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, 2024

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 001-40838

Clearwater Analytics Holdings, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware	**87-1043711**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
777 W. Main Street **Suite 900** **Boise, ID**	**83702**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (208) 433-1200

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.001 per share	CWAN	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 15(d) of the 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant 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 Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant’s common stock, $0.001 par value per share, held by non-affiliates of the registrant on June 30, 2024, the last business day of the registrant’s most recently completed second fiscal quarter, was approximately $2,945,685,858 (based on the closing sales price of the registrant’s common stock on that date). Shares of the registrant’s common stock held by each officer and director have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The number of shares of Registrant’s Common Stock outstanding as of February 21, 2025 was:

216,231,925 shares of Class A common stock.

12,542,110 shares of Class C common stock.

22,243,668 shares of Class D common stock.

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GLOSSARY

As used in this Annual Report on Form 10-K, the terms identified below have the meanings specified below unless otherwise noted or the context indicates otherwise:

- "Company," "we," "us," "our," "Clearwater" and similar references refer, (1) following the consummation of the Transactions, to Clearwater Analytics Holdings, Inc., and, unless otherwise stated, all of its direct and indirect subsidiaries, including CWAN Holdings, and (2) prior to the completion of the Transactions, to CWAN Holdings and, unless otherwise stated, all of its direct and indirect subsidiaries.
- "2025 Term Loan" refers to the senior secured term loan B facility which Clearwater Analytics, LLC completed syndication for in connection with the anticipated acquisition of Enfusion, Inc.
- "Blocker Entities" refers to entities that, prior to the consummation of the Transactions, were affiliated with certain of the Continuing Equity Owners, each of which was a direct or indirect owner of LLC Interests in CWAN Holdings prior to the Transactions and is taxable as a corporation for U.S. federal income tax purposes.
- "Blocker Shareholders" refers to entities affiliated with certain of the Continuing Equity Owners, each of which was an owner of one or more of the Blocker Entities prior to the Transactions, which exchanged their interests in the Blocker Entities for shares of our Class A common stock, in the case of Other Continuing Equity Owners, and for shares of our Class D common stock, in the case of the Principal Equity Owners, in connection with the consummation of the Transactions.
- "Borrower" refers to Clearwater Analytics, LLC as borrower under the Credit Agreement.
- "CECL" refers to the current expected credit losses model per ASU 2023-09, Income Taxes (Topic 326): *Measurement of Credit Losses on Financial Instruments.*
- "CIS" refers to the Center for Internet Security.
- "Continuing Equity Owners" refers collectively to direct or indirect holders of LLC Interests and/or our Class B common stock, Class C common stock and/or Class D common stock immediately following consummation of the Transactions, including the Principal Equity Owners and certain of our directors and officers and their respective Permitted Transferees who may exchange at each of the irrespective options, in whole or in part from time to time, their LLC Interests (along with an equal number of shares of Class B common stock or Class C common stock, as the case may be (and such shares shall be immediately canceled)) for newly issued shares of our Class A common stock or our Class D common stock, as the case may be, and additionally holders of shares of our Class D common stock may convert such shares at any time for newly issued shares of our Class A common stock, on a one-for-one basis (in which case their shares of our Class D common stock will be canceled on a one-for-one basis upon any such issuance).
- "Credit Agreement" refers to a credit agreement which Clearwater Analytics, LLC entered into with JPMorgan Chase Bank, N.A. in connection with the closing of the IPO.
- "CWAN Holdings" refers to CWAN Holdings, LLC.
- "Enfusion" refers to Enfusion, Inc.
- "Exchange Act" refers to the Securities Exchange Act of 1934, as amended.
- "IPO" refers to our initial public offering, which closed in September 2021.
- "JUMP" or "JUMP Technology" refer to JUMP Technology SAS and its consolidated subsidiary JUMP Consulting Luxembourg S.a.r.l.
- "LLC Agreement" refers to CWAN Holdings' Third Amended and Restated Limited Liability Company Agreement.
- "LLC Interests" refers to the common units of CWAN Holdings, including those that we purchased with a portion of the net proceeds from the IPO.
- "Merger Agreement" refers to the Agreement and Plan of Merger entered into with Enfusion on January 10, 2025.
- "NAIC" refers to the National Association of Insurance Commissioners.

- "NIST" refers to the National Institute of Standards and Technology.
- "NPS" refers to our net promoter score, which can range from a low of negative 100 to a high of positive 100, that we use to gauge customer satisfaction. NPS benchmarks can vary significantly by industry, but a score greater than zero represents a company having more promoters than detractors. Our methodology of calculating NPS reflects responses from customers who purchase investment accounting and reporting, performance measurement, compliance monitoring and risk analytic solutions from us and choose to respond to the survey question. In particular, it reflects responses given in the fourth quarter of 2024 and reflects a sample size of 116 responses over that period. NPS gives no weight to customers who decline to answer the survey question.
- "NYSE" refers to the New York Stock Exchange.
- "Other Continuing Equity Owners" refers to Continuing Equity Owners who are not also Principal Equity Owners.
- "Permira" refers to Permira Advisers LLC, one of our largest owners through holdings by its affiliates.
- "Permitted Transferee" refers to, subject to the provisions of the LLC Agreement, (a) with respect to any Principal Equity Owner, any of such Principal Equity Owner's affiliates and (b) with respect to any Other Continuing Equity Owner, any such Other Continuing Equity Owner's affiliates or, in the case of individuals, members of their immediate family.
- "Previous Credit Agreement" refers to the Fifth Amendment to the Credit Agreement which Clearwater Analytics, LLC entered into with Ares Capital Corporation and Golub Capital LLC in October 2020. The outstanding borrowings under the Fifth Amendment to Credit Agreement were repaid in full in September 2021 in connection with the closing of the IPO.
- "Principal Equity Owners" refers to Welsh Carson, Warburg Pincus, Permira and their respective affiliates and Permitted Transferees.
- "SaaS" refers to Software-as-a-Service.
- "SEC" refers to the Securities and Exchange Commission.
- "Securities Act" refers to the Securities Act of 1933, as amended.
- "Secondary Offerings" refers to the sale by certain affiliates of Welsh Carson, Warburg Pincus and Permira, as applicable, of an aggregate of 14,950,000, 10,000,000, 20,000,000, 17,000,000, 16,250,000, 12,000,000, and 25,000,000 shares of Class A common stock in underwritten secondary public offerings entered into on March 8, 2023, June 15, 2023, November 6, 2023, November 30, 2023, March 6, 2024, June 10, 2024, and November 11, 2024, respectively.
- "Tax Receivable Agreement" or "TRA" refers to the Tax Receivable Agreement, dated as of September 28, 2021, by and among Clearwater Analytics Holdings, Inc., CWAN Holdings and the other parties thereto.
- "TRA Amendment" refers to Amendment No.1 to the TRA, dated November 4, 2024, by and among Clearwater Analytics Holdings, Inc., CWAN Holdings and the other TRA Amendment Parties (as defined therein).
- "TRA Bonus Agreement" refers to the Tax Receivable Agreement Bonus Letters, each dated as of September 28, 2021, by and among Clearwater Analytics Holdings, Inc. and certain of our executive officers.
- "Transactions" refers to the organizational transactions described under "Transactions" in Note 1 "Organization and Description of Business" to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.
- "Up-C" refers to the Company's umbrella partnership-C-corporation organizational structure. See Note 1 "Organization and Description of Business" to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.
- "Warburg Pincus" refers to Warburg Pincus LLC, one of our largest owners through holdings by its affiliates.
- "Welsh Carson" refers to Welsh, Carson, Anderson & Stowe, one of our largest owners through holdings by its affiliates.
- "Wilshire" refers to Wilshire Advisors LLC.

- "Wilshire Technology" refers, collectively, to Wilshire Axiom^{SM}, Wilshire Atlas^{SM}, and Wilshire Abacus ("AAA") and Wilshire iQComposite ("iQ Composite"), which was co-branded as Clearwater Wilshire Analytics post-acquisition.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND SUMMARY RISK FACTORS

This Annual Report on Form 10-K contains "forward-looking" statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. The forward-looking statements are contained principally in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Forward-looking statements include information concerning our possible or assumed future results of operations, business strategies, technology developments, financing and investment plans, dividend policy, competitive position, industry and regulatory environment, potential growth opportunities and the effects of competition. Forward looking statements include statements that are not historical facts and can be identified by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "will," "would" or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause actual results, performance or achievements to differ materially from our expectations include, but are not limited to, the following:

- we operate in a highly competitive industry, with many companies competing for business from insurance companies, asset managers, corporations and government entities on the basis of a number of factors, including the quality and breadth of solutions and services provided, ability to innovate, reputation and the prices of services, and this competition could hurt our financial performance and cash flows;
- we are dependent on fees based on the value of the assets on our platform for the main portion of our revenues, and to the extent market volatility, a downturn in economic conditions or other factors cause negative trends or fluctuations in the value of the assets on our platform, our fee-based revenue and earnings may decline;
- because some of our sales efforts are targeted at large financial institutions, corporations and government entities, we face prolonged sales cycles, substantial upfront sales costs and less predictability in completing some of our sales. If our sales cycle lengthens, or if our upfront sales investments do not result in sufficient revenue, our results of operations may be harmed;
- we have experienced considerable revenue growth over the past several years, which may be difficult to sustain, and we depend on attracting and retaining top talent to continue growing and operating our business, and if we are unable to hire, integrate, develop, motivate and retain our personnel, we may not be able to maintain or manage our growth, which could have a material adverse effect on our business, financial condition, results of operations and cash flows;
- if our investment accounting and reporting solutions, regulatory reporting solutions or risk management or performance analytics solutions fail to perform properly due to undetected errors or similar problems, our business, financial condition, reputation or results of operations could be materially adversely affected;
- our business relies heavily on cloud-based services and to some extent, our own computer equipment, electronic delivery systems, networks and telecommunications systems and infrastructure, the Internet and the IT systems of third parties. Any failures or disruptions in any of the foregoing could result in reduced revenues, increased costs and the loss of clients and could harm our business, financial condition, reputation, and results of operations;
- our failure to successfully integrate acquisitions could strain our resources. In addition, there are significant risks associated with growth through acquisitions, which may materially adversely affect our business, financial condition or results of operations;
- if our intellectual property and proprietary technology are not adequately protected to prevent use or appropriation by our competitors, our business and competitive position would suffer;
- the Principal Equity Owners continue to have influence over us, including influence over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote;
- provisions in our certificate of incorporation and bylaws, may have the effect of delaying or preventing a change of control or changes in our management; and

- other risks described in the section titled "Risk Factors" herein and in periodic reports that we file with the Securities and Exchange Commission, and our reports to shareholders. These filings are available at www.sec.gov and on our website.

Given these risks and uncertainties, you should not place undue reliance on forward-looking statements. Also, forward-looking statements represent our management’s beliefs and assumptions only as of the date of this Annual Report on Form 10-K and should not be relied upon as representing Clearwater expectations or beliefs as of any date subsequent to the time they are made. Clearwater does not undertake to and specifically declines any obligation to update any forward-looking statements that may be made from time to time by or on behalf of Clearwater.

PART I

Item 1. Business.

Overview

Clearwater brings transparency to the opaque world of investment accounting and analytics with what we believe is the industry's most trusted and innovative single instance, multi-tenant technology platform. Our cloud-native software allows clients to radically simplify their investment accounting operations, enabling them to focus on higher-value business functions such as asset allocation strategy and investment selection. Our platform provides comprehensive accounting, data and advanced analytics as well as highly-configurable reporting for global investment assets daily or on-demand, instead of weekly or monthly. We give our clients confidence that they are making the most informed decisions about investment performance, regulatory compliance and risk.

