specifically, the Audit Committee provides oversight for our enterprise risk management. The Audit Committee discusses with management our major risk exposures, including risks relating to internal controls, disclosure, financial reporting, accounting, investment, capital structure, tax, business continuity and cybersecurity matters. For more information on our cybersecurity risk management and strategy as well as governance, see Item 1C. *Cybersecurity* in our [2023 10-K](#).

The CLD Committee reviews risks related to the subject matters enumerated in its charter, including risks associated with our compensation programs. The NCG Committee considers risks related to the subject matters for which it is responsible as identified in its charter, including risks associated with corporate governance. While each of the three committees contributes to the risk management oversight function by assisting the Board in the manner outlined above, the Board remains responsible for the oversight of our risk management.

ESG Oversight

The Board oversees our ESG programs, including ongoing engagement with senior executives on key matters including cybersecurity, diversity, sustainability and governance practices. Our Chief People Officer leads our social investments and champions our commitment to ESG performance and transparency. The NCG Committee oversees our policies and programs concerning ESG matters, including review of our Sustainability Policy. The CLD Committee oversees the development and implementation of our practices, strategies and policies used for recruiting, managing and developing employees (human capital management). These practices, strategies and policies focus on diversity and inclusion, leadership development, workplace environment and safety, and corporate culture. In addition, the full Board receives updates and progress on ESG matters from management, and Mr. Jourdan meets with our Chief People Officer outside of regularly scheduled Board meetings to review ESG matters. For more information on ESG matters, see our Sustainability Report (available at: ir.pros.com). Our Sustainability Report is not incorporated by reference into this proxy statement.

Board Governance

Our non-executive chairman, among other responsibilities, oversees the planning of the annual Board calendar, and, with our CEO, in consultation with the other directors, schedules and sets the agenda for meetings of the Board, serves as a liaison between the CEO and the independent directors, leads executive sessions of our Board, and performs such additional duties and responsibilities as requested by the Board from time to time. Executive sessions of the independent directors of the Board are scheduled during each regularly scheduled in-person Board meeting. Our non-executive chairman provides feedback to our CEO, as needed, promptly after the executive session.

Board Performance Evaluation Process. Our Board recognizes that a robust and constructive performance evaluation process is an essential component of Board effectiveness. Our Board conducts annual performance evaluations that are intended to determine whether the Board, each of its committees, and individual Board members are functioning effectively, and to provide them with an opportunity to reflect upon and improve processes and effectiveness. Our NCG Committee oversees this annual process, which is led by our non-executive chairman. As part of this process, each Board member completes written assessments of Board and Committee effectiveness and performance. The Board also assesses the effectiveness and performance of individual Board members. For example, in 2023 each Board member completed written assessments of the nominees for reelection at the 2024 Annual Meeting. A summary of the results of these assessments are presented to the NCG Committee identifying any themes or issues that have emerged. The results are then reported to the full Board, which considers the results and ways in which Board processes and effectiveness may be enhanced.

Board Refreshment. Our Board recognizes that regularly evaluating Board refreshment is also an important component of Board effectiveness. The NCG Committee and the Board are focused on identifying individuals whose skills and experiences will enable them to effectively contribute to the Board. Following the annual Board performance evaluation described above, and as part of its consideration of director refreshment, the NCG Committee reviews the appropriate skills and characteristics required of Board members such as business experience, viewpoints and personal background, and diversity of skills in technology, finance, marketing, international business, sales, financial reporting and other areas. For example, following completion of the above process by the NCG Committee and the Board, each of Mses. Johnson and Benfer joined the Board in 2023. The NCG Committee also continually evaluates committee appointments (or membership) and leadership and opportunities for effective rotation. Additionally, due to the global nature of our business and our customers, the Board believes it is important that the Board include individuals with a breadth of experiences, backgrounds and perspectives, and those factors are considered in evaluating board candidates in order to provide practical insights and diverse perspectives. Based on these assessments, the Board has added six new directors since 2020. For more information on the qualifications, skills and attributes of our Board members, see [Director Skills and Attributes](#) in this Proxy Statement.

Accountability

Code of Business Conduct and Ethics. Our Board has adopted a Code of Business Conduct and Ethics that applies to all of our directors and employees, including our principal executive officer, principal financial officer and principal accounting officer. Our Code of Business Conduct and Ethics is available under the Investor Relations section of our website at ir.pros.com or https://ir.pros.com/files/doc_downloads/GovDocs/Code-of-Business-Conduct-and-Ethics.pdf.

Director Resignation Policy. Our Board has adopted a director resignation policy. Under this policy, in an uncontested election of directors any nominee who receives a greater number of votes “withheld” from his or her election than votes “for” such election must promptly tender his or her resignation to the NCG Committee. The NCG Committee will promptly consider all relevant factors including, without limitation, (a) the stated reasons why votes were withheld from such director; (b) any alternatives for curing the underlying cause of the withheld votes; (c) the tenure and qualifications of the director; (d) the director’s past and expected future contributions to the Company; (e) our Corporate Governance Guidelines; and (f) the overall composition of the Board, including whether accepting the resignation would cause the Company to fail to meet any applicable SEC or NYSE requirement. The NCG Committee will recommend to the qualified independent directors the action to be taken with respect to such offered resignation, and the qualified independent directors will act on the NCG Committee’s recommendation no later than 90 days following the date of the stockholders’ meeting in which the election occurred. If a majority of the members of the NCG Committee received a greater number of votes “withheld” from their election than votes “for” their election at the same election, then the remaining qualified independent directors on the Board will consider the matter directly or may appoint a committee of the Board amongst themselves solely for the purpose of considering the tendered resignations and making the recommendation to the Board whether to accept or reject them.

Stock Ownership Guidelines. Our Board has adopted stock ownership guidelines for our NEOs and directors that are designed to align our NEOs’ and directors’ interests with our stockholders’ interests by promoting long-term share ownership, which reduces the incentive for excessive short-term risk taking and further increases our NEOs’ and directors’ alignment with stockholder interests. These guidelines require our CEO to hold shares of our stock worth at least six times his annual salary, other NEOs to hold shares of our stock worth at least two times their annual salary, and each non-employee director to hold shares of our stock worth at least five times the director’s annual retainer. Vested shares or unvested time-based RSUs held by a NEO or director under any of our equity incentive plans are included in calculating the value of ownership held. Unvested performance-based equity such as MSUs are not counted in this calculation. New directors are expected to achieve their ownership threshold within six years after joining our Board. New NEOs are expected to achieve their ownership threshold within five years from the date of hire or promotion. As of December 31, 2023, each of our NEOs and directors were in compliance with the applicable guidelines.

Prohibition Against Hedging, Short-Sale, Pledging and Repricing Underwater Stock Options. We have implemented both anti-hedging and anti-pledging policies, as well as a prohibition on participating in short sales of our stock, to ensure that our executives’ stock remains at-risk. Our Insider Trading Policy, which applies to all employees, including officers and non-employee directors, specifically prohibits short sales of our securities, transactions in puts, calls or other derivative securities involving our stock, hedging or monetization transactions (including but not limited to zero-cost collars, prepaid variable forwards and equity swaps), and holding our securities in a margin account or pledging our securities as collateral for a loan. Our Amended and Restated 2017 Equity Incentive Plan (2017 Plan) also prohibits repricing, repurchase or exchange of underwater stock options without stockholder approval.

Compensation Committee Interlocks and Insider Participation. No member of our CLD Committee and none of our executive officers has any relationships that would constitute an interlocking relationship with executive officers and directors of any other entity.

Communication with Our Board

Stockholders or interested parties who wish to communicate with members of our Board may send correspondence to them in care of our Corporate Secretary at 3200 Kirby Drive, Suite 600, Houston, Texas 77098. Such communication will be forwarded to the intended recipient(s). We currently do not intend to have our Corporate Secretary screen this correspondence, but may change this policy if directed by our Board due to the nature or volume of correspondence. Communications intended specifically for the non-executive chairman of the Board may also be sent to the address noted above, to the attention of the non-executive chairman of the Board.

DIRECTORS

Our Board consists of a diverse group of highly qualified leaders in their respective fields. Most of our directors have senior leadership experience at major domestic and multinational technology companies. In these positions, they have gained significant and diverse experience, including strategy, finance, sales and marketing, risk management, public company financial reporting, compliance and leadership development. They also have public company experience serving as executive officers, or on boards of directors and board committees, and have an understanding of corporate governance practices and trends. The Board believes the experience, expertise and other attributes of our directors provide PROS with a diverse range of perspectives to provide oversight and represent the best interests of our stockholders.

Directors and Director Nominees



William Russell

(Nominee)

*Non-Executive Chairman
of the Board*

NCG Committee Chairman

CLD Committee

Mr. Russell, 72, serves as the Non-Executive Chairman of the board of directors at access Technology Group PLC (AIM: ACSO).

Mr. Russell previously served in a variety of roles on both public and private technology company boards and previously served on the boards of SABA Software, Inc. (from January 2010 to March 2015), webMethods and Cognos. Mr. Russell held a number of senior-level roles in his more than 20 years at Hewlett-Packard, including Vice President and General Manager of the multi-billion-dollar Enterprise Systems Group. Mr. Russell holds a B.S. in Computer Science from Edinburgh University and has completed several executive development programs from institutions including Harvard Business School and INSEAD.

As a result of leading Hewlett-Packard's substantial software business and his public company board experience, Mr. Russell brings to the Board his broad knowledge of large-scale software operations, including sales, marketing, development, finance, strategic planning and leadership, and corporate governance.



Andres D. Reiner

*President and
Chief Executive Officer*

Mr. Reiner, 53, serves as our President and Chief Executive Officer, a position he has held since 2010.

From 1999 to 2010, Mr. Reiner held a series of positions with successively increasing responsibility, including Senior Vice President of Product Development and Executive Vice President of Product and Marketing. Prior to becoming our President and CEO, he was responsible for global marketing and alliances, product management, science research, and development of our next generation software products. Mr. Reiner has served on the board of directors of Paylocity Holding Corporation (NASDAQ: PCTY) since September 2014 and serves on their Compensation and Nominating and Governance committees.

Mr. Reiner holds a B.S. in Computer Science with a minor in Mathematics from the University of Houston.

As a result of his 25 years of experience with PROS, Mr. Reiner has familiarity with all of our key day-to-day operations, in-depth experience in and knowledge of the development of our products, services and the markets in which we compete, and has leadership, management, strategy, corporate development, risk management and operating experience.



Michelle Hughes Benfer

Ms. Benfer, 44, is a SaaS company executive. She serves as Senior Vice President of Sales at BILL Holdings (NYSE: BILL), a leading financial operations platform for small and midsize businesses, a position she has held since 2023.

She served as Senior Vice President Sales, The Americas at HubSpot (NYSE: HUBS) from 2018 to 2023. Previously, she served as Global VP Sales at LogMeIn (now GoTo) and held various sales roles in several media companies, including AOL, Meredith Corp, and Condé Nast. Ms. Benfer earned a B.A. in History and Philosophy from Boston College.

Ms. Benfer brings to the Board her extensive technology company and sales and marketing leadership experience.



Carlos Dominguez

Audit Committee

Mr. Dominguez, 65, is a private investor and retired technology executive.

He served as Vice-Chairman and Chief Evangelist of Sprinklr, Inc. (NYSE: CXM) from 2019 to 2022 and as a director of Sprinklr from 2011 to 2022. He served as President of Sprinklr from 2015 to 2019 and as Chief Operating Officer from 2015 to 2018. He serves on the board of directors of The Hartford Financial Services Group, Inc. (NYSE: HIG) and on the Compensation & Management Development, Nominating & Corporate Governance and Investment & Risk Management committees of Hartford's board. He also served on the board of directors of Medidata Solutions, Inc. (NASDAQ: MDSO) from 2009 until its acquisition by Dassault Systemes in 2019. From 1992 to 2015, Mr. Dominguez held a variety of roles at Cisco Systems, Inc., including SVP, Worldwide Service Provider Operations (2004 to 2008) and SVP, Office of the Chairman and CEO (2008 to 2015).

Mr. Dominguez brings to the Board his extensive business and leadership experience in technology and software companies, including experience in sales, marketing, strategy, governance, compensation planning and mergers and acquisitions.



Raja Hammoud

(Nominee)

CLD Committee

Ms. Hammoud, 52, is a private investor and retired technology executive.

She served as Executive Vice President of Products at Coupa Software Incorporated (NASDAQ: COUP) from 2019 to 2023. She served as Senior Vice President of Products at Coupa from 2017 to 2019 and as Vice President of Product Marketing and Management from 2014 to 2017. Prior to joining Coupa, Ms. Hammoud directed product marketing for Adobe System's (NASDAQ: ADBE) business process management business and held a product development management role at webMethods. Ms. Hammoud earned a B.S. in Computer Science with high distinction from the American University of Beirut, Lebanon.

Ms. Hammoud brings to the Board her extensive technology industry experience, including her experience in product marketing, software development and product portfolio strategy.



Cynthia M. Johnson

Ms. Johnson, 54, is a SaaS company executive. Ms. Johnson is Senior Vice President, Americas Commercial and Emerging Markets at ServiceNow (NYSE: NOW), the leading digital workflow company that helps the world work. From 2021 to early 2024, she led the Global Solution Sales team at ServiceNow.

She held numerous sales and sales leadership roles during a 20-year career at Cisco Systems (NASDAQ: CSCO), including Vice President, Global Data Center Sales from 2016 to 2020 and Vice President, Cloud Infrastructure and Software Group, from 2020 to 2021. Ms. Johnson earned a B.A. in Economics from Simmons University.

Ms. Johnson brings to the Board her extensive technology company and sales and go to market expertise.



Leland Jourdan

(Nominee)

CLD Committee

Mr. Jourdan, 66, retired from Chevron (NYSE: CVX) in 2021, after having served as Chevron's Chief Diversity and Inclusion Officer from 2018 to 2021 and Senior Management Sponsor from 2015 to 2018. In his more than 18-year career at Chevron, Mr. Jourdan served in a variety of management roles, including as Vice President, Commercial and Business Development for each of the IndoAsia and Asia South regions. Mr. Jourdan serves on the board of directors of SilverBow Resources, Inc. (NYSE: SBOW).

Prior to Chevron, Mr. Jourdan served in management, business development, trading and engineering roles at El Paso Energy, PG&E and Dominion Energy. As a graduate of the US Military Academy at West Point, Mr. Jourdan was commissioned as an officer in the US Army, obtaining the rank of Captain prior to entering the private sector. Mr. Jourdan currently serves on the board of SEARCH Homeless Services, a non-profit organization.

An author and frequent public speaker, Mr. Jourdan brings to the Board his substantial international commercial and business development, mergers and acquisitions, risk management and diversity, equity and inclusion experience at a global, Fortune 10 company.



Catherine Lesjak

Audit Committee Chair

NCG Committee

Ms. Lesjak, 65, retired from HP, Inc. (NYSE: HPQ), formerly Hewlett-Packard Company (HP) in March 2019, serving as HP's interim Chief Operating Officer from 2018 to 2019, after having served as Chief Financial Officer from 2007 to 2018.

In addition, Ms. Lesjak served as interim CEO of HP from August 2010 through October 2010. During her 32-year career at HP, Ms. Lesjak held a broad range of financial leadership roles, including Senior Vice President and Treasurer and other financial operations and controller roles. Ms. Lesjak has a bachelor's degree in Biology from Stanford University and a MBA in Finance from the University of California, Berkeley.

Ms. Lesjak serves on the board of directors of GE Aerospace (NYSE: GE) where she serves on the Audit and Governance & Public Affairs committees and GE HealthCare Technologies Inc. (NYSE: GEHC) where she serves as Chair of the Audit committee. She served on the board of directors and as Chair of the Audit committee and a member of the Compensation committee of SunPower (NASDAQ: SPWR) from 2013 to 2022.

An audit committee financial expert, Ms. Lesjak brings to the Board extensive experience as the chief financial officer of a major corporation, with significant presence in both the business-to-consumer and business-to-business markets, including extensive experience in strategic business planning and execution, financial oversight, corporate development and public company governance.



Greg B. Petersen
CLD Committee Chair
Audit Committee

Mr. Petersen, 61, has served as president of Brookview Capital Advisors since 2016. He currently serves on the board of directors of Plus Therapeutics, Inc. (NASDAQ: PSTV) where he serves as Chairman of the Audit committee and a member of the Compensation committee.

Mr. Petersen previously served on the board of directors of Aterian, Inc. (NASDAQ: ATER) (2019 to 2022), Diligent Corporation (2013 to 2016) and Pikel, Inc. (2012 to 2017). Mr. Petersen served as the chairman of the Audit committee at Aterian, Diligent and Pikel, and as an advisory board member at Synthesio. From 2014 to 2015, he served as Executive Vice Chairman at Diligent Corporation. Mr. Petersen previously served as Chief Financial Officer for CBG Holdings, Lombardi Software, Inc. (which was sold to IBM in 2010), and Activant Solutions, Inc. Mr. Petersen previously served in executive roles with Trilogy Software and RailTex. Mr. Petersen began his career with American Airlines, Inc. (NASDAQ:AAL), including serving as managing director of corporate development where he led a project to create Sabre Holdings, Inc. (NASDAQ:SABR) and complete its IPO. Mr. Petersen holds a B.A. in Economics from Boston College and a MBA from Duke University.

An audit committee financial expert, Mr. Petersen brings to the Board his business and leadership experience in software companies, merger and acquisition experience, and extensive financial planning, accounting, governance, compensation planning and risk management knowledge.



Timothy V. Williams
Audit Committee
NCG Committee

Mr. Williams, 75, is a private investor and retired chief financial officer.

Mr. Williams previously served on the board of directors and as chairman of the Audit committees of ChannelAdvisor Corporation (NYSE: ECOM) (2012 to 2022) and Halogen Software, Inc. (TSE: HGN) (2011 to 2017). Mr. Williams served as Senior Vice President and Chief Financial Officer of Blackbaud, Inc. (NASDAQ: BLKB), a provider of software and services to non-profit organizations, from 2001 until his retirement in 2011. Mr. Williams previously served as Executive Vice President and Chief Financial Officer of both Mynd Corporation (now a subsidiary of Computer Sciences Corporation), and Holiday Inn Worldwide, a subsidiary of Bass PLC. Mr. Williams holds a B.A. in Business from the University of Northern Iowa.

An audit committee financial expert, Mr. Williams has extensive financial, business, management and public software company expertise. Through his experience as a chief financial officer at three different companies, including two software and services firms, Mr. Williams brings to the Board extensive knowledge of accounting, risk management, general management of software companies and public company reporting requirements and processes.

Director Skills and Attributes

The below table highlights the key skills, qualities, attributes and experiences of our continuing directors and director nominees as well as term of office information. A checkmark indicates a specific area of focus or experience for each director, and not having a mark does not meet that a particular directors does not possess that qualification or skill.

Board Experience, Expertise or Attribute	Benfer	Dominguez	Hammoud (Nominee)	Johnson	Jourdan (Nominee)	Lesjak	Petersen	Reiner	Russell (Nominee)	Williams
Accounting						✓	✓			✓
Business Operations	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Cloud Software	✓	✓	✓	✓			✓	✓	✓	✓
Finance						✓	✓			✓
International		✓	✓	✓	✓	✓		✓	✓	
Leadership	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
M&A		✓	✓		✓	✓	✓	✓	✓	✓
Public Company/Governance		✓				✓	✓	✓	✓	✓
Risk Management		✓			✓	✓	✓			✓
Sales & Marketing	✓	✓		✓	✓			✓	✓	
Software Product Development			✓					✓		
Tech Industry	✓	✓	✓	✓		✓	✓	✓	✓	✓
Travel Industry							✓	✓		
Race/Ethnicity										
Black/African American					✓					
Hispanic/Latin American		✓						✓		
Asian		✓								
Middle Eastern/North African			✓							
Caucasian/White	✓			✓		✓	✓		✓	✓
Other Public Boards										
At March 1, 2024	—	1	—	—	1	2	1	1	1	—
Term of Service on PROS Board										
Director Since	2023	2020	2020	2023	2021	2020	2007	2010	2008	2007
Current Term Expires	2025	2025	2024	2026	2024	2025	2026	2025	2024	2026
Class of Director	III	III	II	I	II	III	I	III	II	I

PROPOSAL ONE

ELECTION OF DIRECTORS

What am I voting on?

Stockholders are being asked to elect three Class II director nominees to the Board for a three-year term.

Voting Recommendation:

The Board recommends voting “FOR” the election of each of the three Class II director nominees.

Three (3) directors are to be elected at the Annual Meeting. Our Board, upon the recommendation of the NCG Committee, has nominated Raja Hammoud, Leland Jourdan and William Russell as Class II directors, each to hold office until the 2027 Annual Meeting and until their successor has been duly elected and qualified or until the earlier of their death, resignation or removal.

The Board is also composed of four Class III directors, whose terms expire upon the election and qualification of directors at the 2025 Annual Meeting and three Class I directors, whose terms expire upon the election and qualification of directors at the 2026 Annual Meeting.

The Board knows of no reason why any of the nominees would be unable or unwilling to serve, but if any nominee should for any reason be unable or unwilling to serve, the proxies will be voted for the election of such other person for the office of director as the Board may recommend in the place of such nominee. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees named above.

Vote Required

In accordance with Delaware law, abstentions will be counted for purposes of determining both whether a quorum is present at the Annual Meeting and the total number of shares represented and voting on this proposal. While broker non-votes will be counted for purposes of determining the presence or absence of a quorum, broker non-votes will not be counted for purposes of determining the number of shares represented and voting with respect to the particular proposal on which the broker has expressly not voted and, accordingly, will not affect the approval of this proposal.

Directors are elected by a plurality vote of the votes cast by holders of our Common Stock entitled to vote at the Annual Meeting. Abstentions and broker non-votes will not have any effect on this proposal. Accordingly, the two nominees who receive the highest number of properly executed “FOR” votes from the holders of Common Stock will be elected as directors.

The number of “withhold” votes with respect to a nominee will affect whether our Director Resignation Policy will apply to that individual. In accordance with our Director Resignation Policy, any nominee for director who receives a greater number of votes “withheld” from his or her election than votes “for” such election is required to offer his or her resignation following certification of the stockholder vote. The NCG Committee would then consider whether to accept the resignation and make a recommendation to our independent directors as to the action to be taken with respect to the offer. For more information about this policy, see [Corporate Governance - Accountability - Director Resignation Policy](#).

The NYSE broker discretionary rules prohibit banks, brokers and other intermediaries from voting shares held in their clients’ accounts on elections of directors unless the client has provided voting instructions. If you hold your shares in street name, it is important that you cast your vote if you want it to count in the election of directors.

THE BOARD UNANIMOUSLY RECOMMENDS VOTING “FOR” THE ELECTION OF EACH OF THE THREE CLASS II DIRECTOR NOMINEES.

DIRECTOR COMPENSATION

Members of the Board who are not PROS employees (Non-Employee Directors) receive compensation for their service on the Board. As a PROS employee, Mr. Reiner does not receive compensation for his service on the Board. The CLD Committee annually reviews compensation for Non-employee Directors taking into account various factors, including director responsibilities, peer group data and market practices. Following a market review, the CLD Committee continued the director compensation program for 2023 with no changes to the cash retainer components from prior years and increased the annual equity component from \$165,000 to \$180,000. The compensation structure for Non-employee Directors consisted of an equity award, annual cash retainer, and for certain leadership roles, a supplemental cash retainer. Cash retainers are paid quarterly in arrears. In 2023, each Non-employee Director serving as of the 2023 Annual Meeting received a RSU award with a target value of \$180,000, which will vest in full on the earlier of May 11, 2024 or the 2024 Annual Meeting. Each Non-employee Director received an annual cash retainer of \$35,000 in 2023. The non-executive chairman of our Board received a supplemental cash retainer of \$60,000 in 2023. In addition, each Non-employee Director serving as a chair or member of a standing committee of our Board received the following supplemental cash retainer(s):

Committee Role	Audit Committee		CLD Committee		NCG Committee	
Member	\$	15,000	\$	15,000	\$	7,500
Chair	\$	30,000	\$	20,000	\$	10,000

We reimburse directors for reasonable out-of-pocket expenses incurred in connection with (i) their attendance at our Board and committee meetings and other Company meetings, and (ii) director continuing education programs, including participation in the NACD, of which the Company is a member.

Director Compensation Table

The following table sets forth the compensation paid to our Non-employee Directors for service on our Board during 2023. Compensation for Andres D. Reiner our President and CEO, is set forth in the [Summary Compensation Table](#). Mr. Reiner does not receive compensation for his services as a director.

Name	Fees Earned or Paid in Cash (\$)		Restricted Stock Units (\$ (1))		Total (\$)	
Michelle Hughes Benfer	\$	4,375	\$	87,284	\$	91,659
Carlos Dominguez	\$	50,000	\$	179,981	\$	229,981
Raja Hammoud	\$	50,000	\$	179,981	\$	229,981
Cynthia M. Johnson	\$	5,041	\$	90,706	\$	95,747
Leland Jourdan	\$	50,000	\$	179,981	\$	229,981
Catherine Lesjak	\$	72,500	\$	179,981	\$	252,481
Greg B. Petersen	\$	70,000	\$	179,981	\$	249,981
William Russell	\$	120,000	\$	179,981	\$	299,981
Timothy V. Williams	\$	57,500	\$	179,981	\$	237,481

(1) Represents the grant date fair value of equity awards granted in 2023 calculated in accordance with GAAP. For additional information about valuation assumptions for equity awards, refer to Note 14 of our financial statements in our [2023 10-K](#). All Non-employee Directors serving as of the conclusion of the 2023 Annual Meeting were granted RSUs on May 11, 2023. Mses. Benfer and Johnson were granted RSUs on a pro rata basis commensurate with their appointments to the Board. All these RSUs vest in full on the earlier of May 11, 2024 or the 2024 Annual Meeting.

For information on the stock holdings of each director, see [Security Ownership](#).

EXECUTIVE OFFICERS

The following section sets forth our other NEO and other significant employees of the Company, other than Mr. Reiner, their ages (immediately prior to the Annual Meeting), and the Company positions currently held by each such person:



Stefan B. Schulz
*Executive Vice President
and Chief Financial Officer*

Mr. Schulz, 57, oversees our accounting, financial planning and analysis, legal, treasury, facilities, investor relations, internal audit, tax and corporate development functions.

Mr. Schulz joined PROS in his current position in March 2015. Prior to joining us, Mr. Schulz served as Chief Financial Officer for Digital River, Inc., a global provider of cloud-based commerce, payments and marketing services, from July 2011 to February 2015. Mr. Schulz previously served in various roles, including as Senior Vice President, Chief Financial Officer and Chief Accounting Officer, with Lawson Software, an enterprise resource planning software company, from October 2005 to July 2011; in various finance and accounting roles at BMC Software, from 1993 to 2005, including as Vice President and Corporate Controller; and as an Audit Manager in the Enterprise Group with Arthur Andersen LLP. Mr. Schulz holds a B.B.A. in Accounting from Lamar University.

Other Significant Employees

Name	Age	Position
Surain Adyanthaya	59	President, Travel
Nikki Brewer	43	Chief People Officer
Grad Conn	60	Chief Marketing Officer
Scott Cook	56	Chief Accounting Officer
Ajay Damani	50	Executive Vice President, Engineering
Sunil John	50	Chief Product Officer
Damian Olthoff	49	General Counsel and Secretary
Susanne Senoff	52	Chief Information Security Officer
Martin Simoncic	42	President, B2B
Craig Zawada	53	Chief Visionary Officer

COMPENSATION AND LEADERSHIP DEVELOPMENT COMMITTEE REPORT

The Compensation and Leadership Development Committee of the Board of Directors of PROS has reviewed and discussed the following Compensation Discussion and Analysis with management and FW Cook. Based on this review and discussion, we recommended to the Board, and the Board has agreed, that the following Compensation Discussion and Analysis be included in this Proxy Statement.

MEMBERS OF THE COMPENSATION AND LEADERSHIP DEVELOPMENT COMMITTEE

Greg B. Petersen (Chairman) | Raja Hammoud | Leland Jourdan | William Russell

COMPENSATION DISCUSSION AND ANALYSIS

This Compensation Discussion and Analysis (CD&A) explains the principles, policies, and practices upon which our executive compensation program is based; our decision-making process, including our consideration of stockholder feedback; and the 2023 compensation paid to our NEOs. This CD&A describes our executive compensation program and the compensation paid to our NEOs:

Andres D. Reiner Chief Executive Officer, President and Director

Stefan B. Schulz Executive Vice President and Chief Financial Officer

Summary

Our executive compensation program is designed to align executive compensation with Company performance and stockholder interests, attract and retain high-caliber talent, and promote a performance culture that encourages achieving and exceeding corporate goals and objectives. The compensation paid to our NEOs in 2023 reflects the strength of our performance.

In 2023, we reported total revenue of \$303.7 million, up 10% over 2022, subscription revenue of \$234.0 million, up 15% over 2022, and also achieved gross revenue retention rates above 93%. Beyond revenue growth, we also significantly improved our year over year operating cash flow by \$33.8 million, or 141%, for the full year 2023. Our results exceeded our total revenue and free cash flow goals, resulting in an above-target cash incentive payout for each of our NEOs.

Our stock price reflected this strong operational performance with 60% total stockholder return in 2023, far outpacing the return of the Russell 2000 Index. This outperformance led to our NEOs earning 30% of their MSUs awarded in 2021, despite the first two years of the measurement period underperforming the index in part due to COVID-era business conditions. Our 2023 stockholder return outperformance has the 2022 and 2023 MSUs trending toward earning at above target levels.

Say on Pay Advisory Vote Results

At the 2023 Annual Meeting, over 98% of the votes cast on the advisory proposal to approve the compensation of our NEOs (say-on-pay) were in favor of the 2022 compensation paid to our NEOs. Each year, our CLD Committee takes into account the result of our say-on-pay vote, a key indicator of stockholder sentiment. We also keep an open dialogue with our institutional investors and stockholders throughout the year. We reach out to discuss business topics, seek feedback on our performance and address other matters of importance to our stockholders, including ESG topics and executive compensation. We actively engaged with stockholders through one-on-one meetings, conferences and roadshows and collected their feedback on a variety of topics, including our business and long-term strategy, corporate governance and risk management practices, board leadership and refreshment, diversity, corporate social responsibility initiatives (including ESG matters), our executive compensation program and other matters of stockholder interest. As a result of this ongoing outreach, the CLD Committee took into account the generally positive and supportive stockholder sentiment as it set 2024 NEO compensation.

Executive Compensation Philosophy and Practices

Our executive compensation program is designed to align executive compensation with Company performance and stockholder interests, attract and retain high-caliber talent, and promote a performance culture that encourages achieving and exceeding corporate goals and objectives.

Guiding Principles

Pay for Performance	We emphasize pay-for-performance where compensation is contingent upon the performance of our business and our stock price. We utilize performance-based pay through equity and cash incentive awards that require achievement of pre-established goals with no discretion.
Align Incentives	We link rewards to the achievement of measurable financial objectives that build long-term stockholder value. The performance-based elements are aligned to Company and stockholder goals. For 2023, the NEO bonus plan was based on achievement against aggressive growth goals for total revenue and free cash flow, with a minimum adjusted EBITDA threshold. We granted our NEOs performance-based equity that vests based on our stock performance relative to the Russell 2000 Index over a three-year period.
Competitive	We ensure that our executive compensation is competitive based on peer benchmarking and industry standards, adjusting pay as appropriate to attract and retain top talent while aligning with stockholder interests. We do not target a specific percentile and review market data to check that compensation is generally in a market range and reflects the individual's experience, performance and contribution.
Independent Benchmarking	To ensure our compensation remains competitive, the CLD Committee engaged FW Cook as its independent consultant to review and benchmark the compensation we provide relative to our peer group and market data. Our 2023 peer group was comprised of 17 companies based on industry, market cap and revenue.
Retain Leadership Talent	In addition to the performance-based elements of compensation, we granted our NEOs time-based RSUs that vest over a 4-year period. When combined with the performance-based equity that vests over a 3-year period, most of the NEO compensation program is directly tied to our long-term stock performance with multi-year retention features.

Accountability and Avoiding Unnecessary Risk-Taking

Stock Ownership Guidelines	<p>We maintain robust ownership guidelines for our directors and NEOs, which are higher than median peer practice, to further align their personal interests with our stockholders.</p> <p>Our CEO is expected to hold stock equal to 6X his base salary, and he has held significantly more than this requirement for many years. Our other NEO, our CFO, is expected to hold stock equal to 2X his base salary, and he is in compliance.</p> <p>Our director stock ownership guideline is 5X their annual cash retainer.</p>
Policies	<p>Our executive clawback policy applies to all incentive-based compensation, whether cash or equity. In addition, our stock plan has a clawback provision applicable to all equity awards (including time-based and performance-based equity awards).</p> <p>We maintain anti-hedging, anti-short and anti-pledging policies applicable to all employees.</p>
Double triggers	Our NEO employment agreements have "double trigger" change in control provisions.
No Excessive Perquisites	We do not provide significant perquisites to our NEOs.
Minimum Equity Vesting Requirements	We do not grant equity with vesting terms of less than one year after grant, except for up to 5% of the stock plan authorized shares.
Compensation Risk Oversight	Our CLD Committee oversees risks associated with compensation policies and practices.

The CLD Committee believes that the design of our executive compensation program, including the mix and aggressive targets, is competitive, rewards performance, and has a significant impact on driving company performance.

Executive Compensation Process

Independent Compensation Committee. Our CLD Committee, comprised entirely of independent directors, is responsible for establishing, administering and interpreting our policies governing the compensation and benefits for our NEOs, as well as granting any share-based awards to our NEOs. Our CLD Committee establishes executive compensation programs that it believes, based on the members' experience, is the most appropriate to achieve the goals described above. Our CLD Committee continues to evaluate our executive compensation programs on a quantitative and qualitative basis on at least a yearly basis or more frequently if circumstances dictate. Our CLD Committee expects to make new awards and adjustments to our executive compensation programs as appropriate. Our CLD Committee has taken the following steps to ensure that our executive compensation and benefit policies are consistent with both our compensation philosophy and our Corporate Governance Guidelines:

- solicited recommendations from an independent executive compensation consultant to evaluate our executive compensation practices and assisted in developing and implementing the executive compensation programs;
- established a practice, in accordance with the rules of the NYSE, of reviewing the performance and determining the compensation earned, paid or awarded to our CEO; and
- established a policy, in accordance with the rules of the NYSE, to review on an annual basis the performance of our other executive officers with assistance from our CEO and determined what we believe to be appropriate total compensation for these executive officers.

Our CLD Committee considers a broad range of facts and circumstances in setting executive compensation. Among the factors considered for our executives generally in 2023, and for the NEOs in particular, are market data and recommendations from the Committee's independent compensation advisor, FW Cook, advice from our CEO, general economic and market conditions, our financial condition and operating results, our operating plan, our geographic locations and executive compensation policy objectives described above.

Independent Compensation Consultant. In 2023, the CLD Committee retained FW Cook to advise on executive compensation, including plan design, pay for performance analytics, benchmarking, trends, and industry best practices. The CLD Committee selected FW Cook due to their extensive experience and expertise in executive compensation within the software industry. The CLD Committee, which is solely responsible for FW Cook's appointment, compensation and oversight, reviewed FW Cook's qualifications, as well as all factors relevant to their independence from management, including the independence factors required by the NYSE. FW Cook did not perform any services for us in 2023 other than those provided to the CLD Committee, and has served as the CLD Committee's consultant since 2017.

Peer Benchmarking. The CLD Committee utilizes a peer group of publicly-traded companies to inform decisions regarding executive compensation amounts and program design. The CLD Committee does not rigidly target a specific percentile when making compensation adjustments, but rather examines the latest-available compensation data from the peer group provided by its independent compensation consultant as one factor used in its decision-making process. The CLD Committee considers each NEO's role and scope of responsibilities relative to comparable positions at PROS peers. Based on this information, the CLD Committee reviews PROS executive compensation programs and practices, and analyzes each NEO's base salary, cash bonus and long-term incentives.

The CLD Committee reviews the constituents of our compensation peer group each year with our compensation consultant for appropriateness based on a variety of factors, including: similarities in market capitalization and revenue, relevant industry, the labor market for top management talent, comparable headcount and other characteristics. The CLD Committee generally focuses on using peer companies that do not have a founder CEO because they tend to pay differently from typical market practices (exceptions have been made where business size and fit are strong and the pay program/mix is market normative).

The CLD Committee reviewed the peer group in August 2022 for purposes of informing executive compensation decisions for 2023 and made several changes with a focus on aligning the group's overall financial size closer to PROS at the time. Two companies, Five9 and Paylocity, were removed from the peer group because their market cap and revenue had grown above the CLD Committee's desired range. Benefitfocus was also removed because its market cap had fallen below the CLD Committee's desired range. Two additional companies, Bottomline Technologies and QAD, were removed because they were acquired. Five new peers were added for the 2023 peer group, each of which are enterprise-facing cloud-based technology companies that had similar revenue and market cap to ours at the time: BigCommerce, BlackLine, Domo, Sumo Logic, and Telos. Four of the five newly-added peers had the same or lower market cap and revenue than ours at the time, and the fifth, BlackLine, was larger than PROS but still smaller than Five9 and Paylocity, and has strong relevance because it operates in a comparable space, is a labor market competitor, has a similar headcount, and appears many times as a peer of PROS existing peers. The resulting group of 17 companies had a meaningfully lower median revenue and market cap than our 2022 peer group. We believe companies in the 2023 peer group are in a comparable and appropriate size range, are similar in terms of their scope and complexity, and are representative of widely-accepted peer group development best practices. A complete list of the 2023 peer group is set forth in the following table:

2023 Peer Group (Count = 17)

BigCommerce Holdings, Inc.*	BlackLine, Inc.*	Domo, Inc.*	Everbridge, Inc.	Model N, Inc.
OneSpan Inc.	PagerDuty, Inc.	Ping Identity Holding Corp.	Q2 Holdings, Inc.	Quotient Technology Inc.
Rapid7, Inc.	SPS Commerce, Inc.	Sumo Logic, Inc.*	Telos Corporation*	Upland Software, Inc.
Workiva Inc.	8x8, Inc.			

*Added for 2023 peer group

Market Cap range of 2023 peer group as of June 30, 2022 (time of peer group construction): 0.2x - 3.4x PROS \$1.2B market cap on 6/30/22
 Latest TTM Revenue range of 2023 peer group as of June 30, 2022: 0.8x - 2.4x PROS \$271M 2022 analyst consensus revenue at the time

The CLD Committee reviewed the peer group in August 2023 for purposes of informing executive compensation decisions for 2024 and made several changes with a focus on aligning the group's overall financial size closer to PROS at the time. The following three companies were removed from the peer group because their market cap had fallen below the CLD Committee's desired range: Quotient Tech, Telos and Upland Software. Ping Identity was removed because it was acquired. Three new peers were added for the 2024 peer group, each of which are software companies that had similar revenue and market cap to ours at the time: E2open, Yext and Zoura. We believe that all companies in the 2024 peer group are in a comparable and appropriate size range, are similar in terms of their scope and complexity, and are representative of widely-accepted peer group development best practices. A complete list of the 2024 peer group is set forth in the following table:

2024 Peer Group (Count = 16)

BigCommerce Holdings, Inc.	BlackLine, Inc.	Domo, Inc.	E2open Parent Holdings, Inc.*	Everbridge, Inc.
Model N, Inc.	OneSpan Inc.	PagerDuty, Inc.	Q2 Holdings, Inc.	Rapid7, Inc.
SPS Commerce, Inc.	Sumo Logic, Inc.	Workiva Inc.	Yext, Inc.*	Zuora, Inc.*
8x8, Inc.				

*Added for 2024 peer group

Market Cap range of 2024 peer group as of June 30, 2023 (time of peer group construction): 0.35x - 4.9x PROS \$1.4B market cap on 6/30/23
 Latest TTM Revenue range of 2024 peer group as of June 30, 2023: 0.7x - 2.5x PROS \$301M 2023 analyst consensus revenue at the time

Compensation Program Design and Goal Setting.

Competitive Pay

Impact in 2023

At the time the CLD Committee made its 2023 executive compensation decisions, our Company's 2022 operational performance, including double digit year-over-year increases in subscription and total revenue, and peer group benchmarking data informed the 2023 executive compensation decisions which included flat target cash and long-term incentive increases to return to 2021 intended grant values.

Pay for Performance

Impact in 2023

We produced solid financial results in 2023, including subscription revenue growth of 15%, total revenue growth of 10% and significant improvement in operating cash flow. Our practice of setting aggressive performance targets resulted in NEO bonus achievement of 131.9% of target. The impact of COVID-19 on Company revenue in 2020 and 2021 continued to affect previously awarded performance-based equity: 0% of the 2020 PRSUs were earned (any earned portion would have vested in January 2023). Performance through this period also resulted in the January 2021 MSUs being earned at only 29.9% of target (based on relative TSR performance through 12/31/23). Strong performance in 2022 and 2023 has the MSUs granted in those two years tracking at above target.

Align the interests of our executives and stockholders

Impact in 2023

Our NEO bonus plan is based on growth targets established at beginning of period. NEOs receive a mix of time-based and performance-based equity; 40% of our NEOs' annual equity grant value is in performance-based equity awards. We maintain robust stock ownership guidelines for our NEOs; our CEO continues to hold a significant amount of PROS stock.

Annual Compensation Evaluation. In early 2023, Mr. Reiner reviewed the performance and compensation of our other NEO, our CFO, and made recommendations to the CLD Committee. In making its decisions regarding executive compensation, the CLD Committee meets outside the presence of executive officers when making final decisions about each executive. The CEO is periodically present during portions of deliberations that relate to the compensation for other executives but does not participate in discussions regarding his own pay. In addition, the CLD Committee has delegated to the CEO the authority to make share-based awards to employees below the VP level within certain limitations on aggregate grants and specific award terms.

2023 Executive Compensation Components

Our CLD Committee chose to make the NEO compensation decisions for 2023 set forth below after reviewing each leader's tenure and compensation history with us, the Company's and each leader's prior year performance, the compensation practices from our 2023 peer group, each leader's compensation relative to our updated peer group and feedback from stockholder engagement.

Base Salaries

The CLD Committee determines salaries on an annual basis after taking into account the competitive landscape, including the compensation practices of the companies in our selected peer group, our business strategy, our general performance and certain individual factors, such as position, salary history, individual performance and contribution, and length of service with the Company.

No Base Salary changes for 2023. The CLD Committee did not make any changes to NEO base salaries for 2023, the third year for our NEOs at the same base salary. The following table sets forth the annual base salaries for the past two years for each of our NEOs:

Named Executive Officer	Annual Base Salaries		% Increase
	2022	2023	
Andres D. Reiner	\$ 540,000	\$ 540,000	—
Stefan B. Schulz	\$ 405,000	\$ 405,000	—

Annual Cash Incentives

NEO Cash Incentive Plan for 2023. The NEO cash incentive plan for 2023 (2023 NEO Plan) was established by the CLD Committee in February 2023. Recognizing the importance of continuing to grow the top-line results while maintaining operational discipline, the 2023 NEO Plan contained two performance measures: total revenue and free cash flow. Free cash flow is a non-GAAP financial measure consisting of net cash provided by (used in) operating activities, excluding severance payments, less capital expenditures and capitalized internal-use software development costs. The 2023 NEO Plan also included a minimum adjusted EBITDA threshold (Minimum EBITDA Threshold) required to be met; otherwise the funding for the 2023 NEO Plan would be reduced to achieve the Minimum EBITDA Threshold. Adjusted EBITDA is a non-GAAP financial measure calculated as GAAP net income before interest expense, provision for income taxes, depreciation and amortization, as adjusted to eliminate the effect of stock-based compensation cost, severance (as excluded from adjusted EBITDA reported publicly), acquisition-related expenses, amortization of acquisition-related intangibles, and depreciation and amortization. The Minimum EBITDA Threshold for the 2023 NEO Plan was \$6.0 million. A reconciliation of GAAP to non-GAAP measures is provided in the Appendix.

The CLD Committee believes that total revenue, a metric that measures top-line performance of the Company, and free cash flow, an indicator of the Company improving its operational efficiency, were the most appropriate measures for the 2023 NEO Plan and reflect previous stockholder feedback to use a top-line metric and a profitability metric. The weighting of the 2023 NEO Plan components is set forth in the following table:

Component	Weighting
Total revenue	50%
Free cash flow	50%

Each NEO's target payout was established as a percentage of base salary as set forth below. No changes were made to NEO target bonuses in 2023 vs. 2022. Actual payout can range from 0% to 150% with the threshold payout being 50% of such target amount when the minimum performance is achieved (subject to the Minimum EBITDA Threshold). Actual payouts under the 2023 NEO Plan were based on Company performance compared to goals for each component's target set by the CLD Committee in February 2023. These aggressive goals were established to drive performance above stockholder expectations.

We achieved greater than target total revenue and exceeded the maximum target for free cash flow, and the resulting payout would have been 143.5% of target. However, this outperformance and the resultant executive and employee incentives impacted adjusted EBITDA such that the actual NEO payouts were automatically reduced per the 2023 NEO Plan to 131.9%, and the Minimum EBITDA Threshold was met. No discretionary adjustments or changes to the goals were made after the 2023 NEO Plan was set at the beginning of the year. The minimum threshold, target and maximum goals for each component are set forth in the following table (linear interpolation applies between performance levels):

Component	Goals (\$ in millions)			Performance Achieved
	Threshold	Target	Maximum	
Total revenue	\$293.0	\$300.0	\$305.0	\$303.7
Free cash flow	\$4.0	\$7.5	\$10.0	\$11.4
Payout at Level	50%	100%	150%	143.5%
<i>Attainment Post Minimum EBITDA Threshold Adjustment</i>				131.9%

Named Executive Officer	Target Payout		Actual Payout	
	As a % of Base	Amount	Incentive Paid	As a % of Target
Andres D. Reiner	110%	\$594,000	\$783,486	131.9%
Stefan B. Schulz	80%	\$324,000	\$427,356	131.9%

NEO Cash Incentive Plan for 2024. Our 2024 NEO cash incentive plan continues to reward our NEOs based on performance aligned to our commitment of profitable revenue growth. Building upon the 2023 NEO Plan, we maintain our emphasis on two key metrics: total revenue (measuring our top-line performance) and free cash flow (indicating operational efficiency). Additionally, there continues to be a Minimum EBITDA Threshold—a safety net making sure that the success of the bonus plan doesn't negate our overall profitability. If profitability falls below this threshold, downward adjustments are made to our NEO bonus payouts to align with our financial objectives. We remain steadfast in our commitment to growth, profitability and transparency, guided by stockholder feedback.

Equity Awards

The CLD Committee believes that equity compensation is an essential tool to align the long-term interests of our NEOs and employees with those of our stockholders. The CLD Committee awards a mix of performance-based equity awards and time-based equity awards to our NEOs. The CLD Committee determines the size of awards following review of competitive market data from our peer group, as well as subjective factors such as relative job scope, individual performance, tenure and experience, expected future contributions to the growth and development of the Company, Company performance, historical equity compensation awarded to each NEO and the unvested equity held by each NEO. The CLD Committee is satisfied that the NEO equity compensation program is well-aligned with stockholders, which is demonstrated by the meaningfully lower Compensation Actually Paid (CAP) values compared to the Summary Compensation Table-reported values during years in which the Company's stock price decreased, and higher CAP values for years during which the stock price increased (see [Pay vs. Performance](#) table). The CLD Committee increased intended grant values in 2023 as compared to intended grant values in 2022 based on several factors, including market data from the 2023 peer group and the CLD Committee's determination that returning to the intended grant values awarded in 2021 was warranted given the improved operational performance in 2022.

For 2023, each NEO received a mix of performance-based and time-based RSUs based upon a target award value as set forth below:

Named Executive Officer	Target Award Value (000s)	Mix of Equity Award Types ⁽¹⁾		Share Price on 1/12/23	Units Granted	
		Target MSUs	RSUs		Target MSUs	RSUs
Andres D. Reiner	\$5,650	40%	60%	\$24.30	93,004	139,506
Stefan B. Schulz	\$3,000	40%	60%	\$24.30	49,382	74,074

⁽¹⁾ The calculation of the number of respective units to grant was determined by the CLD Committee based upon the closing stock price of our Common Stock on the date of grant of the MSUs and RSUs, January 12, 2023.

Target MSUs represent 40% of our intended NEO equity awards and RSUs represent the remaining 60%, which is a higher performance-based mix than the average performance-based award mix for similarly-situated executives in our 2023 peer group. The CLD Committee selected this mix for both of our NEOs to be competitive with our peers and aligned with typical peer group practices.

Market Stock Units (MSUs). In 2023, the CLD Committee granted MSUs for the performance-based equity component. The number of shares that will actually be earned will depend on our total stockholder return (TSR) for the three-year period from January 1, 2023 through December 31, 2025 as compared to the Russell 2000 Index (Index). To earn MSUs at target, we must outperform the Index by 5 percentage points. If we under-perform this level, the percentage at which the MSUs are earned will be reduced from 100% at a rate of 2.5 to 1 (2½-percentage-point reduction in the number of units for each percentage point of under-performance below 5 percentage points above the Index), with a minimum of 0% of MSUs earned at 35 percentage points of Index under-performance. If we outperform the Index beyond 5 percentage points better, then the MSUs will be increased above 100% of target, at a rate of 2.5 to 1 (2½-percentage-point increase in units for each percentage point of out-performance), with a maximum percentage of 200% MSUs earned. The units earned, if any, will vest on January 31, 2026. If the minimum performance threshold is not met, there will be no payout.

2023 MSUs Thresholds	Units Earned	TSR Outperformance
Maximum	200%	+45%
Target	100%	+5%
Minimum	—%	(35)%

As stated above, the 2023 MSUs will measure our relative TSR over a three-year period ending December 31, 2025. If the performance period for the 2023 MSUs had ended on December 31, 2023, 200% of such MSUs would have been earned as the Company over performed the benchmark during the first year of the three-year performance period.

Time-based RSUs. RSUs granted in 2023 to our NEOs vest 25% on the one year anniversary of the grant date and an additional 6.25% vests each quarter thereafter over the subsequent three years (i.e. four-year total vesting period), assuming continued employment over the vesting period, and settle in shares of our Common Stock upon vesting. See 2023 award detail included in the [Grants of Plan-Based Awards](#) table.

Performance of Previously Awarded Performance-Based Equity Awards

The following sections set forth information regarding the performance against the benchmark of previously awarded performance-based equity awards.

2021 MSUs. MSUs were granted in January 2021 to Messrs. Reiner and Schulz. The 2021 MSUs were earned based on our relative TSR over a three-year performance period ending December 31, 2023. The 2021 MSUs were earned at 30% of target due to underperformance against the benchmark across the performance period.

2022 MSUs. MSUs were granted in January 2022 to Messrs. Reiner and Schulz. The 2022 MSUs are earned based on our relative TSR over a three-year performance period ending December 31, 2024. The 2022 MSUs were tracking to be earned at 139% of target if performance was measured at December 31, 2023.

2023 MSUs. MSUs were granted in January 2023 to Messrs. Reiner and Schulz. The 2023 MSUs are earned based on our relative TSR over a three-year performance period ending December 31, 2025. The 2023 MSUs were tracking to be earned at 200% of target if performance was measured at December 31, 2023.

Other Compensation

Our NEOs are eligible to participate in our health and welfare programs, 401(k) plan, Employee Stock Purchase Plan and other benefit programs on the same basis as other U.S. employees. We also offer our NEOs reimbursement for the costs of an annual executive physical.

Severance Compensation and Termination Protection

We generally provide our NEOs with severance packages if they are terminated without cause (as defined in their employment agreements) or for good reason (as defined in their employment agreements). The amount of severance benefits is described below, and in more detail elsewhere in the section titled [Potential Payments Upon Termination or Change of Control](#). The CLD Committee reviews the potential payouts to ensure their market-competitiveness in order to incentivize our NEOs to maintain focus on both daily and long-term efforts.

Our severance compensation provisions are designed to meet the following objectives:

- *Change in Control:* As part of our normal course of business, we may engage in discussions with other companies about possible collaborations and/or other ways in which the companies may work together to further our respective long-term objectives. In certain scenarios, the potential for merger or being acquired may be in the best interests of our stockholders. We provide a component of severance compensation if a NEO is terminated as a result of a change of control transaction to promote the ability of our NEOs to act in the best interests of our stockholders even though they could be terminated as a result of a transaction.
- *Termination Without Cause or For Good Reason:* If we terminate the employment of one of our NEOs “without cause” or one of our NEOs resigns for “good reason,” each as defined in the applicable agreement, we are obligated to make certain payments based on the NEO's then-effective base salary. We believe this is appropriate because the terminated NEO is bound by confidentiality and non-competition provisions continuing after termination. We also believe it is beneficial to have a mutually-agreed severance package in place prior to any termination event to avoid disruptive conflicts and provide us with more flexibility to make a change in management if such a change is in our and our stockholders' best interests.

Other

Tax and Accounting Considerations

Limits on Deductibility of Compensation. Section 162(m) of the Code generally prevents us from deducting as a business expense that portion of compensation paid to certain of our officers that exceeds \$1,000,000. The CLD Committee believes that its primary responsibility is to provide a compensation program to meet our stated business objectives, and accordingly the Company reserves the right to pay compensation that is not tax-deductible if it determines that such a payment is in the best interests of the Company and our stockholders.

Clawback Policies. In accordance with SEC rules and the requirements of the NYSE listing standards, in 2023, our Board adopted an executive clawback policy (Executive Clawback Policy) that empowers the Company to recover certain incentive compensation erroneously awarded to a current or former "Section 16 officer," as defined in Rule 16a-1(f) under the Securities and Exchange Act of 1934, as amended, in the event of an accounting restatement. A copy of the Executive Clawback Policy is filed as Exhibit 97.1 to our [2023 10-K](#). Additionally, the 2017 Plan includes a reimbursement provision applicable to all awards, including cash and all types of equity (including time-based and performance-based equity awards), and profits from securities sales in the event of accounting restatements due to material noncompliance as a result of misconduct. Any participant who knowingly or through gross negligence engaged in, or failed to prevent, the misconduct is subject to the reimbursement provision as detailed in the 2017 Plan.

EXECUTIVE COMPENSATION

Summary Compensation Table

The following table presents the compensation paid to or earned by our NEOs during 2023, 2022, and 2021:

Name and Principal Position	Year	Salary	Bonus	Stock Awards (1)	Non-Equity Incentive Plan Compensation	All Other Compensation	Total
Andres D. Reiner	2023	\$ 540,000	\$ —	\$6,219,177 ⁽²⁾	\$ 783,486	\$ 11,787 ⁽³⁾	\$ 7,554,450
<i>President and Chief Executive Officer</i>	2022	\$ 540,000	\$ —	\$5,970,413 ⁽⁴⁾	\$ 179,388	\$ 12,200	\$ 6,702,001
	2021	\$ 540,000	\$ —	\$6,102,556 ⁽⁵⁾	\$ 685,476	\$ 11,600	\$ 7,339,632
Stefan B. Schulz	2023	\$ 405,000	\$ —	\$3,302,199 ⁽⁶⁾	\$ 427,356	\$ 8,250 ⁽³⁾	\$ 4,142,805
<i>Executive Vice President and Chief Financial Officer</i>	2022	\$ 405,000	\$ —	\$2,671,056 ⁽⁷⁾	\$ 97,848	\$ 12,200	\$ 3,186,104
	2021	\$ 405,000	\$ —	\$3,192,208 ⁽⁸⁾	\$ 373,896	\$ 11,600	\$ 3,982,704

- (1) Represents the aggregate grant date fair value of equity awards granted in the specified fiscal year as calculated in accordance with GAAP. For additional information about equity award valuation assumptions, refer to Note 14 of our financial statements in our [2023 10-K](#) for the year ended December 31, 2023.
- (2) Represents 139,506 RSUs and 93,004 Target MSUs awarded to Mr. Reiner on January 12, 2023. The 2023 RSUs vest 25% on January 12, 2024 and 6.25% on the 12th day of the first month of each quarter thereafter and have a grant date fair value of \$24.30 per unit. The 2023 MSUs settle on January 31, 2026 if performance is achieved, and have a grant date fair value of \$30.42 per unit. For additional information on the 2023 RSUs and 2023 MSUs, see [Grants of Plan-Based Awards](#).
- (3) Represents \$8,250 in 401(k) Company match for Messrs. Reiner and Schulz. For Mr. Reiner, this amount also reflects \$3,537 in expense associated with an annual executive physical.
- (4) Represents 85,536 RSUs and 85,536 Target MSUs awarded to Mr. Reiner on January 10, 2022. The 2022 RSUs vest 25% on January 10, 2023 and 6.25% on the 10th day of the first month of each quarter thereafter and have a grant date fair value of \$32.15 per unit. The 2022 MSUs settle on January 31, 2025 if performance is achieved, and have a grant date fair value of \$37.65 per unit.
- (5) Represents 58,476 RSUs and 58,476 MSUs awarded to Mr. Reiner on January 11, 2021. The 2021 RSUs vest annually in one-fourth installments on January 11th of each year and have a grant date fair value of \$48.31 per unit. The 2021 MSUs settled on January 31, 2024, and have a grant date fair value of \$56.05 per unit.
- (6) Represents 74,074 RSUs and 49,382 Target MSUs awarded to Mr. Schulz on January 12, 2023. The 2023 RSUs vest 25% on January 12, 2024 and 6.25% on the 12th day of the first month of each quarter thereafter and have a grant date fair value of \$24.30 per unit. The 2023 MSUs settle on January 31, 2026 if performance is achieved, and have a grant date fair value of \$30.42 per unit. For additional information on the 2023 RSUs and 2023 MSUs, see [Grants of Plan-Based Awards](#).
- (7) Represents 46,656 RSUs and 31,104 MSUs awarded to Mr. Schulz on January 10, 2022. The 2022 RSUs vest 25% on January 10, 2023 and 6.25% on the 10th day of the first month of each quarter thereafter and have a grant date fair value of \$32.15 per unit. The 2022 MSUs settle on January 31, 2025, and have a grant date fair value of \$37.65 per unit.
- (8) Represents 37,259 RSUs and 24,839 MSUs awarded to Mr. Schulz on January 11, 2021. The 2021 RSUs vest annually in one-fourth installments on January 11th of each year and have a grant date fair value of \$48.31 per unit. The 2021 MSUs settled on January 31, 2024, and have a grant date fair value of \$56.05 per unit.

Grants of Plan-Based Awards

The following table shows all plan-based awards granted to our NEOs during 2023:

Named Executive Officer	Type of Award	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards		All Other Stock Awards: Number of Shares of Stock or Units (#)	FMV on Grant Date (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$)
			Threshold (\$)	Target (\$)	Maximum (\$)	Target (#)	Maximum (#)			
Andres D. Reiner	RSU	1/12/2023						139,506	\$ 24.30	\$3,389,996
	MSU ⁽¹⁾	1/12/2023				93,004	186,008		\$ 30.42	\$2,829,182
	Cash incentive ⁽²⁾		\$148,500	\$594,000	\$ 891,000					
Stefan B. Schulz	RSU	1/12/2023						74,074	\$ 24.30	\$1,799,998
	MSU ⁽¹⁾	1/12/2023				49,382	98,764		\$ 30.42	\$1,502,200
	Cash incentive ⁽²⁾		\$ 81,000	\$324,000	\$ 486,000					

- (1) The 2023 MSUs are performance-vesting units. The 2023 MSUs settle on January 31, 2026, and the number of shares of Common Stock issuable upon settlement is based on the Company's TSR in relation to the Russell 2000 Index (Index) over a three-year measurement period ending December 31, 2025. The range of shares of Company stock that may be earned is 0% to 200%. Total MSU grant date fair value is calculated by multiplying the target number of units awarded by the grant date fair value of \$30.42 per unit. This grant date fair value per unit is estimated by the Company on the date of grant using a Monte Carlo simulation model. The model is affected by the Company's stock price and a number of assumptions including the expected volatility of the Company's stock and the Index, its risk-free interest rate and expected dividends. For more information on the assumptions and methodology used to estimate fair market value for MSUs, please see Note 14 of our financial statements in our [2023 10-K](#) for the year ended December 31, 2023.
- (2) Amounts represent the threshold, target and maximum payouts for the 2023 NEO Plan based on total revenue and free cash flow attainment, as described in the Components of 2023 Executive Compensation section above. The 2023 NEO Plan included a Minimum EBITDA Threshold that if not achieved would reduce the actual payouts from those calculated from the total revenue and free cash flow attainment. Therefore, actual payouts under the 2023 NEO Plan could have been less than the threshold amounts. The actual cash incentive bonus earned for 2023 is reported in the 2023 Summary Compensation Table.

Outstanding Equity Awards at Fiscal Year End

The following table presents the number of outstanding equity awards held by our NEOs as of December 31, 2023 and the value of such awards based on the closing stock price of \$38.79 as of December 29, 2023 (the last trading day on the NYSE in 2023):

Named Executive Officer	Stock Awards			
	Equity incentive plan awards: number of unearned shares, units or other rights that have not vested (#)		Equity incentive plan awards: market or payout value of unearned shares, units or other rights that have not vested (\$)	
Andres D. Reiner	9,875	(1)	\$	383,051
	29,238	(2)	\$	1,134,142
	17,484	(3)	\$	678,204
	48,114	(4)	\$	1,866,342
	171,072	(5)	\$	6,635,883
	139,506	(6)	\$	5,411,438
	186,008	(7)	\$	7,215,250
Stefan B. Schulz	5,650	(1)	\$	219,164
	18,630	(2)	\$	722,658
	7,427	(3)	\$	288,093
	26,244	(4)	\$	1,018,005
	62,208	(5)	\$	2,413,048
	74,074	(6)	\$	2,873,330
	98,764	(7)	\$	3,831,056

- (1) Represents 2020 RSUs awarded to Messrs. Reiner and Schulz on January 13, 2020. These 2020 RSUs vest annually in one-fourth installments on January 13th of each year through 2024.
- (2) Represents 2021 RSUs awarded to Messrs. Reiner and Schulz on January 11, 2021. These 2021 RSUs vest annually in one-fourth installments on January 11th of each year through 2025.
- (3) Represents 2021 MSUs awarded to Messrs. Reiner and Schulz on January 11, 2021. These 2021 MSUs settled on January 31, 2024. The number of 2021 PRSUs earned (29.9% of target) was determined based upon achievement of our TSR for the period from January 1, 2021 through December 31, 2023 as compared to the Russell 2000 Index.
- (4) Represents 2022 RSUs awarded to Messrs. Reiner and Schulz on January 10, 2022. These 2022 RSUs vested 25% on January 10, 2023 and 6.25% on the 10th day of the first month of each quarter thereafter.
- (5) Represents 2022 MSUs awarded to Messrs. Reiner and Schulz on January 10, 2022. These 2022 MSUs settle on January 31, 2025. The amounts shown above reflect the number of 2022 MSUs that would be earned if the performance goals related to these awards were met at the maximum (200% of target) level at the end of the performance period. The number of shares that will actually be earned will depend on our TSR for the period from January 1, 2022 through December 31, 2024 as compared to the Russell 2000 Index. If the performance period had ended as of December 31, 2023, 138.9% of the target MSUs would have been earned.
- (6) Represents 2023 RSUs awarded to Messrs. Reiner and Schulz on January 12, 2023. These 2023 RSUs vest 25% on January 12, 2024 and 6.25% on the 12th day of the first month of each quarter thereafter.
- (7) Represents 2023 MSUs awarded to Messrs. Reiner and Schulz on January 12, 2023. These 2023 MSUs settle on January 31, 2026. The amounts shown above reflect the number of 2023 MSUs that would be earned if the performance goals related to these awards were met at the maximum (200% of target) level at the end of the performance period. The number of shares that will actually be earned will depend on our TSR for the period from January 1, 2023 through December 31, 2025 as compared to the Russell 2000 Index. If the performance period had ended as of December 31, 2023, 200% of the target MSUs would have been earned.

Option Exercises and Equity Awards Vested

The following table presents information on the exercises of stock options, if any, and vesting of RSUs and MSUs for our NEOs during the year ended December 31, 2023:

Named Executive Officer	Option Awards		Stock Awards		
	Number of shares acquired on exercise (#)	Value realized on exercise (\$)	Number of shares acquired on RSU vesting (#)	Number of shares acquired on MSU vesting (#)	Value realized on vesting (\$)
Andres D. Reiner	—	—	79,503	—	\$ 1,999,657
Stefan B. Schulz	—	—	44,455	—	\$ 1,116,533

Employment Agreements

We have entered into employment agreements with each of our NEOs. Each agreement has a three-year initial term and automatically renews for three-year terms unless the Company decides not to renew. The base salary due under each agreement is subject to periodic review by our CLD Committee. Each agreement includes non-competition and non-solicitation restrictions during the executive's employment and for 12-months post employment. Under each agreement, in the event that the executive's employment is terminated by us without cause, if he resigns for good reason, or we decide not to renew his agreement, in any of these cases, within six months prior to, or any time after, a change of control of the Company, he will receive (i) an amount equal to 150% of his annual salary, (ii) any unpaid bonus earned prior to the termination relating to periods preceding the date of termination, (iii) the payment of an aggregate bonus equal to 100% of performance targets, including any discretionary components, within the bonus plan in effect as if employed by us for eighteen months, (iv) an amount equal to 18 times the monthly cost of his health benefits, and (v) the acceleration of vesting of all equity awards with respect to shares that would have vested following the termination date. In addition, under each of these agreements, if the executive's employment with us terminates due to his death or disability, his employment will automatically terminate and he will be entitled to accelerated vesting of (i) all equity awards with respect to all shares that would have vested after the termination date, and (ii) all MSUs at 100% of the target number granted. In addition, if following a change of control of the Company, the surviving or acquiring entity (or its parent entity) elects not to assume, continue or substitute for the equity awards or options due under the 2017 Plan, all outstanding equity awards and options under each plan will vest in full and become fully exercisable.

Andres D. Reiner. In December 2018, we entered into a second amended and restated employment agreement with Mr. Reiner. In the event Mr. Reiner's employment with us is terminated by him for good reason, by us without cause or we decide not to renew his agreement, he will receive (i) his full base salary each month for the following 12 months, (ii) any unpaid bonus earned prior to the termination relating to periods preceding the date of termination, (iii) the payment of a bonus at 100% of performance targets, including discretionary components, within the bonus plan in effect as if employed by us for 12 months, (iv) an amount equal to 12 times the monthly cost of Mr. Reiner's health benefits, (v) the acceleration of vesting of all equity awards with respect to such shares that would have vested following his termination date, and (vi) the acceleration of vesting of all market stock awards where the number of units vesting is determined as if the performance period ended on his termination date.

Stefan B. Schulz. In November 2023, we entered into an amended and restated employment agreement with Mr. Schulz. In the event Mr. Schulz's employment with us is terminated by him for good reason, by us without cause, or we decide not to renew his agreement, he will receive (i) his full base salary each month for the following 12 months, (ii) any unpaid bonus earned prior to the termination relating to periods preceding the date of termination, (iii) the payment of a bonus at 100% of performance targets, including discretionary components, within the bonus plan in effect as if employed by us for 12 months, (iv) an amount equal to 12 times the monthly cost of his health benefits, (v) the acceleration of vesting of all equity awards with respect to such shares that would have vested following the date of termination and prior to the first anniversary of his termination date, and (vi) the acceleration of vesting of all market stock awards scheduled to vest prior to the first anniversary of his termination date, where the applicable performance period is deemed to have ended on his termination date.

"Cause" is defined in these agreements as (a) the unauthorized use or disclosure of the confidential information or trade secrets of the Company by the officer which use or disclosure causes material harm to the Company, (b) the officer's conviction of, or a plea of guilty or no contest to, a felony or any other crime involving dishonesty or moral turpitude under the laws of the United States; (c) any intentional wrongdoing by the officer, whether by omission or commission, which adversely affects the business or affairs of the Company; (d) continued failure to perform assigned duties (other than by reason of disability) or comply with any Company policy after notice and a cure period; (e) any material breach by the officer of his employment agreement or any other agreement between the officer and the Company after notice and a cure period; and (f) any failure to cooperate in good faith with the Company in any governmental investigation or formal proceeding.

Each of our NEOs can resign for "good reason" and be entitled to certain severance payments as detailed below in the table titled "Potential Payments Upon Termination of Employment or Change of Control." "Good reason" is defined in their employment agreements as (i) a material diminution in the officer's authority, duties or responsibilities or the assignment of duties that are not materially commensurate with the officer's position with the Company; (ii) a material reduction in base salary, other than a reduction which is part of a general reduction affecting all employees; (iii) the relocation of the officer's principal place of service to his employer to more than 25 miles from the principal place of service as of the effective date of the officer's employment agreement; (iv) any failure by the Company to continue to provide the officer with the opportunity to participate, on terms no less favorable than those in effect for the benefit of any employee holding a comparable position with the Company, in any material benefit or compensation plans and programs, which results in a material detriment to him; (v) any material breach by the Company of any provision of the officer's employment agreement; or (vi) any failure by any successor corporation to assume the Company's obligations under the officer's employment agreement.

Potential Payments Upon Termination of Employment or Change of Control

The following table represents amounts payable at, following, or in connection with the events described below, assuming that such events occurred on December 31, 2023 for each of the NEOs:

Named Executive Officer	Severance	Annual Bonus Payment	Equity Grants	Welfare Benefits	Total Payment
Andres D. Reiner					
Death or Disability (1)	—	—	\$ 21,297,061	—	\$ 21,297,061
Termination (2)	\$ 1,134,000	\$ 783,486	\$ 21,297,061	\$ 26,746	\$ 23,241,293
Termination on Change of Control (3)	\$ 1,701,000	\$ 783,486	\$ 21,297,061	\$ 40,119	\$ 23,821,666
Vesting on Change of Control (4)	—	—	\$ 6,155,714	—	\$ 6,155,714
Retirement (5)	—	—	\$ 6,862,473	—	\$ 6,862,473
Stefan B. Schulz					
Death or Disability (1)	—	—	\$ 10,628,162	—	\$ 10,628,162
Termination (2)	\$ 729,000	\$ 427,356	\$ 2,578,017	\$ 18,544	\$ 3,752,917
Termination on Change of Control (3)	\$ 1,093,500	\$ 427,356	\$ 10,628,162	\$ 27,816	\$ 12,176,834
Vesting on Change of Control (4)	—	—	\$ 2,380,164	—	\$ 2,380,164
Retirement (5)	—	—	\$ 3,721,510	—	\$ 3,721,510

- Death or Disability.* In the event of a termination of employment due to death or disability, certain equity awards will vest. Pursuant to their employment agreements, in such event, a NEO is entitled to full acceleration of all outstanding RSUs. Pursuant to the MSU award agreements, in such event, performance for outstanding MSUs would be measured as of the date of such termination and the number of earned units would settle shortly thereafter.
- Termination.* In the event of an involuntary termination of employment by the Company without Cause or a termination of employment by the executive officer for Good Reason, certain severance, bonus, equity vesting and other benefits are due. For an explanation of these benefits by executive officer and the definitions of Cause and Good Reason, see [Employment Agreements](#) above.
- Termination on Change of Control.* In the event of an involuntary termination of employment by the Company without Cause or a termination of employment by the executive officer for Good Reason, in either event during the six-month period prior to a Change of Control or after a Change of Control, certain severance, bonus, equity vesting and other benefits are due. For an explanation of these benefits by executive officer, see [Employment Agreements](#) above.
- Vesting on Change of Control.* In the event of a Change of Control, certain performance-based equity awards accelerate their vesting by their terms, with the respective performance period deemed to have ended as of the date of the Change of Control. For MSUs, a Change of Control triggers a measurement of performance as of the Change of Control. Earned MSUs based on this measurement are paid out to the executives as of the Change of Control pro rata based on the length of the performance period concluded prior to the Change of Control. The remaining earned MSUs vest at the end of the original performance period.
- Retirement.* In the event of retirement in which the executive provides advance notice of retirement and meets certain other qualifying conditions, certain equity awards may continue to vest post-retirement.

CEO Pay Ratio

Under Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, the Company is required to provide the ratio of the annual total compensation of our CEO (as set forth in the Summary Compensation Table above) to the annual total compensation of the median employee of the Company (Pay Ratio Disclosure). For 2023, the annual total compensation of the median employee of the Company and its subsidiaries other than our CEO, was \$92,852. Our CEO's total annual compensation for 2023 for purposes of the Pay Ratio Disclosure was \$7.55 million. Our CEO's compensation set forth in the [Summary Compensation Table](#) does not necessarily equate to actual realizable pay. The ratio of the total annual compensation of our CEO to the median of all other employees was 81:1. As SEC rules permit different methodologies, exemptions, estimates and assumptions for identifying the median employee and calculating pay ratio, our Pay Ratio Disclosure may not be comparable to the pay ratio reported by other companies.

We identified the median employee by examining the 2023 total cash compensation for all individuals, excluding our CEO, who were employed by us during the 2023 calendar year (whether employed on a full-time, part-time or seasonal basis). For such employees, we did not make any assumptions, adjustments or estimates with respect to total cash compensation, and we did not annualize the compensation for any full-time employees that were not employed by us for all of 2023. We used the relevant exchange rate on December 31, 2023. After identifying the median employee criteria, we calculated annual total compensation for such employee and compared it to the CEO's total compensation as set forth in the [Summary Compensation Table](#) above.

Pay Versus Performance

Year	SCT Total Compensation for CEO	Compensation Actually Paid to CEO (1)	Average SCT Total Compensation for Other NEOs (2)	Average Compensation Actually Paid to Other NEOs (1)(2)	Value of Initial Fixed \$100 Investment Based On:		Net (Loss) Income (in millions)	Total Revenue (in millions)
					PROS Cumulative TSR	Peer Group Cumulative TSR (3)		
2023	\$ 7,554,450	\$ 16,408,590	\$ 4,142,805	\$ 8,476,831	\$ 65	\$ 121	\$ (56)	\$ 304
2022	\$ 6,702,001	\$ 2,824,846	\$ 2,673,432	\$ (112,975)	\$ 40	\$ 106	\$ (82)	\$ 276
2021	\$ 7,339,632	\$ 1,811,242	\$ 3,628,443	\$ 997,555	\$ 58	\$ 135	\$ (81)	\$ 251
2020	\$ 5,463,012	\$ (2,648,100)	\$ 2,727,907	\$ 159,042	\$ 85	\$ 118	\$ (77)	\$ 252

(1) To calculate Compensation Actually Paid, the following amounts were deducted from and added to the applicable Summary Compensation Table (SCT) total compensation:

<u>CEO</u>				
	2020	2021	2022	2023
Summary Compensation Table Total	\$ 5,463,012	\$ 7,339,632	\$ 6,702,001	\$ 7,554,450
Less: Grant Date Fair Value of Stock Awards	\$ (4,766,465)	\$ (6,102,556)	\$ (5,970,413)	\$ (6,219,177)
Plus: Fair Value at Year-End of Unvested Stock Awards Granted in the Covered Year*	\$ 2,005,415	\$ 3,334,886	\$ 4,223,767	\$ 11,112,544
Change in Fair Value of Unvested Stock Awards Granted in Prior Years*	\$ (2,953,760)	\$ (2,298,431)	\$ (1,632,905)	\$ 3,890,738
Change in Fair Value of Stock Awards From Prior Years that Vested in the Covered Year*	\$ (2,396,302)	\$ (462,289)	\$ (497,604)	\$ 70,035
= Compensation Actually Paid	\$ (2,648,100)	\$ 1,811,242	\$ 2,824,846	\$ 16,408,590

<u>Average of Other NEOs</u>				
	2020	2021	2022	2023
Summary Compensation Table Total	\$ 2,727,907	\$ 3,628,443	\$ 2,673,432	\$ 4,142,805
Less: Grant Date Fair Value of Stock Awards	\$ (2,320,434)	\$ (2,872,977)	\$ (1,335,528)	\$ (3,302,199)
Plus: Fair Value at Year-End of Unvested Stock Awards Granted in the Covered Year*	\$ 2,174,301	\$ 1,660,435	\$ 956,604	\$ 5,900,641
Change in Fair Value of Unvested Stock Awards Granted in Prior Years*	\$ (485,114)	\$ (1,177,223)	\$ (417,568)	\$ 1,697,984
Change in Fair Value of Stock Awards From Prior Years that Vested in the Covered Year*	\$ (907,038)	\$ (241,123)	\$ (206,936)	\$ 37,600
Less: Fair Value of Stock Awards Forfeited During the Covered Year	\$ (1,030,580)	\$ —	\$ (1,782,979)	\$ —
= Compensation Actually Paid	\$ 159,042	\$ 997,555	\$ (112,975)	\$ 8,476,831

*All Market Stock Unit (MSU) valuations included in "Compensation Actually Paid" values were performed using the Monte Carlo probability model in a manner consistent with the process used to determine MSU grant date fair values under ASC718 (refer to our 2023 10-K for additional detail).

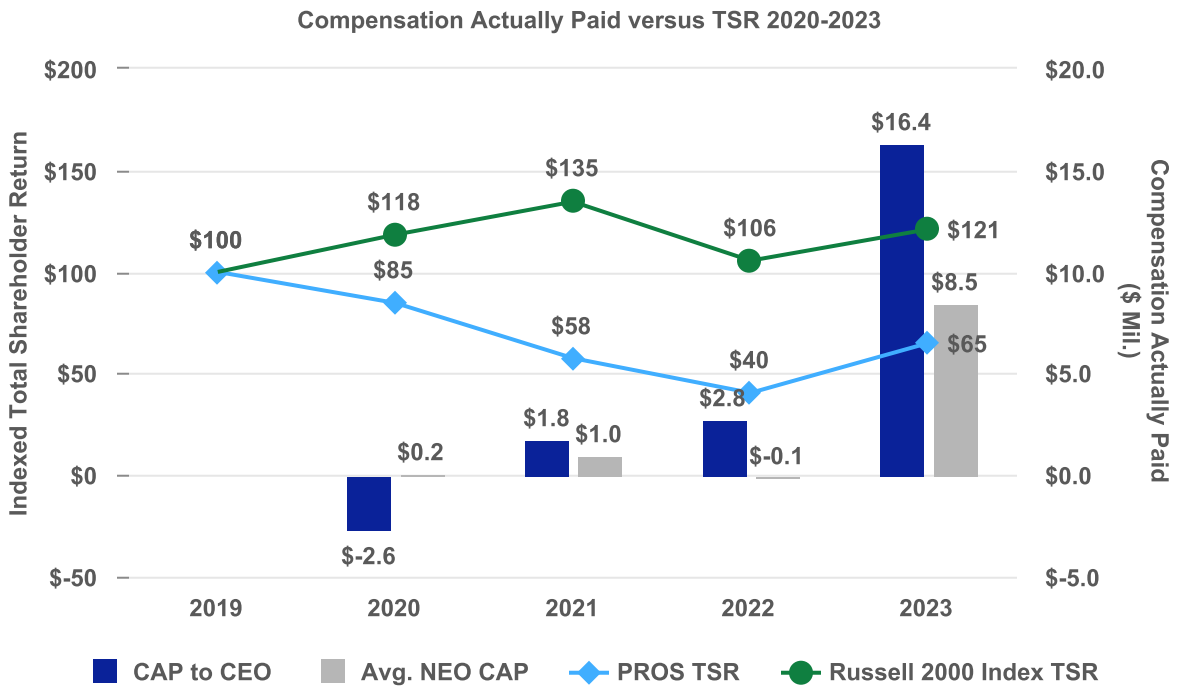
(2) For 2023, includes Stefan Schulz, CFO. For 2022, includes Stefan Schulz, CFO, and Leslie Rechan, former COO. For 2021, this includes Stefan Schulz, Leslie Rechan, and Roberto Reiner, former Chief Technology Officer. For 2020, includes Stefan Schulz, Leslie Rechan, Roberto Reiner, and Thomas Dziersk, former EVP, Worldwide Sales.

(3) For purposes of this table, the Peer Group used is the Russell 2000 Index.