We provide full investment lifecycle solutions spanning: accounting and reporting, performance measurement, compliance monitoring, planning and order management and risk analytics solutions for asset managers, insurance companies, large corporations and other asset owning institutions including governments, endowments and foundations. Every day, Clearwater's powerful platform aggregates and normalizes data on over $8.8 trillion of global invested assets for over 1,400 clients as of December 31, 2024. We bring modern software to an industry that has long been dominated by difficult-to-use, high cost legacy technologies and processes, which often lack data integrity and traceability, and often require significant manual intervention. The strength of our platform is demonstrated by our approximately 80% win rate for new clients over the prior four years in deals that reached the proposal stage.

The markets we serve are highly complex and changing rapidly. All asset owners and asset managers need timely, accurate and comprehensive control over their investment portfolios in order to effectively make capital allocation decisions, manage risk, measure performance, comply with regulations and communicate to various stakeholders internally and externally. This requires organizations to have a comprehensive, global view of their investment portfolio. A partial view of one asset class or one reporting regime is ineffective: delivering analysis on 95% of the portfolio is inadequate because, more often than not, the opaque final 5% of the portfolio creates disproportionate risk. A single client can invest in over 60 different asset classes, hold assets in over 50 different currencies, be governed by more than 10 accounting regimes and hold positions representing thousands of individual tax lots. These clients often have separate solutions for accounting, reporting, performance, compliance and risk management with disparate products for each asset class and each country. Furthermore, clients frequently require large teams of people to manually review, compare and enter data, correct errors and build custom reports across multiple disparate systems and spreadsheets. For asset managers, their clients, the asset owners, have increasingly greater demands and are often requesting additional information and reporting. Our platform provides our clients with a single consolidated and transparent view of investment data and analytics, leaving the hard work to the Clearwater team of experts.

We believe that client demand for Clearwater's offering continues to grow not only in the United States, but also in financial centers around the world. Prior to 2008, institutions often invested in a narrower range of asset classes for which legacy solutions may have been able to provide adequate accounting, performance measurement, compliance monitoring and risk analytics. Over the past decade, however, clients' needs have grown meaningfully as a result of industry-wide trends such as:

- globalization;
- increased regulatory requirements and complexity;
- higher investment allocations in alternative assets (such as private equity, hedge funds, and derivatives and structured services);
- greater demand for timely risk management and transparency given economic, interest rate and geopolitical volatility, and
- pressure to increase speed and accuracy while reducing cost.

Clients no longer find it sufficient to review investment portfolios on a quarterly, monthly or even weekly basis. Their aged patchworks of on-premises software applications with multiple data warehouses and significant manual intervention expose them to time delays, a lack of data integrity and traceability, and a significant increase in errors, cost and ultimately risk. For many clients, this has become increasingly untenable.

We allow our clients to replace these legacy systems with modern cloud-native software. Our platform helps clients reduce cost, time, errors and risk and allows them to reallocate resources to other value-creating activities. Our software aggregates, reconciles and validates data from more than 4,100 daily data feeds and more than four million securities that have been modeled across multiple currencies, asset classes and countries. This cleansed and validated data runs through our proprietary accounting, performance, compliance and risk solutions to provide clients with powerful analytics and daily or on-demand configurable reporting. We offer multi-asset class, multi-basis, multi-currency accounting and analytics that provide clients with a comprehensive view of their holdings and related performance. This allows our clients to make better, more timely decisions about their investment portfolios.

Clearwater benefits from powerful network effects. With our single instance, multi-tenant architecture, every client, whether new or existing, enriches our global data set by making it more complete and accurate. Our software continually sources, ingests, models, reconciles and validates the terms, conditions and features of every investment security held by all of our clients. This continuous process helps to create a single repository of comprehensive, accurate investment data (often referred to within the industry as a “Golden Copy” of data) that benefits all our clients to the extent they otherwise have rights to the data. Through this continuous process, we are able to identify and adjudicate data discrepancies that otherwise could introduce error and risk into our clients’ investment portfolios. We believe that a meaningful competitive advantage of this network effect is that we are increasingly seen as the best and most accurate source of investment data and analytics in the industry.

Our team members are passionate about client success. We strive to be an extension of our clients’ own teams by providing responsive, consistent and effective support. Our clients have direct access to a dedicated client service team, a specialized group of experts devoted to ensuring data is as accurate and current as possible and resolving any challenges our clients may encounter utilizing our platform. We take pride in our extremely high client satisfaction rating with a NPS of 60+, in contrast with competitors who typically score much lower. Our gross revenue retention rate has remained at least 98% in 23 of the past 24 quarters, which we believe is a testament to the strength of our offering, our ability to deliver operational efficiency for our clients and our focus on providing exceptional client service. We are able to deliver this service to our clients by attracting, retaining and engaging an outstanding team.

Our clients are increasingly asking us to do more for them. In response, we endeavor to provide our clients with an ever-more comprehensive view, whether across new geographies or asset classes or by expanding to provide solutions front to back across the entire investment lifecycle. We track our progress in expanding client relationships through our net revenue retention rate, which has consistently exceeded 100% since 2019. We continue to expand our product offerings within our Core Clearwater solution and we continue to introduce new, adjacent solutions to our clients, including Prism, LPx, and since 2023, MLx. In addition to our organic multiproduct expansion, we acquired JUMP Technology in 2022. The JUMP solution provides Order Management and Portfolio Management solutions as well as specific functionality tailored to the French market. In 2024, we acquired the Wilshire Technology to provide clients with additional post-trade risk capabilities. We expect to continue to introduce new organically developed products and acquire additional solutions that we believe will further enhance our relationship with our clients.

We have a recurring revenue model, excluding revenue from professional services and license-related revenue from JUMP. We charge our clients a fee that is based on the amount and complexity of the assets they manage on our platform as well as the breadth and type of the solution utilized by the client. In 2022, we transitioned our contracting structure to a framework we describe as Base+ for all new clients. A Base+ contract framework includes a base fee for a prospective or existing client's book of business plus an incremental fee for increases in assets on the platform. This structure is designed to limit the downside volatility in our asset-based fees. We also began to amend contracts with our existing clients to either modify the structure of such contracts from a pure asset-based fee to this Base+ model or to increase the basis point price. Prior to 2022, we charged a basis point fee based on the client’s assets on the platform subject to contracted minimums. For those clients contracted prior to 2022 and whose contract has not been amended, our revenues can more significantly fluctuate with the changes in those clients’ assets. A majority of the assets on our platform are high-grade fixed income assets, which have traditionally had lower levels of volatility enabling our highly predictable revenue streams. The Base+ model includes annual increases in the base fee and enables us to charge additional fees for supplemental services provided for certain alternative asset classes (e.g., LPx, MLx) or additional products (e.g. Prism, OMS/PMS) should the client choose to utilize those services.

Our Industry

We serve the entire investment lifecycle and operate in the investment accounting and analytics market, serving a range of clients that own or manage investment assets. Before the global financial crisis in 2008, the investment community generally invested in a relatively small number of asset classes that could be tracked with legacy software tools and processes. Over the ensuing years, the industry has faced several challenges that have strained and broken this fragmented and often manual approach to investment accounting operations. These new developments have included increasingly globalized holdings, growing regulatory complexities, the increasing prominence of complex alternative assets, and pressure to increase speed and accuracy while reducing cost. In light of these developments, asset owners and asset managers began to require a comprehensive, global view of their investment portfolios. These organizations initially reacted by buying dedicated products for each asset class, country and reporting regime, building proprietary data warehouses for different use cases, and increasing employee headcount in accounting and compliance functions. These practices resulted in investment accounting operations that were slow, expensive, inflexible and inconsistent, very often resulting in inaccurate data and reporting. We believe that our purpose-built single instance, multi-tenant technology platform provides clients with a vastly superior solution to their growing needs.

As announced on January 13, 2025, we entered into an Agreement and Plan of Merger (the "Merger Agreement") on January 10, 2025 to acquire Enfusion, Inc. (NYSE: ENFN) ("Enfusion"). The acquisition is expected to accelerate the Company's vision of building the first cloud-native front-to-back platform for the entire investment management industry. The merger is expected to be completed in the second quarter of 2025, subject to approval by Enfusion's shareholders, the receipt of required regulatory approvals and other customary closing conditions set forth in the Merger Agreement. For more information, see Note 19 "Subsequent Events" to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Increasingly Global Investment Portfolios

Investors today increasingly hold positions in globally diversified assets as they search for yield and diversification. As a result, they require a global platform that delivers a multi-asset class, multi-basis, multi-currency solution across different accounting, reporting and regulatory regimes.

High Regulatory Complexity

Increased regulatory requirements within the financial services and investment industries continue to proliferate in jurisdictions around the world, forcing asset owners and asset managers to adapt and operate under a myriad of ever-changing rules. The spread of these new regulations (e.g., CECL, NAIC, Solvency II, IFRS 9 and 17, and others) has been accompanied by a nearly six-fold increase in global yearly regulatory alerts and SEC enforcement actions, from approximately 10,000 alerts and enforcement actions in 2008 to approximately 61,000 in 2022, according to SEC press releases and annual reports. In 2023, the NAIC mandated its largest change in more than 20 years which will require investors to add data and reconfigure their NAIC reports. Investors must be responsive to ensure they remain compliant across this vast range of regulations. Failure to do so could lead to investigations and sanctions. Asset owners and asset managers need a robust and dynamic solution to help them achieve and maintain compliance in this complex and ever-evolving environment.

Growing Importance of Alternative Assets

Investors are increasingly allocating capital to alternative assets and complex financial instruments as part of a search for higher investment returns and returns that are uncorrelated to equity and fixed income markets. According to a Preqin study from November 2020, investors expect to further increase their allocation to alternative assets over the coming years, particularly within private equity and debt. We have witnessed a dramatic increase in alternative assets on our platform. That is why we have built new products such as Clearwater LPx and Clearwater MLx, which provide an additional level of detail not offered by other solutions on the market. Using machine learning ("ML") and artificial intelligence ("AI"), we harvest the most important data about these alternative assets so that investors have the details they need to act quickly and report confidently. Alternative assets are typically traded less broadly and frequently than traditional investment assets (such as stocks, corporate bonds, treasury securities, currencies, mutual funds and exchange-traded funds) and often have less data readily available about them. This complicates reporting and risk management. Asset owners and asset managers need comprehensive, accurate and timely data regardless of the complexity of their investment holdings.

Rising Demand for Risk Management and Transparency

Investors are seeking the highest quality investment data and portfolio visibility in order to effectively make capital allocation decisions, manage risk and measure performance. Additionally, the rise of environmental, social and governance (ESG) initiatives, particularly in Europe, in investing has increased the need for transparency in portfolio holdings as investors seek to measure compliance with ESG objectives. Asset owners and asset managers need a solution that provides on-demand transparency in order to optimize risk management, forecast income, conduct shock and scenario analyses and provide their stakeholders with the holdings-based visibility that they require.

Pressure to Increase Efficiency

The asset management industry is highly competitive and asset management firms must constantly improve operating efficiency to maintain profitability. Accounting teams at these firms are continually asked to meet growing regulatory and reporting challenges with fewer resources and increasing client demands and AUM, an ultimately unsolvable problem with legacy products and processes. Additionally, the growing prominence of passive investment strategies (e.g., through the use of Exchange Traded Funds and Index strategies) has compressed fees for active asset managers and led to a greater focus on managing overall organizational costs to maintain profitability and operational efficiency. In order to effectively compete, asset owners and asset managers need modern automated solutions that reduce the need for greater headcount, and ultimately lower costs.

Digital Transformation from Legacy Technologies

Many of the challenges that plague asset owners and asset managers result from their reliance upon legacy software products and outdated manual processes. These products typically require on-premises deployments, feature poor system flexibility and data management capabilities, and result in higher total costs of ownership. Asset owners and asset managers are seeking cloud-based solutions that address the costly, manual and error-prone deficiencies of these legacy technologies.