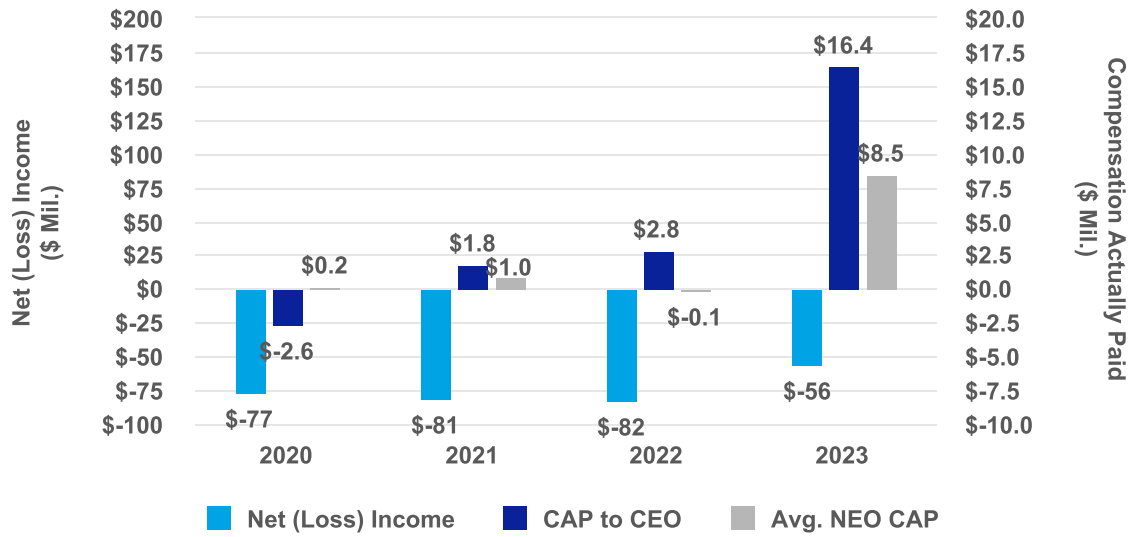
The following measures in our assessment represent the most important financial performance measures that link compensation actually paid to our NEOs for 2023 to our performance:

- ✓ **Total Revenue**
- ✓ **Free Cash Flow** - Net cash provided by (used in) operating activities, excluding severance payments, less capital expenditures and capitalized internal-use software development costs.
- ✓ **Our Stock Price**

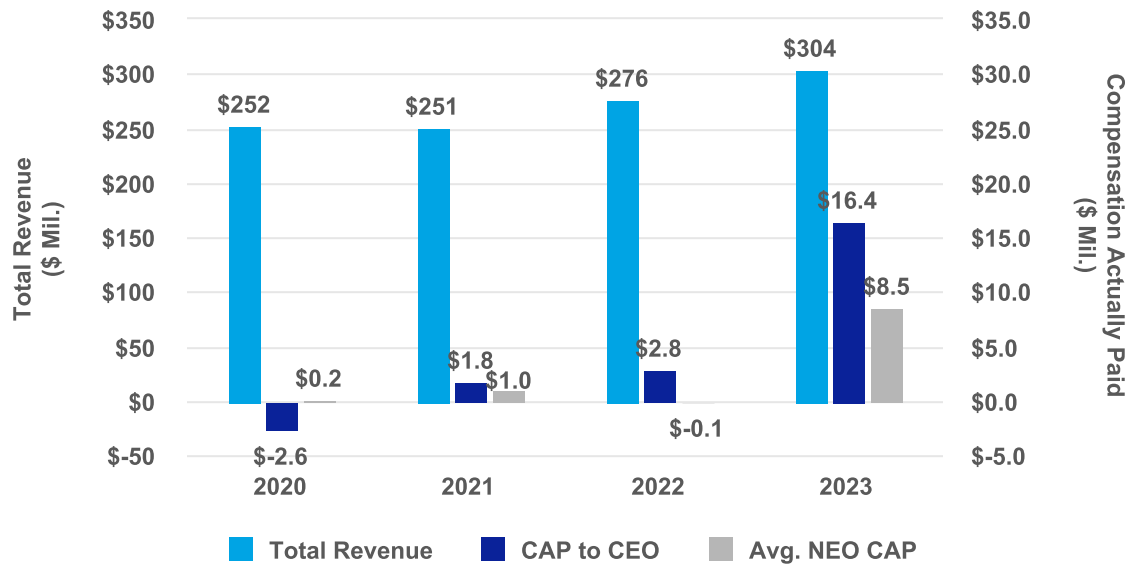
The relationship between Compensation Actually Paid (CAP) and the financial performance elements reflected in the above Pay versus Performance table are described in the below charts:



Compensation Actually Paid versus Net (Loss) Income 2020-2023



Compensation Actually Paid versus Total Revenue 2020-2023



Equity Compensation Plan Information

The following table sets forth information as of December 31, 2023 with respect to compensation plans under which our equity securities are authorized for issuance. For additional information on our equity compensation plans, see Note 14 of the Notes to the Consolidated Financial Statements in our [2023 10-K](#).

Plan Category	I	III
	Number of securities to be issued upon exercise of outstanding options and rights (2)	Number of securities remaining available for future issuance under plans (excluding securities listed in Column (I)) (3)
All compensation plans previously approved by security holders (1)	3,321,434	4,622,868
All compensation plans not previously approved by security holders (4)	162,104	0
Total	3,483,538	4,622,868

(1) Includes awards from the 2017 Plan.

(2) Includes 2,605,290 RSUs, and 358,072 MSUs (at maximum attainment of 200%)

(3) Includes unissued award pools from the 2017 Plan and the 2013 Employee Stock Purchase Plan.

(4) Represents inducement RSU awards to employees of EveryMundo LLC in connection with our acquisition in November 2021 of EveryMundo.

PROPOSAL TWO

NON-BINDING ADVISORY VOTE ON EXECUTIVE COMPENSATION

What am I voting on?

As required pursuant to Section 14A of the Exchange Act, we are providing our stockholders with the opportunity to vote to approve, on an advisory or non-binding basis, the compensation of our NEOs as disclosed in this Proxy Statement in accordance with SEC rules. We currently conduct this advisory vote on an annual basis and expect to conduct the next advisory vote at our Annual Meeting to be held in 2025.

As described in the [Compensation Discussion and Analysis](#) section of this Proxy Statement, our executive compensation program is designed to align executive compensation with Company performance and stockholder interests, attract high-caliber talent and promote a performance culture that encourages achieving and exceeding corporate goals and objectives. We emphasize pay-for-performance where compensation is contingent upon the performance of our business and our stock price. We link rewards to the achievement of measurable financial objectives that build long-term stockholder value. The performance-based elements are aligned to Company and stockholder goals. We ensure that our executive compensation is competitive based on peer benchmarking and industry standards, adjusting pay as appropriate to attract and retain top talent while aligning with stockholder interests. *Please see our [Compensation Discussion and Analysis](#) and related compensation tables for detailed information about our executive compensation programs, including information about the fiscal year 2023 compensation of our NEOs.*

For the reasons discussed above, the Board unanimously recommends that stockholders vote in favor of the following resolution:

Resolved, that the stockholders approve, on an advisory basis, the compensation paid to the Company's NEOs, as disclosed in this Proxy Statement pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

This vote is advisory and therefore not binding. However, the CLD Committee values the opinions of our stockholders and to the extent there is any significant vote against the NEO compensation as disclosed in this Proxy Statement, we will consider those stockholders' concerns, and the CLD Committee will evaluate whether any actions are necessary to address those concerns.

Note that because the advisory vote on executive compensation occurs well after the beginning of the compensation year, in most cases it may not be feasible to change any executive compensation program in consideration of any one year's advisory vote on executive compensation.

Vote Required

The affirmative vote of a majority of the outstanding shares of our Common Stock entitled to vote and present in person or represented by proxy at the Annual Meeting is required for advisory approval of this proposal. A properly executed proxy marked "ABSTAIN" with respect to this matter is considered entitled to vote, and thus will have the effect of a vote against this matter.

In accordance with Delaware law, abstentions will be counted for purposes of determining both whether a quorum is present at the Annual Meeting and the total number of shares represented and voting on this proposal. While broker non-votes will be counted for purposes of determining the presence or absence of a quorum, broker non-votes will not be counted for purposes of determining the number of shares represented and voting with respect to the particular proposal on which the broker has expressly not voted and, accordingly, will not affect the approval of this proposal.

THE BOARD UNANIMOUSLY RECOMMENDS VOTING "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

SECURITY OWNERSHIP

The following tables set forth information regarding beneficial ownership of our Common Stock for each person known to own beneficially more than 5% of our outstanding Common Stock, each of our NEOs, each director and director nominee, and our NEOs, directors and director nominees as a group, each as of the Record Date unless otherwise noted below. Applicable percentage ownership is based on 46,968,440 shares of our Common Stock outstanding as of the Record Date. Unless otherwise indicated, all persons named as beneficial owners of our Common Stock have sole voting power and sole investment power with respect to the shares indicated as beneficially owned.

Principal Shareholders and Address	Common Stock and Nature of Beneficial Ownership	Percentage
The Vanguard Group, 100 Vanguard Blvd., Malvern, PA 19355	4,764,913 ⁽¹⁾	10.1 %
BlackRock, Inc., 50 Hudson Yards, New York, NY 10001	3,863,678 ⁽²⁾	8.2 %
Conestoga Capital Advisors, LLC, 550 E. Swedesford Rd. Suite 120, Wayne, PA 19087	3,469,084 ⁽³⁾	7.4 %
FMR, LLC, 245 Summer Street, Boston, MA 02210	3,195,978 ⁽⁴⁾	6.8 %
Alger Associates, Inc., 100 Pearl Street, 27th Floor, New York, NY 10004	2,812,015 ⁽⁵⁾	6.0 %
Brown Advisory Incorporated, 901 S Bond Street, Suite 400, Baltimore, MD 21231	2,794,814 ⁽⁶⁾	6.0 %
RGM Capital, LLC, 9010 Strada Stell Court, Suite 105, Naples, FL 34109	2,782,097 ⁽⁷⁾	5.9 %
Ronald and Mariette Woestemeyer, 3331 Damico St., Houston, TX 77019	2,666,754 ⁽⁸⁾	5.7 %

- (1) Based on a Schedule 13G/A filed by The Vanguard Group (Vanguard) with the SEC on February 13, 2024 reporting that Vanguard owned 4,764,913 shares of our Common Stock as of December 31, 2023, with shared voting power with respect to 66,981 shares of our Common Stock, sole dispositive power with respect to 4,651,696 shares of our Common Stock and shared dispositive power with respect to 113,217 shares of our Common Stock.
- (2) Based on a Schedule 13G/A filed by BlackRock, Inc. (BlackRock) with the SEC on January 25, 2024 reporting that BlackRock beneficially owned 3,863,678 shares of our Common Stock as of December 31, 2023, with sole voting power with respect to 3,772,533 shares of our Common Stock.
- (3) Based on a Schedule 13G/A filed by Conestoga Capital Advisors, LLC (Conestoga) with the SEC on January 5, 2024 reporting that Conestoga owned 3,469,084 shares of our Common Stock as of December 31, 2023, with sole voting power with respect to 3,250,044 shares of our Common Stock.
- (4) Based on a Schedule 13G filed by FMR, LLC (Fidelity) with the SEC on February 9, 2024 reporting that Fidelity owned 3,195,978 shares of our Common Stock as of December 31, 2023.
- (5) Based on a Schedule 13G/A filed by Alger Associates, Inc. (Alger) with the SEC on February 14, 2024 reporting that Alger and associated funds owned 2,812,015 shares of our Common Stock as of December 31, 2023.
- (6) Based on a Schedule 13G filed by Brown Advisory Incorporated (Brown) with the SEC on February 9, 2024 reporting that Brown beneficially owned 2,794,814 shares of our Common Stock as of December 31, 2023, with sole voting power with respect to 2,398,592 shares of our Common Stock and shared dispositive power with respect to 2,794,814 shares of our Common Stock.
- (7) Based on a Schedule 13G/A filed by RGM Capital, LLC (RGM) with the SEC on February 14, 2024 reporting that RGM owned 2,782,097 shares of our Common Stock as of December 31, 2023, with voting and dispositive power shared with Robert G. Moses with respect to all such shares of our Common Stock.
- (8) Based on Schedule 13G/A filed by Ronald and Mariette Woestemeyer (Woestemeyers) with the SEC on February 5, 2024 reporting that the Woestemeyers beneficially own, including through various trusts for the benefit of certain family members, 2,666,754 shares of our Common Stock as of December 31, 2023.

Name of Beneficial Owner	Common Stock Beneficially Owned ⁽¹⁾	Percentage
Named Executive Officers		
Andres D. Reiner	997,757 (2)	2.1 %
Stefan Schulz	267,768 (3)	*
Non-Employee Directors and Director Nominees		
Michelle Hughes Benfer	2,432 (4)	*
Carlos Dominguez	23,213 (5)	*
Raja Hammoud	21,830 (5)	*
Cynthia M. Johnson	2,605 (6)	*
Leland Jourdan	15,475 (5)	*
Catherine Lesjak	21,978 (5)	*
Greg B. Petersen	119,045 (5)	*
William Russell	154,144 (5)	*
Timothy V. Williams	126,936 (5)	*
All NEOs, directors and director nominees as a group	1,753,183 (7)	3.7 %

* Represents less than 1% of the outstanding shares of our Common Stock

- (1) Beneficial ownership represents sole voting and investment power.
- (2) Includes 14,065 shares from RSUs which are scheduled to vest within 60 days of the Record Date.
- (3) Includes 7,545 shares from RSUs which are scheduled to vest within 60 days of the Record Date.
- (4) Includes 2,432 shares from RSUs which are scheduled to vest within 60 days of the Record Date.
- (5) Includes 7,205 shares from RSUs which are scheduled to vest within 60 days of the Record Date.
- (6) Includes 2,605 shares from RSUs which are scheduled to vest within 60 days of the Record Date.
- (7) Includes 77,082 shares from RSUs which are scheduled to vest within 60 days of the Record Date.

DELINQUENT SECTION 16(a) REPORTS

Section 16(a) of the Exchange Act requires each of our directors and NEOs, among others, to file reports of initial ownership and changes of ownership of our securities with the SEC. Based on a review of such forms in our possession, and on written representations submitted to us by these reporting persons, we believe that all required Section 16(a) filings for 2023 were timely filed, other than one Form 4 reporting vesting of RSUs and shares withheld for taxes for our Chief Accounting Officer, Scott Cook, filed late on July 11, 2023 due to inadvertent administrative oversight.

RELATED PARTY TRANSACTIONS

Since January 1, 2023, there has not been (nor is there currently proposed), any transaction or series of similar transactions to which we were or are a party in which the amount involved exceeded or exceeds \$120,000 and in which any of our directors, executive officers, holders of more than 5% of any class of our voting securities, or any member of the immediate family of any of the foregoing persons, had or will have a direct or indirect material interest, other than compensation arrangements with directors and executive officers, and the transactions described below:

Relationships with Directors and Management

Indemnification agreements. We have entered into indemnification agreements with each of our current directors and officers. These agreements require us, among other things, to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We also intend to enter into indemnification agreements with our future directors and officers.

Employment arrangements. We have entered into employment agreements with each of our executive officers, which address, among other things, the terms of their employment, such as base salary, severance payments and payment on a change in control.

Procedures for Related Party Transactions

Under our Code of Business Conduct and Ethics, our employees and officers are discouraged from entering into any transaction that may cause a conflict of interest. In addition, they must report any potential conflict of interest, including related party transactions, to their managers or our compliance officer who then reviews and summarizes the proposed transaction for our Audit Committee. Pursuant to its charter, our Audit Committee must then approve any related party transactions, including those transactions involving our directors. In approving or rejecting such proposed transactions, the Audit Committee considers the relevant facts and circumstances available and deemed relevant to the Audit Committee, including the material terms of the transactions, risks, benefits, costs, availability of other comparable services or products and, if applicable, the impact on a director's independence. Our Audit Committee will approve only those transactions that, in light of known circumstances, are in, or are not inconsistent with, our best interests, as our Audit Committee determines in the good faith exercise of its discretion.

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter adopted by the Board of Directors, a current copy of which is available under *Corporate Governance* in the "Investor Relations" section of our website at ir.pros.com. The Audit Committee reviews and assesses the adequacy of its charter at least annually and, when appropriate, recommends changes to the Board to reflect the evolving role of the Audit Committee.

Committee Membership

The Audit Committee is composed of Non-employee Directors who meet the independence and financial literacy requirements of the NYSE and additional, heightened independence criteria applicable to members of the Audit Committee under SEC and NYSE rules. The Audit Committee currently consists of Catherine Lesjak (Chair), Carlos Dominguez, Greg B. Petersen, and Timothy V. Williams. Our Board has determined that three of the members of the Audit Committee (Ms. Lesjak and Messrs. Petersen and Williams) are an "Audit Committee financial expert" as is currently defined under SEC regulations and the rules of the NYSE and Mr. Dominguez is "financially literate" under the rules of the NYSE.

Responsibilities

The Audit Committee oversees the Company's accounting and financial reporting processes on behalf of the Board and assists the Board in fulfilling its oversight responsibility relating to the integrity of the Company's financial statements and the financial reporting process, the systems of internal accounting and financial controls, and the annual independent audit of the Company's financial statements. The Audit Committee also oversees the independent auditors' qualifications and independence and the Company's internal auditors. The Company's management has the primary responsibility for preparing the Company's financial statements, for maintaining effective internal control over financial reporting, and for assessing the effectiveness of internal control over financial reporting. The Audit Committee has additional responsibilities related to risk management, including oversight of cybersecurity risk management and resilience, related party transactions, and compliance and ethics, among others.

Oversight of Independent Auditors

The Audit Committee engaged PricewaterhouseCoopers LLP (PwC) as our independent auditors for the year ended December 31, 2023. In its meetings with our independent auditors, the Audit Committee asks them to address, and discusses their responses to, questions that the Audit Committee believes are relevant to its oversight. The Audit Committee also discussed with the independent auditors those matters required to be discussed by the auditors with the Audit Committee under the rules adopted by the Public Company Accounting Oversight Board (PCAOB) and the SEC.

2023 Audited Financial Statements

In its oversight role, the Audit Committee relies on the work and assurances of the Company's management. In fulfilling its oversight responsibilities in 2023, the Audit Committee reviewed and discussed with management the Company's consolidated financial statements for the fiscal year ended December 31, 2023, including a discussion of, among other things, the quality of the Company's accounting principles, the reasonableness of significant estimates and judgments, and the clarity of disclosures in the Company's financial statements.

The Audit Committee has (1) reviewed and discussed the audited financial statements with management, (2) discussed with PwC, our independent registered public accounting firm, the matters required to be discussed by the Statement on Auditing Standards No. 1301, "Communications with Audit Committees", as adopted by the PCAOB, (3) received the written disclosures and the letter from the independent auditors required by applicable requirements of the PCAOB regarding the independent auditor's communications with the Audit Committee concerning independence, and has discussed with the independent auditors the independent auditor's independence, and (4) considered with the independent auditors whether the provision of non-audit services provided by them to the Company during 2023 was compatible with their independence. Based upon these discussions and reviews, the Audit Committee recommended to our Board of Directors, and the Board has approved, that the audited financial statements be included in our [2023 10-K](#) for the fiscal year ended December 31, 2023 and filed with the SEC.

THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

Catherine Lesjak (Chair)

Carlos Dominguez

Greg B. Petersen

Timothy V. Williams

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FEES

The Audit Committee has adopted a policy for the pre-approval of services performed by our independent registered public accounting firm. Under this policy, each year the Audit Committee pre-approves the audit engagement terms and fees and may also pre-approve detailed types of audit-related and permitted tax services, subject to certain dollar limits, to be performed during the year. All other permitted non-audit services are required to be pre-approved by the Audit Committee on an engagement-by-engagement basis.

The following table summarizes the aggregate fees billed for professional services rendered to us by PwC in 2023 and 2022. A description of these various fees and services follows the table:

	2023	2022
Audit fees	\$ 2,138,373	\$ 1,733,161
Audit-related fees	\$ —	\$ —
Tax fees	\$ —	\$ —
All other fees	\$ 959	\$ 3,091
Total fees	<u>\$ 2,139,332</u>	<u>\$ 1,736,252</u>

Fees Billed by PricewaterhouseCoopers, LLP

Audit fees. The aggregate fees billed to us by PwC in connection with the annual audit of our financial statements, reviews of our financial statements included in quarterly reports on Form 10-Q, consents related to documents filed with the SEC and comfort letters, were \$2,138,373 and \$1,733,161 for the years ended December 31, 2023 and 2022, respectively.

Audit-related fees. Audit-related fees consist of fees for professional services that are reasonably related to the performance of the audit or review of the Company's financial statements. This category may include fees related to due diligence related to mergers and acquisitions, accounting and financial reporting consultations and research necessary to comply with generally accepted audit standards. There were zero audit-related fees billed for the years ended December 31, 2023 and 2022.

Tax fees. The aggregate tax fees billed to us by PwC related to tax compliance, tax advice and tax planning were zero for the years ended December 31, 2023 and 2022.

All other fees. The other fees consist of subscription fees for an accounting and auditing research tools.

Audit Committee Approval of Services

The Audit Committee is authorized by its charter to pre-approve all auditing and permitted non-audit services to be performed by our independent registered public accounting firm. The Audit Committee reviews and approves the independent registered public accounting firm's retention to perform attest services, including the associated fees. The Audit Committee also evaluates other known potential engagements of the independent registered public accounting firm, including the scope of the proposed work and the proposed fees, and approves or rejects each service, taking into account whether the services are permissible under applicable law and the possible impact of each non-audit service on the independent registered public accounting firm's independence from management. At subsequent meetings, the Audit Committee receives updates on services actually provided by the independent registered public accounting firm, and management may present additional services for approval. The Audit Committee has delegated to the chair of the Audit Committee the authority to evaluate and approve engagements on behalf of the Audit Committee in the event that a need arises for pre-approval between Audit Committee meetings. If the Chair approves any such engagements, the Chair reports that approval to the full Audit Committee at its next meeting. During fiscal year 2023, all such services were pre-approved in accordance with the procedures described above.

Our Audit Committee has reviewed the fees described above and believes that such fees are compatible with maintaining the independence of PwC.

PROPOSAL THREE

RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM APPOINTMENT

The Audit Committee has selected the independent registered public accounting firm of PwC to audit our consolidated financial statements for the fiscal year ending December 31, 2024. We have determined to submit the selection of auditors to stockholder ratification, even though it is not required by our governing documents or Delaware law, as a matter of good corporate governance practice. If the selection of PwC as our independent auditors is not ratified by our stockholders, our Audit Committee will reconsider, but might not change, its selection. Notwithstanding the selection and ratification, the Audit Committee, in its discretion, may appoint a different independent registered public accounting firm at any time, if it believes doing so would be in the best interests of us and our stockholders.

PwC has audited our financial statements annually since 2002. Representatives of PwC are expected to be present at the Annual Meeting with the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Vote Required

Approval of the ratification of the appointment of PwC as our independent registered public accounting firm requires the affirmative vote of the holders of at least a majority of the outstanding shares of our Common Stock entitled to vote and present or represented at the Annual Meeting. A properly executed proxy marked "ABSTAIN" with respect to this matter is considered entitled to vote and thus, will have the effect of a vote against this matter.

In accordance with Delaware law, abstentions will be counted for purposes of determining both whether a quorum is present at the Annual Meeting and the total number of shares represented and voting on this proposal. While broker non-votes will be counted for purposes of determining the presence or absence of a quorum, broker non-votes will not be counted for purposes of determining the number of shares represented and voting with respect to the particular proposal on which the broker has expressly not voted and, accordingly, will not affect the approval of this proposal.

THE BOARD UNANIMOUSLY RECOMMENDS VOTING "FOR" THE RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2024.

General Information

Voting

As of the Record Date, 46,968,440 shares of Common Stock were outstanding. Each stockholder of record as of the Record Date is entitled to one vote for each share of Common Stock held by such stockholder. Only stockholders "of record" as of close of business on the Record Date are entitled to vote at the Annual Meeting.

Vote Required

Our amended and restated bylaws, an exhibit to the Current Report on Form 8-K filed with the SEC on April 29, 2020 (Bylaws), provide that a majority of the outstanding shares of our stock entitled to vote, whether present in person or represented by proxy, constitutes a quorum for the transaction of business at the Annual Meeting. Shares present virtually during the Annual Meeting will be considered shares of stock represented in person at the meeting. Votes for and against, abstentions and "broker non-votes" (shares held by a broker or nominee that does not have the authority, either express or discretionary, to vote on a particular matter) will each be counted towards the quorum requirement.

Under our Bylaws, directors are elected by plurality vote. This "plurality" standard means the nominees who receive the largest number of "for" votes cast are elected as directors. You may vote for all the director nominees, withhold authority to vote your shares for all the director nominees or withhold authority to vote your shares with respect to any one or more of the director nominees. The number of shares not voted for the election of a nominee, including broker non-votes, and the number of "withhold" votes cast with respect to that nominee will not affect the determination of whether that nominee has received the necessary votes for election. However, the number of "withhold" votes with respect to a nominee will affect whether our Director Resignation Policy will apply to that individual. Our Director Resignation Policy provides that any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" such election is required to offer his or her resignation following certification of the stockholder vote. The NCG Committee would then consider the offer of resignation and make a recommendation to our independent directors as to the action to be taken with respect to the offer. This policy does not apply in contested elections. We will not count abstentions or broker non-votes as either for or against a director, so abstentions and broker non-votes have no effect on the election of a director.

The affirmative vote of the holders of a majority of the shares of Common Stock present or represented by proxy and voting at the Annual Meeting is required to approve the advisory vote on executive compensation and the ratification of the selection of our independent auditors. A properly executed proxy marked "abstain" with respect to any matter is considered entitled to vote, and thus, will have the effect of a vote against a matter, except for the election of directors.

Voting Instructions

Stockholders have four ways to vote:

- *Online.* You may vote online by visiting www.proxyvote.com, and entering the control number found in your proxy card. You can vote via the Internet up until 11:59 P.M. Eastern Time on May 14, 2024.
- *Telephone.* You may vote by calling the toll-free number provided on your proxy card, and following the instructions found on your proxy card. You can vote via the telephone up until 11:59 P.M. Eastern Time on May 14, 2024.
- *Mail.* If you received a printed copy of the proxy card, you may vote by filling out the card and returning it in the postage-paid envelope provided. Please promptly mail your proxy card to ensure that it is received prior to the closing of the polls at the Annual Meeting.
- *Virtual Meeting.* You may vote at the virtual Annual Meeting by visiting www.virtualshareholdermeeting.com/PRO2024, and any previous votes that you submitted, whether by Internet, telephone or mail, will be superseded by the vote that you cast at the Annual Meeting.

If you are a beneficial owner, or you hold your shares in "street name," please check your voting instruction card or contact your bank, broker or nominee to determine whether you will be able to vote by Internet or telephone. Even if you plan on attending the virtual Annual Meeting, **we encourage you to vote in advance via the Internet**, by phone, or by mail to ensure that your vote will be represented at the Annual Meeting.

Changing your Vote

You may revoke your proxy and change your vote at any time before the taking of the vote at the Annual Meeting:

- *Online.* Using the online voting method described above, in which case only your latest internet proxy submitted prior to the Annual Meeting will be counted.
- *Telephone.* Using the telephone voting method described above, in which case only your latest telephone proxy submitted prior to the Annual Meeting will be counted.

- *Mail.* By signing and returning a new proxy card dated as of a later date, in which case only your latest proxy card or voting instruction form received prior to the Annual Meeting will be counted.
- *Virtual Meeting.* By attending the virtual Annual Meeting and by visiting www.virtualshareholdermeeting.com/PROS2024. However, attendance at the virtual Annual Meeting will not in and of itself revoke your proxy unless you properly vote at the virtual Annual Meeting or specifically request that your prior proxy be revoked by delivering a written notice of revocation prior to the Annual Meeting to our Corporate Secretary at or before the taking of the vote at the Annual Meeting.

Any written notice of revocation or subsequent proxy should be delivered to PROS Holdings, Inc. at 3200 Kirby Drive, Suite 600, Houston, Texas 77098, Attention: Corporate Secretary, or hand-delivered to our Corporate Secretary before the taking of the vote at the Annual Meeting.

Effect of Not Casting Your Vote

Banks, brokers and other intermediaries may not vote shares held in their clients' accounts on elections of directors and other "non-routine" matters unless the client has provided voting instructions. If you hold your shares in street name, you must cast your vote if you want it to count for purposes of Proposals One and Two.

Proxy Materials are Available on the Internet

We use the internet as the primary means of furnishing proxy materials to our stockholders. We are mailing to our stockholders a Notice of Internet Availability of Proxy Materials (Notice) that contains instructions on how to access our proxy materials over the Internet, as well as how to request a paper copy of our proxy materials, including this Proxy Statement, our 2023 Annual Report and a form of proxy card or voting instruction card. The Notice was first mailed and those documents were first made available on or about April 4, 2024 to stockholders entitled to vote at the Annual Meeting. We encourage stockholders to take advantage of the availability of the proxy materials on the internet.

Eliminating Duplicate Mailings

Some banks, brokers and other nominee record holders participate in the practice of "householding," which helps reduce the environmental impact of our annual meetings and reduces our printing and mailing costs, by sending only one copy of the Notice and Proxy Statement to multiple stockholders sharing the same address. If you would prefer to receive separate copies of a proxy statement, please contact our Corporate Secretary by emailing at legal@pros.com or by writing to us at 3200 Kirby Drive, Suite 600, Houston, Texas 77098. In addition, stockholders sharing an address and receiving multiple copies can request delivery of a single copy of proxy statements upon written request to our Corporate Secretary at the address stated above.

Stockholder Proposals and Director Nominations

Stockholders may present proposals for action, including director nominations, at meetings of stockholders only if they comply with the rules established by the SEC, applicable Delaware law and our Bylaws. No stockholder proposals were received for consideration at the Annual Meeting.

Stockholders interested in submitting a proposal for inclusion in our 2025 proxy materials and for consideration at the 2025 annual meeting of our stockholders (2025 Annual Meeting) may do so by following the procedures set forth in Rule 14a-8 under the Exchange Act. To be eligible for inclusion in such proxy materials, stockholder proposals must be received by our Corporate Secretary no later than the close of business on December 5, 2024.

Under our Bylaws, for any stockholder proposal or director nomination that is not submitted for inclusion in the next year's proxy statement but instead is proposed to be presented directly at our 2025 Annual Meeting to be timely, we must receive the notice or nomination between January 15, 2025 and February 14, 2025, unless the 2025 Annual Meeting is held earlier than April 15, 2025 or later than June 14, 2025, in which case the notice or nomination must be received not later than the close of business on the later of the ninetieth day prior to our 2025 Annual Meeting or the 10th day following the date on which public announcement of the date of the 2025 Annual Meeting is first made. Any such notice for stockholder proposals (other than director nominations) must satisfy the requirements specified in Article I, Section 1.10(b) of our Bylaws. Any such notice for director nominations must satisfy the requirements specified in Article II, Section 2.15(b) of our Bylaws. In addition, stockholders who intend to solicit proxies in support of director nominees other than the Company's nominees must also comply with the additional requirements of Rule 14a-19 under the Exchange Act no later than March 16, 2025. The NCG Committee applies the same standards in considering candidates submitted by stockholders as it does in evaluating candidates submitted by members of the Board. In the absence of notice of a proposal or nomination meeting the above requirements, a stockholder shall not be entitled to present any business at our 2025 Annual Meeting.

Expenses and Solicitation

We will bear the expense of soliciting proxies in the enclosed form. In addition, we might reimburse banks, brokerage firms, and other custodians, nominees and fiduciaries representing beneficial owners of our Common Stock for their expenses in forwarding soliciting materials to those beneficial owners. Proxies may also be solicited by our directors, officers or employees, personally or by telephone, telegram, facsimile or other means of communication. We do not intend to pay additional compensation for doing so.

NO INCORPORATION BY REFERENCE OF CERTAIN PORTIONS OF THIS PROXY STATEMENT

Notwithstanding anything to the contrary set forth in any of our filings made under the Securities Act of 1933, as amended, or the Exchange Act that might incorporate information in this Proxy Statement, neither the Audit Committee Report nor the Compensation and Leadership Development Committee Report is to be incorporated by reference into any such filings as provided by SEC regulations. In addition, this Proxy Statement includes certain website addresses intended to provide inactive, textual references only. The information on these websites shall not be deemed part of this Proxy Statement.

OTHER MATTERS

The Board knows of no other matters to be submitted at the Annual Meeting. If any other matters properly come before the Annual Meeting, the persons appointed in the enclosed proxy intend to vote the shares represented thereby in accordance with their best judgment on such matters, under applicable laws.

The Board of Directors
PROS HOLDINGS, INC.

April 4, 2024

Your **Vote** Counts!

PROS HOLDINGS, INC.

2024 Annual Meeting

Vote by May 14, 2024

11:59 PM ET



PROS HOLDINGS, INC.
C/O BROADRIDGE CORPORATE ISSUER SOLUTIONS
P.O. BOX 1342
BRENTWOOD, NY 11717



V38380-P05563

You invested in PROS HOLDINGS, INC. and it's time to vote!

You have the right to vote on proposals being presented at the Annual Meeting. **This is an important notice regarding the availability of proxy material for the stockholder meeting to be held on May 15, 2024.**

Get informed before you vote

View the Notice and Proxy Statement and Annual Report online OR you can receive a free paper or email copy of the material(s) by requesting prior to May 1, 2024. If you would like to request a copy of the material(s) for this and/or future stockholder meetings, you may (1) visit www.ProxyVote.com, (2) call 1-800-579-1639 or (3) send an email to sendmaterial@proxyvote.com. If sending an email, please include your control number (indicated below) in the subject line. Unless requested, you will not otherwise receive a paper or email copy.



For complete information and to vote, visit www.ProxyVote.com

Control #

Smartphone users

Point your camera here and vote without entering a control number



Vote Virtually at the Meeting*

May 15, 2024
8:00 A.M. CDT

Virtually at:

www.virtualshareholdermeeting.com/PRO2024

*Please check the meeting materials for any special requirements for meeting attendance.

THIS IS NOT A VOTABLE BALLOT

This is an overview of the proposals being presented at the upcoming stockholder meeting. Please follow the instructions on the reverse side to vote these important matters.

Voting Items	Board Recommends
1. Raja Hammoud, Leland Jourdan, and William Russell as Class II directors, each to hold office until the 2027 Annual Meeting and until their successor has been duly elected and qualified or until the earlier of their death, resignation or removal. Nominees: 01) Raja Hammoud 02) Leland Jourdan 03) William Russell	<input checked="" type="checkbox"/> For
2. Advisory vote to approve executive officer compensation.	<input checked="" type="checkbox"/> For
3. To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of PROS Holdings, Inc. for the fiscal year ending December 31, 2024.	<input checked="" type="checkbox"/> For

NOTE: Such other business as may properly come before the meeting or any adjournment thereof will be voted at the proxies' discretion. The Board of Directors recommends a vote in favor of the directors listed above, in favor of the advisory vote on executive officer compensation, and in favor of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm.

This Proxy, when properly executed, will be voted as specified. If no specification is made, the Proxy will be voted in favor of the directors listed above, in favor of the advisory vote on executive officer compensation, and in favor of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm.



PROS HOLDINGS, INC.
 C/O BROADRIDGE CORPORATE ISSUER SOLUTIONS
 P.O. BOX 1342
 BRENTWOOD, NY 11717



**SCAN TO
 VIEW MATERIALS & VOTE**



VOTE BY INTERNET

Before The Meeting - Go to www.proxyvote.com or scan the QR Barcode above

Use the Internet to transmit your voting instructions and for electronic delivery of information. Vote by 11:59 p.m. Eastern Time on May 14, 2024 for shares held directly and by 11:59 p.m. Eastern Time on May 8, 2024 for shares held in a Plan. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

During The Meeting - Go to www.virtualshareholdermeeting.com/PRO2024

You may attend the meeting via the Internet and vote during the meeting. Have the information that is printed in the box marked by the arrow available and follow the instructions.

VOTE BY PHONE - 1-800-690-6903

Use any touch-tone telephone to transmit your voting instructions. Vote by 11:59 p.m. Eastern Time on May 14, 2024 for shares held directly and by 11:59 p.m. Eastern Time on May 8, 2024 for shares held in a Plan. Have your proxy card in hand when you call and then follow the instructions.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

V38367-P05563

KEEP THIS PORTION FOR YOUR RECORDS
 DETACH AND RETURN THIS PORTION ONLY

THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.

PROS HOLDINGS, INC.

The Board recommends voting "FOR" the election of each of the three Class II director nominees.

- Raja Hammoud, Leland Jourdan, and William Russell as Class II directors, each to hold office until the 2027 Annual Meeting and until their successor has been duly elected and qualified or until the earlier of their death, resignation or removal.

Nominees:

- 01) Raja Hammoud
- 02) Leland Jourdan
- 03) William Russell

For All Withhold All For All Except

To withhold authority to vote for any individual nominee(s), mark "For All Except" and write the number(s) of the nominee(s) on the line below.

The Board of Directors recommends you vote FOR the following proposals:

- Advisory vote to approve executive officer compensation.
- To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of PROS Holdings, Inc. for the fiscal year ending December 31, 2024.

For Against Abstain

NOTE: Such other business as may properly come before the meeting or any adjournment thereof will be voted at the proxies' discretion. The Board of Directors recommends a vote in favor of the directors listed above, in favor of the advisory vote on executive officer compensation, and in favor of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm.

This Proxy, when properly executed, will be voted as specified. If no specification is made, the Proxy will be voted in favor of the directors listed above, in favor of the advisory vote on executive officer compensation, and in favor of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm.

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

--	--

Signature [PLEASE SIGN WITHIN BOX]

Date

--	--

Signature (Joint Owners)

Date

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:

The Notice and Proxy Statement and Annual Report are available at www.proxyvote.com.

V38368-P05563

**PROS HOLDINGS, INC.
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
ANNUAL MEETING OF STOCKHOLDERS MAY 15, 2024**

The stockholder(s) hereby appoint(s) Damian W. Olthoff and Christopher C. Chaffin, or each of them, as proxies, each with the power to appoint his substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this ballot, all of the shares of Common Stock of PROS Holdings, Inc. that the stockholder(s) is/are entitled to vote at the virtual Annual Meeting of Stockholders to be held at 8:00 a.m. CDT on May 15, 2024 at www.virtualshareholdermeeting.com/PRO2024, and any adjournment or postponement thereof. Such shares shall be voted as indicated with respect to the proposals listed on the reverse side hereof and the proxies' discretion on such other matters as may properly come before the meeting or any adjournment thereof.

The Board of Directors recommends a vote in favor of the directors listed on the reverse side, in favor of the advisory vote on executive officer compensation, and in favor of the appointment of PricewaterhouseCoopers LLP as the independent public accounting firm.

If no specification is made, this Proxy will be voted in favor of the election of directors listed on the reverse side of this proxy card, in favor of the advisory vote on executive officer compensation, and in favor of the appointment of PricewaterhouseCoopers LLP as the independent public accounting firm.

Continued and to be signed on reverse side

Appendix

PROS Holdings, Inc.
Supplemental Reconciliation of GAAP to Non-GAAP Financial Measures
(In thousands)
(Unaudited)

	Year Ended December 31, 2023
Adjusted EBITDA	
GAAP Loss from Operations	\$ (50,602)
Amortization of acquisition-related intangibles	6,173
Severance	3,586
Share-based compensation	42,357
Depreciation and other amortization	4,534
Capitalized internal-use software development costs	(48)
Adjusted EBITDA	\$ 6,000

	Year Ended December 31, 2023
Net cash provided by operating activities	\$ 9,877
Severance	4,081
Purchase of property and equipment	(2,543)
Capitalized internal-use software development costs	(48)
Free Cash Flow	\$ 11,367

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

or

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

For the transition period from _____ to _____

Commission File Number **001-33554**



PROS HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

76-0168604

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

3200 Kirby Drive, Suite 600

Houston, Texas

(Address of Principal Executive Offices)

77098

(Zip code)

Registrant's telephone number, including area code: **713 335-5151**

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common Stock, \$0.001 par value per share	PRO	New York Stock Exchange

Securities Registered Pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition 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 checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated Filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant was approximately \$1,363,658,912 as of June 30, 2023 based upon the closing price for the registrant's common stock on the New York Stock Exchange. This determination of affiliate status was based on publicly filed documents and is not necessarily a conclusive determination for other purposes.

46,737,830 shares of common stock were issued and outstanding as of February 7, 2024.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement relating to its 2024 Annual Stockholders Meeting (the "2024 Proxy Statement"), are incorporated by reference into Part III of this Annual Report on Form 10-K. The 2024 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days of the end of the fiscal year to which this report relates.

PROS Holdings, Inc.
Annual Report on Form 10-K
For the Year Ended December 31, 2023

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The terms "PROS," "we," "us," and "our" refer to PROS Holdings, Inc., a Delaware corporation, and all of its subsidiaries that are consolidated in conformity with the generally accepted accounting principles in the United States of America ("GAAP").

This Annual Report on Form 10-K contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that involve risks and uncertainties. All statements in this report other than historical facts are forward-looking and are based on current estimates, assumptions, trends and projections. Forward looking statements can be identified by words such as "future", "believes," "seeks," "expects," "may," "should," "could," "intends," "likely," "targets," "plans," "anticipates," "estimates," or the negative version of those words and similar expressions. Forward-looking statements are not guarantees of future performance and our actual results may differ significantly from the results discussed or implied by these or other forward-looking statements made by us or on our behalf. You should not rely on forward-looking statements as predictions of future events, as we cannot guarantee that future results, levels of activity, performance or achievements will meet expectations. Factors that might cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Form 10-K under the heading "Risk Factors." The forward-looking statements made herein are only made as of the date hereof. We undertake no obligation to publicly update forward-looking statements for any reason, except as required by law.

Part I

Item 1. Business

Overview

PROS provides software solutions that optimize shopping and selling experiences. PROS solutions are used by both business-to-business ("B2B") and business-to-consumer ("B2C") companies across industry verticals to help drive profitable growth by leveraging our artificial intelligence ("AI"), self-learning and automation to provide fast, frictionless and personalized transactional experiences for their shoppers across their go-to-market channels. We manage all updates and upgrades of software deployed on the PROS Platform, provide standard configurations of our solutions based on the industries we serve, and offer services to configure our solutions to meet the specific needs of each customer.

Our Solutions

Our cloud-based software solutions, built on the PROS Platform, provide companies with AI-based predictive and prescriptive guidance to deliver real time customized offers and prices to help drive profitable growth. We focus primarily on pricing optimization and management, configure price quote ("CPQ"), airline revenue optimization, airline distribution and retail, and digital offer marketing software. We have infused more than three decades of operational data science research to create the machine learning and AI capabilities of our solutions. For example, our dynamic AI, including forecasting, optimization, neural networks, segmentation and reinforcement learning, allows us to leverage our deep science and research expertise in our solutions.

PROS Platform is a unified platform designed to help businesses create offers, optimize offers, create and manage orders, and market available offers through first- and third-party digital channels. Using our unique and proven AI-based capabilities for deep demand and margin forecasting, network optimization, cost modeling and dynamic pricing, sales, and marketing, the PROS Platform powers both day-to-day decision-making and longer-term business strategy. For example, the PROS Platform helps eliminate barriers between internal stakeholders in the selling process to collaborate on a customer offer and drive it to a close while accelerating pricing and selling efficiencies. Our solutions are provided via software-as-a-service ("SaaS"), are designed to achieve high levels of performance, scalability, availability and security, and leverage our decades of data science and AI expertise to help increase visibility, business agility and customer engagement by aligning sales and pricing strategies across go-to-market channels. The PROS Platform is comprised of the following solutions:

PROS Smart Price Optimization and Management enables businesses to optimize, personalize and harmonize pricing across the complexity of their go-to-market channels in the context of dynamic market and competitive conditions. Our price management capabilities provide a comprehensive pricing platform that offers a single source of accuracy for price management, coordination and strategy. This solution allows businesses to harmonize pricing across go-to-market channels while simultaneously increasing price discipline and protecting price attainment. Pricing users leverage this solution to deploy formulaic price strategies that can incorporate real-time information or conditional data to ensure that every delivered price is up-to-date with the latest market and competitive conditions. With the performance, power and scalability of PROS Real-Time Pricing Engine, B2B and B2C organizations can replace price lists across commerce channels with dynamic calculations for price requests, ensuring that every delivered price is cognizant of conditions at the time of request. This engine allows

businesses facing volatile price competition and underlying component costs to leverage data science to systematically adjust pricing in real time. Our price optimization capabilities leverage AI-powered algorithms to provide market-relevant price guidance across sales channels that is dynamically refined to adapt to changing market conditions and buyer behavior. This predictive and prescriptive price guidance provides optimized pricing for each unique buying scenario, which is designed to help businesses drive revenue growth, recover margin leakage, accelerate quote turnaround times and increase win-rates. Smart Price Optimization and Management works with traditional eCommerce scenarios where a sales person is not involved, as well as where a salesperson needs negotiation support, and in all cases this solution provides business-relevant analytics to promote explainability of the AI recommendation.

PROS Smart Configure Price Quote is designed to improve sales productivity and accelerate deal velocity by automating critical sales tasks at scale. Utilizing a foundation of AI and machine learning algorithms, this solution empowers businesses to tailor every offer for every buyer, across all sales channels, leading to more personalized and engaging customer interactions. Smart Configure Price Quote enables users to find and tailor product recommendations, customize configurations, manage approvals, price optimally and generate professional proposals to increase the probability of winning the sale on the first quote. Smart Configure Price Quote supports all selling scenarios including spot-order purchases, subscription orders and setup, and maintenance of negotiated sales agreements. Businesses can also integrate Smart Configure Price Quote into their eCommerce portals, empowering end users to self-serve quotes with confidence.

PROS Airline Revenue Optimization solutions enable airlines to drive revenue- and profit-maximizing business strategies through the application of advanced forecasting, optimization technologies and decision-support capabilities. These solutions are designed to empower airlines to quickly adapt to changing market conditions, differentiate customers by market and sales channel, monitor pricing and revenue management performance, and increase customer loyalty by providing the right products and services to the right customer at the right time. Our Airline Revenue Optimization suite of products includes:

- *PROS Airline Revenue Management* delivers algorithmic forecasting and network optimization for the travel industry. Airlines leverage our forecasting and optimization capabilities to determine optimal capacity levels and manage booking classes inventory to optimize revenue at the flight/network level.
- *PROS Airline Real-Time Dynamic Pricing™* offers accurate booking class availability and seat prices scaled across all channels, while keeping the rules, fares and other data in sync. The solution dynamically applies strategies to compute both booking class availability and seat prices in real time at the time of transaction so that airlines can maximize revenue.
- *PROS Dynamic Ancillary Pricing* provides airlines an AI-based reinforcement learning algorithm to determine optimal prices, based on passengers' willingness to pay and other attributes, for ancillary services such as seat selection, baggage fees and other offered ancillaries.
- *PROS Airline Group Sales Optimizer* is a group revenue and sales optimization solution powered by dynamic pricing science that enables airlines and their travel agent partners to create and manage group bookings, contracts, policies and payments in one location.
- *PROS Corporate Sales* is a solution that enables airlines to create commercial agreements with their corporate customers, that lead to easier and more repeatable bookings for business travel, by allowing businesses to both self-serve and interact with airlines in the digital creation of corporate travel agreements.

PROS Airline Distribution and Retail solutions enable airlines to become better direct retailers by increasing their control and flexibility over how they sell and distribute offers through scalable shopping, booking and merchandising capabilities to design and distribute offers. The solutions are powered by proprietary algorithms, compliant with industry pricing and distribution standards and are entirely passenger service system independent. Our Airline Distribution and Retail suite of products includes:

- *PROS Dynamic Offers* powers airlines' shopping, pricing and repricing by delivering fast, accurate and comprehensive flight offers to travelers across airlines' sales channels. PROS Dynamic Offers is comprised of several key offer management capabilities including ancillary merchandising, bundling and omni-channel distribution designed to comply with International Air Transport Association ("IATA") New Distribution Capability ("NDC") data transmission standards.
- *PROS Digital Retail* offers a configurable end-to-end solution for airlines to optimize the traveler experience from inspiration to post-trip. With this IATA NDC Level 4 capable solution, airlines can increase conversion rates and upsell opportunities while having the flexibility and control to optimize user interface across their internet booking engine and mobile application.

PROS Digital Offer Marketing solutions provide performance content management and search engine marketing tools that enable businesses in the travel industry to drive their customers directly into their direct selling channels, helping create superior brand experiences and foster customer loyalty. These solutions also reduce our customers' dependency and costs associated with transactions routed through third-party intermediaries. *PROS Digital Offer Marketing* solutions include:

- *airTRFX* allows airlines to launch and manage digital marketing campaigns by generating digital landing pages for every route, origin and destination in an airline's network with relevant fares and a wide range of local languages.
- *airModules* provides airlines flight search displays with relevant fares for digital advertising, including maps, histograms, mosaics, carousels, and maps.
- *airWire* displays dynamic fares and content powered by user-search data independent of third-party intermediaries.
- *airSEM* provides airline specific search engine marketing tools designed to help airlines build, launch and manage ad campaigns with real-time fares in ad copy.

Our Industry

Rapidly changing markets and buyer expectations make it increasingly harder for companies to compete and grow. In response to these pressures, we believe that market forces, including increasingly dynamic and complex business models, the continued growth of eCommerce, inflation, supply and demand volatility, the volume of enterprise and market data will increase demand for software solutions that enable companies to dynamically configure, price and sell their products and services across buyer channels with speed, precision and consistency. We believe the market for solutions using AI and machine learning that can drive profitable revenue growth is large, growing, and spans most major industries.

Technology

Our high-performance software architecture supports real-time, high-volume transaction processing and enables us to handle the complex and demanding processing requirements of sophisticated global enterprises, including those who require sub-second response times. We generally provide our cloud services via cloud computing platform partners who offer Infrastructure-as-a-Service ("IaaS") and Platform-as-a-Service ("PaaS"). Using cloud computing platform partners and their globally distributed infrastructure provides us flexibility to service customers around the globe at scale and in compliance with data residency and privacy requirements. We also deliver our solutions from infrastructure designed and operated by us but secured within third-party data center facilities. Our Platform consists of multi-tenant cloud capabilities with an architecture that incorporates customer-specific data privacy and complies with data sovereignty policies.

Sales, Marketing and Customer Success

We sell and market our software solutions on the *PROS Platform* primarily through our direct global sales force and indirectly through go-to-market partners, resellers and system integrators. Our marketing activities consist of a variety of programs designed to generate sales leads, accelerate sales opportunities and build awareness of our solutions. We host an annual customer conference, *Outperform*, where our customers and prospects are invited to learn about best practices from thought leaders, executives and other practitioners in using technology to compete in the digital economy, hear about our latest innovations, and network with peers across industries. Our customer success team helps ensure customer satisfaction with our solutions, by working with our customers to ensure that our solutions drive value for them in order to drive customer retention.

Professional Services

We provide software-related professional services, including implementation, configuration, consulting and training services. We offer in-depth expertise, proven best practices and repeatable delivery methodologies based on standardized and tested implementation processes developed through years of experience implementing our software solutions in global enterprises across multiple industries. In addition to our own internal services team, we also work with many third-party system integrators who have been certified to implement our software.

Maintenance and Support

Customers maintaining on-premises licenses that were purchased prior to 2015 are supported through maintenance and support contracts. Revenue from maintenance and support services has continued to decline as a result of existing maintenance customers migrating to our cloud solutions. We notified our legacy on-premises customers that we will be discontinuing maintenance for most of our legacy on-premises software and will continue working with the few remaining on-premises customers to migrate them to our cloud solutions.

Customers

We sell our solutions to customers across many industries, including automotive and industrial manufacturing and distribution, transportation and logistics, chemicals and energy, food and consumables, healthcare, insurance, technology and travel. Our customers are generally large corporate enterprises, many with a global footprint, or medium-sized businesses, although we also have customers that are smaller in scope of operations. In 2023, we had no single customer that accounted for 10% or more of our revenue. Our customers are also geographically diverse, as approximately 65% of our total revenue came from customers outside the U.S. for the year ended December 31, 2023.

Competition

The markets for our solutions are highly competitive, fragmented, rapidly evolving, and subject to changing technology, shifting customer needs, and introductions of new products and services. Due to the breadth of the business problems we solve across our Platform, we compete with a number of companies. These include both larger and smaller competitors, including those providing industry specific software, pricing solutions, CPQ solutions and revenue management solutions, all of which deliver only a part of the functionality of our competing PROS offerings. We also face competition from retail, shopping and merchandising solutions designed for the airline industry. Large enterprise application providers have developed offerings that include functionality that competes against part of our Platform. In addition, we find that custom solutions developed internally by businesses, which generally include some combination of spreadsheets, manual processes, external consultants and internally developed software tools, are often themselves the competition for our Platform.

We believe the principal competitive factors in our markets include:

- breadth and depth of product and service offerings, including functionality, performance, product architecture, data security, reliability and scalability;
- strength of AI and real-time capabilities;
- price, return on investment, total cost of ownership and time-to-value;
- user experience;
- applicability for all current and expected selling channels;
- customer base and reputation;
- breadth and depth of integrations with the software already used by the customer;
- depth of expertise in data and pricing science;
- industry domain expertise and functionality; and
- brand awareness.

We do not believe that any of our competitors provide a competitive level of all the functionality needed to support an organization interested in optimizing sales growth through AI-based omnichannel pricing, selling and revenue management. Our competitors generally compete on price or by bundling their applications with other enterprise applications, and we expect that this will continue in the future. We distinguish ourselves from these vendors through our long history of providing software solutions incorporating AI and/or machine learning, the breadth and depth of the functionality we offer, the robust integration and configuration capabilities of our solutions, our ability to handle large data volumes at scale and our proven ability to provide high-value dynamic science-based optimization software to our global customer base across industries. In the future, we believe our competition will continue to increase as we expand into adjacent market segments.

Intellectual Property

Our success and ability to compete is dependent, in part, on our ability to develop and maintain the proprietary aspects of our technology and operate without infringing upon the proprietary rights of others. We protect our intellectual property with a combination of trade secrets, confidentiality procedures, contractual provisions, patents, trademarks, copyrights and other similar measures. We believe that reliance upon trade secrets and unpatented proprietary know-how are generally the most advantageous methods for us to protect our proprietary information.

Research and Development

We believe innovation is the foundation of our business and our ability to compete successfully depends on our continued ability to provide timely and competitive products to our customers as technology continues to advance. We continue to make significant investments in research and development for the enhancement of our existing solutions and the development of new solutions. For example, we believe PROS was the first in the market to use neural network technology to drive hyper-personalized price recommendations. In fiscal 2023 and 2022, we incurred research and development expenses, net of capitalized internal-use software cost, of \$89.4 million and \$93.4 million, respectively, which includes investments in our product management, product development and science and research groups. We conduct research and development activities in various domestic and international locations and also utilize third-party contractors in various countries. We also employ data scientists, many of whom are Ph.D.'s, to advance our innovation and interact with our customers, product development, sales, marketing and services teams to help keep our science efforts relevant to real-world demands. These scientists have specialties including, but not limited to, AI, machine learning, operations research, management science, statistics, econometrics and computational methods.

Human Capital Resources

We believe we must attract, develop, motivate and retain exceptional employees to maintain our culture and uphold our high ethical standards. We believe that our commitment to innovation begins with our commitment to create an environment where our employees can thrive and reach their full potential. To accomplish this, we offer competitive total rewards, promote diversity, equity, inclusion, belonging, and invest in ongoing employee learning, development, health and welfare. Oversight of our approach to and investment in human capital resources is a key governance matter for our Board of Directors ("Board"). Directly, and through its Compensation and Leadership Development Committee, the Board engages regularly with management on human capital matters. As of December 31, 2023, we had 1,486 full-time personnel, which included 1,335 employees and 151 outsourced personnel. Our team spans 15+ countries, reflecting various backgrounds, ages, gender identities and ethnicities.

Culture. At PROS, our values and culture are embedded in everything we do. We proactively look for ways to maintain our collaborative and open company culture and further improve our organizational health, including through regular employee and management communication, periodic team events and frequent employee pulse surveys. We use insights from employee feedback, including through town halls, leader forums and other communication channels, to inform our human capital resources plans. In the last two years, PROS was Certified™ by Great Place to Work® and recognized as a Best Workplace in Texas, Most Loved Workplace and People's 100 Companies that Care, which shows the continued impact of our efforts. We encourage you to visit our website for more detailed information regarding our Human Capital programs and initiatives.

Total Rewards. We require a talented workforce to drive innovation, operational excellence and long-term stockholder value. We also believe that employees should be paid fairly for what they do and how they do it, regardless of their gender, race or other personal characteristics, and we constantly strive for pay parity. We define pay parity as ensuring that employees in the same job and location are paid fairly regardless of their gender or ethnicity. To attract and retain a talented workforce, we provide total rewards programs, practices and policies designed to be market-competitive, including by benchmarking and setting pay ranges based on market data and also considering factors such as an employee's role, skills, experience, job location and performance. We have invested in analysis and transparency to demonstrate our commitment to fair compensation and opportunity.

Our human resources management philosophy goes beyond traditional compensation and benefits. We design our total rewards to meet the needs of the whole person, not just the employee, recognizing that life events and circumstances that occur outside of work may impact what happens at work. For example, we provide a trusted time off approach in the U.S. to give employees more flexibility and control over their schedules. Our investments in employee mental health and wellness programs are also cornerstones of this philosophy.

Diversity and Inclusion. We believe diversity, equity, inclusion, and belonging ("DEIB") drive innovation and ownership. Our commitment to diversity and inclusion starts at the top with a skilled and diverse Board which provides oversight over our human capital resources efforts, including our DEIB programs and initiatives. As of December 31, 2023, the majority of our Board was comprised of either female and/or ethnically diverse directors, with both female and ethnically diverse representation on our Board for more than 10 years. As of December 31, 2023, women represent 36% of our global employees, and in the U.S., more than 55% of our employees represent minority groups, with underrepresented minorities (defined as those who identify as Black/African American, Hispanic/Latinx, Native American, Pacific Islander and/or two or more races) representing 30% of our U.S. employees.

We strive to maintain a working environment that celebrates diverse perspectives, cultures and experiences and invest in programs to engage our employees, including diversity, inclusion and harassment training. We have a heritage of fostering inclusion and belonging, awareness and education, and social interaction and camaraderie through our employee resource groups. Sponsored and funded by PROS, these employee-led groups are open to any interested employee and create spaces for our people to connect from all walks of life, grow together and build relationships and community. We are proud of what we have accomplished to advance DEIB, but we recognize we still have work to do, including how we approach the future of work. Additional information on our diversity and inclusion strategy, diversity metrics and programs can be found on our website at pros.com/about-pros/diversity-and-inclusion.

Hybrid Work. As the pandemic brought systemic changes to historic work habits, we embraced a hybrid work model focusing on cultivating an inclusive employee experience that promotes in-person collaboration to drive innovation and flexibility, including in work location and work schedules, based on a blend of what makes sense for our business, each team and each employee. We take an integrated approach to helping our employees manage work and personal responsibilities, with a strong focus on employee physical and mental health. Recognizing that working in a hybrid environment across our global company remains relatively new, we offer company-wide initiatives to assist our employees, including productivity, mental and physical health programming, and periodic recharge days. Additional information on our hybrid work model and related wellness initiatives will be included in our 2024 Proxy Statement.

Learning and Development. We believe that continuous learning cultivates innovation and that the development of our most important assets, our people, is foundational to fulfill our mission. We regularly invest in our employees' career growth and provide our employees opportunities for training on a wide range of skills designed to help them be more effective in their current and future roles. In 2023, all our employees participated in learning and development activities, and we introduced a new PROS University, giving employees access to thousands of courses across a broad range of categories, including leadership, inclusion and diversity, professional skills, technical and compliance. Because the development of our employees and next generation of leaders is critical to our long-term success, we annually engage in a comprehensive talent evaluation and succession planning process, including manager evaluations of all employees and detailed succession planning for all director and above roles with Board oversight over succession planning for senior management and other key roles.

Corporate Information

We were incorporated in Texas in 1985. We reincorporated as a Delaware corporation in 1998. In 2002, we reorganized as a holding company in Delaware. Our principal executive offices are located at 3200 Kirby Drive, Suite 600, Houston, Texas 77098. Our telephone number is (713) 335-5151. Our website is www.pros.com. Our website and any other websites referenced herein, and the information that can be accessed through such websites, are not part of this report nor incorporated by reference into this filing. Further, our references to website URLs are intended to be inactive textual references only.

Available Information

We make available, free of charge through our website, our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, including exhibits thereto, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC. Our reports that are filed with, or furnished to, the SEC are also available at the SEC's website at www.sec.gov.

Annual CEO Certification

Pursuant to Section 303A.12(a) of the New York Stock Exchange ("NYSE") Listed Company Manual, on May 22, 2023, we submitted to the NYSE an annual certification signed by our Chief Executive Officer ("CEO") certifying that he was not aware of any violation by us of NYSE corporate governance listing standards.

Item 1A. Risk Factors

Our business, operations and financial results are subject to various risks and uncertainties, including those described below, that could adversely affect our business, financial condition, results of operations, cash flows and the trading price of our common stock. The following material factors, among others, could cause our actual results to differ materially from historical results and those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors and oral statements. The order of these risk factors does not reflect their relative importance or likelihood of occurrence.

Strategic, Commercial and Operational Risks

Our IT systems are regularly under attack. If our security measures are breached and unauthorized access is obtained to a customer's data, our data or our IT systems, our and our customers' operations may be disrupted, our reputation may be harmed, our solutions may be perceived as not being secure, customers may limit or stop using our solutions and we may incur significant legal and financial exposure and liabilities.

We have been and will continue to be a target for cybersecurity attacks because we store, process and transmit confidential, proprietary and other sensitive information for both our customers and our own business operations. Despite our implementation of security measures and controls designed to prevent, mitigate, eliminate or alleviate known security vulnerabilities, our systems and those of third parties upon whom we rely are vulnerable to attack from numerous threat actors, including sophisticated nation-state actors, as well as events which may arise from human error, fraud or malice on the part of employees, contractors or other third parties. Cybersecurity incidents include, among others, data theft, data corruption, data loss, unauthorized access, mishandling of customer, employee and other confidential data, computer viruses, ransomware or malicious software programs or code, cyber attacks, including advanced persistent threat intrusions by inside actors or third parties, social engineering attacks ("phishing") targeting our employees, web application and infrastructure attacks, denial of service and similar disruptive events (each a "Security Incident"). We use third-party and public-cloud infrastructure providers, such as Microsoft Azure, IBM, Amazon Web Services ("AWS"), and other third-party service providers, and we are dependent on the security measures of those third parties to protect against Security Incidents. We may experience Security Incidents introduced through the tools and services we use. Our ability to monitor third-party service providers' data security is necessarily limited, and in any event, attackers may be able to circumvent our third-party service providers' data security measures. There have been and may continue to be significant attacks on certain third-party providers, and we cannot guarantee that our or our third-party providers' systems and networks have not been breached, or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our Platform. The security measures implemented by us and by our third-party service providers cannot provide absolute security, and there can be no assurance that such security measures will be effective against current or future security threats.

In the normal course of our business, we experience Security Incidents that, to date, we believe have been typical for a SaaS company of our size. However, despite implementing security measures, there is no guarantee of preventing or mitigating a Security Incident. Cyber attacks have in the past, and may again in the future, impede the performance of our products, penetrate the security of our network, cloud platform and other internal systems, or that of our customers, misappropriate proprietary information or cause interruptions to our services. Given the novel and sophisticated ways that cyber criminals engage in cyber attacks, it is reasonable to expect that despite the implementation of security measures, our security measures and the security measures of third-party providers on which we rely would not be sufficient to prevent our systems from being compromised.

The scale and number of cyber attacks continue to grow and the methods and techniques used by threat actors to compromise systems change frequently, continue to evolve at a rapid pace, and may not be recognized until launched or for an extended period of time thereafter. These threats continue to evolve in sophistication and volume and are difficult to detect and predict due to advances in electronic warfare techniques and AI, new discoveries in the field of cryptography and new and sophisticated methods used by criminals including phishing, social engineering or other illicit acts. Cyber attacks have become more prevalent against SaaS companies generally, have increased as more individuals work remotely, and have increased due to political uncertainty and geopolitical and regional conflicts, including the Russia-Ukraine and Middle East conflicts. As a result, we and our third-party service providers are subject to heightened risks of Security Incidents from nation-state actors or other third parties leveraging tools originating from nation-state actors, and potentially expose us to new complex threats. We may be unable to anticipate these techniques or implement adequate preventative or remediation measures in a timely manner, if at all, even when a vulnerability is known. We and our third-party providers may not be able to address such vulnerability prior to experiencing a Security Incident.

We may incur significant costs and liability in the event of a breach. We may also be required to, or find it appropriate to, expend substantial capital and other resources to remediate or otherwise respond to problems caused by any actual or perceived breaches or Security Incidents. Security Incidents impacting us or our service providers could result in interruptions, delays, cessation of service and loss of existing or potential customers, as well as loss of confidence in the security of our solutions and services, damage to our reputation, negative impact to our future sales, disruption of our business, increases to our information security costs, unauthorized access to, and theft, loss or disclosure of, our and our customers' proprietary and confidential information, including personal information, litigation, governmental investigations and enforcement actions, including fines or other actions, increased stock price volatility, significant costs related to indemnity obligations, legal liability and other expenses, and material harm to our business, financial condition, cash flows and results of operations. For example, in the event of a ransomware attack, it could be difficult to recover services that are the subject of the ransomware attack and there can be no guarantee as to the timing or completeness of any such recovery. These costs may include liability for stolen assets or information and repair of system damage that may have been caused, incentives offered to customers or other business partners in an effort to maintain business relationships after a breach, and other costs, expenses and liabilities. We cannot ensure that our commercial insurance will be available or sufficient to compensate us for all costs we may incur as a result of a Security Incident, and if we made significant insurance claims, our ability to obtain comparable insurance in the future may be impaired or only available at significantly increased cost.

There can be no assurance that future Security Incidents will not be material to our business operations, financial condition, cash flows, and results of operations.

Current and future economic and geopolitical uncertainty and other unfavorable conditions in the global economy or the industries we serve could limit our ability to grow our business and negatively affect our operating results.

Our operating results may vary based on the impact of changes in the global economy or conditions in the industries we serve. General macroeconomic conditions impacted by inflation, increased cost of capital, supply chain disruptions, fluctuations in currency exchange rates, and recession risks in major economies, and geopolitics, including armed conflicts, affect the business climate in which we operate. Inflation has resulted in, and may continue to result in, higher interest rates and capital costs, shipping costs, supply shortages, increased costs of labor, weakening exchange rates and other similar effects. Deterioration in the economy, regardless of causes, can negatively impact demand for our solutions and make it difficult to accurately forecast and plan our future business activities. Geopolitical tension and armed conflicts, including the Russia-Ukraine conflict and conflicts in the Middle East, have had, and continue to have, an adverse impact on the global economy, including supply chain disruptions, inflation and capital and commodity markets volatility. All of these risks and conditions could harm our future sales, business and operating results. Our business and operations could also be harmed and our costs could increase if our or our customers' or other partners' manufacturing, logistics or other operations, costs or financial performance are disrupted or adversely affected. While the ultimate scope and broader impact of the ongoing Russia-Ukraine and Middle East conflicts cannot be predicted with certainty, they have not had a material impact to date on our business or ability to operate. However, if any of these conflicts, or other geopolitical tensions, spark additional regional or wider conflicts, then additional risks may manifest themselves, including general geopolitical unrest, broader economic uncertainty, turmoil in certain financial markets, instability in the financial system, disruption to domestic and international travel, displacement of persons, disruption of supply chains and routes, including energy supplies, commodity and other price inflation, increased cybersecurity threats and attacks, the possibility of military activity or risk of wider war.

Weakening economic conditions, regardless of the causes, could adversely impact our prospects' and customers' rate of information technology spending, delay their purchasing decisions, impact their ability or willingness to purchase or continue to use our solutions, reduce the value, scope or duration of subscription contracts, or limit their ability to pay amounts owed, all of which would adversely affect our operating results. For example, we experienced such an impact as a result of the COVID-19 pandemic, when customers, particularly in the travel industry, delayed and deferred purchasing decisions and requested concessions. Prolonged economic uncertainties relating to macroeconomic trends could limit our ability to grow our business and negatively affect our operating results. Unfavorable trends in the U.S. or global economy, such as rising interest rates, and conditions resulting from financial and credit market fluctuations may cause our customers and prospective customers to decrease their information technology budgets, which would limit our ability to grow our business and negatively affect our operating results.

We have experienced, and may continue to experience, operational cost and cost of capital increases as a result of inflation. While the rate of inflation moderated in the second half of 2023, the U.S. Federal Reserve and other central banks raised, and may continue to raise, interest rates in response to concerns over the inflation rate. Market interest rates have increased, and may continue to increase, as well. Inflation will continue to have an impact on our business if we are unable to achieve commensurate increases in the prices we charge our customers or if increased prices lead to decreased spending by our customers. Although we have taken measures to mitigate the impact of inflation and increased interest rates, if these measures

are not effective, our business, financial condition, results of operations, cash flow, and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when these beneficial actions impact our results of operations and when the cost of inflation is incurred.

Failure to increase business from our customers, sustain our historical renewal rates and/or capture customer IT spend could adversely affect our future revenue and operating results.

Many of our customers initially purchase one of our software solutions for a specific business segment, geographic location, or user group within their organization, and later purchase additional solutions and/or add business segments, other geographic locations and seats for additional users. Our subscription agreements are typically for an initial term of one to five years. These customers might not choose to renew, expand the scope of use for their existing software solutions or purchase additional software solutions for a variety of reasons, including, among others, elongated time to value, changed priorities and competing solutions. In addition, when we deploy new applications and features for our software solutions or introduce new software solutions, our customers may not purchase these new offerings. If we fail to generate additional business from our existing customers, our revenue could grow at a slower rate or even decrease.

We may not accurately predict future customer renewal rates, which can decline or fluctuate as a result of a number of factors, including customers' level of satisfaction with our services, perceived and actual time to value, changed customer priorities and budget cuts, our ability to continue to regularly add functionality, the reliability (including uptime) of our subscription services, the prices of our services, the actual or perceived information security of our systems and services, mergers and acquisitions of our customers, reductions in our customers' spending levels, or declines in customer activity as a result of customer bankruptcies, general economic downturns or uncertainty in financial markets. If our customers choose not to renew their subscription agreements with us on favorable terms or at all, our business, operating results, cash flows, and financial condition could be harmed.

We continually improve our Platform and often seek appropriate price increases at subscription renewal. In an inflationary environment, our ability to earn and negotiate appropriate price increases from our customers is important to maintain and grow our operating margins. If we are unable to successfully capture price increases over time, our business, operating results, cash flows, and financial condition could be harmed.

If we fail to manage our profitable growth objective effectively, our business, cash flow and results of operations will be adversely affected.

Over the past several years, we have experienced, and expect to continue experiencing, growth in our customers and operations. Our success will depend in part on our ability to effectively manage this growth profitably while continuing to scale our operations. We will need to manage our cost structure while investing for growth and continually improving our operational and financial efficiency. Failure to effectively manage growth efficiently could adversely impact our business performance and operating results.

We depend on third-party data centers, software, data and other unrelated service providers and any disruption from such third-party providers could impair the delivery of our service and negatively affect our business.

Our cloud products are dependent upon third-party hardware, software and cloud hosting vendors, including Microsoft Azure, IBM Softlayer and AWS, all of which must interoperate for end users to achieve their computing goals. We utilize third-party data center hosting facilities, cloud platform providers and other service providers to host and deliver our subscription services as well as for our own business operations. We host our cloud products from data centers in a variety of countries. While we control and generally have exclusive access to our servers and all of the components of our network that are located in our external data centers, we do not control the operation of these facilities and they are vulnerable to damage or interruption from hurricanes, earthquakes, floods, fires, power loss, telecommunications and human failures and similar events. They may also be subject to Security Incidents, break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite our failover capabilities, standard protocols and other precautions, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service. In addition, disruptions to the hardware supply chain necessary to maintain these third-party systems or to run our business could impact our service availability and performance. These providers have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms or at all, or if one of our data center operators is acquired, we may be required to transfer our servers and other infrastructure to new data center facilities, and we may incur significant costs and possible service interruption in connection with doing so.

Certain of our applications are essential to our customers' ability to quote, price, and/or sell their products and services. Interruption in our service may affect the availability, accuracy or timeliness of quotes, pricing or other information and could require us to issue service credits to our customers, damage our reputation, cause our customers to terminate their use of our solutions, require us to indemnify our customers against certain losses, and prevent us from gaining additional business from current or future customers. In addition, certain of our applications require access to our customers' data which may be held by third parties, some of whom are, or may become, our competitors. For example, many of our travel industry products rely upon access to airline data held by large airline IT providers which compete against certain of our airline products. Certain of these competitors have in the past, and may again in the future, make it difficult for our airline customers to access their data in a timely and/or cost-effective manner.

Any disruption from our third-party data center, software, data or other service providers could impair the delivery of our service and negatively affect our business, damage our reputation, negatively impact our future sales and/or cash flows and lead to legal liability and other costs.

Implementation projects involve risks which can negatively impact the effectiveness of our software, resulting in harm to our reputation, business and financial performance.

The implementation of certain of our software solutions involve complex, large-scale projects that require substantial support operations, significant resources and reliance on factors beyond our control. For example, the success of certain of our implementation projects is dependent upon the quality of data used by our software solutions and the commitment of customers' resources and personnel to the projects. We may not be able to correct or compensate for weaknesses or problems in data, or any lack of our customers' commitment and investment in personnel and resources. Further, various factors, including our customers' business, integration, migration and security requirements, or errors by us, our partners, or our customers, may cause implementations to be delayed, inefficient or otherwise unsuccessful. For example, changes in customer requirements, delays, unilateral delay of "go live", or deviations from our recommended best practices occur during implementation projects. As a result, we may incur significant costs in connection with the implementation of our products and/or delay revenue recognition of software subscription revenue. Further, some implementations of our projects are carried out by third-party service providers, and we do not have control of such implementations. If we, or a third-party service provider providing the implementation, are unable to successfully manage the implementation of our software solutions, and as a result those products or implementations do not meet customer needs, expectations or timeline, disputes with our customers can occur, our ability to sell additional products or secure a renewal of the customer's subscription is impacted, and our business reputation and financial performance may be significantly harmed. If an implementation project for a large customer or a number of customers is substantially delayed or canceled, our ability to recognize the associated revenue and our operating results could be adversely affected.

If we fail to manage our cloud operations, we may be subject to liabilities and our reputation and operating results may be adversely affected.

We have experienced substantial growth in the number of customers and data volumes serviced by our cloud infrastructure in recent years. While we have designed our cloud infrastructure to meet the current and anticipated future performance and accessibility needs of our customers, we must manage our cloud operations to handle changes in hardware and software parameters, spikes in customer usage and new versions of our software. We have experienced, and may experience in the future, system disruptions, outages and other cloud infrastructure performance problems. These problems may be caused by a variety of factors, including infrastructure changes, human or software errors, viruses, security attacks (internal or external), fraud, spikes in customer usage, denial of service issues and other Security Incidents. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. Our customer agreements typically provide service level commitments on a monthly basis, and for certain of our products, we also offer response time commitments. If we are unable to meet the stated service level or response time commitments, or if we suffer extended periods of unavailability for our solutions, we may be contractually obligated to issue service credits or refunds to customers for prepaid and unused subscription services, or customers may choose to terminate or not renew contracts. Any extended service outages or other performance problems could also result in damage to our reputation or our customers' businesses, cause our customers to elect not to renew or to delay or withhold payment to us, loss of future sales, lead to customers making other claims against us that could harm our subscription revenue, result in an increase in our provision for credit losses, increase collection cycles for our accounts receivable or lead to the expense and risk of litigation.

If we fail to protect our intellectual property adequately, our business may be harmed.

Our success and ability to compete depends, in part, on our ability to protect our intellectual property. We rely upon a combination of trade secrets, confidentiality policies, nondisclosure and other contractual arrangements, and patent, copyright and trademark laws to protect our intellectual property rights. We cannot, however, be certain that steps we take to protect our intellectual property are adequate. The rapid adoption of generative AI brings additional risks to intellectual property, particularly copyrighted material. The rate and pace of development and use of AI tools may outpace our ability to identify misappropriation and protect our intellectual property. Further, in early 2023, the U.S. Federal Trade Commission ("FTC") proposed a sweeping ban on employee non-competition agreements which we have historically utilized with a significant percentage of our employees to enhance the protection of our intellectual property. If the FTC's proposal is issued and upheld, a ban on non-competition agreements would make it more challenging for us to protect our intellectual property and could have a material adverse effect on our business. In addition, laws in certain jurisdictions, including certain U.S. states in which we have employees, ban or limit non-competition agreements. As we have expanded our workforce footprint and jurisdictions have changed their laws to ban or limit non-competition agreements, our ability to fully protect our intellectual property has been reduced.

We may be required to spend significant resources to protect our intellectual property rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. The procurement and enforcement of certain intellectual property rights involves complex legal and factual considerations, and the associated legal standards are not always applied predictably or uniformly, can change, and may not provide adequate remedies. As a result, we may not be able to obtain or adequately enforce our intellectual property rights, and other companies may be better able to develop products that compete with ours. Our failure to secure, protect and enforce our intellectual property rights could adversely affect our brand, competitive business position, business prospects, operating results, cash flows and financial condition.

Our use of third-party software creates dependencies outside of our control.

We use third-party software in our software solutions. If our relations with any of these third parties are impaired, or if we are unable to obtain or develop a replacement for the software, our business could be harmed. The operation of our solutions could be impaired if errors occur in the third-party software that we utilize. It may be more difficult for us to correct any defects in third-party software because the software is not within our control. Accordingly, our business could be adversely affected in the event of any errors in this software. There can be no assurance that these third parties continue to invest the appropriate levels of resources in their products and services to maintain and enhance the capabilities of their software.

We may enter into acquisitions that may be difficult to integrate, fail to achieve our strategic objectives, disrupt our business, dilute stockholder value or divert management attention.

We have completed five acquisitions since 2013, and we plan to continue to acquire other businesses, technologies and products to complement or enhance our existing business, solutions, services and technologies. We cannot provide assurance that the acquisitions we have made or may make in the future will provide us with the benefits or achieve the results we anticipated when entering into the transaction(s). Acquisitions are typically accompanied by a number of risks, including:

- difficulties in integrating the operations and personnel of the acquired companies;
- difficulties in maintaining acceptable standards, controls, procedures and policies, including integrating financial reporting and operating systems, particularly with respect to foreign and/or public subsidiaries;
- disruption of ongoing business and distraction of management;
- inability to maintain relationships with customers and retain employees of the acquired businesses;
- impairment of relationships with employees and customers as a result of any integration of new management and other personnel;
- difficulties in incorporating acquired technology and rights into our solutions and services;
- unexpected expenses resulting from the acquisitions; and
- potential unknown liabilities associated with the acquisitions.

We have experienced, and may experience in the future, acquisition integration challenges, including, but not limited to, the issues listed in the bullets above. In addition, we may incur debt, acquisition-related costs and expenses, restructuring charges and write-offs as a result of acquisitions. Acquisitions may also result in goodwill and other intangible assets that are subject to impairment tests, which could result in future impairment charges. In addition, we have in the past, and may in the future, enter into negotiations for acquisitions that are not ultimately consummated. Those negotiations could result in diversion of management time and significant out-of-pocket costs. If we fail to evaluate and execute acquisitions successfully, we may not be able to achieve our anticipated level of growth or profitability, and our business and operating results could be adversely affected.

Catastrophic events may disrupt our operations.

We are a global company headquartered in Houston, Texas with significant operations in Sofia, Bulgaria and operations and personnel located in numerous other U.S. and international locations. We rely on our network and third-party infrastructure and enterprise applications for our sales, marketing, development, services, operational support and hosted services. A disruption, infiltration or failure of our infrastructure, systems or third-party hosted services in the event of a major hurricane, earthquake, fire, flood or other weather event, power loss, telecommunications failure, software or hardware malfunctions, pandemics, war, terrorist attack or other catastrophic event that our business continuity and disaster recovery plans do not adequately address, could cause, among other impacts, system interruptions, reputational harm, loss of intellectual property, delays in our product development, lengthy interruptions in our services, breaches of data security and loss of critical data. Any of these events could prevent us from fulfilling our customer obligations or could negatively impact a country or region in which we sell our products, which could in turn decrease that country's or region's demand for our products. Even though we carry business interruption insurance and typically have provisions in our contracts that protect us in certain events, we might suffer losses from business interruptions that exceed the coverage under our insurance policies or for which we do not have coverage. Any natural disaster or other catastrophic event could create a negative perception in the marketplace, delay our product innovations, or lead to lengthy interruptions in our services, breaches of data security and losses of critical data, all of which could have an adverse effect on our operating results.

We are a multinational corporation exposed to risks inherent in international operations.