Our Value Proposition

Clearwater's purpose-built single instance, multi-tenant technology platform helps clients around the world radically simplify their investment accounting and reporting, performance measurement, compliance monitoring and risk analytics. Our solutions provide our clients with a comprehensive view and single source of truth for their investment portfolios and we believe our solutions deliver unmatched levels of speed, flexibility, traceability, repeatability and auditability, all with no manual labor required of our clients. Some key aspects of our value proposition include:

- ***Single Instance, Multi-Tenant Platform:*** Clearwater's platform is purpose-built, 100% in the cloud. The single instance, multi-tenant architecture allows for efficient and continuous upgrades, new features, and updates to adjust for rapidly evolving industry requirements and regulations. Each upgrade and update is made available worldwide.
- ***Comprehensive View of Global Assets:*** For asset owners and asset managers, we provide comprehensive views and powerful analytics regarding their investment data. We offer investment accounting for $8.8 trillion of assets in our clients' portfolios globally as of December 31, 2024, including complex derivatives and alternative investments. Clients benefit from having a "single pane of glass" through which to holistically and accurately view their entire investment portfolios, with the flexibility to respond to unique reporting challenges across different regulatory regimes.
- ***Single Source of Truth for All Accounting, Risk, Compliance and Regulatory Reporting:*** We completely eliminate the need for clients to manually process and reconcile data from different sources and systems. By leveraging machine learning, automation and our direct connections with approximately 2,400 custodians, more than 1,100 managers, more than 600 trading data sources and all of the leading third-party market data providers, our platform automates data aggregation, data reconciliation and data validation of each security in our clients' investment portfolios. This allows us to deliver our clients data from a "Golden Copy" that is accurate, auditable and traceable.
- ***Radical Simplification of Investment Accounting Operations:*** We deliver our clients a single, comprehensive platform that allows them to perform investment accounting, performance measurement, compliance monitoring and risk analytics. By eliminating the need for our clients to aggregate, reconcile and validate security data, we greatly simplify and expedite their operations, allowing them to quickly close their books, comply with regulatory reporting requirements, reduce costs and free their time to focus on managing their portfolios and performing other higher-value functions.
- ***Accurate, Timely and Up-to-date Reporting:*** We offer transparent, and configurable views of our clients' portfolios, accessible anytime from anywhere. Additionally, we are committed to frequent and seamless incorporation of new features and functionalities on our platform to meet the evolving business needs of our clients and the latest regulatory demands. For example, our clients can switch from a GAAP view to a Tax view to a STAT view, all in a matter of seconds.

- ***Powerful Network Effects:*** Every incremental data source from an additional client improves our global data set by making it more complete and accurate for other clients on our platform that are similarly entitled to access such data. Our clients include a number of the leading financial institutions and corporations in the world, and by continually sourcing, ingesting, modeling, reconciling and validating the terms, conditions and features of every investment security held by all of our clients, we create a single repository of comprehensive, accurate investment data that serves to the benefit of other clients. This allows us to identify and adjudicate data discrepancies that otherwise could introduce error and risk into our clients' investment portfolios. Furthermore, our clients' analytical needs help us to continue driving best-in-class innovation with our offering. Our single-instance, multi-tenant platform allows us to take full advantage of these innovations as new Clearwater features and functions targeting any client's needs become immediately available to the entire Clearwater client base. In effect, each client benefits from the breadth of holdings, and the demands and needs of, all other Clearwater clients. We believe that this provides Clearwater with a meaningful competitive advantage because we are increasingly seen as the best and most accurate source of investment accounting data and analytics in the industry.

Our Platform

Our purpose-built single instance, multi-tenant technology platform simplifies our clients' investment management accounting and reporting, performance measurement, compliance monitoring and risk analytics infrastructure and workflow. Our software automates data aggregation, data reconciliation, data validation, and trade management of each security in our clients' investment portfolios. This creates a fully reconciled "Golden Copy" of investment portfolio data, which can be trusted for accurate reporting analytics and action. Our clients benefit from having a comprehensive "single pane of glass" view for daily visibility into all investment data and analytics. Our platform often allows clients to eliminate multiple legacy products and systems as well as significant manual labor. Approximately 89% of portfolios are automatically validated, reconciled and processed without further intervention. The remaining 11% of accounts are flagged for further analysis and reconciled by our reconciliation team.

In order to deliver these powerful solutions and benefits, we purpose-built our technology stack to efficiently process millions of daily transactions in a highly scalable and efficient manner. Our platform is built on a single code base and eliminates the need for costly and time-consuming patches and upgrades across multiple, disparate software instances. As new features are developed and deployed, they are made available to all clients. Our system leverages the latest machine learning and artificial intelligence tools to ingest both structured and unstructured data that is transformed into a universal security model that enables network benefits for our clients. In 2023, Clearwater announced the use of Generative AI to complement our technology, which we believe will allow clients to easily manage thousands of regulations and reports without requiring hours of research.

Our clients access the platform through a web-based interface that is highly configurable and provides a set of tools that enable our clients to derive actionable insights on a daily basis. This allows our clients to view their portfolio data from anywhere with an internet connection. Our intuitive, easy-to-use platform allows users to view high-level portfolio information and quickly drill into portfolio specifics down to the most granular security level. Our platform also creates automated feeds to other client systems—such as trade order management systems, data warehouses, enterprise resource planning (ERP) systems and others—eliminating the need for clients to manually enter data from Clearwater's solution into other client systems.

Our Solutions

Our solutions are offered through one unified Clearwater platform and are detailed below:

- **Investment Accounting and Reporting:** Our accounting solution was built with the flexibility to offer operational and regulatory accounting, from the simple to the complex, on the same platform. Our solution is comprehensive in its capabilities:
    - Multi-asset class: We have differentiated global asset class coverage including fixed income, equities, bank loans, commercial and residential mortgages, private capital markets (e.g., general and limited partnerships), derivatives and various other alternative assets;
    - Multi-basis: A single client can access 39 accounting bases, such as GAAP, Statutory, Tax and IFRS. Our platform has the flexibility to add new accounting bases as our clients' needs require; and

- Multi-currency: We support clients with more than 54 local currencies (currency of the country they are domiciled in), 30 functional currencies (currency of the country where their principal business is), and numerous reporting currencies.

Our platform offers flexible configurations and outputs, customized general ledger entries for multiple accounting bases, and regulatory completeness. A suite of standardized reports automates relevant investment-related disclosures such as Fair Value Hierarchy and Level 3 Roll-forward and can be easily configured to provide the detailed accounting information investment accountants and internal stakeholders need. Our daily reconciliation, flexible reporting and general ledger capabilities ensure that period-end close processes are efficient and accurate.

- **Performance Measurement:** Our solution enables investors to compare separate accounts, set custom benchmarks and track the overall performance of their portfolios. Custom performance reports and return calculations are available and designed to meet applicable GIPS calculation standards for investment managers. Users can drill down into the underlying performance return data at the lot level and track performance attribution per portfolio.
- **Compliance Monitoring:** Our users can set custom rules to monitor compliance according to their investment policies and standard applicable regulations. All investment activity is checked against those rules as often as a client requires and tracked at the security level. Compliance can be tracked across multiple policies, and notifications are automatically sent if there is a violation. Any compliance policy changes or resolutions can also be documented and referenced for internal audits.
- **Risk Analytics:** We offer insightful risk analytics to ensure investors have access to their portfolios' exposure every day. Our risk monitoring solution provides access to critical financial and investment portfolio risk information, so users are able to quickly answer pressing risk-related questions, including exposures by issuer, currency, country, duration, credit rating and more. Users can also view benchmark comparisons and analyze other risk factors, including cash flow forecasting, credit events, shock analysis, value at risk (VaR), and historical trends and exposures.

Clearwater Prism

As asset managers and asset owners continue to grow their client and AUM bases, they are faced with a myriad of legacy infrastructure and disparate data sources housing the details the clients need at their fingertips. Additionally, user demand for more seamless access to their data and deeper transparency is creating an urgent need for a single data hub that aggregates and provides a comprehensive view of investment information within a single-pane-of-glass, incorporating third party investment-related information not tied to Clearwater performing accounting-related functions.

Our Clearwater Prism solution is a modular, SaaS-based data and reporting platform for investment data. Built on a cloud-native stack, it enables data ingestion, transformation, and reporting across all asset classes. These capabilities are delivered using a range of product modules namely Prism Reporting and Statements, Prism Connectors, Prism Data Ops and Prism Managed Services.

- **Prism Reporting and Statements** is a web-based client reporting and statement generation module that enables asset managers to create pixel-perfect client books and statements.
- **Prism Connectors** is a set of ready-made adapters to vendor- and proprietary platforms to ingest investment-related information.
- **Prism DataOps** is a data engineering platform that allows self-serve, user-defined data management including maintaining data taxonomy, lineage and transformation of investment-related information.
- **Prism Managed Services** is a modular service that provides clients with professional support services for maintaining and extending their data feeds and reports.

The application of these modules extend into various use cases, including aggregating external data with accounting data generated by the Clearwater platform, enabling the efficient processing of private markets data using the Clearwater LPx and Clearwater LPx Clarity products to provide a deep and unparalleled level of transparency and connectivity with other data sets, such as ESG data.

Clearwater LPx:

Clearwater LPx is a full-service solution for private funds that delivers complete, timely, accurate, and consumable data for limited partnerships.

The solution empowers institutional investors to understand underlying risk and exposure data in limited partnership investments and empowers them to make informed decisions. With the solution, investment managers have confidence in their data and know they are accessing the most complete, accurate, and trusted information at their fingertips.

Clearwater LPx automates the aggregation and normalization of data for private assets and delivers clean, validated, and timely data through a single pane-of-glass view. LPx scans and interprets data buried in PDF files, cleans and surfaces them for comparison and reporting, and provides a complete view over LP investments not available anywhere else on the market.

Clearwater MLx:

Clearwater MLx is a comprehensive mortgage loan investment solution. Clearwater MLx addresses the limitations of legacy solutions by providing investment professionals with a comprehensive platform to drive growth and make informed decisions at every stage of the loan lifecycle, from origination and deal management, to analytics, accounting, and reporting.

Clearwater MLx offers investors necessary oversight and reporting capabilities to effectively navigate the complete lifecycle of their mortgage loan investments. It also offers enhanced risk reporting, servicer tracking, oversight, and accounting so that investors have the capabilities they need to successfully manage and grow their mortgage loan portfolios.

Clearwater JUMP

We acquired JUMP Technologies in November 2022 in furtherance of our growth strategy of expanding internationally and entering into adjacent markets, offering adjacent functionality for the “Full Investment Lifecycle” and evolving into a multi-product company. JUMP provides us with expansion in European markets and increases our capabilities through unit-linked funds functionality to serve European insurers which have assets in unit-linked funds. With JUMP, we have additional capabilities providing a modular front, middle and back office solution to investment managers, private banks, and insurers which we have grouped into the following offerings:

- Portfolio management and order management
- Unit-linked funds
- Tri-partite templates
- Full trade life cycle

The enhanced capabilities acquired from JUMP are complemented by our add-on modules for Alternative Assets, Clearwater Prism, Multi-GAAP and Self-Service.

Clearwater Wilshire Analytics

We acquired Wilshire Technology in April 2024 to provide enhanced analytical capabilities for investment managers and institutional asset owners. The Clearwater Wilshire Analytics platform helps clients calculate performance and risk attribution, assist with security-level portfolio construction, uncover new strategies, access high-quality portfolio models, and identify investment opportunities that maximize returns and mitigate risk. As a result, investment teams are able to significantly improve client satisfaction and drive faster growth of assets under management compared to the market.