The majority of our revenues are derived from our customers outside the U.S. While the majority of our sales are denominated in U.S. dollars, the majority of our international operations expenses are denominated in local currencies. To date, we have not used risk management techniques or "hedged" the risks associated with fluctuations in foreign currency exchange rates. Consequently, our results of operations, cash flows, and financial condition, including our revenue and operating margins, can be subject to losses from fluctuations in foreign currency exchange rates, as well as regulatory, political, social and economic developments or instability in the foreign jurisdictions in which we operate. *For additional financial information about geographic areas, see [Note 19](#) of the Notes to the Consolidated Financial Statements.*

Our operations outside the U.S. are subject to risks inherent in doing business internationally, requiring resources and management attention, and may subject us to new or larger levels of operational, regulatory, economic, foreign currency exchange, tax and political risks. In addition to our operations in the U.S., we have employees and operations in numerous international locales, including in Europe, the Middle East, Latin America and Asia/Australia. We expect our international operations and the geographic footprint of our workforce to continue to grow. We face a wide variety of risks with respect to our international operations, including:

- geopolitical and economic conditions in various parts of the world, including conflicts impacting travel and regional stability, supply chain and labor market disruptions, inflation, currency exchange and interest rate fluctuations and recession;
- sustained disruption to domestic or international travel for any reason, including conflicts, outbreaks of contagious disease such as the COVID-19 pandemic and variations or mutations thereof, as well as any other disrupting events;
- the difficulty of managing and staffing our international operations and the increased travel, infrastructure and legal compliance costs associated with multiple international locations;
- operational and organizational challenges with a more geographically dispersed workforce, including communication and remote management challenges, coordination and collaboration issues, cultural differences, knowledge management and transfer gaps, and other unforeseen costs;

- differing labor and employment regulations, especially where labor laws are generally more advantageous to employees as compared to the U.S.;
- compliance with multiple, conflicting, ambiguous, complex or evolving governmental laws and regulations, including privacy, data security, anti-corruption, import/export, antitrust and industry-specific laws and regulations and our ability to identify and respond timely to compliance issues when they occur;
- vetting and monitoring our third-party business partners in new and evolving markets to confirm they maintain standards consistent with our brand and reputation;
- less favorable intellectual property laws;
- availability of sufficient network connectivity required for certain of our products; and
- difficulties in enforcing contracts and collecting accounts receivable, especially in developing countries.

As we continue to expand our business globally, our success depends, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. Our failure to manage any of these risks successfully could harm our international operations and reduce our international sales, adversely affecting our business, operating results, financial condition and cash flows.

Market and Competition Risks

Any downturn in sales to our target markets could adversely affect our operating results.

Our success is highly dependent upon our ability to sell our software solutions to customers in our target industries, including automotive and industrial manufacturing, transportation and logistics, chemicals and energy, food and beverage, healthcare, high tech and travel. If we are unable to sell our software solutions effectively to customers in these industries, we may not be able to grow our business. For example, while the travel industry has made significant recovery from the depths of the COVID-19 pandemic, the airline and rental car industries which we serve continue to face various operational challenges which can limit their ability to engage with us on our solutions.

We have historically been subject to lengthy sales cycles, and delays or failures to complete sales may harm our business and cause our revenue, operating income, and cash flows to decline in the future.

Our sales cycles may take a month to over a year for large enterprise customers. A large enterprise customer's decision to use our solutions typically involves a number of internal approvals, and sales to those prospective customers generally require us to provide greater levels of education about the benefits and features of our solutions. We expend substantial resources during our sales cycles with no assurance that a sale may ultimately result. The length of each individual sales cycle depends on many factors, a number of which we cannot control, including the prospective customer's internal evaluation and approval process requirements, as well as the prospective customer's budget and/or resource constraints. Any unexpected lengthening of the sales cycle or failure to secure anticipated orders could negatively affect our revenue. Any significant failure to generate sales after incurring costs related to our sales process could also have a material adverse effect on our business, financial condition, cash flows and results of operations.

If we fail to develop or acquire new functionality and software solutions, we may not be able to grow our business and it could be harmed.

If we are unable to provide enhancements and new features for our existing software solutions or new solutions that achieve market acceptance or to integrate technology, products and services that we acquire into our Platform, our business, revenues and other operating results could be significantly adversely affected. The success of enhancements, new features and modules depends on several factors, including the timely completion, introduction and market acceptance of the enhancements or new features or modules. We have experienced, and may experience in the future, delays in the planned release dates of enhancements to our Platform, and we have discovered, and may discover in the future, errors in new releases after their introduction. Either situation could result in adverse publicity, loss of sales, delay in market acceptance of our Platform, or customer claims, including, among other things, warranty claims against us, any of which could cause us to lose existing customers or affect our ability to attract new customers. Furthermore, because our software solutions are intended to interoperate with a variety of third-party enterprise software solutions, we must continue to modify and enhance our software to keep pace with changes in such solutions. Any inability of our software to operate effectively with third-party software

necessary to provide effective solutions to our customers could reduce the demand for our software solutions, result in customer dissatisfaction and limit our financial performance.

The markets in which we participate are intensely competitive, and if we do not compete effectively, our operating results could be harmed.

The markets for enterprise software applications for pricing optimization and management, CPQ, airline revenue optimization, airline distribution and retail, and digital offer marketing are competitive, fragmented and rapidly evolving. We expect additional competition from other established and emerging companies as the markets in which we compete continue to develop and expand, as well as through industry consolidation, including through a merger or partnership of two or more of our competitors or the acquisition of a competitor by a larger company. For example, the introduction of new AI platforms and applications by competitors or the development of entirely new technologies to replace existing software offerings could negatively impact demand for our Platform. Some of our current and potential competitors may have larger installed bases of users, longer operating histories, broader distribution, greater name recognition, a broader suite of product offerings, and have significantly greater resources than we have. As a result, these companies may be able to respond more quickly to new or emerging technologies and changes in customer demands, and devote greater resources to the development, promotion and sale of their products.

Competition could seriously impede our ability to sell our software solutions and services on terms favorable to us or at all. Our current and potential competitors may develop and market new technologies that render our existing or future solutions obsolete, unmarketable or less competitive. In addition, if these competitors develop solutions with similar or superior functionality to our solutions, or if they offer solutions with similar functionality at substantially lower prices than our solutions, we may need to decrease the prices for our solutions in order to remain competitive. In addition, our competitors have and may in the future, offer their products and services at a lower price, or offer price concessions, delayed payment terms, or provide financing or other terms and conditions that are more enticing to potential customers. For example, technology advancements in AI that drive material improvements in operating efficiency may allow competitors to further compete with us on price. If we are unable to maintain our current pricing due to competitive pressures, our margins could be reduced and our operating results could be adversely affected. If we do not compete successfully against current or future competitors, competitive pressures could materially and adversely affect our business, financial condition, cash flows and operating results.

We focus primarily on pricing optimization and management, CPQ, airline revenue optimization, airline distribution and retail, and digital offer marketing software and if the markets for these software solutions develop more slowly than we expect or if we fail to capitalize on the market opportunity, our business could be harmed.

We derive most of our revenue from providing our software solutions for pricing optimization and management, CPQ, airline revenue optimization, airline distribution and retail, and digital offer marketing, as well as providing implementation services and ongoing customer support. These markets are evolving rapidly, and it is uncertain whether software for these markets will achieve and sustain high levels of demand. Our success depends on the willingness of businesses in our target markets to use the types of solutions we offer and our ability to capture share in these markets. Some businesses may be reluctant or unwilling to implement such software for a number of reasons, including failure to understand the potential returns of improving their processes, lack of knowledge about the potential benefits that such software may provide, or reluctance to change existing internal processes. Some businesses may elect to improve their pricing and sales processes through solutions obtained from their existing enterprise software providers, whose solutions are designed principally to address functional areas other than what our solutions provide. If businesses do not embrace the benefits of vendor software solutions in the areas in which we focus, then these markets may not continue to develop or may develop more slowly than we expect, either of which would significantly and adversely affect our revenue, operating results, and cash flows.

Human Capital Risks

If we cannot maintain our corporate culture, we could lose the innovation, teamwork and passion that we believe contribute to our success, and our business may be harmed.

We believe that a critical component of our success has been our corporate culture, and we invest substantial time and resources in building and maintaining our culture and developing our personnel; however, as we continue to scale our business both organically and through potential acquisitions, it may be increasingly difficult to maintain our culture. Moreover, our shift to both a hybrid work environment and a more geographically dispersed workforce requires significant action to preserve our culture. While we have implemented many wellness, development and supportive programs for our workforce, the shift to a hybrid work environment and the expansion of our workforce footprint presents risks to our culture. Any failure to preserve our

culture could negatively affect our future success, including our ability to retain and recruit personnel and to effectively pursue our strategic objectives.

If we lose key members of our management team or sales, development or operations personnel, or are unable to attract and retain employees, our business could be harmed.

Our future success depends upon the performance and service of our executive officers and other key personnel. From time to time, there may be changes in our executive management team and to other key employee roles resulting from organizational changes or the hiring or departure of executives or other employees, which could have a serious adverse effect on our business and operating results. If key personnel leave our company or are unable to perform their duties, we may not be able to manage our business effectively and, as a result, our business and operating results could be harmed.

Our future success depends on our ability to continue to timely identify, attract and retain highly qualified personnel, including data scientists, software developers and implementation personnel, and there can be no assurance that we will be able to do so. Competition for qualified personnel is intense, particularly for technical talent in certain markets, and is exacerbated by tight labor market conditions. We compete for talent with other companies that have greater resources, in large part, based on our culture and overall employee experience. With the wide market acceptance of and increase in remote work, we have experienced increased direct competition for talent, often from larger companies taking advantage of lower cost talent markets. Employee turnover creates a variety of risks including time, costs and resources required to recruit and train new employees to learn our business. The flexibility of our hybrid work approach provides us with access to greater talent pools and contributes to our hiring and retaining competitiveness but also brings costs and risks, including employment, tax, insurance and compliance risks. If we are unable to attract and retain our key employees, we may not be able to achieve our objectives, and our business could be harmed.

Failure to adequately expand and train our direct and indirect sales force may impede our growth.

To date, substantially all of our revenue has been attributable to the efforts of our direct sales force. We believe that our future growth will depend, to a significant extent, on the continued development of our direct sales force, and our sales team's ability to manage and retain our existing customer base, expand our sales to existing customers and obtain new customers. Our ability to achieve significant revenue growth in the future will depend, in large part, on our success in recruiting, training and retaining a sufficient number of direct sales personnel. We manage the staffing levels of our direct sales force against a number of factors, including performance management, natural attrition, quality of our enablement and training program as well as competition for talent. New sales hires require significant training and often take a number of months before becoming fully productive, if at all. If we are unable to continuously recruit, develop or retain sufficient numbers of productive direct sales personnel, our growth may be impeded.

In addition to our direct sales force, we have developed, and expect to expand, our indirect sales force via channel partners, such as management consulting firms, systems integrators and other resellers, to market, sell and/or implement our solutions. While we have invested to establish channel partners to drive sales growth, to date substantially all of our revenue generation has been attributable to our direct sales force. If we are unable to establish and maintain productive partner relationships, or otherwise develop and expand our indirect distribution channel, our sales growth rates may be limited.

Regulatory, Compliance and Litigation Risks

Complex and evolving global laws and regulations expose us to potential liability, increased costs and other adverse impacts on our business.

We provide our cloud software solutions globally and our operations are subject to complex and evolving laws and regulations, including laws on data privacy, data localization, data security, labor and employment, import/export and AI. Compliance with these laws and regulations is onerous and expensive. In addition, these laws and regulations may be inconsistent across jurisdictions and are subject to differing, and sometimes conflicting, interpretations. Although we have implemented policies, procedures and controls designed to ensure compliance with applicable laws, there can be no assurance that our employees, contractors or agents will not violate such laws and regulations or our policies and procedures. If we are found to have violated laws and regulations, it could materially adversely affect our business, reputation, results of operations, cash flow, and financial condition. Regulatory changes have in the past, and may in the future be announced with little or no advance notice and we may not be able to effectively mitigate all adverse impacts from such measures.

Our cloud software solutions process data on behalf of our customers, and if our customers fail to comply with contractual obligations or applicable laws and regulations, such non-compliance could result in litigation or reputational harm to

us. Any perceived inability to adequately address privacy, data localization or cybersecurity compliance or to comply with more complex and numerous laws and regulations, even if unfounded, could result in liability to us and indemnification obligations, damage our reputation, inhibit sales of our solutions or harm our business, financial condition, results of operations and cash flows.

Evolving laws and changing interpretations of existing laws by regulators and courts, have in the past, and may continue to create new compliance obligations, increase our costs to provide our products and services, adversely affect our sales cycles, affect our ability to implement business models effectively, limit us from offering certain solutions in certain jurisdictions or circumstances, and expand the scope of potential liability, either jointly or severally with our customers, partners and suppliers. For example, evolving laws and regulations that dictate whether, how, and under what circumstances we can transfer, process and receive personal data have in the past, and may in the future increase our costs and operational risks. While AI regulation is in the nascent stages of development globally, the evolving AI regulatory environment may adversely impact our sales cycle times, increase our research and development costs, and increase our liability related to the use of AI that are beyond our control or result in inconsistencies in evolving legal frameworks across jurisdictions. While we believe we have taken a responsible approach to the development and use of AI in our solutions, there can be no guarantee that future AI regulations will not adversely impact us or conflict with our approach to AI, including affecting our ability to make our solutions available without costly changes, requiring us to change our AI development practices, business strategies and/or indemnity protections and subjecting us to additional compliance requirements, regulatory action, competitive harm or legal liability. If jurisdictions implement more restrictive or onerous regulations, such developments could adversely impact our business, financial condition, cash flows, and results of operations.

Any unauthorized, and potentially improper, actions of our personnel could adversely affect our business, operating results, cash flows, and financial condition.

The recognition of our revenue depends on, among other things, the terms negotiated in our contracts with our customers. Our personnel may act outside of their authority and negotiate additional terms without our knowledge. We have implemented policies to help prevent and discourage such conduct, but there can be no assurance that such policies will be followed. For instance, in the event that our sales personnel negotiate terms that do not appear in the contract and of which we are unaware, whether such additional terms are written or verbal, we could be prevented from recognizing revenue in accordance with our plans. Furthermore, depending on when we learn of unauthorized actions and the size of the transactions involved, we may have to restate revenue for a previously reported period, which could seriously harm our business, operating results, cash flows, financial condition and reputation with current and potential customers and investors.

Intellectual property litigation and infringement claims may cause us to incur significant expense or prevent us from selling our software solutions.

Our industry is characterized by the existence of a large number of patents, trademarks and copyrights, and by litigation based on allegations of infringement or other violations of intellectual property rights. A third-party may assert that our technology violates its intellectual property rights, or we may become the subject of a material intellectual property dispute. Selling improvement (including CPQ), pricing, airline revenue optimization (including revenue management) and airline eCommerce (including shopping, merchandising and retail, and digital offer marketing) solutions may become increasingly subject to infringement claims as the number of such commercially available solutions increases and the functionality of these solutions overlaps. In addition, changes in patent laws in the U.S. may affect the scope, strength and enforceability of our patent rights or the nature of proceedings which may be brought by us related to our patent rights. Future litigation may involve patent holding companies or other adverse patent owners who have no relevant product revenue and against whom our own potential patents may therefore provide little or no deterrence. Regardless of the merit of any particular claim that our technology violates the intellectual property rights of others, responding to such claims may require us to:

- incur substantial expenses and expend significant management efforts to defend such claims;
- pay damages, potentially including treble damages, if we are found to have willfully infringed such parties' patents or copyrights;
- cease making, selling or using products that are alleged to incorporate the intellectual property of others;
- distract management and other key personnel from performing their duties for us;
- enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies; and

- expend additional development resources to redesign our solutions.

Any licenses required as a result of litigation under any patent may not be made available on commercially acceptable terms, if at all. In addition, some licenses may be nonexclusive, and therefore our competitors may have access to the same technology licensed to us. If we fail to obtain a required license or are unable to design around a patent, we may be unable to effectively develop or market our solutions, which could limit our ability to generate revenue or maintain profitability.

Our contract terms generally obligate us to indemnify and hold our customers harmless from certain costs arising from third-party claims brought against our customers alleging that the use of our solutions infringe intellectual property rights of others. If we are unable to resolve our legal obligations by settling or paying an infringement claim, we may be required to compensate our customers.

Our use of open source software may subject our software solutions to general release or re-engineering.

We use open source software in our solutions. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their products. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the open source software and that we license such modifications or derivative works under the terms of a particular open source license or other license granting third parties certain rights of further use. If we combine our proprietary software solutions with open source software in a certain manner, we could, under certain of the open source licenses, be required to release the source code of our proprietary software solutions. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on origin of the software. In addition, open source license terms may be ambiguous and many of the risks associated with usage of open source cannot be eliminated, and could, if not properly addressed, negatively affect our business. If we were found to have inappropriately used open source software, we may be required to seek licenses from third parties in order to continue offering our software, to re-engineer our solutions, to discontinue the sale of our solutions in the event re-engineering cannot be accomplished on a timely basis or take other remedial action that may divert resources away from our development efforts, any of which could adversely affect our business, operating results, cash flows, and financial condition.

Defects or errors in our software solutions could harm our reputation, impair our ability to sell our solutions and result in significant costs to us.

Our software solutions are complex and may contain undetected defects or errors. Several of our solutions have recently been developed and may therefore be more likely to contain undetected defects or errors. In addition, we frequently develop enhancements to our software solutions that may contain defects. We have not suffered significant harm from any defects or errors to date. We have in the past issued, and may in the future need to issue, corrective releases of our solutions to correct defects or errors. The occurrence of any defects or errors could result in:

- delayed market acceptance and lost sales of our software solutions;
- delays in payment to us by customers;
- damage to our reputation;
- diversion of our resources;
- legal claims, including product liability claims, against us;
- increased maintenance and support expenses; and
- increased insurance costs.

Our agreements with our customers typically contain provisions designed to limit our liability for defects and errors in our software solutions and damages relating to such defects and errors, but these provisions may not be enforced by a court or otherwise effectively protect us from legal claims. Our liability insurance may not be adequate to cover all of the costs resulting from these legal claims. Moreover, we cannot provide assurance that our current liability insurance coverage would continue to be available on acceptable terms or at all. In addition, the insurer may deny coverage on any future claims. The successful

assertion against us of one or more large claims that exceeds available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business and operating results. Furthermore, even if we prevail in any litigation, we are likely to incur substantial costs and our management's attention may be diverted from our operations.

Business Model and Capital Structure Risks

We have experienced losses since we transitioned to a cloud strategy, and we may continue to incur losses for longer than we expect.

We expect our expenses to continue to exceed our revenues in the near term as we continue to make investments as part of our cloud strategy, particularly in new product development, sales, marketing, security, privacy and cloud operations. While we delivered significant free cash flow in 2023 and profitable operations on an adjusted EBITDA basis, our ability to return to profitability depends on our ability to: continue to drive subscription sales, enhance our existing products and develop new products, scale our sales and marketing and product development organizations, successfully execute our marketing and sales strategies, renew our subscription agreements with existing customers, and manage our expenses. If we are not able to execute on these actions, our business may not grow as we anticipate, our operating results could be adversely affected and we will continue to incur net losses in the future. Additionally, our new initiatives may not generate sufficient revenue and cash flows to recoup our investments in them. If any of these events were to occur, it could adversely affect our business, results of operations, financial condition and cash flows.

We incurred indebtedness by issuing convertible notes, and we may borrow under our Credit Agreement. Our debt repayment obligations may adversely affect our financial condition and cash flows in the future.

In September 2020, we issued \$150.0 million principal amount of 2.25% convertible senior notes ("2027 Notes") due September 15, 2027, unless earlier redeemed, purchased or converted in accordance with their terms prior to such date. Interest is payable semi-annually in arrears on March 15 and September 15 of each year. In October 2023, following the completion of the Exchange described in Note 16 to the Consolidated Financial Statements, we issued an additional \$116.8 million of principal amount of 2027 Notes. As of December 31, 2023, \$266.8 million of aggregate principal amount of the 2027 Notes are outstanding.

In May 2019, we issued \$143.8 million principal amount of 1.0% convertible senior notes ("2024 Notes" and together with the 2027 Notes, the "Notes") due May 15, 2024, unless earlier redeemed, purchased or converted in accordance with their terms prior to such date. Interest is payable semi-annually in arrears on May 15 and November 15 of each year. Following the completion of the Exchange, as of December 31, 2023, \$21.7 million of aggregate principal amount of the 2024 Notes are outstanding.

Our Credit Agreement provides for a \$50.0 million revolving line of credit, none of which was drawn as of December 31, 2023. The Credit Agreement contains affirmative and negative covenants, including covenants which restrict our ability to, among other things, create liens, incur additional indebtedness and engage in certain other transactions, in each case subject to certain exclusions. In addition, the Credit Agreement contains certain financial covenants which become effective in the event our liquidity (as defined in the Credit Agreement) falls below a certain level. The Credit Agreement contains customary events of default relating to, among other things, payment defaults, breach of covenants, cross acceleration to material indebtedness, bankruptcy-related defaults, judgment defaults, and the occurrence of certain change of control events. The occurrence of an event of default may result in the termination of the Credit Agreement and acceleration of repayment obligations with respect to any outstanding principal amounts.

Our indebtedness could have important consequences because it may impair our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions and general corporate or other purposes. Our ability to meet our debt obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors. We cannot control many of these factors. Our future operations may not generate sufficient cash to enable us to repay our debt. If we fail to comply with any covenants contained in the agreements governing any of our debt, or make a payment on any of our debt when due, we could be in default on such debt, which could, in turn, result in such debt and our other indebtedness becoming immediately payable in full. If we are at any time unable to pay our indebtedness when due, we may be required to renegotiate the terms of the indebtedness, seek to refinance all or a portion of the indebtedness, and/or obtain additional financing. There can be no assurance that, in the future, we will be able to successfully renegotiate such terms, that any such refinancing would be possible or that any additional financing could be obtained on terms that are favorable or acceptable to us.

Our quarterly results may vary and may not fully reflect the performance of our business.

We generally recognize revenue from customers ratably over the terms of their subscription agreements. As a result, most of the revenue we report in each quarter is the result of agreements entered into during prior quarters. The time between entering into a contract and recognizing subscription revenue can be extended for certain contracts and products, including certain of our travel products, for a number of reasons such as extended implementation planning and delayed "go live." Consequently, any declines, or increases, in new or renewed subscriptions in any quarter are not fully reflected in our revenue for that quarter, but negatively, or positively, affect our subscription revenue in future quarters. Accordingly, the effect of significant downturns in sales, our failure to achieve our internal sales targets, a decline in the market demand of our services or decreases in our retention rate are not fully reflected in our operating results until future periods. Our subscription model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as subscription revenue from additional sales must be recognized over the applicable subscription term. We may be unable to timely adjust our cost structure to reflect changes in revenues. In addition, a significant majority of our costs are expensed as incurred, while subscription revenues are recognized over the term of the customer agreement. As a result, increased sales growth results in our recognition of more costs than revenues in the earlier periods of the terms of our agreements. In addition, we expect to continue to experience some seasonal variations in our cash flows from operating activities, including, as a result of the timing of payment of payroll taxes, performance bonuses to our employees and costs associated with annual company-wide events, each of which have historically been highest in our first fiscal quarter. Therefore, the results of any prior quarterly periods should not be relied upon as an indication of our future operating performance.

If we fail to migrate our remaining customers with on-premises software licenses to our latest cloud software solutions, our future revenue and our costs to provide support to those customers may be negatively impacted.

We notified our customers of our legacy on-premises software products that we will be discontinuing maintenance for most of our legacy on-premises software. These customers will need to migrate to our current cloud solutions to continue to be supported and take advantage of our latest features, functionality and security which are only available via the PROS cloud. When considering whether to migrate, these customers may evaluate alternative solutions due to the additional change in management and implementation costs associated with migrating to cloud-based applications. When on-premises software customers delay or decline to migrate to our cloud solutions, our internal development and customer support teams find it increasingly difficult and costly to support a declining number of on-premises customers. In addition, if our legacy on-premises license customers delay or decline to migrate to our cloud solutions, choose alternative solutions or otherwise choose to not continue doing business with us by, for example, canceling maintenance, our future revenue will be affected.

If our goodwill or amortizable intangible assets become impaired, we could be required to record a significant charge to earnings.

Under GAAP, we review our goodwill and amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. GAAP requires us to test for goodwill impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our goodwill or amortizable intangible assets may not be recoverable include declines in stock price, market capitalization or cash flows and slower growth rates in our industry. We could be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets were determined, negatively impacting our results of operations and financial condition.

Risks Relating to Ownership of our Common Stock

Market volatility may affect our stock price and the value of your investment.

The market price for our common stock, and the software industry generally, has been and is likely to continue to be volatile. Volatility could make it difficult to trade shares of our common stock at predictable prices or times. A wide variety of factors have caused historic volatility and may cause the market price of our common stock to be volatile in the future, including the following:

- U.S. and global economic and geopolitical conditions and events, including global crises such as the COVID-19 pandemic;
- variations in our quarterly or annual operating results;
- decreases in market valuations of comparable companies;

- fluctuations in stock market prices and volumes;
- decreases in financial estimates by equity research analysts;
- announcements by our competitors of significant contracts, new solutions or enhancements, acquisitions, distribution partnerships, joint ventures or capital commitments;
- departure of key personnel;
- changes in governmental regulations and standards affecting the software industry and our software solutions;
- conversion of convertible notes into equity or sales of common stock or other securities by us;
- damages, settlements, legal fees and other costs related to litigation, claims and other contingencies; and
- other risks described elsewhere in this section.

In the past, securities class action litigation often has been initiated against a company following a period of volatility in the market price of the company's securities. If class action litigation is initiated against us, we may incur substantial costs and our management's attention could be diverted from our operations. All of these factors could cause the market price of our stock to decline, and you may lose some or all of your investment.

Anti-takeover provisions in our Certificate of Incorporation and Bylaws and under Delaware law could make an acquisition of us more difficult and may prevent attempts by our stockholders to replace or remove our current management.

Our Certificate of Incorporation and Bylaws and Section 203 of the Delaware General Corporation Law contain provisions that might enable our management to resist a takeover of our company. These provisions include the following:

- the division of our board of directors into three classes to be elected on a staggered basis, one class each year;
- a prohibition on actions by written consent of our stockholders;
- the elimination of the right of stockholders to call a special meeting of stockholders;
- a requirement that stockholders provide advance notice of any stockholder nominations of directors or any proposal of new business to be considered at any meeting of stockholders;
- a requirement that a super majority vote be obtained to amend or repeal certain provisions of our certificate of incorporation; and
- the ability of our board of directors to issue preferred stock without stockholder approval.

In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which limits the ability of stockholders owning in excess of 15% of our outstanding voting stock to merge or combine with us. Although we believe these provisions collectively provide for an opportunity to obtain higher bids by requiring potential acquirers to negotiate with our board of directors, they would apply even if an offer were considered beneficial by some stockholders. In addition, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management.

We do not intend to pay dividends for the foreseeable future.

We do not currently anticipate paying any cash dividends on our common stock in the foreseeable future. We currently anticipate that we will retain all of our available cash, if any, for use as working capital, repayment of debt and for other general corporate purposes. Consequently, stockholders must rely on sales of their common stock after price appreciation as the only way to realize any future gains on their investment.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Our Board recognizes the critical importance of maintaining the trust and confidence of our customers, business partners and employees. Our Board is actively involved in oversight of our risk management program, and cybersecurity represents an important component of our overall approach to enterprise risk management (“ERM”). Our cybersecurity policies, standards, processes and practices are integrated into our ERM program and are based on recognized frameworks established by the National Institute of Standards and Technology, the International Organization for Standardization and other applicable industry standards. In general, we seek to address cybersecurity risks through a cross-functional approach that is focused on preserving the confidentiality, integrity and availability of the information that we collect and store by identifying, preventing and mitigating cybersecurity threats and responding to cybersecurity incidents when they occur.

Risk Management and Strategy

As one of the critical elements of our overall ERM approach, our cybersecurity program is focused on the following key areas:

Governance. As discussed in more detail under the heading “Governance” below, our Board and management devote significant time to cybersecurity risk oversight. The Board annually reviews our overall cybersecurity risk profile to help ensure that sensitive data remains secure in an ever-changing threat landscape, including risk preparedness and mitigation strategies. This assessment considers a range of factors, including our business objectives, the threat landscape, industry trends and regulatory requirements. The Audit Committee of the Board (“Audit Committee”) spearheads the oversight of our cybersecurity risk management and regularly meets, not less than quarterly, with our Chief Information Security Officer (“CISO”) and other members of management, including those with significant roles in our cybersecurity efforts. Our Executive Steering Committee, described below, provides senior management oversight to our cybersecurity program.

Collaborative Approach. We have implemented a cross-functional approach to identifying, preventing and mitigating cybersecurity threats and incidents, while also implementing controls and procedures for the prompt escalation of certain cybersecurity incidents so that decisions regarding the public disclosure and reporting of such incidents can be made by management in a timely manner.

Technical Safeguards. We deploy technical safeguards designed to protect our information systems from cybersecurity threats, including firewalls, intrusion prevention and detection systems, anti-malware functionality and access controls, which are evaluated and improved through vulnerability assessments and cybersecurity threat intelligence.

Incident Response and Recovery Planning. We have established and maintain incident response and recovery plans that address our response to a cybersecurity incident, and such plans are tested and evaluated on a regular basis.

Third-Party Risk Management. We maintain a risk-based approach to identifying and overseeing cybersecurity risks presented by third parties, including vendors, service providers and other external users of our systems, as well as the systems of third parties that could adversely impact our business in the event of a cybersecurity incident affecting those third-party systems.

Education and Awareness. We provide regular, mandatory training for our employees regarding cybersecurity threats and our security policies to equip our employees with tools to address cybersecurity threats, and to communicate our evolving information security policies, standards, processes and practices.

We regularly assess and test our cybersecurity policies, standards, processes and practices. These efforts include a wide range of activities, including audits, assessments, tabletop exercises, threat modeling, vulnerability testing and other exercises focused on evaluating the effectiveness of our cybersecurity measures and planning. We regularly engage recognized third-party experts to perform assessments on our cybersecurity measures, including information security maturity assessments, audits and independent reviews of our information security control environment and operating effectiveness. We adjust our cybersecurity policies, standards, processes and practices as necessary based on the information provided by these assessments, audits and reviews.

Governance

Our Board, in coordination with the Audit Committee, oversees our ERM process, including the management of risks from cybersecurity threats. The Board and the Audit Committee receive regular presentations and reports on cybersecurity risks from our CISO, which address a wide range of topics including recent developments, evolving standards, security effectiveness, vulnerability assessments, third-party and independent reviews, the threat environment, incident response planning, remediation efforts, employee training and awareness (including the results of our annual cybersecurity training), technological trends and information security considerations arising with respect to our peers and third parties. On a quarterly basis, our Audit Committee discusses our approach to cybersecurity risk management with our CISO and other members of management, including planned initiatives to help the Board evaluate the effectiveness of our cybersecurity program. One of our independent directors, Ms. Hammoud, a seasoned software executive, participates in Audit Committee meetings during cybersecurity sessions and provides direct guidance to our CISO outside of regularly scheduled Board meetings on cybersecurity matters.

Our CISO, in coordination with our Executive Steering Committee, including our CEO, our Chief Financial Officer (“CFO”), our Executive Vice President, Engineering, our Director of IT and our General Counsel, works collaboratively across the Company to implement a program intended to protect our information systems from cybersecurity threats and to promptly respond to any cybersecurity incidents in accordance with our incident response and recovery plans. To facilitate the success of our cybersecurity risk management program, multidisciplinary teams throughout the Company are deployed to provide governance over cybersecurity issues, address cybersecurity threats and to respond to cybersecurity incidents. Through ongoing communications with these teams, our CISO and management monitor the prevention, detection, mitigation and remediation of cybersecurity threats and incidents in real time and report such threats and incidents to the Audit Committee, and in certain incidents to the Board, when appropriate.

Our CISO has served in various roles in risk management and enterprise and cybersecurity for over 20 years, including serving as Deputy CISO at a global cybersecurity software company. Our CISO has attained numerous professional certifications, including Certified Information Systems Security Professional, Certified in Risk and Information Systems Control, Certified Information Security Manager, Certified Information Systems Auditor, and GIAC Security Operations Manager. Our CEO, who has decades of software engineering experience, has served as our CEO and as a member of our Board for thirteen years, during which time he has overseen our ERM program, including risks arising from cybersecurity threats. Our CFO and General Counsel each have more than 20 years of experience managing risks, including both at the Company and with other public companies. The other members of our Executive Steering Committee are all experienced leaders in their respective areas of management with extensive SaaS operational experience.

In 2023, we did not identify any cybersecurity threats that have materially affected or are reasonably likely to materially affect our business strategy, results of operations, cash flows, or financial condition. However, despite our efforts, we cannot eliminate all risks from cybersecurity threats, or provide assurances that we have not experienced undetected cybersecurity incidents. For additional information about these risks, see Part I, Item 1A, "Risk Factors" in this Annual Report on Form 10-K.

Item 2. *Properties*

Our headquarters is located in Houston, Texas, where we lease approximately 118,000 square feet of office space. We also lease a number of smaller regional offices. We believe our existing facilities are sufficient for our current needs, particularly as we have pivoted to a hybrid workforce.

Item 3. *Legal Proceedings*

In the ordinary course of our business, we may be involved in various legal proceedings and claims. The outcomes of these matters are inherently unpredictable. We are not currently involved in any outstanding litigation that we believe, individually or in the aggregate, will have a material adverse effect on our business, results of operations or financial condition.

Item 4. *Mine Safety Disclosures*

Not applicable.

Part II

Item 5. Market for Registrant’s Common Equity, Related Stockholders Matters and Issuer Purchases of Equity Securities

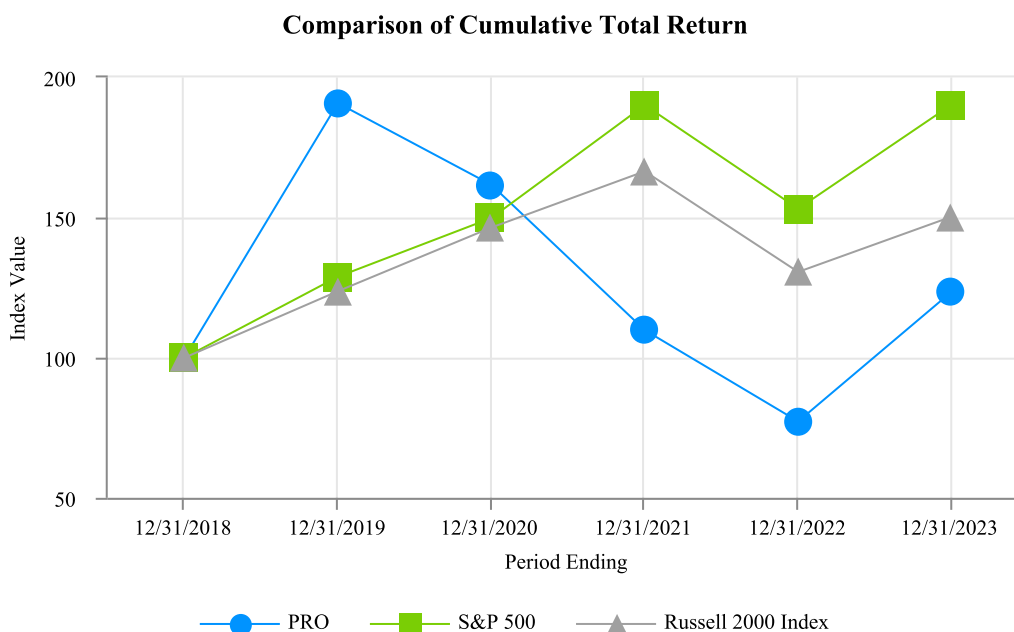
Market Information, Holders and Dividends

Our common stock is listed on the NYSE under the symbol "PRO". On February 7, 2024 there were 34 stockholders of record of our common stock. Since 2007, we have not declared or paid any dividends on our common stock. We currently expect to retain all remaining available funds and any future earnings for use in the operation and development of our business. Accordingly, we do not anticipate declaring or paying cash dividends on our common stock in the foreseeable future.

Performance Graph

The following shall not be deemed "soliciting material" or "filed" with the SEC, or incorporated by reference into any future filing under the Securities Act or Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

The graph below presents a five-year comparison of the relative investment performance of our common stock, the Standard & Poor’s 500 Stock Index ("S&P 500"), and the Russell 2000 Index for the period commencing on December 31, 2018, and ending December 31, 2023. The graph is not meant to be an indication of our future performance.



(1) The graph assumes that \$100 was invested on December 31, 2018 in our common stock, the S&P 500 and the Russell 2000 Index and further assumes all dividends were reinvested. No cash dividends have been paid on our common stock for the periods presented above.

Company/Index	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023
PRO	\$ 100.00	\$ 190.83	\$ 161.69	\$ 109.84	\$ 77.26	\$ 123.54
S&P 500	\$ 100.00	\$ 128.88	\$ 149.83	\$ 190.13	\$ 153.16	\$ 190.27
Russell 2000 Index	\$ 100.00	\$ 123.72	\$ 146.44	\$ 166.50	\$ 130.60	\$ 150.31

Issuer Purchase of Equity Securities

On August 25, 2008, we announced that the Board of Directors authorized a stock repurchase program for the purchase of up to \$15.0 million of our common stock. Under the Board-approved repurchase program, share purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors, and such purchases, if any, will be made in accordance with applicable insider trading and other securities laws and regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice.

During 2023, we did not make any purchases of our common stock under this program. As of December 31, 2023, \$10.0 million remains available under the stock repurchase program.

Recent Sales of Unregistered Securities

There were no unregistered sales of equity securities for the year ended December 31, 2023.

Item 6. Reserved

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Executive Summary

In 2023, we continued to grow our subscription revenue by enabling our customers to leverage our AI-driven solutions on the PROS Platform, while also generating positive net operating cash flows of \$9.9 million during a challenging macroeconomic environment. Other notable items for 2023 include:

- increased subscription revenue by 15% and total revenue by 10% as compared to prior year;
- gross revenue retention rates remained above 93% during the trailing twelve months ended December 31, 2023;
- recurring revenue, which consists of subscription and maintenance and support revenue, accounted for 84% of our total revenue; and
- extended the maturity of most of PROS debt to 2027 by exchanging approximately 85% of PROS outstanding convertible notes due in May 2024 for newly issued convertible notes due in September 2027.

Key Performance Metrics

We regularly review the following key performance metrics to assess the health and trajectory of our business:

Subscription ARR. Subscription annual recurring revenue ("Subscription ARR"), a non-GAAP financial measure, is defined, as of a specific date, as contracted subscription revenue, including contracts with a future start date, together with annualized overage fees incurred above contracted minimum transactions. Subscription ARR should be viewed independently of subscription revenue, deferred revenue and other GAAP measures, and is not intended to be combined with any of these items. We adjust our reported subscription ARR on an annual basis to reflect exchange rate changes. Our constant currency subscription ARR is based on the actual currency rates set at the beginning of the year. The same rates are used to measure both 2023 and 2022 ARR. Subscription ARR on a constant currency basis as of December 31, 2023 was \$257.9 million, up from \$227.0 million as of December 31, 2022, an increase of 14%. Subscription ARR on an as reported basis as of December 31, 2023 was \$259.0 million, approximately \$1.2 million higher than our constant currency subscription ARR.

Net Cash Provided By (Used In) Operating Activities. Net cash provided by operating activities was \$9.9 million for the year ended December 31, 2023, as compared to net cash used in operating activities of \$23.9 million for the year ended December 31, 2022. The improvement year over year was primarily due to increases in sales and the related cash collections, an increase in interest income and a decrease in cash operating expenses.

Free Cash Flow. We define free cash flow, a non-GAAP financial measure, as net cash provided by (used in) operating activities, excluding severance payments, less capital expenditures and capitalized internal-use software development costs. We believe free cash flow may be useful to investors and other users of our financial information in evaluating the amount of cash generated by our business operations. Free cash flow for the year ended December 31, 2023 was \$11.4 million, compared to free cash flow used of \$21.7 million for the year ended December 31, 2022, an improvement of approximately \$33 million. The following is a reconciliation of free cash flow to the most comparable GAAP measure, net cash used in operating activities:

	Year Ended December 31,	
	2023	2022
Net cash provided by (used in) operating activities	\$ 9,877	\$ (23,906)
Severance	4,081	3,058
Purchase of property and equipment	(2,543)	(861)
Capitalized internal-use software development costs	(48)	—
Free cash flow	<u>\$ 11,367</u>	<u>\$ (21,709)</u>

Factors Affecting Our Performance

Key factors and trends that have affected and we believe will continue to affect our operating results include:

- Macroeconomic and Geopolitical Environment.* The companies we serve continue to navigate a complex macroeconomic environment impacted by inflation, higher interest rates, volatile capital and financial markets, supply chain disruptions, tight labor markets, pricing volatility, geopolitical conflicts, including the Russia-Ukraine and Middle East conflicts, and other local and regional macroeconomic conditions. Uncertain macroeconomic and industry conditions in countries and regions in which we operate create a continued challenging selling environment for large enterprise technology deployments. Despite this environment, we remain confident in our ability to help our customers drive profitable growth by optimizing their shopping and selling experiences. For example, pricing volatility and inflation are catalysts for demand for our AI-driven price optimization and management solutions. Partly, as a result, we grew both subscription revenue and total revenue by double digits in 2023. We believe in the near term that new customers will emphasize smaller scope initial purchases and fast return on their investments. We believe this emphasis will require solid execution by our teams to capitalize on these demand drivers.
- Profitable Growth as a Priority.* We continue to focus on profitability by investing in a disciplined manner to drive revenue growth and support our long-term initiatives. This includes investments designed to accelerate our customer time-to-value, improve efficiency and operations, further leveraging AI in our business operations, provide out-of-the-box integration with third-party commerce solutions and develop new applications and technologies. We expect our product development, sales and marketing, and general and administrative expenses as a percentage of total revenues will decrease long-term as we increase our revenues and focus on profitability.
- Artificial Intelligence.* The rapidly evolving market interest in generative AI and associated interest in all aspects of AI is driving businesses around the world and across industries to consider, invest in and use applications leveraging AI. For example, companies are looking to AI to extract insights from their data, improve and customize their offerings, and drive process and operating efficiencies. Our AI-powered solutions enable buyers to move fluidly and with personalized experiences across our customers' sales channels, and our digital offer marketing solutions help our customers drive their buyers directly into their direct selling channels. The pace of change across industries helps fuel demand for our CPQ solutions as businesses look to use AI to replace manual selling processes. Our solutions have utilized AI for years, and our legacy of AI development continues to influence our category-leading solutions. For example, our platform is now powered by our 4th generation AI, using a deep neural network that leverages all available data and attributes to improve prediction accuracy. We are also utilizing and considering new ways to further utilize AI in our business operations to drive efficiencies, improve knowledge management, gain insights and increase productivity.
- Travel Industry Stabilizing.* The travel industry continues to recover from the unprecedented disruption caused by the pandemic with global air passenger traffic increasing significantly in 2023 to near pre-pandemic levels. Despite significant geographic and individual airline variances in the timetable for full recovery and persistent operational, cost and supply chain headwinds, airline analysts continue to forecast strong travel demand and overall airline industry profitability in 2024. However, these trends could be impacted negatively if inflation further impacts consumer disposable income or if business travel does not recover to pre-pandemic levels. As airlines stabilize and plan for future growth, we have seen renewed broad interest in our solutions, even as some individual airlines continue to manage challenges in internal capacity related to technology projects.
- Digital Purchasing Driving Technology Adoption.* We believe the long-term trends toward digital purchasing by both consumers and corporate buyers drives demand for technology that provides fast, frictionless and personalized buying experiences across direct sales, partner, online, mobile and emerging channels. Buyers often prefer not to interact with sales representatives as their primary source of research, and to buy online when they have already decided what to buy. For example, in the airline industry, the pandemic accelerated a long-term trend towards direct booking channels,

and we anticipate airlines continuing to invest in technology, including mobile device-enabled solutions, to enhance their ability to capture a greater percentage of bookings through their own channels such as their websites. We believe companies must adopt technologies which power these types of experiences across sales channels to compete in digital commerce.

- *Cloud Migrations.* We continue to encourage our customers to migrate to our current cloud solutions as we discontinue support for certain of our on-premises solutions. As our on-premises customers continue to migrate from our legacy solutions to our current cloud solutions, we expect our future maintenance and support revenue will continue to decline and our subscription revenue to increase.

Description of Key Components of our Operating Results

Revenue

We derive our revenues primarily from recurring revenue, which includes subscription and maintenance and support. Recurring revenues accounted for 84% of our total revenue in 2023.

Subscription. Subscription services revenue primarily consists of fees that give customers access to one or more of our cloud applications and include related customer support. We primarily recognize subscription revenue ratably over the contractual term of the customer arrangement beginning with commencement of service. Subscription revenue related to certain offerings, where fees are based on a number of transactions, are recognized on a usage basis.

Maintenance and support. Maintenance and support revenue includes customer support for our legacy on-premises software and the right to unspecified software updates and enhancements. We recognize revenue from maintenance arrangements ratably over the period in which the services are provided. Our maintenance and support contracts are generally one year in length, billed annually in advance, and non-cancelable.

Services. Services revenue primarily consists of fees for configuration services, consulting and training. We typically sell our services on either a fixed-fee or time-and-materials basis. Services revenue is generally recognized as the services are performed for time and material contracts, or on a proportional performance basis for fixed-price contracts. Training revenues are recognized as the services are performed.

Services revenue varies from period to period depending on different factors, including the level of services required to implement our solutions, the timing of services revenue recognition on certain subscription contracts and any additional services requested by our customers during a particular period.

Judgments are required in determining whether services contained in our customer subscription contracts are considered distinct, including whether the services are capable of being distinct and whether they are separately identifiable. Services deemed to be distinct are accounted for as a separate performance obligation and revenue is recognized as the services are performed. If services are determined not to be distinct, the services and the subscription are considered to be a single performance obligation and revenue is recognized over the contractual term of the subscription beginning on the date that subscription services are made available to the customer. The associated revenue is allocated between subscription and services.

Cost of Revenue

Cost of subscription. Cost of subscription consists of infrastructure costs to support our current subscription customer base including third-party hosting services and expenses related to operating our network infrastructure, including salaries and related expenses, operating lease payments, amortization of capitalized software and an allocation of depreciation, amortization of certain intangible assets and allocated overhead.

Cost of maintenance and support. Cost of maintenance and support consists largely of employee-related costs and an allocation of depreciation and overhead.

Cost of services. Cost of services includes those costs related to services and implementation of our solutions, primarily employee-related costs and third-party contractors, billable and non-billable travel and an allocation of depreciation and overhead. Cost of providing services may vary from quarter to quarter depending on a number of factors, including the amount of services required to implement and configure our solutions.

Services gross profit varies period to period depending on different factors, including the level of services required to implement our solutions, our mix of employees and third-party contractors, our effective billable man-day rates, our use of third-party system integrators and the billable utilization of our services personnel.

Operating Expenses

Selling and marketing. Selling and marketing expenses primarily consist of employee-related costs, third-party contractors, sales commissions, sales and marketing programs such as lead generation programs, company awareness programs, our annual Outperform conference, participation in industry trade shows, other sales and marketing programs, travel, amortization expenses associated with acquired intangible assets and allocated overhead. Sales commissions are deferred and amortized on a straight-line basis over the period of benefit, which we have determined to be five to eight years.

Research and development. Research and development expenses primarily consist of employee-related costs and third-party contractors who work on enhancements of existing solutions, the development of new solutions, scientific research, quality assurance and testing, security and an allocation of depreciation, facilities and overhead.

General and administrative. General and administrative expenses primarily consist of employee-related costs for executive, accounting, finance, legal, human resources and internal IT support functions and an allocation of depreciation and overhead. General and administrative expenses also include outside legal and accounting fees and provision for bad debts.

Acquisition-related expenses. Acquisition-related expenses consist primarily of advisory, legal, accounting and other professional fees, insurance and integration costs for our acquisitions.

Results of Operations

Comparison of year ended December 31, 2023 with year ended December 31, 2022

Revenue:

(Dollars in thousands)	Year Ended December 31,					
	2023		2022		Variance \$	Variance %
	Amount	Percentage of total revenue	Amount	Percentage of total revenue		
Subscription	\$ 234,024	77 %	\$ 204,041	74 %	\$ 29,983	15 %
Maintenance and support	19,958	7 %	28,592	10 %	(8,634)	(30)%
Total subscription, maintenance and support	253,982	84 %	232,633	84 %	21,349	9 %
Services	49,726	16 %	43,504	16 %	6,222	14 %
Total revenue	\$ 303,708	100 %	\$ 276,137	100 %	\$ 27,571	10 %

Subscription revenue. Subscription revenue increased primarily due to an increase in new and existing customer subscription contracts.

Maintenance and support revenue. Maintenance and support revenue decreased primarily as a result of existing maintenance customers migrating to our cloud solutions and, to a lesser extent, customer churn. We expect maintenance and support revenue to continue to decline as we continue to migrate maintenance customers to our cloud solutions.

Services revenue. Services revenue increased primarily as a result of higher sales of professional services to our existing customers. Services revenue varies from period to period depending on different factors, including the level of professional services required to implement our solutions, the timing of services revenue recognition on certain subscription contracts and efficiencies in our solutions implementations requiring less professional services during a particular period.

Cost of revenue and gross profit:

(Dollars in thousands)	Year Ended December 31,					
	2023		2022		Variance \$	Variance %
	Amount	Percentage of total revenue	Amount	Percentage of total revenue		
Cost of subscription	\$ 57,212	19 %	\$ 55,039	20 %	\$ 2,173	4 %
Cost of maintenance and support	7,703	3 %	8,004	3 %	(301)	(4)%
Total cost of subscription, maintenance and support	64,915	21 %	63,043	23 %	1,872	3 %
Cost of services	50,398	17 %	47,037	17 %	3,361	7 %
Total cost of revenue	\$ 115,313	38 %	\$ 110,080	40 %	\$ 5,233	5 %
Gross profit	\$ 188,395	62 %	\$ 166,057	60 %	\$ 22,338	13 %

Cost of subscription. Cost of subscription increased primarily due to higher infrastructure costs to support the growth in our subscription customer base and higher employee-related costs mainly due to an increase in headcount. These increases were partially offset by a decrease in amortization expense for developed technology intangible assets. Our subscription gross profit percentages were 76% and 73% for the years ended December 31, 2023 and 2022, respectively.

Cost of maintenance and support. Cost of maintenance and support decreased due to lower personnel costs as our maintenance customer base declined primarily with migrations to our subscription solutions. Maintenance and support gross profit percentages for the years ended December 31, 2023 and 2022, were 61% and 72%, respectively. Gross profit percentages decreased in 2023 as compared to prior year primarily due to lower maintenance and support revenue and the cost of maintenance and support being relatively fixed.

Cost of services. Cost of services increased primarily due to higher personnel costs to support the increase in our services revenue during the period. Services gross profit percentages for the years ended December 31, 2023 and 2022, were (1)% and (8)%, respectively. Services gross profit percentages improved in 2023 compared to 2022 primarily due to an increase in services revenue and a lesser increase in cost of services due to greater efficiencies.

Operating expenses:

(Dollars in thousands)	Year Ended December 31,					
	2023		2022		Variance \$	Variance %
	Amount	Percentage of total revenue	Amount	Percentage of total revenue		
Selling and marketing	\$ 92,389	30 %	\$ 94,986	34 %	\$ (2,597)	(3)%
Research and development	89,361	29 %	93,412	34 %	(4,051)	(4)%
General and administrative	57,247	19 %	54,202	20 %	3,045	6 %
Impairment charges	—	— %	1,551	1 %	(1,551)	(100)%
Total operating expenses	\$ 238,997	79 %	\$ 244,151	88 %	\$ (5,154)	(2)%

Selling and marketing expenses. Selling and marketing expenses decreased primarily due to decreases in employee-related costs mainly due to prior organizational headcount changes and intangible asset amortization expense. The decrease was partially offset by an increase in travel expenses, sales and marketing events and other initiatives.

Research and development expenses. Research and development expenses decreased primarily due to prior organizational headcount changes, a decrease in the use of contract resources and a decrease in noncash share-based compensation. The noncash share-based compensation was higher in 2022 mainly due to the acceleration of equity awards related to the retirement of a senior officer in the first quarter of 2022.

General and administrative expenses. General and administrative expenses increased primarily due to employee-related expenses, including share-based compensation, and higher professional fees and consulting services.

Impairment of fixed assets. During the year ended December 31, 2022, we recorded a \$1.6 million impairment charge related to fixed assets. The impairment resulted from changes to our intentions for these assets in connection with a new agreement with a software vendor.

Non-operating expenses:

(Dollars in thousands)	Year Ended December 31,					
	2023		2022		Variance \$	Variance %
	Amount	Percentage of total revenue	Amount	Percentage of total revenue		
Convertible debt interest and amortization	\$ (5,882)	(2)%	\$ (6,304)	(2)%	\$ 422	(7)%
Other income, net	\$ 1,063	— %	\$ 3,084	1 %	\$ (2,021)	(66)%

Convertible debt interest and amortization. Our convertible debt expense consisted of coupon interest, amortization of debt premium and debt issuance costs attributable to our Notes. The decrease in expense was related to the exchange of about 85% of PROS outstanding convertible notes due in May 2024 for newly issued convertible notes due in September 2027. Please see [Note 16](#) to the Consolidated Financial Statements for more information.

Other income, net. The change in other income, net for the year ended December 31, 2023, primarily related to a \$4.5 million derivative loss and a \$1.8 million loss associated with the Notes exchange mentioned above. These items were partially offset by higher interest income on our cash balances from higher interest rates in 2023 as compared to prior year. In addition, we realized net gains on certain equity investments both in 2023 and 2022, which overall contributed to the decrease year over year. Please see [Note 24](#) to the Consolidated Financial Statements for more information.

Income tax provision:

(Dollars in thousands)	Year Ended December 31,			
	2023	2022	Variance \$	Variance %
Effective tax rate	(1.7)%	(1.1)%	n/a	(1)%
Income tax provision	\$ 933	\$ 932	\$ 1	— %

Our tax provision for the year ended December 31, 2023 included both foreign income and withholding taxes. No tax benefit was recognized on jurisdictions with a projected loss for the year due to the valuation allowances on our deferred tax assets.

Our 2023 and 2022 effective tax rates had an unusual relationship to pretax loss from operations due to a valuation allowance on our net deferred tax assets. Our income tax provisions in 2023 and 2022 only included foreign income and withholding taxes, resulting in an effective tax rate of (1.7)% and (1.1)%, respectively. The difference between the effective tax rates and the federal statutory rate of 21% for the years ended December 31, 2023 and 2022 was primarily due to the increase in our valuation allowance of \$4.8 million and \$16.6 million, respectively.

As of December 31, 2023 and 2022, we had a valuation allowance on our net deferred tax assets of \$167.6 million and \$165.7 million, respectively. The increase in the valuation allowance was principally attributable to an additional valuation allowance recorded on our current year's tax loss and other deferred tax assets including capitalized research and development costs under Internal Revenue Code Section 174 as updated by the Tax Cuts and Jobs Act of 2017.

Comparison of year ended December 31, 2022 with year ended December 31, 2021

For a comparison of our results of operations for the years ended December 31, 2022 and 2021, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in Part II, Item 7 of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on February 15, 2023.

Liquidity and Capital Resources

At December 31, 2023, we had \$168.7 million of cash and cash equivalents and \$37.3 million of working capital as compared to \$203.6 million of cash and cash equivalents and \$106.3 million of working capital at December 31, 2022.

Our principal sources of liquidity are our cash and cash equivalents, cash flows generated from operations and potential borrowings under our Credit Agreement. In addition, we could access capital markets to supplement our liquidity position. Our material drivers or variants of operating cash flow are net income (loss) and the timing of invoicing and cash

collections from our customers. Our operating cash flows are also impacted by the timing of payments to our vendors and the payments of other liabilities.

We believe we will have adequate liquidity and capital resources to meet our operational requirements, anticipated capital expenditures, and coupon interest of our Notes for the next twelve months, as well as for principal payments for our remaining 2024 Notes due May 2024. Our future working capital requirements depend on many factors, including the operations of our existing business, growth of our customer subscription services, future acquisitions we might undertake, expansion into complementary businesses, timing of adoption and implementation of our solutions and customer churn. Capital markets have tightened in response to the macroeconomic environment making new financing more difficult and/or expensive and we may not be able to obtain such financing on terms acceptable to us or at all.

The following table presents key components of our Consolidated Statements of Cash Flows for the years ended December 31, 2023, 2022 and 2021:

(Dollars in thousands)	Year Ended December 31,		
	2023	2022	2021
Net cash provided by (used in) operating activities	\$ 9,877	\$ (23,906)	\$ (18,555)
Net cash used in investing activities	(2,704)	(1,142)	(85,173)
Net cash (used in) provided by financing activities	(32,357)	1,069	2,471
Effect of foreign currency rates on cash	304	53	(324)
Net change in cash, cash equivalents and restricted cash	\$ (24,880)	\$ (23,926)	\$ (101,581)

Operating Activities

Net cash provided by operating activities in 2023 was \$9.9 million and increased as compared to net cash used in operating activities of \$23.9 million in 2022. The improvement year over year was primarily due to increases in sales and the related cash collections, an increase in interest income and a decrease in cash operating expenses.

Investing Activities

Net cash used in investing activities for 2023 was \$2.7 million and increased as compared to \$1.1 million in 2022. The increase was due to higher capital expenditures, primarily related to third-party software license renewal.

Financing Activities

Net cash used in financing activities for 2023 was \$32.4 million and increased as compared to net cash provided by financing activities of \$1.1 million in 2022. The increase year over year was primarily attributable to a \$22.2 million purchase of capped call and a payment of \$2.2 million for debt issuance cost, both in connection with the convertible notes exchange. The increase was also due to higher tax withholding payments of \$7.6 million on the vesting of employee share-based awards, a payment of \$0.8 million for debt issuance cost related to our new credit agreement and \$0.6 million less in proceeds from employee stock plans.

Stock Repurchases

In August 2008, our Board of Directors authorized a stock repurchase program for the purchase of up to \$15.0 million of our common stock. No shares were repurchased under the program during the years ended December 31, 2023, 2022 and 2021. As of December 31, 2023, \$10.0 million remained available in the stock repurchase program. The repurchase of stock, if continued, will be funded primarily with existing cash balances. The timing of any repurchases will depend upon various factors including, but not limited to, market conditions, the market price of our common stock and management's assessment of our liquidity and cash flow needs. *For additional information on the stock repurchase program see [Item 5](#), "Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities."*

Off-Balance Sheet Arrangements and Contractual Obligations

We do not have any relationships with unconsolidated entities or financial partnerships, such as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Contractual Obligations

Our contractual obligations as of December 31, 2023 consist of obligations under our Notes, operating leases and various service agreements.

The following table sets forth our material contractual obligations, excluding imputed interest as it related to operating leases, as of December 31, 2023. For further information, see the associated Notes to Consolidated Financial Statements as referenced below:

(Dollars in thousands)	Payment due by period					Reference
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years	
Notes, including interest	\$ 312,759	\$ 27,824	\$ 12,007	\$ 272,928	\$ —	Note 16
Operating leases	43,265	7,895	8,153	7,994	19,223	Note 8
Purchase commitments	134,122	40,408	93,714	—	—	Note 18
Total contractual obligations	<u>\$ 490,146</u>	<u>\$ 76,127</u>	<u>\$ 113,874</u>	<u>\$ 280,922</u>	<u>\$ 19,223</u>	

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Actual results could differ from those estimates.

We believe the critical accounting policies listed below affect significant judgment and estimates used in the preparation of our Consolidated Financial Statements.

Revenue Recognition

We derive our revenues primarily from subscription services, services and associated software maintenance and support.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the customer contract(s);
- determination of the transaction price;
- allocation of the transaction price to each performance obligation in the customer contract(s); and
- recognition of revenue when, or as, we satisfy a performance obligation.

Subscription revenue

Subscription revenue primarily consists of subscription fees that give customers access to one or more of our cloud applications along with related customer support. We primarily recognize subscription revenue ratably over the contractual term of the arrangement beginning with commencement of service. Subscription revenue related to certain offerings, where fees are based on a number of transactions, are recognized on a usage basis.

Maintenance and support revenue

Maintenance and support revenue includes customer support for our on-premises software and the right to unspecified software updates and enhancements. We recognize revenue from maintenance arrangements ratably over the period in which the services are provided. Our maintenance and support contracts are generally one year in length, billed annually in advance, and non-cancelable.

Services revenue

Services revenue primarily consists of fees for configuration services, consulting and training. We typically sell our services on either a fixed-fee or time-and-materials basis. Services revenue is generally recognized as the services are performed for time and material contracts, or on a proportional performance basis for fixed-price contracts. Training revenues are recognized as the services are performed.

Judgments are required in determining whether services contained in our customer subscription contracts are considered distinct, including whether the services are capable of being distinct and whether they are separately identifiable. Services deemed to be distinct are accounted for as a separate performance obligation and revenue is recognized as the services are performed. If services are not determined to be distinct, the services and the subscription are determined to be a single performance obligation and revenue is recognized over the contractual term of the subscription beginning on the date subscription services are made available to the customer. The associated revenue is allocated between subscription and services.

Customer contracts with multiple performance obligations

A portion of our customer contracts contain multiple performance obligations. Judgment is required in determining whether multiple performance obligations contained in a single customer contract are capable of being distinct and are separately identifiable. An obligation determined to be distinct is accounted for as a separate performance obligation and revenue is recognized when, or as, we satisfy the performance obligation. If obligations are determined not to be distinct, those obligations are accounted for as a single, combined performance obligation. The transaction price is allocated to each performance obligation on a relative standalone selling price basis.

Deferred Costs

Sales commissions earned by our sales representatives are considered incremental and recoverable costs of obtaining a customer contract. Sales commissions are capitalized and amortized on a straight-line basis over the period of benefit, which we have determined to be five to eight years. We determined the period of benefit by taking into consideration our customer contracts, expected renewals of those customer contracts (as we currently do not pay an incremental sales commission for renewals), our technology and other factors. We also capitalize amounts earned by employees other than sales representatives who earn incentive payments under compensation plans tied to the value of customer contracts acquired.

Noncash Share-Based Compensation

Noncash share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the requisite service period, which is generally the vesting period.

To date, we have granted restricted stock units ("RSUs") and market stock units ("MSUs") from the 2017 Equity Stock Plan.

The fair value of the RSUs (time and performance-based) and the equity consideration stock awards, granted as part of the EveryMundo acquisition, is based on the closing price of our stock on the date of grant.

MSUs are performance-based awards that cliff vest based on our shareholder return relative to the total shareholder return of the Russell 2000 Index ("Index") over a three-year period. The maximum number of shares issuable upon vesting is 200% of the MSUs initially granted based on the average price of our common stock relative to the Index during the Performance Period. We estimate the fair value of MSUs on the date of grant using a Monte Carlo simulation model. The determination of the fair value of the MSUs is affected by our stock price and a number of assumptions including the expected volatilities of our stock and the Index, the risk-free interest rate and expected dividends. Our expected volatility at the date of grant was based on the historical volatilities of our stock and the Index over the Performance Period.

If factors change and we employ different assumptions, noncash share-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned noncash share-based compensation expense. Future noncash share-based compensation expense and unearned noncash share-based compensation will increase to the extent we grant additional equity awards to employees.

We estimate the number of awards that will be forfeited and recognize expense only for those awards that ultimately are expected to vest. Significant judgment is required in determining the adjustment to noncash share-based compensation expense for estimated forfeitures. Noncash share-based compensation expense in a period could be impacted, favorably or unfavorably, by differences between forfeiture estimates and actual forfeitures.

We record deferred tax assets for share-based compensation awards that will result in future deductions on our income tax returns, based on the amount of share-based compensation recognized at the statutory tax rate in the jurisdiction in which we will receive a tax deduction. Because the deferred tax assets we record are based upon the share-based compensation expenses in a particular jurisdiction, the aforementioned inputs that affect the fair values of our stock awards may also indirectly affect our income tax expense. In addition, differences between the deferred tax assets recognized for financial reporting purposes and the actual tax deduction reported on our income tax returns are recorded in our income tax (expense) income.

At December 31, 2023, we had \$68.2 million of total unrecognized compensation costs related to noncash share-based compensation arrangements for stock awards granted. These costs will be recognized over a weighted-average period of 2.5 years.

Accounting for Income Taxes

We estimate our income taxes based on the various jurisdictions where we conduct business and we use estimates in determining our provision for income taxes. We estimate separately our deferred tax assets, related valuation allowances, current tax liabilities and deferred tax liabilities. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax rules and the potential for future adjustment of our uncertain tax positions by the U.S. Internal Revenue Service or other taxing jurisdictions. We estimate our current tax liability and assess temporary differences that result from differing treatments of certain items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which we show on our balance sheet. At December 31, 2023, our deferred tax assets consisted primarily of temporary differences related to noncash share-based compensation, interest expense limited under Section 163(j), expense recognition of our lease obligations, Research and Experimentation ("R&E") tax credit carryforwards and net operating losses.

We review the realizability of our deferred tax asset on a quarterly basis, or whenever events or changes in circumstances indicate a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset are considered, along with any other positive or negative evidence. Since future financial results may differ from previous estimates, periodic adjustments to our valuation allowances may be necessary. We continually perform an analysis related to the realizability of our deferred tax assets. As a result, and after considering tax planning initiatives and other positive and negative evidence, we determine it is more likely than not our net deferred tax assets will not be realized. During 2023, there was not sufficient positive evidence to outweigh the current and historic negative evidence to determine it was more likely than not that our net deferred tax assets would not be realized. Therefore, we continue to have a valuation allowance against net deferred tax assets as of December 31, 2023.

We account for uncertain income tax positions recognized in our financial statements in accordance with the Income Tax Topic of the Accounting Standards Codification ("ASC"), issued by the FASB. This interpretation requires companies to use a prescribed model for assessing the financial recognition and measurement of all tax positions taken or expected to be taken in their tax returns. This guidance provides clarification on recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. *Please see [Note 15](#) to the Consolidated Financial Statements for more information.*

Business Combinations, Intangible Assets and Goodwill

We record tangible and intangible assets acquired and liabilities assumed in business combinations under the purchase method of accounting. The allocation of the purchase price in a business combination requires management to make significant estimates in determining the fair value of acquired assets and assumed liabilities, especially with respect to intangible assets.

The excess of the purchase price in a business combination over the fair value of these tangible and intangible assets acquired and liabilities assumed is recorded as goodwill. Critical estimates in valuing certain intangible assets include, but are not limited to, projected revenue, discount rate, obsolescence rate, cost of sales, operating expenses and customer attrition rate. We estimate fair value primarily utilizing the income and market approaches, including the multi-period excess earnings method for certain intangible assets. Our estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our Consolidated Statements of Comprehensive Loss.

Amortization is recorded over the estimated useful lives ranging from two to eight years. We review our intangible assets subject to amortization to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If the carrying value of an asset group exceeds its undiscounted cash flows, we will write down the carrying value of the intangible asset group to its fair value in the period identified. In assessing recoverability, we must make assumptions regarding estimated future cash flows and discount rates. If these estimates or related assumptions change in the future, we may be required to record impairment charges. If the estimate of an intangible asset's remaining useful life is changed, we will amortize the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

We assess goodwill for impairment as of November 30 of each fiscal year, or more frequently if events or changes in circumstances indicate the fair value of our reporting unit has been reduced below its carrying value. When conducting our annual goodwill impairment assessment, we use a two-step process. The first step is to perform an optional qualitative evaluation as to whether it is more likely than not the fair value of our reporting unit is less than its carrying value, using an assessment of relevant events and circumstances. In performing this assessment, we are required to make assumptions and judgments including, but not limited to, an evaluation of macroeconomic conditions as they relate to our business, industry and market trends, as well as the overall future financial performance of our reporting unit and future opportunities in the markets in which it operates. If we determine it is not more likely than not that the fair value of our reporting unit is less than its carrying value, we are not required to perform any additional tests in assessing goodwill for impairment. However, if we conclude otherwise or elect not to perform the qualitative assessment, we perform a second step for our reporting unit, consisting of a quantitative assessment of goodwill impairment. This quantitative assessment requires us to compare the fair value of our reporting unit with its carrying value. If the carrying amount exceeds the fair value, an impairment charge will be recognized, however, loss cannot exceed the total amount of goodwill allocated to the reporting unit.

Recent Accounting Pronouncements

See [Note 2](#) - *Summary of Significant Accounting Policies to the Consolidated Financial Statements included in this report, regarding the impact of certain recent accounting pronouncements on our Consolidated Financial Statements.*

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Foreign Currency Exchange Risk

Our contracts are predominately denominated in U.S. dollars; however, we have contracts denominated in foreign currencies and therefore a portion of our revenue is subject to foreign currency risks. The primary market risk we face is from foreign currency exchange rate fluctuations. Our cash flows are subject to fluctuations due to changes in foreign currency exchange rates. The effect of an immediate 10% adverse change in exchange rates on foreign denominated receivables as of December 31, 2023, would have resulted in a \$0.8 million loss. We are also exposed to foreign currency risk due to our operating subsidiaries in France, UK, Canada, Germany, Ireland, Australia, Bulgaria, Singapore and United Arab Emirates. A hypothetical 10% adverse change in the value of the U.S. dollar in relation to the Euro, which is our single most significant foreign currency exposure related to revenue, would have changed revenue for the year ended December 31, 2023 by approximately \$4.9 million. However, due to the relatively low volume of payments made and received through our foreign subsidiaries, we do not believe we have significant exposure to foreign currency exchange risks. Fluctuations in foreign currency exchange rates could harm our financial results in the future.

We currently do not use derivative financial instruments to mitigate foreign currency exchange risks. We continue to review this issue and may consider hedging certain foreign exchange risks through the use of currency futures or options in future years.

Exposure to Interest Rates

As of December 31, 2023, we had outstanding principal amounts of \$21.7 million and \$266.8 million of the 2024 and the 2027 Notes, respectively, which are fixed-rate instruments. Therefore, our results of operations are not subject to fluctuations in interest rates. However, the fair value of the Notes is exposed to interest rate risk. Generally, the fair value of our fixed interest rate Notes will increase as interest rates fall and decrease as interest rates rise.

We believe we do not have any material exposure to changes in the fair value as a result of changes in interest rates due to the short-term nature of our cash equivalents.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements required to be filed are indexed on page F-1 and are incorporated herein by reference. See *Item 15(a)(1) and (2)*.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation as of the period covered by this Annual Report on Form 10-K, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Our internal control over financial reporting is a framework that includes policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2023, based on the criteria in Internal Control — Integrated Framework (2013) issued by COSO. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2023 based upon the COSO criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2023 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included herein.

Item 9B. Other Information

Securities Trading Plans of Directors and Executive Officers

During the three months ended December 31, 2023, the following directors and officers, as defined in Rule 161-1(f), adopted a "Rule 10b5-1 trading arrangement" as defined in Regulation S-K Item 408, as follows:

On November 15, 2023, Timothy V. Williams, one of our Directors, adopted a Rule 10b5-1 trading plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). The plan provides for the sale of up to 2,882 shares of our common stock to satisfy tax obligations related to vesting of RSUs. The plan will terminate on June 3, 2024, subject to early termination for certain specified events set forth in the plan, including if all transactions under the trading plan are completed.

Part III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item is incorporated by reference from our proxy statement in connection with our 2024 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2023.

Item 11. *Executive Compensation*

The information required by this item is incorporated by reference from our proxy statement in connection with our 2024 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2023.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

The information required by this item is incorporated by reference from our proxy statement in connection with our 2024 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2023.

Item 13. *Certain Relationships, Related Transactions and Director Independence*

The information required by this item is incorporated by reference from our proxy statement in connection with our 2024 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2023.

Item 14. *Principal Accountant Fees and Services*

The information required by this item is incorporated by reference from our proxy statement in connection with our 2024 Annual Meeting of Stockholders, which proxy statement will be filed with the SEC not later than 120 days after the close of our fiscal year ended December 31, 2023.

Part IV

Item 15. Exhibits and Financial Statements Schedules

(a)(1) Financial Statements

Reference is made to the Index to Financial Statements in the section entitled "Financial Statements and Supplementary Data" in Part II, Item 8 of this Annual Report on Form 10-K.

(a)(2) Financial Statement Schedules

Reference is made to Schedule II, Valuation and Qualifying Accounts, as indexed on page F-34.

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

(a)(3) Exhibits

Exhibits are as set forth below in the Exhibit Index. Exhibits which are incorporated herein by reference can be inspected and copied at the public reference rooms maintained by the SEC in Washington, D.C., New York, New York, and Chicago, Illinois, and are also available to the public from commercial document retrieval services and at the website maintained by the SEC at <http://www.sec.gov>.

PROS Holdings, Inc.
Index to the Consolidated Financial Statements

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of PROS Holdings, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of PROS Holdings, Inc. and its subsidiaries (the “Company”) as of December 31, 2023 and 2022, and the related consolidated statements of comprehensive loss, of stockholders’ (deficit) equity and of cash flows for each of the three years in the period ended December 31, 2023, including the related notes and financial statement schedule listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for convertible notes in 2021.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and

dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue recognition – subscription and services revenue

As described in Note 2 to the consolidated financial statements, the Company recognized subscription and services revenue of \$283.8 million for the year ended December 31, 2023. The Company derives its revenues primarily from subscriptions, services, and associated software maintenance and support. A portion of the Company's customer contracts contain multiple performance obligations. The transaction price is allocated to each performance obligation on a relative standalone selling price basis.

The principal consideration for our determination that performing procedures relating to revenue recognition - subscription and services revenue is a critical audit matter is a high degree of auditor effort in performing procedures related to the Company's revenue recognition.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls over the recognition of subscription and services revenue and allocation of the transaction price to each performance obligation. These procedures also included, among others (i) testing the completeness, accuracy, and occurrence of revenue recognized for a sample of revenue transactions by obtaining and inspecting source documents, such as contracts, proof of delivery, invoices, and subsequent payment receipts; (ii) testing, on a sample basis, the accuracy of management's calculation of the transaction price and the allocation of the transaction price to each performance obligation based on the relative standalone selling price; and (iii) confirming a sample of outstanding customer invoice balances as of December 31, 2023 and, for confirmations not returned, obtaining and inspecting source documents, such as contracts, proof of delivery, invoices, and subsequent payment receipts.

/s/ PricewaterhouseCoopers LLP

San Jose, California
February 14, 2024

We have served as the Company's auditor since 2002.

PROS Holdings, Inc.
Consolidated Balance Sheets
(In thousands, except share and per share amounts)

	December 31,	
	2023	2022
Assets:		
Current assets:		
Cash and cash equivalents	\$ 168,747	\$ 203,627
Trade and other receivables, net of allowance of \$574 and \$609, respectively	49,058	48,178
Deferred costs, current	4,856	6,032
Prepaid and other current assets	12,013	9,441
Total current assets	234,674	267,278
Restricted cash	10,000	—
Property and equipment, net	23,051	25,012
Operating lease right-of-use assets	14,801	17,474
Deferred costs, noncurrent	10,292	8,764
Intangibles, net	11,678	17,851
Goodwill	107,860	107,561
Other assets, noncurrent	9,477	9,012
Total assets	\$ 421,833	\$ 452,952
Liabilities and Stockholders' (Deficit) Equity:		
Current liabilities:		
Accounts payable and other liabilities	\$ 3,034	\$ 7,964
Accrued liabilities	13,257	12,854
Accrued payroll and other employee benefits	32,762	23,797
Operating lease liabilities, current	5,655	7,662
Deferred revenue, current	120,955	108,659
Current portion of convertible debt, net	21,668	—
Total current liabilities	197,331	160,936
Deferred revenue, noncurrent	3,669	8,298
Convertible debt, net, noncurrent	272,324	289,779
Operating lease liabilities, noncurrent	25,118	28,184
Other liabilities, noncurrent	1,264	1,228
Total liabilities	499,706	488,425
Commitments and contingencies (Note 18)		
Stockholders' (deficit) equity:		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized; none issued	—	—
Common stock, \$0.001 par value, 75,000,000 shares authorized; 51,184,584 and 50,318,726 shares issued, respectively; 46,503,861 and 45,638,003 shares outstanding, respectively	51	50
Additional paid-in capital	604,084	590,475
Treasury stock, 4,680,723 common shares, at cost	(29,847)	(29,847)
Accumulated deficit	(647,252)	(590,898)
Accumulated other comprehensive loss	(4,909)	(5,253)
Total stockholders' (deficit) equity	(77,873)	(35,473)
Total liabilities and stockholders' (deficit) equity	\$ 421,833	\$ 452,952

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

PROS Holdings, Inc.
Consolidated Statements of Comprehensive Loss
(In thousands, except per share data)

	Year Ended December 31,		
	2023	2022	2021
Revenue:			
Subscription	\$ 234,024	\$ 204,041	\$ 178,006
Maintenance and support	19,958	28,592	35,111
Total subscription, maintenance and support	253,982	232,633	213,117
Services	49,726	43,504	38,306
Total revenue	303,708	276,137	251,423
Cost of revenue:			
Subscription	57,212	55,039	53,418
Maintenance and support	7,703	8,004	8,512
Total cost of subscription, maintenance and support	64,915	63,043	61,930
Services	50,398	47,037	42,995
Total cost of revenue	115,313	110,080	104,925
Gross profit	188,395	166,057	146,498
Operating expenses:			
Selling and marketing	92,389	94,986	86,445
Research and development	89,361	93,412	82,268
General and administrative	57,247	54,202	49,742
Acquisition-related	—	—	2,386
Impairment of fixed assets	—	1,551	—
Loss from operations	(50,602)	(78,094)	(74,343)
Convertible debt interest and amortization	(5,882)	(6,304)	(6,304)
Other income, net	1,063	3,084	308
Loss before income tax provision	(55,421)	(81,314)	(80,339)
Income tax provision	933	932	870
Net loss	(56,354)	(82,246)	(81,209)
Net loss per share:			
Basic and diluted	(1.22)	(1.82)	(1.83)
Weighted average number of shares:			
Basic and diluted	46,155	45,269	44,348
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustment	344	(594)	(1,228)
Other comprehensive income (loss), net of tax	344	(594)	(1,228)
Comprehensive loss	\$ (56,010)	\$ (82,840)	\$ (82,437)

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

PROS Holdings, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2023	2022	2021
Operating activities:			
Net loss	\$ (56,354)	\$ (82,246)	\$ (81,209)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	10,707	14,967	12,060
Amortization of debt premium and issuance costs	861	1,491	1,491
Share-based compensation	42,357	42,714	35,075
Deferred income tax, net	(63)	—	—
Provision for credit losses	(19)	(280)	(1,910)
Loss on disposal of assets	57	—	—
Impairment of fixed assets	—	1,551	—
(Gain)/Loss on equity investments, net	(828)	(1,308)	—
Loss on derivatives	4,489	—	—
Loss on debt extinguishment	1,779	—	—
Changes in operating assets and liabilities:			
Accounts and unbilled receivables	(899)	(7,330)	12,560
Deferred costs	(351)	486	3,202
Prepaid expenses and other assets	(1,347)	1,712	1,828
Operating lease right-of-use assets and liabilities	(2,786)	(2,175)	1,534
Accounts payable and other liabilities	(5,039)	3,964	(515)
Accrued liabilities	723	26	(426)
Accrued payroll and other employee benefits	8,950	(8,191)	4,693
Deferred revenue	7,640	10,713	(6,938)
Net cash provided by (used in) operating activities	9,877	(23,906)	(18,555)
Investing activities:			
Purchase of property and equipment	(2,543)	(861)	(2,796)
Purchase of equity securities	(113)	(281)	(2,895)
Acquisition of EveryMundo, net of cash acquired	—	—	(79,482)
Capitalized internal-use software development costs	(48)	—	—
Net cash used in investing activities	(2,704)	(1,142)	(85,173)
Financing activities:			
Proceeds from employee stock plans	2,170	2,722	3,111
Tax withholding related to net share settlement of stock awards	(9,299)	(1,653)	(352)
Payments of notes payable	—	—	(288)
Debt issuance costs related to convertible debt	(2,198)	—	—
Purchase of Capped Call	(22,193)	—	—
Debt issuance costs related to Credit Agreement	(837)	—	—
Net cash (used in) provided by financing activities	(32,357)	1,069	2,471
Effect of foreign currency rates on cash	304	53	(324)
Net change in cash, cash equivalents and restricted cash	(24,880)	(23,926)	(101,581)
Cash, cash equivalents and restricted cash:			
Beginning of period	203,627	227,553	329,134
End of period	\$ 178,747	\$ 203,627	\$ 227,553
Reconciliation of cash, cash equivalents and restricted cash to the consolidated balance sheets			
Cash and cash equivalents	\$ 168,747	\$ 203,627	\$ 227,553
Restricted cash	10,000	—	—
Total cash, cash equivalents and restricted cash	\$ 178,747	\$ 203,627	\$ 227,553

Supplemental disclosure of cash flow information:

Cash paid during period for:						
Income taxes, net of refunds	\$	(188)	\$	(146)	\$	(403)
Interest	\$	(4,626)	\$	(4,938)	\$	(4,988)
Noncash investing activities:						
Purchase of property and equipment accrued but not paid	\$	115	\$	11	\$	81

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

PROS Holdings, Inc.
Consolidated Statements of Stockholders' (Deficit) Equity
(In thousands, except share data)

	Common Stock		Additional Paid-In Capital	Treasury Stock		Accumulated other comprehensive loss	Total Stockholders' (Deficit) Equity
	Shares	Amount		Shares	Amount		
Balance at December 31, 2020	43,461,544	\$ 48	\$ 589,040	4,680,723	\$ (29,847)	\$ (3,431)	\$ 117,037
Stock awards net settlement	977,915	1	(353)	—	—	—	(352)
Proceeds from employee stock plans	81,083	—	3,111	—	—	—	3,111
Cumulative effect of adoption of ASU 2020-06	—	—	(80,098)	—	11,330	—	(68,768)
Noncash share-based compensation	—	—	34,993	—	—	—	34,993
Other comprehensive income (loss)	—	—	—	—	—	(1,228)	(1,228)
Net loss	—	—	—	—	(81,209)	—	(81,209)
Balance at December 31, 2021	44,520,542	\$ 49	\$ 546,693	4,680,723	\$ (29,847)	\$ (4,659)	\$ 3,584
Stock awards net settlement	1,010,875	1	(1,654)	—	—	—	(1,653)
Proceeds from employee stock plans	106,586	—	2,722	—	—	—	2,722
Noncash share-based compensation	—	—	42,714	—	—	—	42,714
Other comprehensive income (loss)	—	—	—	—	—	(594)	(594)
Net loss	—	—	—	—	(82,246)	—	(82,246)
Balance at December 31, 2022	45,638,003	\$ 50	\$ 590,475	4,680,723	\$ (29,847)	\$ (5,253)	\$ (35,473)
Stock awards net settlement	761,850	1	(9,300)	—	—	—	(9,299)
Proceeds from employee stock plans	104,008	—	2,170	—	—	—	2,170
Purchase of Capped Call	—	—	(21,618)	—	—	—	(21,618)
Noncash share-based compensation	—	—	42,357	—	—	—	42,357
Other comprehensive income (loss)	—	—	—	—	—	344	344
Net loss	—	—	—	—	(56,354)	—	(56,354)
Balance at December 31, 2023	46,503,861	\$ 51	\$ 604,084	4,680,723	\$ (29,847)	\$ (4,909)	\$ (77,873)

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

PROS Holdings, Inc.
Notes to Consolidated Financial Statements

1. Organization and Nature of Operations

PROS Holdings, Inc., a Delaware corporation, through its operating subsidiaries (collectively, the "Company"), provides solutions that optimize shopping and selling experiences. PROS solutions leverage artificial intelligence ("AI"), self-learning and automation to ensure that every transactional experience is fast, frictionless and personalized for every shopper, supporting both business-to-business ("B2B") and business-to-consumer ("B2C") companies across industry verticals. Companies can use these selling, pricing, revenue optimization, distribution and retail, and digital offer marketing solutions to assess their market environments in real time to deliver customized prices and offers. The Company's solutions enable their customers to provide the buyers of their products the ability to move fluidly from one sales channel to another, whether direct, partner, online, mobile or other emerging channels, each with a personalized experience regardless of which channel is used. The Company's decades of data science and AI expertise are infused into its solutions and are designed to reduce time and complexity through actionable intelligence.