Our Clients

Clearwater serves a broad universe of institutional clients across multiple end-markets. Today, our largest client end-markets are asset management, insurance and corporate treasury. We are also growing our client base in the public sector with numerous state and local governments and government entities. While these end-markets and their clients can be quite different from each other, ultimately all of our clients need timely, accurate and comprehensive information on their investments in order to effectively make capital allocation and portfolio decisions, manage risk, measure performance, comply with regulations and communicate to various stakeholders both internally and externally. Chief Financial Officers, treasurers, controllers and Chief Operating Officers select our platform to deliver a holistic solution consisting of data aggregation, accounting book of record (ABOR), multi-basis reporting, powerful analytical tools and other key features.

As of December 31, 2024, we had over 1,400 clients across 49 countries with over $8.8 trillion of global invested assets on our platform. In addition, as of December 31, 2024, we had 100 clients who contributed at least $1,000,000 in annualized recurring revenue. Our diversified, blue-chip client base of insurance companies, asset managers and large corporations have $4.4 trillion, $2.7 trillion and $1.1 trillion in assets on our platform, respectively, as of December 31, 2024. In addition, SLED (state, local and education) entities, and bank/community foundations have $0.3 trillion and $0.2 trillion in assets on our platform, respectively as of December 31, 2024. No client accounted for more than 10% of our revenue for the years ended December 31, 2024, 2023 and 2022, and our top 10 clients represented less than 30% of total revenue for each of the years ended December 31, 2024, 2023 and 2022.

Our Go-to-Market Strategy

We seek to deliver exceptional innovation and service to our clients every day. Client success is core to our go-to-market approach and contributes to both our ability to win new clients and retain existing clients.

We have earned an NPS of 60+ in an industry that typically scores much lower. Our high client satisfaction also translates into gross revenue retention rates of at least 98% in 23 of the past 24 quarters.

We continue to see significant demand for our offerings around the world, and our sales efforts are supported by a sales force of 179 team members globally as of December 31, 2024. We divide this sales force by geography, client end-market and target client size. Our North American sales team includes representatives focused on insurance companies, asset managers, corporations and growth markets. Our international sales team includes representatives focused on insurers and asset managers based in various regions of Europe and APAC. We plan to continue expanding our sales force and adding new target end-markets in the periods ahead.

Our sales force is supported by a global marketing team with 23 team members as of December 31, 2024. We actively grow our sales pipeline through account-based marketing, investment in our digital presence, increased brand awareness and product marketing. We will continue to invest in and build out our global marketing function to drive future pipeline and growth.

Our Growth Strategy

We intend to drive the growth of our business and expand our addressable market through the following strategies:

Deepen Our Relationships With Existing Clients

We believe we achieve our industry-leading NPS of 60+ by giving our clients an exceptional and differentiated solution and experience. We believe we are very effective in solving our clients' challenges in managing investment accounting and reporting, performance measurement, compliance monitoring and risk analytics. Our gross revenue retention rate has remained at least 98% for 23 of the last 24 quarters, and our net revenue retention rate reached 116% in the quarter ended December 31, 2024. For a discussion of gross revenue retention rate and net revenue retention rate, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Operating Measures."

We actively seek to strengthen and deepen our client relationships through our client engagement model, which is a set of best practices aimed at increasing client satisfaction, engagement and share of wallet. We conduct quarterly steering committee meetings with key client stakeholders and senior members of Clearwater management and have semi-annual on-site visits to review key client's business needs, market feedback, our product roadmap and improvement opportunities. We host our users' conference, Clearwater Connect, in both London and the U.S. In the U.S., the in-person conference is typically held at our headquarters in Boise, Idaho to give our clients the ability to engage with their peers and uncover best practices. We believe that our relentless focus on client success and innovation will continue to result in strong client retention and allow us to grow as our clients grow.

Continue Expanding Within Our Core Client End-Markets

Our current core end-markets (asset management, insurance and corporations) remain significantly unpenetrated today. We continue to drive growth and market-share gains within these end-markets, which have to date been primarily served by legacy products and processes. We will continue to displace legacy products and add clients in these end-markets through our direct sales and marketing efforts and by helping our strategic asset manager clients win new clients, which in turn brings more assets onto our platform. With only approximately 4% market penetration for asset managers and approximately 31% for insurance companies in North America today, we believe that we have significant market opportunity for additional growth. Our competitive win rate for new clients remains approximately 80% over the prior four years in deals that reached the proposal stage, which gives us confidence that our approach works well.

Accelerate International Expansion

With new offices, leadership and sales teams now established in Edinburgh, London, Paris, Frankfurt, Singapore, and Hong Kong, we are poised to reach more new clients globally moving forward. We have substantial room to grow our international business as revenues outside the United States represented only 18% of our total revenues for the year ended December 31, 2024, despite these markets representing approximately 46% of our total addressable market. We have invested in these geographic markets recognizing that the challenges international clients experience are very similar to those experienced by our North American clients. We believe our solution is highly effective at addressing client needs regardless of geography.

Continue Expanding Within Adjacent Client End-Markets

We believe there is a significant opportunity for growth by continuing to target adjacent end-markets. There is a large opportunity to tailor the regulatory reporting and performance management capabilities of our existing solutions to better serve the needs of a range of additional asset owners, such as state and local governments, pension funds, sovereign wealth funds as well as endowments and foundations. We believe our existing solutions are suitable to serve the needs of the clients in these end-markets. While we have onboarded our first clients in these end-markets and have built internal teams to service them, we do not currently derive a material amount of revenue from these end-markets.

Innovate and Develop Adjacent Solutions

Clearwater has a long history of innovating and advancing our platform based on client feedback and evolving market needs. We will continue to invest heavily in expanding our functional breadth and depth, improving user experience, increasing automation and strengthening system performance. We intend to utilize emerging technologies including machine learning and Generative AI to continue driving industry-leading capabilities and performance, keeping the platform at the very forefront of technology. Historically, we have sold our solutions as one unified offering. As clients have continued to find innovative uses for our platform in other business functions, we expect to sell and price those newer modules separately. Examples of our adjacent solutions that we have developed include Clearwater Prism and Clearwater LPx, which we believe help solve the investment reporting needs of our clients. Clearwater LPx is an investment data platform dedicated to streamlining the accounting process for limited partnerships. Clearwater clients leverage the automated solution to enable significant efficiency gains and solve the operational challenges associated with data aggregation, reconciliation, commitment tracking, document storage, accounting, and reporting. Clients are using Clearwater LPx to gain a full picture of all of their limited partnerships and to automate their NAIC reporting.

Pursue Strategic Partnerships and Acquisitions

We may selectively pursue partnerships and acquisitions that complement our solutions, provide us access to new markets or improve our competitive positioning within existing and new markets, or that otherwise accelerate one or more of our growth objectives. We completed the acquisition of JUMP in November 2022, which has expanded our capabilities in investment management and provides expansion into European markets. In April 2024, we acquired Wilshire Technology to provide enhanced analytical capabilities for investment managers and institutional asset owners and to strengthen our position in the institutional asset owner market. We will continue to consider partnerships and acquisitions focused on improving our technology for alternative assets data and our performance and risk management offerings, as well as expansion in Europe, the Middle East and Asia.

Competition

The market for solutions serving the full investment lifecycle, including investment accounting, and analytics is competitive and highly fragmented. The market is served by large-scale players with broad offerings as well as vendors with only point solutions that target local markets or specific client types, business functions or asset classes. We also face competition from systems developed and serviced internally by our potential clients' information technology ("IT") departments. We believe that there are currently no competitors who offer a cloud-native platform like ours. We further believe that our solution is more comprehensive than our competitors' in terms of asset class coverage and functionality. Our competitors primarily utilize legacy, on-premises systems and often employ large operational teams. While some of our competitors may take components or versions of their offerings into the cloud, their core platforms remain underpinned by legacy technologies, making it virtually impossible to ensure consistency, timeliness and auditability.

In each of our core client end-markets, we compete with a variety of firms depending on client size, type, location, computing environment and functional requirements. Our principal competitors include large providers of investment operations, accounting and analytics systems such as SS&C (with its Advent, CAMRA, Maximus, and Singularity products), State Street (with its PAM and outsourced service offerings), SAP, BNY Mellon's Eagle product, Deutsche Börse's Simcorp Dimension, BlackRock's Aladdin, FIS's iWorks and Northern Trust. We occasionally see smaller providers of specialized applications and services. We also compete with outsourcers, as well as the internal processing and IT departments of our prospective clients.

We believe the principal factors that drive competition in our market include:

- New SaaS technology;
- Comprehensive accounting and reporting of global assets on a daily basis;
- Ability to provide a "Golden Copy" / single source of data truth in order to ensure data consistency across all business applications;
- Breadth and quality of solutions;
- Technology differentiation, including single instance, multi-tenant architecture;
- Automated data aggregation and reconciliation capabilities;
- Flexible and integrated reporting;
- Daily and on-demand visibility into investment performance;
- Quality of client service;
- Reputation with other leading financial institutions and clients;
- Frequent and complete regulatory updates;
- Simplified IT infrastructure and operating costs;
- Scalability, including handling large changes in assets (e.g., M&A);
- Ease of use and quality of user interface; and
- The price of such offerings and return on investment.

Product Development & Engineering

Our product development and engineering teams are focused on extending our market leadership by innovating on both our existing and new solutions. We believe we must pursue relentless and aggressive innovation to maintain our competitive advantage. To meet these goals, we use multidisciplinary teams of highly trained personnel and leverage their expertise across our solutions. We have invested heavily in our product development and engineering teams to ensure a high degree of product functionality and quality.

Our product and engineering management team focuses on near-term and long-term product strategy, identifying and implementing best practices, continual improvement in engineering throughput and quality, integration strategies across third-party products, and continued process automation.

Approximately 34% of our global employee base is dedicated to product development and engineering. Our personnel are organized into solution-specific teams and are based principally in Boise, Idaho, Seattle, Washington, Paris, France and Noida, India. We expect to continue our significant investment in product engineering and innovation as we extend our competitive strengths moving forward.

Intellectual Property and Proprietary Rights

We rely on a combination of trademark, copyright and trade secret protection laws in the United States and other jurisdictions, as well as confidentiality procedures, technical measures and contractual restrictions, to protect our proprietary technology and our intellectual property. We seek to control access to and distribution of our proprietary information.

We enter into confidentiality agreements and/or license agreements with our employees, consultants, clients and vendors that generally provide that any confidential or proprietary information developed by us or on our behalf be kept confidential. In the normal course of business, we provide access to our SaaS Solution that is built upon our intellectual property to third parties through licensing or restricted use agreements. We have proprietary know-how in our algorithms, business on-boarding functions and software applications. We have in the past and may in the future pursue patents covering our proprietary technology. We also pursue the registration of certain of our trademarks and service marks in the United States. We have registered the marks “Clearwater” and “Clearwater Prism,” and two versions of Clearwater’s stylized logo with the U.S Patent and Trademark Office and various international trademark offices. In addition, we have registered numerous Internet domain names related to our business. We have established a system of security measures to protect our computer systems from security breaches and computer viruses, including various technology and process-based methods, such as clustered and multi-level firewalls, intrusion detection mechanisms, vulnerability assessments, content filtering, antivirus software and access control mechanisms. We also use encryption techniques for data transmissions. We control and limit access to confidential and proprietary information on a “need to know” basis.

In October 2022, Clearwater was granted its first patent from the United States Patent Office (Patent No.: US 11,475,078 B2). The invention relates to identifying Application Programming Interface (“API”) endpoints and the information required to use the endpoints in a software environment. By “crawling” the environment, the invention can identify API functions and web services available in the environment. The invention also allows users to search for specific functionality, or the use of certain data or information, to find specific web services, and eliminate the need to manually search through each function in the API to find the “best” function for the situation.

Regulations

As with any company operating in our field, we are subject to a growing number of local, national and international laws and regulations. These laws are often complex, sometimes contradict other laws, and are frequently evolving. Laws may be interpreted and enforced in different ways in various locations around the world, posing a significant challenge to our global business. This ambiguity includes laws and regulations possibly affecting our business, such as those related to data protection. Changes to such laws and regulations could cause us to incur additional costs and change our practices in order to comply.

Data Protection and Privacy

Users of our solutions and services are located in the United States and around the world. As a result, we may collect and store the personal information of individuals who live in many different countries. Accordingly, we may be subject to those countries’ privacy laws and the jurisdiction of such regulators by collecting or storing the personal data of those countries’ residents, even if we have no physical or legal presence there. Our exposure to foreign countries’ privacy and data security laws may impact our ability to collect and use personal information, increase our legal compliance costs and expose us to liability.

We have incurred, and will continue to incur, expenses to comply with privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations. Increased domestic or international regulation of data utilization and distribution practices could require us to modify our operations and incur significant additional expense, which could have a material adverse effect on our business, financial condition or results of operations. Although we primarily process institutional financial information, we could face liability related to unauthorized access to, disclosure or theft of the personal information we store and process, and could consequently incur significant costs.

Anti-Corruption and Sanctions

We are subject to anti-corruption, anti-bribery, anti-money laundering and similar laws imposed by governments around the world with jurisdiction over our operations, which may include, among others, the Foreign Corrupt Practices Act (the “FCPA”), the USA PATRIOT Act and other applicable laws in the jurisdictions in which we operate.

Our Human Capital Management and Culture

As of December 31, 2024, we had 1,915 employees, including approximately 648 in product development and engineering, 202 in sales and marketing, 919 in operations and 146 in executive, general administrative and corporate functions. Of these employees, 977 were located in the United States, 541 were located in India, 235 were located in the United Kingdom, 151 were located within the European Union, 4 were located in Singapore, and 7 were located in Hong Kong. None of our U.S. employees are subject to a collective bargaining agreement. Employees in France are represented by local workers’ councils and/ or collective bargaining agreements, as required by local laws or customs. We have never experienced a work stoppage and believe our relationship with our employees to be good.

We have a team-oriented culture and encourage candor from our employees, which we believe helps us to succeed and drive operational excellence. We also seek to, and have a history of, promoting from within our organization as well as hiring top talent from outside of our company to expand our capabilities.

We aim to hire individuals who share our passion, commitment and entrepreneurial spirit. We are also committed to diversity and inclusion because we believe that diversity leads to better outcomes for our business and enables us to better meet the needs of our clients. We recognize the importance of diversity in leadership roles within our company.

We encourage our employees to operate by a common set of values, which includes being:

- Infectiously passionate about Clearwater;
- Intensely committed to our clients;
- Devoted to building an outstanding, engaged team;
- Focused on execution and dedicated to getting things done;
- Continuously innovative and improving;
- Dedicated to building truly differentiated offerings; and
- Committed to having values beyond reproach.

We believe that operating with purpose, passion and creativity benefits our clients, stockholders, employees and suppliers, as well as the communities where we operate, and the environment.

ESG

Clearwater has adopted ESG objectives designed to create long-term value and manage risks.

Clearwater's Board of Directors has delegated oversight of development and implementation of the Company's focus and objectives regarding environmental, social, and governance and sustainability matters to the Nominating and Corporate Governance Committee and has also delegated oversight of human capital management, including corporate culture and diversity and inclusion, to the Compensation Committee. Clearwater has also launched individual committees for Environmental, Social and Governance with members across functions and geographies.

Clearwater has a number of on-going ESG initiatives and has demonstrated progress in several of these areas, including offering employee benefits that promote responsible transportation, volunteerism and charitable contributions, and transitioning to a cloud-based server provider. Clearwater has a diverse Board of Directors that is 60% comprised of directors who identify as female, a racial and ethnic minority, or a member of the LGBTQ+ community. Clearwater has also instituted leading information security practices to meet the high security expectations of its client base.

Clearwater is particularly proud of Clearwater Cares, our corporate social responsibility program, through which we have worked with our employees to identify three company-wide priorities: science, technology, engineering and mathematics ("STEM") education, human services and sustainability. For example as part of Clearwater's "Season of Giving" initiatives, in Boise, Idaho, over one hundred employees continue to donate a portion of each paycheck to the Idaho STEM Action Foundation and Idaho Food Bank. In addition, employees have volunteered at an Hour of Code event helping local students build their STEM knowledge and learn more about career opportunities. Clearwater donated additional funds to the Idaho STEM Action Foundation for classroom tools for robotics and game design. Clearwater has donated to food drives in Boise, Idaho, Seattle, Washington, London, England, Edinburgh, Scotland and Noida, India; and donated to children's charities and animal care programs in our other office locations. In India, we have partnered with the "Salma Public School" and "Happy Children's Library," where employees conduct teaching sessions, science days, sports days, education tours and other activities. Clearwater also donated to "Teach for India," supporting the organization's mission to provide an excellent and equitable education for children from low-income communities. Employees have also worked with a local non-governmental agency to donate winter essentials to the underprivileged.

We offer our employees 16 hours of paid time off to perform volunteer services and have matched employee donations to company identified charities.

Organization

Clearwater Analytics Holdings, Inc. was incorporated as a Delaware corporation on May 18, 2021. We are a holding company and our principal asset is our interest in CWAN Holdings. We completed an underwritten IPO of shares of our Class A common stock on September 23, 2021. Prior to the IPO, all business operations were conducted through Carbon Analytics Holdings, LLC, which changed its name to CWAN Holdings, LLC in connection with the IPO.

Available Information

Our website is located at https://www.clearwateranalytics.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, including their exhibits, proxy and information statements, and amendments to those reports filed or furnished pursuant to Sections 13(a), 14, and 15(d) of the Exchange Act are available through the “Investors” portion of our website free of charge as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Information on our website is not part of this Annual Report on Form 10-K or any of our other securities filings unless specifically incorporated herein or therein by reference. In addition, our filings with the SEC may be accessed through the SEC’s Interactive Data Electronic Applications system at http://www.sec.gov. All statements made in any of our securities filings, including all forward-looking statements or information, are made as of the date of the document in which the statement is included, and we do not assume or undertake any obligation to update any of those statements or documents unless we are required to do so by law.

Item 1A. Risk Factors.

The Company's business, reputation, results of operations and financial condition, as well as the price of the Company's stock, can be affected by a number of factors, whether currently known or unknown, including those described below. When any one or more of these risks materialize from time to time, the Company's business, reputation, results of operations and financial condition, as well as the price of the Company's stock, can be materially and adversely affected.

Because of the following factors, as well as other factors affecting the Company's results of operations and financial condition, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. This discussion of risk factors contains forward-looking statements.

This section should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

Macroeconomic and Industry Risks

We operate in a highly competitive industry, with many companies competing for business from insurance companies, asset managers, corporations and government entities on the basis of a number of factors, including the quality and breadth of solutions and services provided, ability to innovate, reputation and the prices of services, and this competition could hurt our financial performance and cash flows.

The market for financial services software and services is competitive, rapidly evolving and highly sensitive to new product and service introductions, technological innovations and marketing efforts by industry participants. We and our competitors compete based on a variety of factors, including the range of offerings we provide, brand recognition, business reputation, financial strength, stability and continuity of client and other intermediary relationships, quality of service, and level of fees charged for our solutions and services. The market is also highly fragmented and served by numerous firms that target only local markets or specific client types. We compete with many different types of companies that vary in size and scope, including SS&C (Advent, CAMRA, Maximus, and Singularity), State Street (PAM), SAP, BNY Mellon (Eagle), Simcorp (Dimension), BlackRock (Aladdin), FIS (iWorks) and Northern Trust, and which are discussed in greater detail under "Business—Competition". In addition, some of our clients, including financial services firms, have developed or may develop the in-house capability to provide the technology, investment reporting and accounting solutions, regulatory reporting solutions and investment risk management and performance analytics solutions and services they have engaged us to perform, obviating the need to hire us.

Some of our current and potential competitors also have significantly greater resources than we do. These resources may allow our competitors to respond more quickly to changes in demand for our solutions and services, and to devote greater resources to developing and promoting their services and to make more attractive offers to potential clients and strategic partners, which could hurt our financial performance. Our competitors may also enter into alliances with each other or other third parties, and through such alliances, acquire increased market share. Increased competition may result in price reductions, reduced gross margins and loss of market share.

Our failure to successfully compete in any of the above-mentioned areas could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We are dependent on fees based on the value of the assets on our platform for the main portion of our revenues, and to the extent market volatility, a downturn in economic conditions or other factors cause negative trends or fluctuations in the value of the assets on our platform, our fee-based revenue and earnings may decline.

Substantially all of our revenue is derived from fees that are primarily based on the amount of assets on our platform. These fees are stated in basis points, or $1/100^{th}$ of 1%. Though in substantially all cases we charge a minimum fee regardless of the assets that are loaded onto our platform and since 2022 we have implemented a Base+ model, our results of operations and financial condition are highly dependent on the value of the assets that our clients maintain on our platform. In particular, we are dependent on the fee-based revenue from our insurance industry clients and asset manager clients, from whom we derived 54% and 32%, respectively, of our total revenue for the year ended December 31, 2024.

Because we provide a majority of our solutions to the financial services industry, we are vulnerable to U.S. and foreign economic conditions and general trends in business and finance, which are affected by many factors beyond our control, including interest rate changes, tariffs, inflation, exchange rate changes, fiscal and monetary policy and general economic conditions, including those caused by national and international macroeconomic events, including instability caused by geopolitical issues, war and uncertainty with respect to terrorism. For example, customers of our asset manager clients are generally free to change asset managers and can even withdraw the funds they have invested with asset managers to avoid all securities markets-related risks. Because of significant fluctuations in securities prices or investment underperformance driven by an economic downturn, such an investor may choose to transfer assets to investments that are perceived to be more secure and that are not maintained or managed by our asset manager clients, such as bank deposits and Treasury securities, or to mutual funds. These actions by investors are outside of our control and could materially adversely affect the portfolio market value of the assets that our clients have loaded onto our platform, which could in turn materially adversely affect the portfolio-based fees we receive from our clients. Significant changes in investing patterns or large-scale withdrawal of investment funds could have a material adverse effect on our business, financial condition or results of operations.

Demand for our solutions and services could decline for other client-based reasons as well. Consolidation or limited growth in the industries we serve, including the insurance industry, could reduce the number of our clients and potential clients. Political or regulatory events or changes that adversely affect our clients' businesses, rates of growth, costs of operations and regulatory compliance or the numbers of customers they serve, including decreased demand for our clients' products and services or adverse conditions in our clients' markets generally, could decrease demand for our solutions and services and thereby decrease our revenues. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Because some of our sales efforts are targeted at large financial institutions, corporations and government entities, we face prolonged sales cycles, substantial upfront sales costs and less predictability in completing some of our sales. If our sales cycle lengthens, or if our upfront sales investments do not result in sufficient revenue, our results of operations may be harmed.

We target a portion of our sales efforts at large financial institutions, corporations and government entities, which presents challenges that are different from those we encounter with smaller clients. Because our large clients are often making an enterprise-wide decision to deploy our solutions, we face longer sales cycles, complex client requirements, substantial upfront sales costs, significant contract negotiations and less predictability in completing some of our sales with these clients. Our sales cycle can often last several months or more with our largest clients, who often undertake an extended evaluation process, but this is variable and difficult to predict. We anticipate that we will experience even longer sales cycles, more complex client needs, higher upfront sales costs and less predictability in completing sales with clients located outside of the United States. If our sales cycle lengthens or our upfront sales investments do not generate sufficient revenue to justify our investments in our sales efforts, our results of operations may be harmed.