2. Summary of Significant Accounting Policies

Principles of Consolidation and Basis of Presentation

These Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation. The Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Certain prior year amounts have been reclassified for consistency with the current year presentation. Such reclassifications impacted the classification of general and administrative expenses and research and development expenses. These insignificant reclassifications had no effect on the reported results of operations, cash flows, or financial position.

Changes in Accounting Policies

The Company has consistently applied the accounting policies described in this Note 2 to all periods presented in these Consolidated Financial Statements, except for the Company's adoption of certain accounting standards described in more detail under "*Recently adopted accounting pronouncements*" in this Note 2 below.

Dollar Amounts

The dollar amounts presented in the tabular data within these footnote disclosures are stated in thousands of dollars, except per share amounts, or as noted within the context of each footnote disclosure.

Use of Estimates

The preparation of these Consolidated Financial Statements in conformity with GAAP requires the Company to make certain estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses during the reporting period. The judgment required in the Company's estimation process, as well as issues related to the assumptions, risks and uncertainties inherent in determining the nature and timing of satisfaction of performance obligations and determining the standalone selling price of performance obligations, affect the amounts of revenue, expenses, unbilled receivables and deferred revenue. Estimates are also used for, but not limited to, receivables, allowance for credit losses, the determination of the period of benefit for deferred commissions, operating lease right-of-use assets and operating lease liabilities, useful lives of assets, depreciation and amortization, fair value of assets acquired and liabilities assumed for business combinations, income taxes and deferred tax asset valuation, valuation of stock awards, other current liabilities and accrued liabilities. Numerous internal and external factors can affect estimates. Actual results could differ from those estimates and such differences could be material to the Company's consolidated financial position and results of operations.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less at the time of purchase, or the ability to be settled in cash within a period of three months, to be cash equivalents, except for commercial paper which is classified as short-term investments, if any. The Company has a cash management program that provides for the investment of excess cash balances, primarily in short-term treasury and money market instruments.

Trade and Other Receivables

Trade and other receivables are primarily comprised of trade receivables, net of allowance for credit losses, contract assets and unbilled receivables. The Company records trade accounts receivable for its unconditional rights to consideration arising from the Company's performance under contracts with customers. The Company's standard billing terms are generally within thirty to sixty days from the date of the invoice. The carrying value of such receivables, net of the allowance for credit losses, represents their estimated net realizable value. When developing its estimate of expected credit losses on trade and other receivables, the Company considers the available information relevant to assessing the collectability of cash flows, which includes a combination of both internal and external information relating to past events, current conditions, and future forecasts as well as relevant qualitative and quantitative factors that relate to the environment in which the Company operates.

Contract assets represent conditional rights to consideration that have been recognized as revenue in advance of billing the customer. Unbilled receivables represent unconditional rights to consideration arising from revenue that have been recognized in advance of billing the customer.

Prepaid Expenses and Other Assets

Prepaid expenses and other assets consist primarily of prepaid third-party software subscription and license fees, deferred project costs and prepaid taxes.

Property and Equipment, Net

Property and equipment are recorded at cost, less accumulated depreciation. Maintenance, repairs and minor replacements are charged to expense as incurred. Depreciation on property and equipment, with the exception of leasehold improvements, is recorded using the straight-line method over the estimated useful lives of the assets. Depreciation on leasehold improvements is recorded using the shorter of the lease term or useful life. When property is retired or disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the Consolidated Statements of Comprehensive Loss in the period of disposal.

Internal-Use Software

Costs incurred to develop internal-use software during the application development stage are capitalized, stated at cost, and depreciated using the straight-line method over the estimated useful lives of the assets. Application development stage costs generally include salaries and personnel costs and third-party contractor expenses associated with internal-use software development, configuration and coding. Capitalization of such costs begins when the preliminary project stage is complete and ceases at the point in which the project is substantially complete and is ready for its intended purpose. Capitalized internal-use software is included in property and equipment, net in the Consolidated Balance Sheets.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, current operating lease liabilities and noncurrent operating lease liabilities in the Company's Consolidated Balance Sheets.

ROU assets represent the Company's right to use an underlying asset over the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. The Company includes any anticipated lease incentives in the determination of lease liability.

The Company uses its estimated incremental borrowing rate, which is derived from information available at the lease commencement date, in determining the present value of lease payments. The Company gives consideration to its recent debt issuances as well as publicly available data for instruments with similar characteristics when determining its incremental borrowing rates.

The Company's lease terms will include options to extend the lease when it is reasonably certain the Company will exercise that option. Leases with a term of 12 months or less are not recorded on the Company's Consolidated Balance Sheets. The Company's lease agreements do not contain any residual value guarantees.

Deferred Costs

Sales commissions earned by the Company's sales representatives are considered incremental and recoverable costs of obtaining a customer contract. Sales commissions are capitalized and amortized on a straight-line basis over the period of benefit, which the Company has determined to be five to eight years. The Company determined the period of benefit by taking into consideration its customer contracts and expected renewals of those customer contracts (as the Company currently does not pay an incremental sales commission for contract renewals). The Company also capitalizes amounts earned by employees other than sales representatives who earn incentive payments under compensation plans that are also tied to the value of customer contracts acquired. There were no such amounts capitalized in the years ended December 31, 2023 and 2022. Amortization of deferred costs is included in selling and marketing expense in the Consolidated Statements of Comprehensive Loss.

Deferred Implementation Costs

The Company capitalizes certain contract fulfillment costs, including personnel and other costs (such as hosting, employee salaries, benefits and payroll taxes), associated with contract arrangements where services are not distinct from other undelivered performance obligations in its customer contracts. The Company analyzes implementation costs and capitalizes those costs directly related to customer contracts that are expected to be recoverable. Deferred implementation costs are amortized ratably over the remaining contract term once the revenue recognition criteria for the respective performance obligation has been met and revenue recognition commences. Deferred implementation costs are included in prepaid and other current assets and other assets, noncurrent in the Consolidated Balance Sheets. Amortization of deferred implementation costs is included in cost of subscription and cost of services revenues in the Consolidated Statements of Comprehensive Loss.

Deferred Revenue

Deferred revenue primarily consists of customer invoicing in advance of revenues being recognized. The Company generally invoices its customers annually in advance for subscription services and maintenance and support. Deferred revenue anticipated to be recognized during the next twelve-month period is recorded as current deferred revenue and the remaining portion is recorded as noncurrent deferred revenue.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever an event or change in circumstances indicates that the carrying amount of an asset or group of assets may not be recoverable. The impairment review includes comparison of future cash flows expected to be generated by the asset or group of assets with the associated assets' carrying value. If the carrying value of the asset or group of assets exceeds its expected future cash flows (undiscounted and without interest charges), an impairment loss is recognized to the extent that the carrying amount of the asset exceeds its fair value.

Business Combinations, Intangible Assets and Goodwill

The Company records tangible and intangible assets acquired and liabilities assumed in business combinations under the purchase method of accounting. The allocation of the purchase price in a business combination requires management to make significant estimates in determining the fair value of acquired assets and assumed liabilities, especially with respect to intangible assets. The excess of the purchase price in a business combination over the fair value of these tangible and intangible assets acquired and liabilities assumed is recorded as goodwill. Critical estimates in valuing certain intangible assets include, but are not limited to, projected revenue, discount rate, obsolescence rate, cost of sales, operating expenses and customer attrition rate. The Company estimates fair value primarily utilizing the income and market approaches, including the multi-period excess earnings method for certain intangible assets. Its estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, the Company may record adjustments to the fair value of these tangible and intangible assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Consolidated Statements of Comprehensive Loss.

Intangible assets that have finite lives are amortized over their useful lives and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. During this review, the Company reevaluates the significant assumptions used in determining the original cost and estimated lives of the intangible assets. Although the assumptions may vary from asset to asset, they generally include operating results, changes in the use of the asset, cash flows and other indicators of value. Management then determines whether the remaining useful life continues to be appropriate or whether there has been an impairment of the intangible assets based primarily upon whether expected future undiscounted cash flows are sufficient to support the assets group's recovery. If impairment exists, the Company would adjust the carrying value of the assets to fair value, generally determined by a discounted cash flow analysis.

Goodwill represents the excess of the purchase consideration over the net of the acquisition-date fair value of identifiable assets acquired, including identifiable intangible assets, and liabilities assumed in connection with business combinations. Goodwill is not amortized but is assessed for impairment as of November 30 of each fiscal year, or more frequently if events or changes in circumstances indicate the fair value of the Company's sole reporting unit has been reduced below its carrying value. When conducting the annual goodwill impairment assessment, a two-step process is used. The first step is to perform an optional qualitative evaluation as to whether it is more likely than not that the fair value of the Company's sole reporting unit is less than its carrying value, using an assessment of relevant events and circumstances. In performing this assessment, the Company is required to make assumptions and judgments including but not limited to an evaluation of macroeconomic conditions as they relate to the business, industry and market trends, as well as the overall future financial performance of the reporting unit and future opportunities in the markets in which it operates. If it is determined that it is not more likely than not that the fair value of the reporting unit is less than its carrying value, no additional tests are required to be performed in assessing goodwill for impairment. However, if the Company concludes otherwise or elects not to perform the qualitative assessment, the Company performs a second step, consisting of a quantitative assessment of goodwill impairment. This quantitative assessment requires the Company to compare the fair value of its reporting unit with its carrying value. If the carrying amount exceeds the fair value, an impairment charge will be recognized, however, loss cannot exceed the total amount of goodwill allocated to the reporting unit. Based on the results of the qualitative review of goodwill performed as of November 30, 2023, the Company did not identify any indicators of impairment. As such, the quantitative assessment described above was not necessary.

Equity Investments

Investments in equity securities of privately held companies without readily determinable fair value, where the Company does not exercise significant influence over the investee, are recorded at cost, less impairment and adjusted for subsequent observable price changes obtained from orderly transactions for identical or similar investments issued by the same investee. Adjustments resulting from impairment, fair value, or observable price changes are accounted for in the Consolidated Statements of Comprehensive Loss.

Financial Instruments

The carrying amount of the Company's financial instruments, which include cash equivalents, receivables and accounts payable, and equity investments approximates their fair values at December 31, 2023 and 2022. *For additional information on the Company's fair value measurements, see [Note 10](#) to the Consolidated Financial Statements.*

Convertible Senior Notes

Effective January 1, 2021, the Company early adopted ASU 2020-06, *Debt - Debt with Conversion and Other Options* ("Subtopic 470-20") and *Derivatives and Hedging - Contracts in an Entity's Own Equity* ("Subtopic 815-40"); for the impact of adoption of the new standard, refer to "*Recently Adopted Accounting Pronouncements*" below.

Under the new standard, the Company records the principal amount of the Notes as a liability. Issuance costs attributable to the Notes are being amortized on a straight-line basis over the respective terms of the Notes and are presented as a direct deduction from current portion of convertible debt, net and convertible debt, net, noncurrent in the Consolidated Balance Sheets.

Research and Development

Research and development costs for software sold to customers are generally expensed as incurred. These costs include salaries and personnel costs, including employee benefits, third-party contractor expenses, software development tools,

an allocation of facilities and depreciation expenses and other expenses in developing new solutions and upgrading and enhancing existing solutions.

Software Development Costs

Capitalization of software development costs for software to be sold, leased, or otherwise marketed begins upon the establishment of technological feasibility, which is generally the completion of a working prototype that has been certified as having no critical bugs and is a release candidate. Amortization begins once the software is ready for its intended use, generally based on the pattern in which the economic benefits will be consumed. To date, software development costs incurred between completion of a working prototype and general availability of the related product have not been material.

Treasury Stock

The Company is authorized to make treasury stock purchases in the open market pursuant to the share repurchase program, which was approved by its Board of Directors on August 28, 2008. The Company accounts for the purchase of treasury stock under the cost method. *For additional information on the Company's stock repurchase program, see [Note 12](#) to the Consolidated Financial Statements.* There were no treasury stock repurchases under the program for the years ended December 31, 2023, 2022 and 2021.

Revenue Recognition

The Company derives its revenues primarily from subscriptions, services, and associated software maintenance and support.

The Company determines revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the customer contract(s);
- determination of the transaction price;
- allocation of the transaction price to each performance obligation in the customer contract(s); and
- recognition of revenue when, or as, the Company satisfies a performance obligation.

Subscription revenue

Subscription revenue primarily consists of subscription fees that give customers access to one or more of the Company's cloud applications with related customer support. The Company generally recognizes subscription revenue ratably over the contractual term of the arrangement beginning with commencement of service. Subscription revenue related to certain offerings, where fees are based on a number of transactions, are recognized on a usage basis. The Company's subscription contracts do not provide customers with the right to take possession of the software supporting the service and, as a result, are accounted for as service contracts. The Company's subscription contracts are generally one to five years in length, billed annually in advance, and non-cancelable.

Maintenance and support revenue

Maintenance and support revenue includes customer support for on-premises licenses and the right to unspecified software updates and enhancements. The Company recognizes revenue from maintenance and support arrangements ratably over the period in which the services are provided. The Company's maintenance and support contracts are generally one year in length, billed annually in advance, and non-cancelable.

Services revenue

Services revenue primarily consists of fees for configuration services, consulting and training. The Company typically sells its services either on a fixed-fee or time-and-material basis. Services revenue is generally recognized as the services are performed for time and material contracts, or on a proportional performance basis for fixed-price contracts. Training revenue is recognized as the services are rendered.

Judgments are required in determining whether services contained in the Company's customer subscription contracts are considered distinct, including whether the services are capable of being distinct and whether they are separately identifiable. Services deemed to be distinct are accounted for as a separate performance obligation on a relative standalone selling price basis and revenue is recognized as the services are performed. If services are determined not to be distinct, the services and the subscription are considered to be a single performance obligation and revenue is recognized over the contractual term of the subscription beginning on the date subscription services are made available to the customer. The associated revenue is allocated between subscription and services.

Customer contracts with multiple performance obligations

A portion of the Company's customer contracts contain multiple performance obligations. Judgment is required in determining whether multiple performance obligations contained in a single customer contract are capable of being distinct and are separately identifiable. An obligation determined to be distinct is accounted for as a separate performance obligation and revenue for that separate performance obligation is recognized when, or as, the Company satisfies the performance obligation. If obligations are determined not to be distinct, those obligations are accounted for as a single, combined performance obligation. The transaction price is allocated to each performance obligation on a relative standalone selling price basis.

Disaggregation of revenue

The Company categorizes revenue from external customers by geographic area based on the location of the customer's headquarters. *For additional information regarding the Company's revenue by geography, see [Note 19](#) to the Consolidated Financial Statements.*

Foreign Currency

The Company has certain contracts denominated in foreign currencies and therefore a portion of the Company's revenue is subject to foreign currency risks. Gains and losses from foreign currency transactions, such as those resulting from the settlement of receivables, are classified in other income, net included in the accompanying Consolidated Statements of Comprehensive Loss.

The functional currency of PROS France SAS ("PROS France") is the Euro. The financial statements of this subsidiary are translated into U.S. dollars using period-end rates of exchange for assets and liabilities, historical rates of exchange for equity, and average rates of exchange for the period for revenue and expenses. Translation gains (losses) are recorded in accumulated other comprehensive loss as a component of stockholders' (deficit) equity.

Noncash Share-Based Compensation

The Company's Amended and Restated 2017 Equity Incentive Plan (the "2017 Stock Plan") provides for noncash share-based compensation through the grant of: (i) restricted stock awards; (ii) restricted stock unit awards - time, performance and market-based ("RSUs"); (iii) stock options; (iv) stock appreciation rights ("SARs"); (v) phantom stock; and (vi) performance awards, such as market stock units ("MSUs"). To date, the Company has granted RSUs and MSUs from this plan.

The Company issues common stock from its pool of authorized stock upon exercise of stock options, settlement of SARs and MSUs or upon vesting of RSUs.

In November 2021, the Company granted inducement awards in an aggregate amount of 332,004 shares in accordance with NYSE Rule 303A.08. These inducement awards were in the form of RSUs granted to certain new employees in connection with the acquisition of EveryMundo.

As part of the EveryMundo acquisition in November 2021, the purchase agreement included equity consideration of 273,120 shares of the Company's common stock to be issued to the recipients contingent on their employment with the Company during a two-year period. Based on the underlying agreements, this portion of the consideration was determined to represent post-combination noncash share-based compensation expense from an accounting perspective as opposed to purchase consideration.

The following table presents the number of awards outstanding for each award type as of December 31, 2023 and 2022 (in thousands):

Award type	December 31,	
	2023	2022
Restricted stock units (time-based)	2,767	2,235
Market stock units	358	216
EveryMundo equity consideration	—	137

Restricted stock units. The fair value of the RSUs (time-based and performance-based) is based on the closing price of the Company's stock on the date of grant and is amortized over the vesting period. RSUs include (i) time-based awards and (ii) performance-based awards in which the number of shares that vest are based upon achievement of certain internal performance metrics set by the Company.

Market stock units. MSUs are performance-based awards that vest based upon the Company's relative shareholder return. The actual number of MSUs that will be eligible to vest is based on the total shareholder return of the Company relative to the total shareholder return of the Russell 2000 Index ("Index") over a 3-year period ending December 31, 2023, December 31, 2024 and December 31, 2025 ("Performance Period"), respectively. The MSUs will vest on January 31, 2024, January 31, 2025 and January 31, 2026, respectively. The maximum number of shares issuable upon vesting is 200% of the MSUs initially granted based on the average price of the Company's common stock relative to the Index during the Performance Period. The Company estimates the fair value of MSUs on the date of grant using a Monte Carlo simulation model. The determination of the fair value of the MSUs is affected by the Company's stock price and a number of assumptions including the expected volatility of the Company's stock and the Index, its risk-free interest rate and expected dividends. The Company's expected volatility at the date of grant was based on the historical volatilities of the Company and the Index over the Performance Period.

Equity consideration. The fair value of the equity consideration stock awards is based on the closing price of the Company's stock on the date of grant and is amortized over the vesting period.

If factors change and the Company employs different assumptions, noncash share-based compensation expense may differ significantly from what has been recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, the Company may be required to accelerate, increase or cancel any remaining unearned noncash share-based compensation expense. Future noncash share-based compensation expense and unearned noncash share-based compensation will increase to the extent that the Company grants additional equity awards to employees.

At December 31, 2023, there were an estimated \$68.2 million of total unrecognized compensation costs related to noncash share-based compensation arrangements. These costs will be recognized over a weighted average period of 2.5 years. *For further discussion of the Company's noncash share-based compensation plans, see [Note 14](#) to the Consolidated Financial Statements.*

Income Taxes

The Company uses the asset and liability method to account for income taxes, including recognition of deferred tax assets and liabilities for the anticipated future tax consequences attributable to differences between financial statement amounts and their respective tax basis. The Company reviews its deferred tax assets for recovery. A valuation allowance is established when the Company believes it is more likely than not that some portion of its deferred tax assets will not be realized. Changes in the valuation allowance from period to period are included in the Company's tax provision in the period of change.

The Company accounts for uncertain income tax positions recognized in an enterprise's financial statements in accordance with the income tax topic of the ASC issued by the FASB. This interpretation requires companies to use a prescribed model for assessing the financial recognition and measurement of all tax positions taken or expected to be taken in its tax returns. This guidance provides clarification on recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. The Company recognizes accrued interest and penalties related to income taxes, if any, as a component of income tax expense. *For additional information regarding the Company's income taxes, see [Note 15](#) to the Consolidated Financial Statements.*

Segment Reporting

The Company reports as one operating segment with the Chief Executive Officer ("CEO") acting as the Company's chief operating decision maker. The Company's CEO reviews financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. The Company has a single reporting unit, and there are no segment managers who are held accountable for operations, operating results or components below the consolidated unit level.

Earnings Per Share

The Company computes basic earnings (loss) per share by dividing net income (loss) attributable to common stockholders by the weighted average number of common shares outstanding. Diluted earnings (loss) per share is computed by giving effect to all dilutive potential common shares outstanding during the period using the treasury stock method and convertible notes using the if-converted method. Dilutive potential common shares consist of shares issuable upon the exercise of stock options, shares of unvested restricted stock units, market stock units and equity consideration, and settlement of stock appreciation rights, if any. When the Company incurs a net loss, the effect of the Company's outstanding stock options, stock appreciation rights, restricted stock units, market stock units, equity consideration and convertible notes are not included in the calculation of diluted earnings (loss) per share as the effect would be anti-dilutive. Accordingly, basic and diluted net loss per share are identical.

Recently Adopted Accounting Pronouncements

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contract with Customers ("Topic 805")*, which amends ASC 805 to require acquiring entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. This new standard is effective for the Company's interim and annual periods beginning January 1, 2023, and earlier adoption is permitted. The Company early adopted Topic 805 in the fourth quarter of 2021 and there was no impact on the Company's Consolidated Financial Statements as of the adoption date. The Company applied the standard prospectively to the acquisition of EveryMundo which occurred in November 2021.

In August 2020, the FASB issued ASU 2020-06, *Debt - Debt with Conversion and Other Options ("Subtopic 470-20") and Derivatives and Hedging - Contracts in an Entity's Own Equity ("Subtopic 815-40")*, which simplifies the accounting for certain convertible instruments, amends the guidance on derivative scope exceptions for contracts in an entity's own equity, and modifies the guidance on diluted earnings per share calculations as a result of these changes. This new standard is effective for the Company's interim and annual periods beginning January 1, 2022, and earlier adoption is permitted on January 1, 2021. The Company may elect to apply the amendments on a retrospective or modified retrospective basis. The Company early adopted the new standard effective January 1, 2021 on the modified retrospective basis. The adoption decreased additional paid-in capital by \$80.1 million related to the equity conversion component of the outstanding convertible notes which was previously separated and recorded in equity, and increased convertible debt, net by \$68.8 million related to the removal of the debt discounts and adjustment of debt issuance cost recorded under the previous standard. The net cumulative effect of the adjustments of \$11.3 million was recorded as a decrease to the opening balance of the accumulated deficit as of January 1, 2021. The adoption had no impact on the Consolidated Statements of Cash Flows.

Recent Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which is intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses and other segment items on an annual and interim basis. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The ASU is to be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures* which expands disclosures in an entity's income tax rate reconciliation table and disclosures regarding income taxes paid by jurisdiction. The new standard is effective for annual periods beginning after December 15, 2024, and early adoption is permitted. The new standard is to be applied on a prospective basis, but retrospective application is permitted. The Company is currently evaluating the impact of this new standard on its consolidated financial statements and related disclosures.

With the exception of the new standards discussed above, there have been no other recent accounting pronouncements or changes in accounting pronouncements during the year ended December 31, 2023, that are of significance or potential significance to the Company.

3. Business Combinations

EveryMundo

On November 30, 2021, the Company acquired EveryMundo LLC ("EveryMundo"), a privately held company based in Miami, Florida, for a cash consideration, net of cash acquired, of approximately \$79.5 million and an equity consideration of approximately \$10.0 million. Since the equity consideration is contingent on certain employees' continued employment with the Company for a two-year period, it was determined, based on accounting guidance, the related amounts should be treated as post-combination compensation and accordingly are not included as part of the purchase price allocation. EveryMundo is a digital offer marketing pioneer that enables brands to broaden their digital reach and deepen customer engagement, providing greater control over direct and indirect channels they participate in.

Since the acquisition date and for the year ended December 31, 2021, the Company included \$1.1 million of revenue and \$1.4 million of net loss related to EveryMundo in its Consolidated Statements of Comprehensive Loss. During the years ended December 31, 2023, 2022 and 2021, the Company incurred acquisition-related costs of zero, zero and \$2.4 million, respectively, consisting primarily of advisory, legal, accounting and other professional fees, and integration costs.

The final allocation of the purchase price for EveryMundo is as follows (in thousands):

Current assets	\$ 2,193
Noncurrent assets	736
Intangibles	23,300
Goodwill	58,915
Current liabilities	(4,972)
Noncurrent liabilities	(542)
Purchase consideration	<u>\$ 79,630</u>

The following are the identifiable intangible assets acquired (in thousands) with respect to the EveryMundo acquisition, and their respective useful lives:

	Amount	Weighted Average Useful Life (years)
Developed technology	\$ 15,700	5
Customer relationships	5,500	4
Trade name	2,100	8
Total	<u>\$ 23,300</u>	

The goodwill recognized was primarily attributable to the assembled workforce and expanded market opportunities from integrating EveryMundo's technology into the Company's product portfolio. The goodwill is deductible for U.S. federal income tax purposes.

The Company made a determination that \$2.8 million of deferred tax asset was assumed on the acquisition date. The deferred tax asset is comprised of excess tax basis in goodwill. A full valuation allowance of \$2.8 million was recorded offsetting the deferred tax asset as of the acquisition date.

Pro Forma Financial Information

The unaudited financial information in the table below summarizes the combined results of operations of the Company and EveryMundo, on a pro forma basis as though the Company had acquired EveryMundo on January 1, 2021. The pro forma

information for all periods presented also includes the effect of business combination accounting resulting from the acquisition, including amortization charges from acquired intangible assets.

(in thousands, except earnings per share)	<u>Year Ended December 31,</u>	
	<u>2021</u>	
Total revenue	\$	261,807
Net loss		(99,605)
Earnings per share - basic and diluted	\$	(2.25)

4. Trade and Other Receivables, Net

Accounts receivable at December 31, 2023 and 2022, consists of the following (in thousands):

	<u>December 31,</u>	
	<u>2023</u>	<u>2022</u>
Accounts receivable	\$ 41,826	\$ 40,852
Unbilled receivables and contract assets	7,806	7,935
Total receivables	49,632	48,787
Less: Allowance for credit losses	(574)	(609)
Trade and other receivables, net	<u>\$ 49,058</u>	<u>\$ 48,178</u>

The bad debt (recovery) expense reflected in general and administrative expenses in the accompanying Consolidated Statements of Comprehensive Loss for the years ended December 31, 2023, 2022 and 2021, totaled approximately zero, \$(0.3) million and \$(1.9) million, respectively.

5. Deferred Costs

Deferred costs, which primarily consist of capitalized sales commissions, were \$15.1 million and \$14.8 million as of December 31, 2023 and December 31, 2022, respectively. Amortization expense for the deferred costs was \$5.7 million, \$5.8 million and \$6.2 million for the years ended December 31, 2023, 2022 and 2021, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

6. Deferred Implementation Costs

Deferred implementation costs, which relate to certain customer contract fulfillment costs, were \$1.0 million and \$1.6 million as of December 31, 2023 and December 31, 2022, respectively. Amortization expense for the deferred implementation costs was \$0.8 million, \$1.2 million and \$1.2 million for the years ended December 31, 2023, 2022 and 2021, respectively. There was no impairment loss in relation to the costs capitalized for the periods presented.

7. Property and Equipment, Net

Property and equipment, net as of December 31, 2023 and 2022 consists of the following:

	<u>Estimated useful life</u>	<u>December 31,</u>	
		<u>2023</u>	<u>2022</u>
Furniture and fixtures	5-10 years	\$ 6,300	\$ 6,318
Computers and equipment	3-5 years	14,216	15,262
Software	3-6 years	5,552	4,422
Capitalized internal-use software development costs	3 years	11,879	11,746
Leasehold improvements	Shorter of lease term or useful life	21,727	21,918
Property and equipment, gross		59,674	59,666
Less: Accumulated depreciation and amortization		(36,623)	(34,654)
Property and equipment, net		<u>\$ 23,051</u>	<u>\$ 25,012</u>

Depreciation and amortization was approximately \$4.5 million, \$5.2 million and \$8.0 million for the years ended December 31, 2023, 2022 and 2021, respectively. During the years ended December 31, 2023, 2022 and 2021, the Company disposed of approximately \$2.7 million, \$3.1 million and \$1.5 million, respectively, of fully depreciated assets. During the year ended December 31, 2023, the Company recognized an immaterial amount of loss on disposal of assets. During the years ended December 31, 2022 and 2021, the Company recognized no loss on disposal of assets. As of December 31, 2023 and 2022, the Company had approximately \$14.6 million and \$14.4 million of fully depreciated assets in use.

During the years ended December 31, 2023 and 2022, the Company capitalized an immaterial amount and zero, respectively, of internal-use software development costs related to its subscription solutions. As of December 31, 2023 and 2022, \$11.9 million and \$11.7 million, respectively, of capitalized internal-use software development costs were subject to amortization and \$11.8 million and \$10.9 million, respectively, of capitalized internal-use software development costs were included in accumulated depreciation and amortization for the years ended December 31, 2023 and 2022.

During the year ended December 31, 2022, the Company recorded a \$1.6 million impairment charge related to fixed assets. The impairment resulted from the Company's changed intentions for these assets in connection with a new agreement with a software vendor. The Company did not identify any impairment indicators and recorded no impairment charges in the years ended December 31, 2023 and 2021.

8. Leases

The Company has operating leases for data centers, computer infrastructure, corporate offices and certain equipment. These leases have remaining lease terms ranging from 1 year to 10 years. Some of these leases include options to extend for up to 15 years, and some include options to terminate within 1 year. The Company includes options in the lease terms when it is reasonably certain the Company will exercise that option.

As of December 31, 2023, the Company did not have any finance leases.

The components of operating lease expense were as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Operating lease cost	\$ 6,684	\$ 8,576	\$ 9,737
Variable lease cost	5,408	4,264	3,905
Sublease income	(285)	(222)	(108)
Total lease cost	\$ 11,807	\$ 12,618	\$ 13,534

Supplemental information related to leases was as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Cash paid for amounts included in the measurement of lease liability:			
Cash paid for operating lease liabilities	\$ 8,673	\$ 8,423	\$ 8,828
Right-of-use asset obtained in exchange for operating lease liability	\$ 3,207	\$ 787	\$ 1,949

	December 31, 2023	December 31, 2022
Weighted average remaining lease term:		
Operating leases	8.4 years	8.5 years
Weighted average discount rate:		
Operating leases	8.13 %	7.63 %

In December 2023, the Company modified an existing operating lease to add one year to the original lease term. The modification resulted in an increase in the related right-of-use asset and corresponding lease liability of \$2.4 million. In January 2023 and 2022, an existing operating lease was modified due to a change in future payments. The result of the 2023 modification was a decrease in the related right-of-use asset and corresponding lease liability of \$1.0 million and the result of the 2022 modification was a decrease in the related right-of-use asset and corresponding lease liability of \$2.7 million.

As of December 31, 2023, maturities of lease liabilities were as follows (in thousands):

Year Ending December 31,	Amount
2024	\$ 7,895
2025	4,090
2026	4,063
2027	3,965
2028	4,029
Thereafter	19,223
Total operating lease payments	43,265
Less: Imputed interest	(12,492)
Total operating lease liabilities	<u>\$ 30,773</u>

9. Goodwill and Intangible Assets

The change in the carrying amount of goodwill for the years ended December 31, 2023 and 2022, was as follows (in thousands):

Balance as of December 31, 2021	\$ 108,133
Foreign currency translation adjustments	(572)
Balance as of December 31, 2022	107,561
Foreign currency translation adjustments	299
Balance as of December 31, 2023	<u>\$ 107,860</u>

The goodwill balance related to PROS France is denominated in Euro and the goodwill balance related to PROS Travel Commerce, Inc. (formerly Vayant Travel Technologies, Inc.), Pros Travel Retail SAS (formerly TraveLaer SAS) and EveryMundo is denominated in U.S. dollar.

Intangible assets consisted of the following as of December 31, (in thousands):

	Weighted average useful life (years)	December 31, 2023		
		Gross Carrying Amount	Accumulated Amortization*	Net Carrying Amount
Developed technology	6	\$ 42,394	\$ 34,314	\$ 8,080
Maintenance relationships	8	3,424	3,424	—
Customer relationships	5	17,926	15,881	2,045
Trade name	8	2,100	547	1,553
Acquired technology	2	1,925	1,925	—
Total		<u>\$ 67,769</u>	<u>\$ 56,091</u>	<u>\$ 11,678</u>

*Cumulative foreign currency translation adjustments, reflecting movement in the currencies of the underlying entities, had an immaterial impact on intangible assets as of December 31, 2023.

	Weighted average useful life (years)	December 31, 2022		
		Gross Carrying Amount	Accumulated Amortization*	Net Carrying Amount
Developed technology	6	\$ 42,120	\$ 29,409	\$ 12,711
Maintenance relationships	8	3,374	3,374	—
Customer relationships	5	17,902	14,578	3,324
Trade name	8	2,100	284	1,816
Acquired technology	2	1,925	1,925	—
Total		<u>\$ 67,421</u>	<u>\$ 49,570</u>	<u>\$ 17,851</u>

*Cumulative foreign currency translation adjustments, reflecting movement in the currencies of the underlying entities, had an immaterial impact on intangible assets as of December 31, 2022.

Intangible asset amortization expense for the years ended December 31, 2023, 2022 and 2021 was \$6.2 million, \$9.8 million and \$4.0 million, respectively. As of December 31, 2023, the expected future amortization expense for the acquired intangible assets for each of the five succeeding years and thereafter was as follows (in thousands):

Year Ending December 31,	Amount
2024	\$ 4,637
2025	3,736
2026	2,533
2027	263
2028	263
Thereafter	246
Total amortization expense	<u>\$ 11,678</u>

10. Fair Value Measurements

The Company adopted fair value measurements guidance for financial and nonfinancial assets and liabilities. The guidance defines fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements.

The guidance defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants. The guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2: Quoted prices for similar assets or liabilities in markets that are not active or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

A portion of the Company's existing cash and cash equivalents are invested in short-term interest-bearing obligations with original maturities less than 90 days, principally various types of treasury, money market funds and deposits in banks. The Company does not enter into investments for trading or speculative purposes.

At December 31, 2023 and 2022, the Company had approximately \$153.2 million and \$168.1 million invested in treasury, money market funds and interest-bearing deposits in banks. The fair value of those investments is determined based on quoted market prices, which represents level 1 in the fair value hierarchy as defined by Accounting Standard Codification ("ASC") 820, "*Fair Value Measurement and Disclosure*."

The fair value of the Company's Notes is classified in the level 2 hierarchy. See [Note 16](#) for further detail regarding the Notes.

As of December 31, 2023 and 2022, the Company had \$8.0 million and \$7.1 million, respectively, of equity securities in privately held companies and a venture fund, which are included in other assets, noncurrent in the Consolidated Balance Sheet. These investments are accounted for at cost, less impairment and adjusted for subsequent observable price changes obtained from orderly transactions for identical or similar investments issued by the same investee. The Company estimates the fair value of its equity investments by considering available information such as pricing in recent rounds of financing and any other readily available market data, which represents level 3 in the fair value hierarchy. An impairment charge to current earnings is recorded when the cost of the investment exceeds its fair value and if a qualitative assessment indicated that the investment is impaired.

During the fourth quarter of 2023 and the third quarter of 2022, the Company identified observable price changes related to an equity investment without a readily determinable fair value and recorded non-cash gains of \$0.8 million and \$3.3 million, respectively, in other income, net in the Consolidated Statements of Comprehensive Loss. During the fourth quarter of 2022, the Company identified an observable price change related to another equity investment. The change was determined to be a decrease in fair value below the carrying cost of the equity investment and the Company recorded an impairment loss of \$2.0 million in other income, net in the Consolidated Statements of Comprehensive Loss. As of December 31, 2023 and 2021, the Company determined there were no impairments on its equity investments.

11. Deferred Revenue and Performance Obligations

Deferred Revenue

For the years ended December 31, 2023 and 2022, the Company recognized approximately \$110.1 million and \$93.5 million, respectively, of revenue that was included in the deferred revenue balances at the beginning of the respective periods and primarily related to subscription services, maintenance and support, and other services.

Performance Obligations

As of December 31, 2023, the Company expects to recognize approximately \$469.6 million of revenue from remaining performance obligations. The Company expects to recognize revenue on approximately \$227.5 million of these performance obligations over the next 12 months, with the balance recognized thereafter.

12. Stockholders' (Deficit) Equity

Stock Repurchase

On August 25, 2008, the Company's Board of Directors approved a stock repurchase program that authorized the Company to purchase up to \$15.0 million of the Company's outstanding shares of common stock. Under the board-approved repurchase program, share purchases may be made from time to time in the open market or through privately negotiated transactions depending on market conditions, share price, trading volume and other factors, and such purchases, if any, will be made in accordance with applicable insider trading and other securities laws and regulations. These repurchases may be commenced or suspended at any time or from time to time without prior notice.