Business and Operational Risks

We have experienced considerable revenue growth over the past several years, which may be difficult to sustain, and we depend on attracting and retaining top talent to continue growing and operating our business, and if we are unable to hire, integrate, develop, motivate and retain our personnel, we may not be able to maintain or manage our growth, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Our revenues for the year ended December 31, 2024 grew 23% compared to the same period in 2023. Continued future growth could place additional demands on our resources and increase our expenses. Our success depends in large part on our ability to attract high-quality management and employees in sales, development, software engineering, operations and support functions. In addition to hiring new employees, we must continue to focus on retaining our best talent and preserving our culture, values and entrepreneurial environment. Competition for qualified employees is intense in our industry, and the loss of even a few qualified employees, or an inability to attract, retain and motivate additional highly skilled employees required for the ongoing expansion of our business, could harm our results of operations and impair our ability to grow. To attract and retain key personnel, we use various measures, including an equity incentive program for key executive officers and employees. We may need to invest significant amounts of cash and equity for new and existing employees and we may never realize returns on these investments. In addition, these measures may not be enough to attract and retain the personnel we require to operate our business effectively. In the last few years, we have observed an overall tightening and increased competitiveness in the U.S. labor market. Although we have not experienced any material labor shortage, a prolonged labor shortage or increased employee turnover caused by general macroeconomic or other factors could increase our labor costs and negatively impact our ability to serve our clients. If we are not able to effectively increase and retain our talent, our ability to achieve our strategic objectives will be adversely impacted, and our business, financial condition and results of operations will be harmed.

Sustaining growth will also require us to commit additional sales, management, operational and financial resources and to maintain appropriate operational and financial systems. In addition, continued growth increases the challenges involved in:

- successfully expanding the range of solutions and services offered to our clients;
- developing and improving our internal administrative infrastructure, particularly our financial, operational, compliance, record-keeping, communications and other internal systems; and
- maintaining high levels of satisfaction with our solutions and services among clients.

We may not be able to manage our expanding operations effectively or maintain or accelerate our growth, and any failure to do so could adversely affect our business, financial condition, results of operations and cash flows.

Our clients may seek to negotiate a lower fee percentage or may cease using our services, which could limit the growth of, or decrease, our revenues.

In 2022, we transitioned our contracting structure to a framework we describe as Base+ for all new clients. A Base+ contract framework includes a base fee for a prospective or existing client's book of business plus an incremental fee for increases in assets on the platform. This structure is designed to limit the downside volatility in our asset-based fees. We also began to amend contracts with our existing clients to either modify the structure of such contracts from a pure asset-based fee to this Base+ model or to increase the basis point price. Prior to 2022, we charged a basis point fee based on the client's assets on the platform subject to contracted minimums. For those clients contracted prior to 2022 and whose contract has not been amended, our revenues may more significantly fluctuate with the changes in those clients' assets. In general, the price we charge our clients for our solutions is based on a number of factors including the expected amount of assets on the platform, asset mix (e.g., fixed income, structured products, equities, derivatives or private assets), transaction volume, number of data feeds, and other client-specific factors. Our clients may, for a number of reasons and despite the Base+ framework, seek to negotiate a lower basis points fee percentage. For example, an increase in the use of index-linked investment products by the customers of our asset manager clients may result in lower fees being paid to our clients, and our clients may in turn seek to negotiate lower basis points fee percentages for our services. Similarly, the total value of assets reported in our insurance clients' regulatory filings may decrease, and as a result, such clients may seek a corresponding reduction in our related fees.

In addition, as competition among our clients increases, they may be required to lower the fees they charge to their customers, which could cause them to seek to decrease our fees accordingly. Any of these factors could result in fluctuation or a decline in our portfolio-based fees, which would have a material adverse effect on our business, financial condition, results of operations and cashflows.

If our investment accounting and reporting solutions, regulatory reporting solutions or risk management or performance analytics solutions fail to perform properly due to undetected errors or similar problems, our business, financial condition, reputation or results of operations could be materially adversely affected.

Investment accounting and reporting solutions, regulatory reporting solutions and risk management and performance analytics solutions we develop or license may contain undetected errors or defects despite testing. Such errors can exist at any point in the life cycle of our solutions, but there is an increased risk that they will be found after new services, enhancements or data sources are incorporated into our existing solutions or services. We continually introduce new solutions and services and new versions of our solutions and services, including, for example, in response to new or modified regulations or reporting requirements. Despite internal testing and testing by current and potential clients, our current and future solutions and services, or the operating systems used to deliver them, may contain serious defects or malfunctions. If we detect any errors before release, we might be required to delay the release of the solution or service for an extended period of time while we address the problem. We might not discover errors that affect our new or current solutions, services or enhancements until after they are deployed or after they have, for example, resulted in incorrect reporting on which our clients are dependent, and we may need to provide new enhancements to correct such errors. Errors may occur that could have a material adverse effect on our business, financial condition or results of operations and could result in harm to our reputation, lost sales, delays in commercial release, claims by affected clients, third-party claims, contractual disputes, contract terminations or renegotiations, or unexpected expenses and diversion of management and other resources to remedy errors. In addition, negative public perception and reputational damage caused by such claims would adversely affect our client relationships and our ability to enter into new contracts. Any of these problems could have a material adverse effect on our business, financial condition, reputation or results of operations.

We could face liability or incur costs to remediate operational errors or to address possible client dissatisfaction.

Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions and financial and market data, deficiencies in our operating systems, delays or errors in transitioning to new operating systems, faulty aggregation or incorrect reconciliation of data by our solutions and services, miscalculations of cash balances available for investment purposes, business disruptions and inadequacies or breaches in our internal control processes. We operate in diverse markets and are reliant on the ability of our employees, systems, solutions and services to process large volumes of transactions and financial and market data, often within short time frames. From time to time, we may implement updates to our operating systems or transition to new systems, such as our continued transition to a new automated billing system, which may be disruptive to our business if they do not work as planned or if we experience any delays or other issues relating to their implementation, which could negatively impact our ability to deliver our solutions and to invoice and collect fees from our clients. In the event of a breakdown or improper operation of our systems or any updates thereto, errors in our solutions and services, human error or improper action by employees, we could suffer financial loss or damage to our reputation, including as a result of allegations (and associated claims for contractual or other remedies) by any client that operational errors on our part resulted in financial or other harm to their business.

In addition, there may be circumstances when our clients are dissatisfied with our solutions and services, even in the absence of an operational error. In such circumstances, we may elect to make payments or otherwise incur increased costs or lower revenues in order to maintain a strong client relationship. In any of the forgoing circumstances, our business, financial condition, reputation or results of operations could be materially adversely affected.

Our business relies heavily on cloud-based services and to some extent, our own computer equipment, electronic delivery systems, networks and telecommunications systems and infrastructure, the Internet and the IT systems of third parties. Any failures or disruptions in any of the foregoing could result in reduced revenues, increased costs and the loss of clients and could harm our business, financial condition, reputation, and results of operations.

Our business relies heavily on cloud-based services and to some extent, our own computer equipment, electronic delivery systems, networks and telecommunications systems and infrastructure, the Internet and the IT systems of third party providers, and the foregoing may be vulnerable to disruptions, failures or slowdowns caused by fire, earthquake, extreme weather events, power loss, telecommunications failure, terrorist attacks, wars, Internet failures, computer viruses, system errors and miscalculations and other events beyond our control. Furthermore, we rely on agreements with our suppliers, such as our current data hosting and service provider and financial market data providers, and on our clients' agreements with certain third party data providers, to provide us with access to certain computer equipment, cloud-based services, electronic delivery systems, the Internet, market financial information and information regarding our clients' assets. A future contractual dispute may arise with one of our suppliers or third party data providers that could cause a disruption or deterioration in our solutions and services, and we are unable to predict whether our agreements with our suppliers or our clients' agreements with third party data providers can be obtained or renewed on acceptable terms, or at all. An unanticipated disruption, failure or slowdown affecting our key technologies or facilities may have significant ramifications, such as data loss, data corruption, damaged software code, inaccurate accounting of transactions, inaccurate regulatory reporting or inability to provide certain solutions and services to our clients. We maintain off-site back-up facilities for our electronic information and computer equipment, but these facilities could be subject to the same interruptions that may affect our primary facilities. Any significant termination of data access, or disruptions, failures, slowdowns, data loss or data corruption could have a material adverse effect on our business, financial condition or results of operations and result in the loss of clients.

If sources from which we obtain information limit our access to such information or institute or increase fees for accessing such information, our business could be materially and adversely harmed.

Our data aggregation solutions require certain data that we obtain from thousands of sources, including banks, financial institutions, data providers, custodians and other organizations, some of which are not our current clients or in direct contractual privity with us. Although we have a data feed with each of our clients, our access to much of the data we aggregate, reconcile and offer as part of our solutions is facilitated through and reliant upon agreements between our clients and providers of such data, such as asset managers and custodians, and we often do not have direct contractual relationships with such providers. If the sources from which we obtain information that is important to our solutions and services limit or restrict our ability to access or use such information, we may be unable to obtain similar data from other sources on commercially reasonable terms or at all, or we may be required to attempt to obtain such information by other means, such as end-user permissioned data scraping, that could be more costly and time-consuming, and less effective or efficient.

In order to serve our clients, we must have a reliable method from which to obtain client data. In the past, certain of our clients have requested we obtain this data through a web-based retrieval process, which we refer to as a web-based data feed. We sometimes encounter issues with our web-based data feeds, including as a result of our clients' implementation of new security controls, changes to the layouts of web pages, or the use of software intended to block unauthorized scraping activities. If we are unable to re-institute the web-based data feed, or otherwise obtain the data from our clients through another reliable means, then we may be unable to continue to serve the affected clients. In any event, redesigning our web-based data feeds or being required to obtain data by other reliable means diverts time and resources and may have an adverse effect on our business, financial condition or results of operations.

In the past, a limited number of third parties have either blocked our access to their websites or requested that we cease employing data scraping of their websites to gather information, and we could receive similar, additional requests in the future. Any such limitation or restriction may also preclude us from providing our solutions and services on a timely basis, if at all. In addition, if in the future one or more third parties challenge our right to access information from these or other sources, we may be required to negotiate with such sources for access to their information, which may be more costly, or to discontinue certain of our solutions and services entirely. The legal environment surrounding data scraping and similar means of obtaining access to information contained on third-party websites is evolving, and one or more third parties could assert claims against us seeking damages or to prevent us from accessing information from third-party websites in that manner. In the event sources from which we obtain information begin to charge us fees for accessing such information, or block our access to this information entirely, we may be forced to increase the fees that we charge our clients or discontinue certain solutions and services, which could make our solutions and services less attractive, or our gross margins and other financial results could suffer.

If our reputation is harmed, our business, financial condition or results of operations could be materially adversely affected.

Our reputation, which depends on earning and maintaining the trust and confidence of our clients, is critical to our business. Our reputation is vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate. Regulatory inquiries or investigations, lawsuits initiated by our clients or others, employee misconduct, perceptions of conflicts of interest and rumors, among other developments, could substantially damage our reputation, even if they are baseless or satisfactorily addressed. In addition, any perception that the quality of our solutions and services may not be the same or better than that of other providers can also damage our reputation. Any damage to our reputation could harm our ability to attract and retain clients, which would materially adversely affect our business, financial condition and results of operations.

Early termination of our client contracts could have a material adverse effect on our business, financial condition or results of operations.

Our client contracts are generally terminable upon thirty days' notice by our clients or prior to such time for cause, which may include breach of contract, bankruptcy, insolvency and other reasons. If a significant number of our clients were to terminate their contracts with us and we were unable to obtain a significant number of new clients, our business, financial condition or results of operations could be materially adversely affected.

We could face liability related to unauthorized access to, disclosure or theft of the personal information we store and process and could consequently incur significant costs.

Although we primarily process institutional financial information, clients may maintain personal information, including personal investment, accounting and financial information, on our platform and we could be subject to liability if we were to inappropriately disclose any such client's personal information, inadvertently or otherwise, or if third parties were able to obtain access to our network, circumvent our security, or otherwise gain access to any user's name, address, portfolio holdings or other personal or financial information that we store or process. Any such event could subject us to claims and liability related to unauthorized access to or use of personal information, including claims by such users and by applicable regulatory authorities, which could cause us to incur significant costs and divert the attention of our management and technical personnel, or cause harm to our reputation, and could therefore have a material adverse effect on our business, financial condition or results of operations.

Our clients are located in the United States and around the world. As a result, we may also collect, process and store the personal information of individuals who live in many different countries. Privacy regulators in some of those countries have publicly stated that foreign entities (including entities based in the United States) may render themselves subject to those countries' privacy laws and the jurisdiction of such regulators by collecting or storing the personal data of those countries' residents, even if such entities have no physical or legal presence there. Consequently, we may be obligated to comply with the privacy and data security laws of certain foreign countries. Our potential exposure to foreign countries' privacy and data security laws may impact our ability to collect and use personal information now and in the future, increase our legal compliance costs and may expose us to significant liability for non-compliance.

We are also subject to various laws and regulations both in the United States, including the California Consumer Privacy Act, and in other countries where we currently operate, including the Data Protection Act 2018 and UK General Data Protection Regulation in the United Kingdom. We have incurred, and will continue to incur, expenses to comply with privacy and security standards and protocols imposed by law, regulation, industry standards or contractual obligations. Increased domestic or international regulation of data collection, processing, transfer and security could require us to modify our operations and incur significant additional expense, which could have a material adverse effect on our business, financial condition or results of operations. Additionally, we are subject to the terms of our privacy policies and privacy-related obligations to third parties. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to clients or other third parties, or our legal obligations relating to privacy, or any compromise of security that results in the unauthorized access to, disclosure or misuse of personal information may result in governmental or regulatory investigations, enforcement actions, fines, litigation, or negative publicity and could cause clients to lose trust in us, all of which could be costly and have an adverse effect on our business.

If we or our third-party service providers suffer a cybersecurity event, our reputation may be harmed, we may lose clients and we may incur significant liabilities, any of which would harm our business and results of operations.

Cyberattacks, computer malware, viruses, social engineering (including phishing attacks), ransomware attacks and general hacking are becoming more prevalent generally and in our industry, and we may in the future become the target of third parties seeking unauthorized access to our confidential or sensitive information or that of our clients. Cybersecurity attacks may become increasingly complex as they are enhanced or facilitated by the emergence of new technologies such as AI that are used to identify and target new vulnerabilities in our information technology systems or those of our customers, third-party vendors and other business partners. For example, AI and deepfake technologies could be used to attack information systems by creating more effective phishing emails or social engineering and by exploiting vulnerabilities in electronic security programs utilizing false image or voice recognition. There is no assurance that we, our customers, third-party vendors or other business partners will be able to promptly and effectively respond to such new increasingly sophisticated threats. In addition, third parties may attempt to fraudulently induce employees, contractors or users to disclose information, including usernames and passwords, to gain access to our clients' data, our data or other confidential or sensitive information, and we may be the target of email scams that attempt to acquire personal information or company assets. While we have security measures in place designed to protect our and our clients' confidential and sensitive information and prevent unauthorized access to data, these measures may not be effective to prevent a security breach, including as a result of employee error, theft, misuse or malfeasance, third-party actions, unintentional events, or deliberate attacks by individuals or criminal organizations, any of which may result in someone obtaining unauthorized access to our or our clients' data, including to our trade secrets or other confidential and proprietary business information. Because techniques used to sabotage or obtain unauthorized access to systems change frequently and frequently are not recognized until successfully launched against a target, we may be unable to anticipate all such techniques, or react in a timely manner or implement adequate preventative measures against such techniques. We devote significant financial and personnel resources to implement and maintain security measures; however, as cybersecurity threats develop, evolve and grow more complex over time, it may be necessary to make further investments to protect our data and infrastructure.

We use third parties to provide certain data processing services, including hosting services; however, our ability to monitor our third-party service providers' data security is limited. Because we do not control our third-party service providers, or the processing of data by our third-party service providers, we cannot ensure the measures they take to protect and prevent the loss of our data or our clients' data are sufficient.

A security breach suffered by us or our third-party service providers, an attack causing outages or unavailability of our solutions and services, or any unauthorized, accidental or unlawful access or loss of data, or the perception that any such event has occurred, could result in a disruption to our solutions and services, litigation, an obligation to notify regulators and affected individuals, the triggering of service availability, indemnification and other contractual obligations to our clients, regulatory investigations, government fines and penalties, reputational damage, loss of sales and clients, mitigation and remediation expenses and other significant costs and liabilities. In addition, we may incur significant costs and operational consequences of investigating, remediating, eliminating and putting in place additional tools and devices designed to prevent future actual or perceived security incidents, as well as the costs to comply with any notification or other obligations resulting from any security incidents. We also cannot be certain that our existing insurance coverage will be available in sufficient amounts to cover the potentially significant losses that may result from a security incident or breach, or will continue to be available on acceptable terms or at all, or that the insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed 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 adversely affect our business, financial condition and results of operations. Further, our clients and their service providers administer access to data and control the entry of such data on their IT systems. As a result, a client may suffer a cybersecurity event on its own IT systems, unrelated to our own IT systems, and a malicious actor could obtain access to the client's information held on our IT system. Even if such a breach is unrelated to our own security programs or practices, or if the client failed to adequately protect their IT system, that breach could result in our incurring significant economic and operational costs in investigating, remediating, eliminating and putting in place additional tools and devices to further protect our clients from their own vulnerabilities, and could also result in reputational harm to us.

The reliability and security of our IT systems are critical to our operations and the implementation of our growth initiatives. Any cybersecurity event or other material disruption in our IT systems, or delays or difficulties in implementing or integrating new IT systems or enhancing current IT systems, could have an adverse effect on our business and results of operations.

Disruptions, capacity limitations or interference with our use of the data centers that host our solutions and services could result in delays or outages and harm our business.

We currently host substantially all of our cloud service from third-party data center facilities from several global locations operated by Amazon Web Services ("AWS"). Any damage to, failure of or interference with our cloud service that is hosted by AWS, or by third-party providers we currently utilize or may utilize in the future, whether as a result of our actions, actions by the third-party data centers, actions by other third parties, or acts of God, could result in interruptions in our cloud service and/or the loss of our or our clients' data. While the third-party data centers host the server infrastructure, we manage the cloud services through our internal teams, and we need to support version control, changes in cloud software parameters and the evolution of our products, all in a multi-OS environment. As we utilize third-party data centers, we may move or transfer our data and our clients' data from one region to another. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our solutions. Impairment of, or interruptions in, our cloud services may subject us to claims and litigation, cause our clients to terminate their agreements with us and adversely affect our ability to attract new clients. Our business will also be harmed if our clients and potential clients believe our services are unreliable. Additionally, any limitation of the capacity of our third-party data centers could impede our ability to scale, onboard new clients or expand the usage of existing clients, which could adversely affect our business, financial condition and results of operations.

We do not control, or in some cases have limited control over, the operation of the data center facilities we use to host our solutions and services, and these facilities may be vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to cyberattacks, break-ins, sabotage, intentional criminal acts, acts of vandalism and similar misconduct and to adverse events caused by operator error. Despite precautions taken at these facilities, the occurrence of a natural disaster, an act of terrorism, war or other act of malfeasance, a decision to close the facilities without adequate notice to us, or other unanticipated problems at these facilities could result in lengthy interruptions in our solutions and services and the loss of client data and business, and related claims by our clients against us. We may also incur significant costs for using alternative equipment or facilities or taking other actions in preparation for, or in reaction to, any such events.

We may be unable to adapt to rapidly changing technology, evolving industry standards and regulatory requirements and new product and service introductions, which could result in a loss of market share.

Rapidly changing technology, evolving industry standards and regulatory requirements and new product and service introductions characterize the market for our solutions. Our future success will depend in part upon our ability to enhance our existing offerings, including to localize them to differing local requirements, and to develop and introduce new solutions and services to keep pace with such changes and developments and to meet changing client needs. The process of developing our platform is extremely complex and is expected to become increasingly complex and expensive in the future due to the introduction of new platforms, operating systems and technologies. Our ability to keep up with technology and business and legal and regulatory changes is subject to a number of risks, including that:

- we may find it difficult or costly to update our solutions and services and to develop new solutions and services quickly enough to meet our clients' needs;
- we may find it difficult or costly to make some features of our software work effectively and securely over the Internet or with new or changed external applications;

- we may find it difficult or costly to update our solutions and services to keep pace with business, evolving industry standards, regulatory and other developments in the industries where our clients operate;
- we may find it difficult or costly to advertise and market our solutions and services;
- we may find it difficult or costly to protect our proprietary technology and intellectual property rights;
- our clients may delay purchases in anticipation of new solutions, services or enhancements; and
- we may be exposed to liability for security breaches that allow unauthorized persons to gain access to confidential information stored on our computers or transmitted over our network.

Our failure to enhance our platform and to develop and introduce new solutions and services to promptly address the needs of the insurance industry and financial markets could adversely affect our business, financial condition or results of operations.

Our failure to successfully integrate acquisitions could strain our resources. In addition, there are significant risks associated with growth through acquisitions, which may materially adversely affect our business, financial condition or results of operations.

We expect to grow our business by, among other things, making acquisitions. Acquisitions involve a number of risks. Financing an acquisition could result in dilution from issuing equity securities or a weaker balance sheet from using cash or incurring debt. To the extent we grow our business through acquisitions, any potential and completed acquisitions could present a number of other risks, including:

- incorrect assumptions regarding the future results of acquired operations or assets or expected cost reductions or other synergies expected to be realized as a result of acquiring operations or assets;
- failure to integrate the operations or management of any acquired operations or assets successfully and on a timely and cost effective basis;
- insufficient knowledge of the operations and markets of acquired businesses;
- loss of key personnel;
- diversion of management's attention from existing operations or other priorities;
- increased costs or liabilities as a result of undetected or undisclosed legal, regulatory or financial issues related to acquired operations or assets; and
- inability to secure, on terms we find acceptable, sufficient financing that may be required for any such acquisition or investment.

In addition, if we are unsuccessful in completing acquisitions of other businesses, operations or assets or if such opportunities for expansion do not arise, our business, financial condition or results of operations could be materially adversely affected.

We invest significantly in growth and research and development, and to the extent our research and development investments do not translate into new solutions and services or material enhancements to our current solutions and services, or if we do not use those investments efficiently, our business and results of operations would be harmed.

A key element of our strategy is to invest significantly in our growth and research and development efforts to develop new solutions and services and enhance our existing solutions and services to address additional applications and markets. For the year ended December 31, 2024, our research and development expense was approximately 33% of our revenue. If we do not spend our research and development budget efficiently or effectively on compelling innovation and technologies, our business may be harmed and we may not realize the expected benefits of our strategy. Moreover, research and development projects can be technically challenging and expensive. The nature of these research and development cycles may cause us to experience delays between the time we incur expenses associated with research and development and the time we are able to offer compelling solutions and services and generate revenue, if any, from such investment. Additionally, anticipated client demand for an offering we are developing could decrease after the development cycle has commenced, rendering us unable to recover substantial costs associated with the development of such offering. If we expend a significant amount of resources on research and development and our efforts do not lead to the successful introduction or improvement of solutions and services that are competitive in our current or future markets, it would harm our business and results of operations.