The Company did not repurchase any shares under this plan for the years ended December 31, 2023 and 2022. The remaining amount available to purchase common stock under this plan was \$10.0 million as of December 31, 2023.

13. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Year Ended December 31,		
	2023	2022	2021
Numerator:			
Net loss	\$ (56,354)	\$ (82,246)	\$ (81,209)
Denominator:			
Weighted average shares (basic)	46,155	45,269	44,348
Dilutive effect of potential common shares	—	—	—
Weighted average shares (diluted)	46,155	45,269	44,348
Basic earnings per share	\$ (1.22)	\$ (1.82)	\$ (1.83)
Diluted earnings per share	\$ (1.22)	\$ (1.82)	\$ (1.83)

Dilutive potential common shares consist of shares issuable upon the vesting of RSUs, MSUs and equity consideration. Potential common shares determined to be antidilutive and excluded from diluted weighted average shares outstanding were approximately 1.5 million, 2.3 million and 1.5 million for the years ended December 31, 2023, 2022 and 2021, respectively. Potential common shares related to the Notes determined to be antidilutive and excluded from diluted weighted average shares outstanding were 6.0 million for the year ended December 31, 2023 and 5.8 million for each of the years ended December 31, 2022 and 2021.

14. Noncash Share-Based Compensation

Employee Noncash Share-based Compensation Plans

2017 Stock Plan. The Company's 2017 Stock Plan provides for the issuance of awards to employees, officers, directors and certain other individuals providing services to the Company who are eligible to receive awards. In May 2023, the Company's stockholders approved an amendment to the 2017 Stock Plan increasing the aggregate amount of shares available for issuance to 10,550,000. The Company may provide these incentives through the grant of: (i) restricted stock awards; (ii) RSUs (time, performance and market-based); (iii) stock options; (iv) SARs; (v) phantom stock; and (vi) performance awards, such as MSUs.

As of December 31, 2023, the Company had outstanding equity awards to acquire 2,963,362 shares of its common stock held by the Company's employees, directors and consultants under the 2017 Stock Plan (assuming MSU performance at 100% of the MSUs initially granted), and inclusive of 2,605,290 RSUs and 358,072 MSUs. As of December 31, 2023, 4,339,751 shares remain available for grant under the 2017 Stock Plan. As of December 31, 2023, there were no options, SARs, restricted stock awards or phantom stock issued under the 2017 Stock Plan.

Inducement awards. In November 2021, the Company granted inducement awards in an aggregate amount of 332,004 shares in accordance with NYSE Rule 303A.08. These inducement awards were in the form of RSUs granted to certain new employees in connection with the acquisition of EveryMundo. As of December 31, 2023, the Company had 162,104 outstanding equity inducement awards (the inducement awards, together with the 2017 Stock Plan are referred to as the "Stock Plans").

Equity consideration. As part of the EveryMundo acquisition in November 2021, the purchase agreement included equity consideration of 273,120 shares of the Company's common stock to be issued to the recipients contingent on their employment with the Company during a two-year period. Based on the underlying agreements, this portion of the consideration was determined to represent post-combination noncash share-based compensation expense from an accounting perspective as opposed to purchase consideration. The grant date fair value of the equity consideration stock awards is \$36.32 and they vested in equal annual installments over a two-year period from the grant date. As of December 31, 2023, the Company had no outstanding equity consideration shares.

Noncash share-based compensation expense for all noncash share-based payment awards granted is determined based on the grant date fair value of the award. The Company recognizes compensation expense, net of estimated forfeitures, which represents noncash share-based awards expected to vest on a straight-line basis over the requisite service period of the award, which is generally the vesting term. Noncash share-based awards typically vest over four years. The Company estimates forfeiture rates based on its historical experience for grant years where the majority of the vesting terms have been satisfied. Changes in estimated forfeiture rates are recognized through a cumulative catch-up adjustment in the period of change and thus impact the amount of noncash share-based compensation expense to be recognized in future periods.

Noncash share-based compensation expense is allocated to expense categories on the Consolidated Statements of Comprehensive Loss. The following table summarizes noncash share-based compensation expense, net of amounts capitalized, for the years ended December 31, 2023, 2022 and 2021 (in thousands).

	Year Ended December 31,		
	2023	2022	2021
Share-based compensation:			
Cost of revenue	\$ 3,923	\$ 3,898	\$ 3,679
Operating expenses:			
Selling and marketing	11,834	12,360	10,407
Research and development	10,524	12,496	8,288
General and administrative	16,076	13,960	12,701
Total included in operating expenses	<u>38,434</u>	<u>38,816</u>	<u>31,396</u>
Total share-based compensation expense	<u>\$ 42,357</u>	<u>\$ 42,714</u>	<u>\$ 35,075</u>

At December 31, 2023, there were an estimated \$68.2 million of total unrecognized compensation costs related to noncash share-based compensation arrangements. These costs will be recognized over a weighted average period of 2.5 years.

RSUs (time-based)

The Company has granted time-based RSUs under the Stock Plans. Time-based RSUs granted to employees and consultants have historically vested in equal annual installments over a one to four-year period from the grant date. RSUs granted to employees and consultants in 2022 and 2023 vest 25% after one year and in equal quarterly installments for the remaining term of the award which is typically three additional years. RSUs granted to independent directors vest upon the earlier of one year from the date of grant or the next annual meeting of stockholders.

The following table summarizes the Company's unvested time-based RSUs as of December 31, 2023, and changes during the year then ended (number of shares in thousands):

	Number of shares	Weighted average grant date fair value	Weighted average remaining contractual term (years)
Unvested at December 31, 2022	2,235	\$ 36.39	
Granted	1,652	25.82	
Vested	(953)	35.90	
Forfeited	(167)	31.02	
Unvested at December 31, 2023	<u>2,767</u>	\$ 30.50	2.49

The weighted average grant-date fair value of the time-based RSUs granted during the years ended December 31, 2023, 2022 and 2021 was \$25.82, \$30.03 and \$43.28, respectively. The total fair value as of the respective vesting date of time-based RSUs vested during the years ended December 31, 2023, 2022 and 2021 was \$27.0 million, \$24.6 million and \$32.9 million, respectively.

RSUs (performance-based)

During 2019 and 2020, the Company granted performance-based RSUs ("PRSUs") under the 2017 Stock Plan to certain executive employees. The actual number of PRSUs that were eligible to vest pursuant to these awards, up to a maximum of 200% of the PRSUs initially granted, was based upon achievement of certain internal performance metrics, as defined by each award's plan documents or individual award agreements. The shares earned from the 2019 PRSUs vested on January 15, 2022. No shares were earned from the 2020 PRSUs. The total fair value as of the respective vesting date of performance-based RSUs vested during the years ended December 31, 2023 and 2022 was zero and \$2.1 million, respectively.

MSUs

In 2021, 2022 and 2023, the Company granted MSUs under the Stock Plans to certain executive employees. The MSUs are performance-based awards that vest based upon the Company's relative shareholder return. The actual number of MSUs that will be eligible to vest is based on the total shareholder return of the Company relative to the total shareholder return of the Index over the 3-year Performance Period. The 2021 MSUs will vest on January 31, 2024, the 2022 MSUs will vest on January 31, 2025 and the 2023 MSUs will vest on January 31, 2026. The MSUs maximum number of shares issuable upon vesting is 200% of the MSUs initially granted. The Company did not grant any MSUs in 2020. The following table summarizes the Company's MSUs activity for the year ended December 31, 2023 (number of shares in thousands):

	Number of unvested awards	Weighted average grant date fair value	Weighted average remaining contractual term (years)
Unvested at December 31, 2022	216	\$ 43.34	
Granted	142	30.42	
Vested	—	—	
Forfeited	—	—	
Expired	—	—	
Unvested at December 31, 2023	<u>358</u>	\$ 38.21	1.21

The total fair value as of the respective vesting date of the MSUs vested during the years ended December 31, 2023, 2022 and 2021 was zero, zero and \$10.7 million, respectively.

The Company estimates the fair value of MSUs on the date of grant using a Monte Carlo simulation model. The determination of the fair value of the MSUs is affected by the Company's stock price and a number of assumptions including the expected volatilities of the Company's stock and the Index, its risk-free interest rate and expected dividends. The Company's expected volatility at the date of grant was based on the historical volatilities of the Company and the Index over the Performance Period. The Company did not estimate a forfeiture rate for the MSUs due to the limited size, the vesting period and nature of the grantee population. Significant assumptions used in the Monte Carlo simulation model for MSUs granted during the years ended December 31, 2023, 2022 and 2021 are as follows:

	Year Ended December 31,		
	2023	2022	2021
Volatility	63.26%	54.50%	53.29%
Risk-free interest rate	3.76%	1.20%	0.22%
Expected award life in years	2.97	2.97	2.97
Dividend yield	—%	—%	—%

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan ("ESPP") provides for eligible employees to purchase shares on an after-tax basis in an amount between 1% and 10% of their annual pay: (i) on June 30 of each year at a 15% discount of the fair market value of the Company's common stock on January 1 or June 30, whichever is lower, and (ii) on December 31 of each year at a 15% discount of the fair market value of the Company's common stock on July 1 or December 31, whichever is lower. An employee may not purchase more than \$5,000 in either of the six-month measurement periods described above or more than \$10,000 annually. In May 2021, the Company's stockholders approved an amendment to the ESPP Plan increasing the aggregate amount of shares available for issuance under the ESPP to 1,000,000. During the year ended December 31, 2023, the Company issued 104,008 shares under the ESPP. As of December 31, 2023, 283,117 shares remain authorized and available for issuance under the ESPP. As of December 31, 2023, the Company held approximately \$1.0 million on behalf of employees for future purchases under the ESPP, and this amount was recorded in accrued liabilities in the Company's Consolidated Balance Sheet.

15. Income Taxes

The income tax provision consisted of the following for the years ended December 31, 2023, 2022 and 2021 (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Current:			
Federal	\$ —	\$ —	\$ —
State and Foreign	933	932	870
	933	932	870
Deferred:			
Federal	—	—	—
State	—	—	—
Income tax provision	\$ 933	\$ 932	\$ 870

The differences between the effective tax rates reflected in the total provision for income taxes and the U.S. federal statutory rate of 21% for the years ended December 31, 2023, 2022 and 2021, respectively, were as follows (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Provision at the U.S. federal statutory rate	\$ (11,639)	\$ (17,076)	\$ (16,870)
Increase (decrease) resulting from:			
Nondeductible expenses	622	215	630
Statutory to GAAP income adjustment	28	238	(193)
Noncash share-based compensation	3,221	3,971	1,194
Other	822	442	624
Cancellation of debt income	2,272	—	—
Incremental benefits for tax credits	(1,599)	(1,976)	(2,494)
Change in tax rate/income subject to lower tax rates	3,208	(865)	571
Change related to prior tax years	(774)	(662)	759
Change in valuation allowance	4,772	16,645	16,649
Income tax provision	<u>\$ 933</u>	<u>\$ 932</u>	<u>\$ 870</u>

The Company's effective tax rate was (1.7)%, (1.1)% and (1.1)% for the years ended December 31, 2023, 2022 and 2021, respectively. During the year ended December 31, 2023, the Company's effective tax rate was impacted primarily by changes in valuation allowance.

The tax effects of temporary differences and other tax attributes that give rise to significant portions of the deferred tax assets and liabilities as of December 31, 2023 and 2022 are as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Noncurrent deferred taxes:		
Property and equipment	\$ (869)	\$ (812)
Noncash share-based compensation	3,363	3,611
Disallowed interest expense	7,347	2,664
Capitalized software	—	(66)
Amortization	1,850	2,074
Operating lease right-of-use assets	(8,818)	(8,238)
Operating lease liabilities	12,312	12,305
R&E tax credit carryforwards	18,461	16,862
Capitalized research and development expenses	22,575	18,089
Deferred revenue	849	1,823
Federal Net Operating Losses ("NOLs")	90,964	92,960
State NOLs	2,267	3,589
State credits	4,157	4,157
Foreign NOLs	15,132	15,381
Foreign tax credit carryforward	2,033	2,057
Other	(3,814)	(671)
Total noncurrent deferred tax assets	<u>167,809</u>	<u>165,785</u>
Less: Valuation allowance	<u>(167,632)</u>	<u>(165,671)</u>
Total net deferred tax asset	<u>\$ 177</u>	<u>\$ 114</u>

The net deferred tax asset is classified as other assets, noncurrent in the accompanying Consolidated Balance Sheets.

The Company continues to record a valuation allowance against its U.S. Federal, U.S. State, and France net deferred tax balances. This valuation allowance is evaluated periodically and will be reversed partially or in whole if business results and the economic environment have sufficiently improved to support realization of some or all of the Company's deferred tax assets. In performing the analysis throughout 2023, the Company determined there was no sufficient positive evidence to outweigh the current and historic negative evidence to determine that it was more likely than not that the deferred assets would not be realized. Therefore, the Company continues to have a valuation allowance against net deferred tax assets as of December 31, 2023 and 2022.

The U.S. federal net operating losses, R&E tax credit and U.S. foreign tax credit carryforward amount available to be used in future periods, taking into account the Section 382 annual limitation and current year losses, is approximately \$433.1 million, \$22.6 million and \$2.0 million, respectively. The Company's net operating losses will begin to expire in 2024, R&E credits will begin to expire in 2031 and foreign tax credits began to expire in 2022. The U.S. net operating losses generated after January 1, 2018 have no expiration. Also included in foreign net operating losses are \$60.5 million of French carryforwards which have no expiration.

The Company has federal and state net operating loss carryforwards related to current and prior year operations and acquisitions. Internal Revenue Code Section 382 ("Section 382") places certain limitations on the annual amount of U.S. net operating loss carryforwards that can be utilized when a change of ownership occurs. The Company believes the past acquisitions were changes in ownership pursuant to Section 382, subjecting federal acquired net operating losses to limitations. According to French tax law, the net operating loss carryforwards are not subject to ownership change limitations.

Undistributed earnings of the Company's foreign subsidiaries are considered permanently reinvested and, accordingly, no provision for U.S. federal or state income taxes or non-U.S. withholding taxes has been provided thereon. The cumulative amount of positive undistributed earnings of the Company's non-U.S. subsidiaries, if any, was minimal for the years ended December 31, 2023 and 2022. The Company is presently investing in international operations located in Europe, North America, United Arab Emirates, Australia, Hong Kong and Singapore. The Company is funding the working capital needs of its foreign operations through its U.S. operations. In the future, the Company plans to utilize its foreign undistributed earnings, as well as continued funding from its U.S. operations, to support its continued foreign investment.

For the years ended December 31, 2023 and 2022, the Company had no balance in its reserve for unrecognized tax benefits. The balance for net unrecognized tax benefits for the year ended December 31, 2021 was immaterial. The Company recorded immaterial amounts for interest and penalties to tax expense for the year ended December 31, 2021. The Company continually monitors tax positions and will evaluate if any new positions need to be added during the next twelve months.

The following table sets forth the changes to the Company's unrecognized tax benefit for the years ended December 31, 2023, 2022 and 2021 (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Beginning balance	\$ —	\$ —	\$ 14
Changes based on tax positions related to prior year	—	—	—
Changes due to settlement	—	—	(14)
Ending balance	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

The table above has been updated to reflect gross tax liability, exclusive of interest and penalties and other offsetting amounts.

16. Convertible Senior Notes

The Company issued \$143.8 million principal amount of the 2024 Notes in May 2019 and \$150.0 million principal amount of the 2027 Notes in September 2020. The interest rate for the 2024 Notes is fixed at 1% per annum and interest is payable semiannually in arrears on May 15 and November 15 of each year, commencing on November 15, 2019. The interest rate for the 2027 Notes is fixed at 2.25% per annum and interest is payable semiannually in arrears in cash on March 15 and September 15 of each year, beginning on March 15, 2021. The 2024 Notes mature on May 15, 2024 and the 2027 Notes mature on September 15, 2027, unless redeemed or converted in accordance with their terms prior to such date.

Each \$1,000 of principal of the 2024 Notes will initially be convertible into 15.1394 shares of the Company's common stock, which is equivalent to an initial conversion price of approximately \$66.05 per share. Each \$1,000 of principal of the 2027

Notes will initially be convertible into 23.9137 shares of the Company's common stock, which is equivalent to an initial conversion price of approximately \$41.82 per share. The initial conversion price for each of the Notes is subject to adjustment upon the occurrence of certain specified events.

The Notes are each general unsecured obligations and rank senior in right of payment to all of the Company's indebtedness that is expressly subordinated in right of payment to the Notes, rank equally in right of payment with all of the Company's existing and future liabilities that are not so subordinated, are effectively junior to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness and are structurally subordinated to all indebtedness and other liabilities of the Company's subsidiaries (including trade payables but excluding intercompany obligations owed to the Company or its subsidiaries).

On or after February 15, 2024 and June 15, 2027, respectively, to the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2024 and 2027 Notes, respectively, regardless of the contingent conversion conditions described herein. Upon conversion, the Company will pay or deliver cash, shares of its common stock or a combination of cash and shares of its common stock, at its election, as described in the indenture governing the 2024 and 2027 Notes.

Holders may convert their 2024 and 2027 Notes at their option at any time prior to the close of business on the business day immediately preceding February 15, 2024 and June 15, 2027, respectively, only under the following circumstances:

- during the five consecutive business day period immediately following any five consecutive trading day period (the "Measurement Period") in which the trading price per 2024 and 2027 Note, respectively, for each day of that Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such day;
- during any calendar quarter commencing after the calendar quarter ending on June 30, 2019 and December 31, 2020, respectively, if the last reported sale price of the common stock for 20 or more trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; or
- upon the occurrence of specified corporate events.

If a fundamental change (as defined in the relevant indenture governing the applicable series of Notes) occurs prior to the maturity date, holders of each of the Notes may require the Company to repurchase all or a portion of their notes for cash at a repurchase price equal to 100% of the principal amount at maturity of the Notes, plus any accrued and unpaid interest to, but excluding, the repurchase date.

In accordance with accounting guidance on embedded conversion features at the time of the Notes issuance, the Company valued and bifurcated the conversion options associated with each of the Notes from the respective host debt instrument, which is referred to as debt discount, and recorded the conversion option of each of the Notes in stockholders' equity at the time of the issuance of the Notes.

Effective January 1, 2021, the Company early adopted ASU 2020-06, *Debt - Debt with Conversion and Other Options and Derivatives and Hedging - Contracts in an Entity's Own Equity*. Upon adoption of the new standard, the Company removed the debt discount and adjusted the debt issuance cost which was previously allocated between the liability and the equity component, resulting in an increase of \$68.8 million to convertible debt, net. In addition, the Company recorded a reduction to additional paid-in capital of \$80.1 million related to the equity conversion component of the outstanding convertible notes which was previously separated and recorded in equity. The net cumulative impact of the adoption of the standard was recorded as a decrease to accumulated deficit.

On August 23, 2023, the Company entered into legally binding exchange agreements with a limited number of existing holders of the 2024 Notes to exchange approximately \$122.0 million aggregate principal amount of the existing 2024 Notes for a principal amount of the 2027 Notes at an exchange ratio to be determined based on the daily volume-weighted average trading price of the Company's common stock over a thirty-day trading period beginning August 24, 2023 (such exchange transactions, the "Exchange").

Although the Exchange was not completed until October 10, 2023, the Company determined that, from an accounting perspective, the Exchange was a legally binding restructuring of the debt that represented a substantial modification of the terms of the 2024 Notes subject to the Exchange, and therefore was required to be accounted for as an extinguishment transaction in August 2023. The Company derecognized the portion of the carrying value of the 2024 Notes to be exchanged and recorded the new debt resulting from the substantial modification of terms at fair value as of August 23, 2023, which was approximately \$123.3 million, and recorded a \$1.8 million loss on debt extinguishment in the third quarter of 2023. The loss on debt extinguishment is included in other income, net in the Consolidated Statements of Comprehensive Loss.

The Company concluded that the variability in the principal amount of the 2027 Notes to be issued in connection with the Exchange due to changes in stock price is a feature embedded in the restructured debt that is required to be accounted for as an embedded derivative and remeasured to fair value until settlement. This feature was recorded in convertible debt, net, with an initial value at the time of the transaction equal to zero, and subsequently remeasured at settlement with a fair value of \$3.9 million. At settlement and for the year ended December 31, 2023, the Company recorded a derivative loss of \$3.9 million which is included in other income, net in the Consolidated Statements of Comprehensive Loss. The estimated fair value was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, including the Company's stock price, interest rates and the value of the 2027 Notes, which represent level 2 in the fair value hierarchy.

On October 10, 2023, the Company settled the exchange agreements for the exchange of \$122.0 million aggregate principal amount of its outstanding 2024 Notes for newly issued \$116.8 million aggregate principal amount of its outstanding 2027 Notes. Following the settlement of the Exchange, \$21.7 million in aggregate principal amount of the 2024 Notes and \$266.8 million in aggregate principal amount of the 2027 Notes remain outstanding with terms unchanged. The 2027 Notes issued in the Exchange constitute a further issuance of, and form a single series and will be fungible with, the existing 2027 Notes. The effective interest rate related to the amortization of the premium on the 2027 Notes issued in the Exchange was 2.14%. The Company incurred debt issuance cost of \$2.2 million related to the Exchange which is recorded in convertible debt, net.

As of December 31, 2023, the 2024 and 2027 Notes are not yet convertible, and their remaining life is approximately 5 months and 45 months, respectively.

As of December 31, 2023 and 2022, the fair value of the principal amount of the Notes was \$320.5 million and \$263.7 million, respectively. The estimated fair value was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, including the Company's stock price and interest rates, which represents level 2 in the fair value hierarchy.

The Notes consist of the following (in thousands):

	December 31, 2023	December 31, 2022
Principal	\$ 288,529	\$ 293,750
Debt premium, net of amortization	9,776	—
Debt issuance cost, net of amortization	(4,313)	(3,971)
Net carrying amount	<u>\$ 293,992</u>	<u>\$ 289,779</u>

The following table sets forth total interest expense recognized related to the Notes (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Coupon	\$ 5,145	\$ 4,813	\$ 4,813
Amortization of debt issuance costs	1,349	1,491	1,491
Amortization of debt premium	(612)	—	—
Total	<u>\$ 5,882</u>	<u>\$ 6,304</u>	<u>\$ 6,304</u>

Capped Call Transactions

In May 2019 and in September 2020, in connection with the offering of the 2024 and 2027 Notes, respectively, the Company entered into privately negotiated capped call transactions (collectively, the "Capped Call") with certain option

counterparties. The Capped Call transactions cover, subject to customary anti-dilution adjustments, the number of shares of the Company's common stock initially underlying the Notes, at a strike price that corresponds to the initial conversion price of the Notes, also subject to adjustment, and are exercisable upon conversion of the Notes. The Capped Call transactions are intended to reduce potential dilution to the Company's common stock and/or offset any cash payments the Company will be required to make in excess of the principal amounts upon any conversion of Notes, and to effectively increase the overall conversion price of the 2024 Notes from \$66.05 to \$101.62 per share and for the 2027 Notes from \$41.82 to \$78.90 per share. As the Capped Call transactions meet certain accounting criteria, they are recorded in stockholders' equity and are not accounted for as derivatives. The cost of the Capped Call was \$16.4 million and \$25.3 million for the 2024 and 2027 Notes, respectively, and was recorded as part of additional paid-in capital.

In August 2023, in connection with the Exchange, the Company entered into additional capped call transactions (the "Additional Capped Call") with certain option counterparties. The Company agreed to pay a premium to the option counterparties for the Additional Capped Call for an amount to be determined based on the volume-weighted average trading price of the Company's common stock over a thirty-day reference period beginning August 24, 2023. The conversion price of the Additional Capped Call is the same as the 2027 Notes Capped Call above. Initial funding of the Additional Capped Call occurred in the third quarter of 2023. The Additional Capped Call had a deferred premium component indexed to the Company's stock price and required to be settled in cash, and therefore the Additional Capped Call was a derivative instrument that, at inception, did not meet the qualifications for equity classification. On October 10, 2023, the Company settled the deferred premium on the Additional Capped Call resulting in a final value of \$22.2 million. As a result of the final remeasurement of the derivative asset, the Company recorded a derivative loss of \$0.6 million for the year ended December 31, 2023, which is included in other income, net in the Consolidated Statements of Comprehensive Loss. Once the deferred premium was settled, the instrument met the requirements for equity classification and the Company reclassified the Additional Capped Call to additional paid-in capital on the Consolidated Balance Sheet.

17. Credit Facility

On July 21, 2023, the Company, through its wholly owned subsidiary PROS, Inc., entered into a three-year secured credit agreement ("Credit Agreement") with the lenders from time to time party thereto and Texas Capital Bank as administrative agent for the lenders party thereto. The Credit Agreement provides for a revolving line of credit of up to \$50.0 million, with interest paid monthly, at a rate per annum equal to the 30-day secured overnight financing rate ("SOFR") plus a 0.10% per annum SOFR adjustment plus an applicable margin of 4.25%. Borrowings under the Credit Agreement are collateralized by a first priority interest in and lien on all of the Company's material assets.

The Credit Agreement contains affirmative and negative covenants, including covenants which restrict the ability of the Company to, among other things, create liens, incur additional indebtedness and engage in certain other transactions, in each case subject to certain exclusions. In addition, the Credit Agreement contains certain financial covenants which become effective in the event the Company's liquidity (as defined in the Credit Agreement) falls below a certain level. The Credit Agreement also has a depository condition which requires the Company to maintain a cash balance of at least \$10.0 million with the administrative agent throughout the term of the Credit Agreement. This amount has been included in restricted cash in the Consolidated Balance Sheets. As of December 31, 2023, the Company was in compliance with all financial covenants and the depository condition in the Credit Agreement.

As of December 31, 2023, \$0.7 million of unamortized debt issuance cost related to the Credit Agreement is included in prepaid and other current assets and other assets, noncurrent in the Consolidated Balance Sheets. For the year ended December 31, 2023, the Company recorded \$0.1 million of amortization of debt issuance cost which is included in other income, net in the Consolidated Statements of Comprehensive Loss. As of December 31, 2023, the Company had no outstanding borrowings under the Credit Agreement.

18. Commitments and Contingencies

Litigation

The Company is involved in various legal proceedings, claims and litigation which arise in the ordinary course of the business. The Company makes a provision for a liability relating to legal matters when it is both probable that a liability has been incurred and the amount of the loss can be reasonably estimated. These provisions are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter. The Company is not currently involved in any outstanding litigation that it believes, individually or in the aggregate, will have a material adverse effect on its business, financial condition, results of operations or cash flows.

Purchase Commitments

The purchase commitments consist of agreements to purchase goods and services entered into the ordinary course of business, mainly related to infrastructure platforms, business technology software and support, and other services. The following table summarizes the non-cancelable unconditional purchase commitments for each of the next five years and thereafter as of December 31, 2023 (in thousands):

Year Ending December 31,	Amount
2024	\$ 40,408
2025	45,168
2026	48,546
2027	—
2028	—
Thereafter	—
Total	\$ 134,122

Indemnification

The Company's software agreements generally include certain provisions for indemnifying customers against liabilities if the Company's software solutions infringe a third party's intellectual property rights. To date, the Company has not incurred any losses as a result of such indemnifications and has not accrued any liabilities related to such obligations in the Company's Consolidated Financial Statements.

19. Segment and Geographic Information

The Company operates as one segment with a single reporting unit. Operating segments are the components of an enterprise where separate financial information is evaluated regularly by the chief operating decision-maker, who is the Company's Chief Executive Officer, in deciding how to allocate resources and assessing financial performance. The Company's chief operating decision-maker allocates resources and assesses performance based upon discrete financial information at the consolidated level.

Revenue by Geography

The Company presents financial information on a consolidated basis and does not assess the profitability of its geographic regions. Accordingly, the Company does not attempt to comprehensively assign or allocate costs to these regions and does not produce reports for, or measure the performance of, its geographic regions based on any asset-based metrics.

International revenue for the years ended December 31, 2023, 2022 and 2021, amounted to approximately \$196.7 million, \$177.8 million and \$162.5 million, respectively, representing 65%, 64% and 65%, respectively, of annual revenue.

The following geographic information is presented for the years ended December 31, 2023, 2022 and 2021. The Company categorizes geographic revenues based on the location of the customer's headquarters.

	Year Ended December 31,					
	2023		2022		2021	
	Revenue	Percent	Revenue	Percent	Revenue	Percent
The Americas:						
United States of America	\$ 107,004	35 %	\$ 98,361	36 %	\$ 88,892	35 %
Other	27,239	9 %	25,137	9 %	21,349	9 %
Subtotal	134,243	44 %	123,498	45 %	110,241	44 %
Europe	99,470	33 %	83,485	30 %	76,484	30 %
Asia Pacific	39,454	13 %	41,055	15 %	41,234	16 %
The Middle East	28,040	9 %	26,395	9 %	21,962	9 %
Africa	2,501	1 %	1,704	1 %	1,502	1 %
Total revenue	<u>\$ 303,708</u>	100 %	<u>\$ 276,137</u>	100 %	<u>\$ 251,423</u>	100 %

20. Concentrations of Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, and trade accounts receivable. The Company's deposits exceed federally insured limits. For the year ended December 31, 2023, no customer accounted for 10% or more of trade accounts receivables. For the years ended December 31, 2023, 2022 and 2021, no single customer accounted for 10% or more of revenue.

21. Related-Party Transactions

The Company currently has employment agreements with its executive officers. In the event of termination of employment other than for cause, the employment agreements provide separation benefits, including twelve to eighteen months of salary, as well as the vesting of certain equity awards.

22. Employee Retirement Savings Plan

The Company has a 401(k) savings plan for all eligible employees in the United States. Historically, the Company's matching contribution has been 50% of the first 8% of employee contributions, and the Company may also make discretionary contributions. In April 2023, the Company's matching contribution changed to 50% of the first 4% of employee contributions for the duration of the year ended December 31, 2023. Matching contributions by the Company in 2023, 2022 and 2021 totaled approximately \$2.7 million, \$3.9 million and \$3.5 million, respectively.

23. Severance and Other Related Costs

In October 2022, the Company reprioritized its investments to focus on supporting key growth areas of its business. As a result of this reprioritization, the Company incurred approximately \$4.0 million of severance, employee benefits, outplacement and related costs in the fourth quarter of 2022. These costs were recorded primarily as operating expenses in the Consolidated Statements of Comprehensive Loss, mainly research and development, and sales and marketing. During the quarter ended December 31, 2022, cash payments of \$3.1 million were recorded for the incurred costs.

In the first quarter of 2023, the Company made certain organizational changes and incurred approximately \$3.6 million of severance, employee benefits, outplacement and related costs. These costs were recorded primarily as operating expenses in the Consolidated Statements of Comprehensive Loss, mainly research and development, and sales and marketing. During the year ended December 31, 2023, cash payments of \$4.1 million were recorded for the incurred severance costs. As of December 31, 2023, all severance and other related costs were fully paid.

24. Other Income, Net

Other income, net consisted of the following (in thousands):

	Year Ended December 31,		
	2023	2022	2021
Interest income (expense), net	\$ 7,728	\$ 2,333	\$ (137)
Foreign currency (loss) gain, net	(1,124)	(613)	281
Gain/(loss) on equity investments, net (2)	828	1,308	—
Loss on derivatives (1)	(4,489)	—	—
Loss on debt extinguishment (1)	(1,779)	—	—
Other	(101)	56	164
Total other income, net	<u>\$ 1,063</u>	<u>\$ 3,084</u>	<u>\$ 308</u>

(1) Losses were recognized in connection with the Notes Exchange, see Note 16.

(2) See Note 10 for additional detail on the gain (loss) on equity investments, net.

Schedule II
Valuation and Qualifying Accounts

	<u>Balance at beginning of period</u>	<u>Additions charged to costs and expenses</u>	<u>Deductions (1)</u>	<u>Other (2)</u>	<u>Balance at end of period</u>
Allowance for credit losses					
2023	\$ 609	\$ 114	\$ (149)	\$ —	\$ 574
2022	\$ 1,206	\$ 552	\$ (1,149)	\$ —	\$ 609
2021	\$ 4,122	\$ 161	\$ (3,077)	\$ —	\$ 1,206
Valuation allowance					
2023	\$ 165,671	\$ 4,772	\$ —	\$ (2,811)	\$ 167,632
2022	\$ 146,832	\$ 16,645	\$ —	\$ 2,194	\$ 165,671
2021	\$ 130,733	\$ 16,649	\$ —	\$ (550)	\$ 146,832

(1) Deductions column represents the reversal of additions previously charged to costs and expenses and uncollectible accounts written off, net of recoveries.

(2) Other column represents the cumulative translation adjustment impact on the allowance.

Exhibit Index

Exhibit No.	Description	Provided Herewith	Incorporated by Reference	
			Form	Filing Date
3.1	Amended and Restated Certificate of Incorporation.		S-1/A	6/15/2007
3.2	Amended and Restated Bylaws.		8-K	4/29/2020
4.1	Specimen certificate for shares of common stock.		S-1/A	6/11/2007
4.2	Indenture, dated May 7, 2019 between Registrant and Wilmington Trust, National Association, as trustee.		8-K	5/7/2019
4.3	Global Note, dated May 7, 2019 between Registrant and Wilmington Trust, National Association, as trustee.		8-K	5/7/2019
4.4	Indenture, dated September 15, 2020 between Registrant and Wilmington Trust, National Association, as trustee.		8-K	9/16/2020
4.5	Global Note, dated September 15, 2020 between Registrant and Wilmington Trust, National Association, as trustee.		8-K	9/16/2020
4.6	Form of 2.250% Convertible Senior Notes due 2027		8-K	10/10/2023
4.7	Description of Registered Securities.		10-K	2/19/2020
4.8	Credit Agreement dated as of July 21, 2023 between Registrant, the guarantors, and Texas Capital Bank, as administrative agent (certain information redacted).		8-K	7/21/2023
10.1+	Amended and Restated 2017 Equity Incentive Plan, as amended.		DEF-14A	3/31/2023
10.2+	Form of Notice of Grant of Market Stock Units and Award Agreement under the 2017 Equity Incentive Plan (Form adopted in 2021).		10-K	2/12/2021
10.3+	Form of Notice of Grant of Restricted Stock Units and Award Agreement under the 2017 Equity Incentive Plan.		10-Q	8/3/2017
10.4+	Form of Notice of Grant of Restricted Stock Units and Award Agreement under the 2017 Equity Incentive Plan (Form adopted in 2021).		10-K	2/12/2021
10.5+	Form of Notice of Grant of Restricted Stock Units and Award Agreement under the 2017 Equity Incentive Plan (Form adopted in 2022)		10-K	2/18/2022
10.6+	2013 Employee Stock Purchase Plan, as amended.		DEF-14A	4/2/2021
10.7	Office Lease Agreement, dated November 30, 2018, by and between PROS, Inc., and Thor Kirby 3 Group, LLC.		8-K	12/4/2018
10.8+	Second Amended and Restated Employment Agreement, dated December 3, 2018, by and between PROS, Inc., Registrant, and Andres D. Reiner.		8-K	12/4/2018
10.9+	Amended and Restated Employment Agreement, dated November 8, 2023, by and between PROS, Inc., Registrant, and Stefan B. Schulz.	X		
10.10+	Form of Indemnification Agreement to be entered into among Registrant, its affiliates and its directors and officers.		10-K	2/15/2017
10.11	Form of Base Capped Call Confirmation.		8-K	5/7/2019
10.12	Form of Additional Capped Call Confirmation.		8-K	5/7/2019
10.13	Form of Base Capped Call Confirmation.		8-K	9/16/2020
10.14	Form of Additional Capped Call		8-K	8/24/2023
21.1	List of Subsidiaries.	X		
23.1	Consent of PricewaterhouseCoopers LLP.	X		
24.1*	Power of Attorney.	X		

Table of Contents

31.1	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a).	X
31.2	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/ 15d-14(a).	X
32.1**	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.	X
97.1	Policy for Recovery of Erroneously Awarded Incentive Compensation	X

Exhibit No.	Description
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
*	Reference is made to page F-39 of this Annual Report on Form 10-K.
**	This certification shall not be deemed "filed" for purposes of Section 18 of the Securities Act of 1934, or otherwise subject to the liability of that Section, nor shall it be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.
+	Indicates a management contract or compensatory plan or arrangement.

Item 16. *Form 10-K summary*

Registrants may voluntarily include a summary of information required by Form 10-K under this Item 16. The Registrant has elected not to include such summary information.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 14, 2024.

PROS Holdings, Inc.

By: /s/ Andres Reiner

Andres Reiner

President and Chief Executive Officer

KNOW BY THESE PRESENT, that each person whose signature appears below constitutes and appoints each of Andres Reiner and Stefan Schulz, his attorney-in-fact, with the power of substitution, for him in any and all capacities, to sign any amendments to this report on Form 10-K and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that each of the attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Andres Reiner</u> Andres Reiner	President, Chief Executive Officer, and Director (Principal Executive Officer)	February 14, 2024
<u>/s/ Stefan Schulz</u> Stefan Schulz	Executive Vice President and Chief Financial Officer (Principal Financial Officer)	February 14, 2024
<u>/s/ Scott Cook</u> Scott Cook	Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)	February 14, 2024
<u>/s/ William Russell</u> William Russell	Chairman of the Board	February 14, 2024
<u>/s/ Michelle Benfer</u> Michelle Benfer	Director	February 14, 2024
<u>/s/ Carlos Dominguez</u> Carlos Dominguez	Director	February 14, 2024
<u>/s/ Raja Hammoud</u> Raja Hammoud	Director	February 14, 2024
<u>/s/ Cynthia Johnson</u> Cynthia Johnson	Director	February 14, 2024
<u>/s/ Leland T. Jourdan</u> Leland T. Jourdan	Director	February 14, 2024
<u>/s/ Catherine Lesjak</u> Catherine Lesjak	Director	February 14, 2024
<u>/s/ Greg B. Petersen</u> Greg B. Petersen	Director	February 14, 2024
<u>/s/ Timothy V. Williams</u> Timothy V. Williams	Director	February 14, 2024

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EXECUTIVE OFFICERS

Andres D. Reiner

President, Chief Executive Officer and Director

Stefan B. Schulz

Executive Vice President and Chief Financial Officer

For additional listing of PROS senior management, visit: <https://pros.com/about-pros/leadership-team/>

BOARD OF DIRECTORS

William V. Russell (2) (3)

Non-Executive Chairman

Michelle Hughes Benfer

Carlos Dominguez (1)

Raja Hammoud (2)

Cynthia M. Johnson

Andres D. Reiner

President, Chief Executive Officer and Director

Leland Jourdan (2)

Catherine Lesjak (1) (3)

Greg B. Petersen (1) (2)

Timothy V. Williams (1) (3)

1 Audit Committee

2 Compensation and Leadership Development Committee

3 Nominating and Corporate Governance Committee

Blue Designates Chairperson



STOCKHOLDER INFORMATION

CORPORATE OFFICES

PROS Holdings, Inc.
3200 Kirby Dr., Suite 600
Houston, TX 77098
713.335.5151
www.PROS.com

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Pricewaterhouse Coopers, LLP
488 Almaden Boulevard, Suite 1800
San Jose, CA 95110
408.817.3700
www.pwc.com

COMMON STOCK LISTING

Our Common Stock is traded on the
New York Stock Exchange under the
ticker symbol “**PRO**”

ANNUAL MEETING

Our 2024 annual stockholders meeting will be held virtually at:
8:00 a.m. Central Daylight Time, on Wednesday, May 15, 2024.

Attend by accessing:
www.virtualshareholdermeeting.com/PROS2024

Only stockholders of record at the close of business
On March 22, 2024 will be entitled to vote at the annual meeting.

TRANSFER AGENT AND REGISTRAR

Broadridge Corporate Issuer Solutions
P.O. Box 1342
Brentwood, NY 11717
800.353.0103
www.shareholder.broadridge.com/bcis

CONTACTS

Investor Relations
713.335.5151
IR@PROS.com

Stockholders with inquiries regarding address corrections, lost certificates, or changes in registered ownership should contact our transfer agent, Broadridge Corporate Issuer Solutions as noted above.

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2023 Annual Report

About PROS

PROS Holdings, Inc. (NYSE: PRO) is a market-leading provider of SaaS solutions that optimize shopping and selling experiences. Built on the PROS Platform, these intelligent solutions leverage business AI, intuitive user experiences and process automation to deliver frictionless, personalized purchasing experiences designed to meet the real-time demands of today's B2B and B2C omnichannel shoppers, regardless of industry. To learn more, visit pros.com.

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