Risks Related to the Proposed Acquisition of Enfusion

If the acquisition of Enfusion is completed, we may not achieve the anticipated benefits of the proposed acquisition, including anticipated synergies.

There can be no assurance that we will be able to successfully integrate Enfusion, and the anticipated benefits of the proposed acquisition, including the anticipated operational and other synergies between the companies, may not be realized fully or at all or may take longer to realize than expected or may have unanticipated adverse results. Anticipated benefits are based on expectations about the future that are subject to change (such as assumptions about our future service costs, future operational plans which have not yet been developed and which may vary from past experiences operating the same assets or recent experiences operating in the same areas). If we are not able to realize the anticipated benefits expected from the proposed acquisition within the anticipated timing or at all, our business, financial position, results of operations and cash flows may be adversely affected, the our earnings per share may be diluted, the accretive effect of the proposed acquisition may decrease or be delayed and the market price of our Class A common stock may be negatively impacted.

The integration of the two companies will require significant time and focus from management following the proposed acquisition and could result in performance shortfalls as a result of the diversion of management's attention to such integration efforts. Difficulties in integrating Enfusion into the Company may result in the combined company performing differently than expected, in operational challenges or in the failure to realize anticipated benefits, including anticipated operational and other synergies between the two companies, in whole or in part, on the anticipated timeline or at all. Potential difficulties that may be encountered in the integration process include:

- complexities associated with managing a larger, more complex, integrated business;
- potential unknown liabilities and unforeseen expenses associated with Enfusion and its integration into the Company;
- potential unknowns with respect to future operational plans; and
- inconsistencies between the two company's standards, controls, procedures and policies.

In addition, our business may be negatively impacted following the proposed acquisition if we are unable to effectively manage the expanded operations of the combined company. Actual growth and any potential cost savings, if achieved, may be lower than what we and Enfusion expect and may take longer to achieve than anticipated. If we and Enfusion are not able to adequately address integration challenges, we may be unable to successfully integrate our operations or realize the anticipated benefits of the integration of the two companies.

The Company and Enfusion, including their respective subsidiaries, have operated and, until the completion of the merger, will continue to operate independently. It is possible that the pendency of the merger, as well as the integration process, could result in the loss of key personnel, the loss of customers, inconsistencies in standards, controls, procedures and policies, unexpected integration issues, higher than expected integration costs, an overall post-completion integration process that takes longer than originally anticipated, as well as the disruption of each company's ongoing businesses. Any or all of those occurrences could adversely affect the combined company's operations, including the ability to maintain relationships with customers and employees prior to, or after, the proposed acquisition or to achieve the anticipated benefits of the proposed acquisition.

The combined company may not be able to retain the Company's and Enfusion's existing customers, which could have an adverse effect on the combined company's business and operations, and third parties may terminate or alter existing contracts or relationships with the Company or Enfusion.

As a result of the proposed acquisition, the combined company may experience impacts on relationships with customers that may harm the combined company's business, financial position, results of operations and cash flows. Certain customers may seek to terminate or modify contractual obligations following the proposed acquisition, whether or not contractual rights are triggered as a result of the proposed acquisition. There can be no guarantee that customers will remain with or continue to have a relationship with the combined company or do so on the same or similar contractual terms following the proposed acquisition. If any customers seek to terminate or modify contractual obligations or discontinue the relationship with the combined company, then the combined company's business, financial position, results of operations and cash flows may be harmed.

The Company and Enfusion also have contracts with suppliers, licensors and other business partners which may require the Company or Enfusion, as applicable, to obtain consent from these other parties in connection with the proposed acquisition, or which may otherwise contain limitations applicable to such contracts following the proposed acquisition. If these consents cannot be obtained, the combined company may suffer a loss of potential future revenue, incur costs and lose rights that may be material to the combined company's business. In addition, third parties with whom the Company or Enfusion currently have relationships may terminate or otherwise reduce the scope of their relationship with either party in anticipation of the proposed acquisition. Any such disruptions could limit the combined company's ability to achieve the anticipated benefits of the proposed acquisition. The adverse effect of any such disruptions could also be exacerbated by a delay in the completion of the proposed acquisition or by a termination of the Merger Agreement.

The combined company may be exposed to increased litigation, which could have an adverse effect on the combined company's business, financial position, results of operations and cash flows.

The combined company may be exposed to increased litigation from stockholders, customers, suppliers and other third parties due to the combination of the Company's and Enfusion's businesses following the proposed acquisition. Such litigation may have an adverse impact on the combined company's business, financial position, results of operations and cash flows, or may cause disruptions to the combined company's operations.

Financial Risks

Our revenue can fluctuate from period to period, which could cause our stock price to fluctuate.

Our revenue may fluctuate from period-to-period in the future due to a variety of factors, many of which are beyond our control. Factors relating to our business that may contribute to these fluctuations include the following events, as well as other factors described elsewhere in this Annual Report on Form 10-K:

- a decline or slowdown of the growth in the value of financial market assets, which may reduce the portfolio market value of the assets loaded on our platform from which we derive portfolio-based fees, or reduce demand for our solutions and services generally, and therefore negatively affect our revenues and cash flows;
- unanticipated changes to economic terms in contracts with clients, including renegotiations;
- downward pressure on fees we charge our clients, which would therefore reduce our revenue;
- changes in laws or regulations that could impact our ability to offer solutions and services;
- failure to obtain new clients;
- failure to expand the services offered to existing clients or to apply such services to additional asset portfolios of existing clients;
- cancellation or non-renewal of existing contracts with clients;
- failure to protect our proprietary technology and intellectual property rights;
- unanticipated delays in connection with the implementation of our services in relation to our clients' asset portfolios; or
- reduction in the suite of solutions and services provided to existing clients.

As a result of these and other factors, our results of operations for any quarterly or annual period may differ materially from our results of operations for any prior or future quarterly or annual period and our historical results should not be relied upon as indications of our future performance.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our financial condition and results of operations.

We are subject to taxes in the United States and foreign jurisdictions, and our domestic and foreign income tax liabilities will be subject to the allocation of expenses in differing jurisdictions. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of equity-based compensation;
- costs related to intercompany restructurings;

- changes in tax laws, regulations or interpretations thereof;
- lower than anticipated future earnings in jurisdictions where we have lower statutory tax rates and higher than anticipated future earnings in jurisdictions where we have higher statutory tax rates; or
- changes in the geographic location and amount of expenses we have for certain of our activities that qualify for tax credits and incentives.

In the future, there may be changes to income, sales, use, or other tax laws, statutes, rules, regulations, or ordinances that may impact our business and results of operations. For example, the Inflation Reduction Act was passed into law on August 16, 2022 and made a number of changes to the Internal Revenue Code of 1986 (the "Code"), including the addition of a 1% excise tax on repurchases of stock by publicly-traded corporations. As a result, if our Board of Directors were to approve a share repurchase program, the imposition of this excise tax may increase the cost to us of making repurchases. In addition, we may be subject to audits of our income, sales and other transaction taxes by U.S. federal and state authorities. Outcomes from these audits could have an adverse effect on our results of operations and financial condition.

Our indebtedness could adversely affect our financial flexibility and our competitive position.

As of December 31, 2024, there was $46.1 million of term loans outstanding under the Credit Agreement. The term loan facility is intended to be used for working capital and other general corporate purposes (including acquisitions permitted under the Credit Agreement). Additionally, on February 7, 2025, the Company completed syndication for a senior secured term loan B facility due 2033 in an aggregate principal amount of $800 million ("2025 Term Loan"), subject to the satisfaction of customary closing conditions for similar facilities for the purpose of financing a portion of the cash consideration and paying related fees and expenses in connection with our proposed acquisition of Enfusion. We have also secured commitment for a revolving credit facility agreement that provides an unsecured $200 million revolving credit facility with a tenure of 5 years. For more information, see Note 19 "Subsequent Events" to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Our debt consists of variable-rate debt and fluctuations in interest rates could have a material effect on our business. Prior to 2022, interest rates in the U.S. had generally been at historic lows for several years. In 2022 through 2024, the United States Federal Reserve raised interest rates several times in an attempt to combat historically high inflation. As a result, we may incur higher interest costs if interest rates continue to increase. There can be no assurance that the United States Federal Reserve will not raise rates in the future, and any such increase in interest costs could have a material adverse impact on our financial condition and cash flows.

Our level of indebtedness increases the risk that we may be unable to generate cash sufficient to pay amounts due in respect of our indebtedness. Our indebtedness could have other important consequences to you and significant effects on our business. For example, it could:

- increase our vulnerability to adverse changes in general economic, industry and competitive conditions;
- require us to dedicate a substantial portion of our cash flow from operations to make payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict us from exploiting business opportunities;
- make it more difficult to satisfy our financial obligations, including payments on our indebtedness;
- place us at a disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, debt service requirements, execution of our business strategy or other general corporate purposes.

Our indebtedness may restrict our current and future operations, which could adversely affect our ability to respond to changes in our business and to manage our operations.

The Credit Agreement contains, and the agreements evidencing or governing any other future indebtedness may contain, financial restrictions on us and our restricted subsidiaries, including restrictions on our or our restricted subsidiaries' ability to, among other things:

- place liens on our or our restricted subsidiaries' assets;

- make investments other than permitted investments;
- incur additional indebtedness;
- prepay or redeem certain indebtedness;
- merge, consolidate or dissolve;
- sell assets;
- engage in transactions with affiliates;
- change the nature of our business;
- change our or our subsidiaries' fiscal year or organizational documents; and
- make restricted payments.

In addition, we are required to maintain compliance with various financial ratios in the Credit Agreement. A failure by us or our subsidiaries to comply with the covenants or to maintain the required financial ratios contained in the Credit Agreement could result in an event of default under such indebtedness, which could adversely affect our ability to respond to changes in our business and manage our operations. Additionally, a default by us under the Credit Agreement or an agreement governing any other future indebtedness may trigger cross-defaults under any other future agreements governing our indebtedness. Upon the occurrence of an event of default or cross-default under any of the present or future agreements governing our indebtedness, the lenders could elect to declare all amounts outstanding to be due and payable and exercise other remedies as set forth in the agreements. If any of our indebtedness is accelerated, there can be no assurance that our assets will be sufficient to repay this indebtedness in full, which could have a material adverse effect on our ability to continue to operate as a going concern.

We may not be able to raise additional capital to execute our current or future business strategies on favorable terms, if at all, or without dilution to our stockholders.

We expect that we may need to raise additional capital to execute our current or future business strategies, including to finance any acquisitions of other businesses. However, we do not know what forms of financing, if any, will be available to us. Some financing activities in which we may engage, as well as equity interests we may issue as consideration for or in connection with the financing of any acquisitions, could cause your equity interest in the Company to be diluted, which could cause the value of our Class A common stock to decrease. If financing is not available on acceptable terms, if and when needed, our ability to fund our operations, expand our research and development and sales and marketing functions, develop and enhance our solutions and services, respond to unanticipated events, including unanticipated opportunities, or otherwise respond to competitive pressures would be significantly limited. In any such event, our business, financial condition and results of operations could be materially harmed, and we may be unable to continue our operations.

Goodwill and other intangible assets represent a significant portion of our assets, and any impairment of these assets could negatively impact our results of operations and financial condition.

A significant portion of our assets consists of goodwill and other intangible assets, primarily recorded as the result of the JUMP and Wilshire Technology acquisitions. We may subsequently experience unforeseen events that could adversely affect the value of our goodwill or intangible assets. Our goodwill is subject to an impairment test annually and is also tested for impairment whenever facts and circumstances indicate that goodwill is impaired. In the event of an impairment, any excess of the carrying value of these assets over the fair value must be written off in the period of determination. Finite-lived intangible assets are generally amortized over the useful life of such assets. Future determinations of significant impairments of goodwill or finite-lived intangible assets as a result of an impairment test or accelerated amortization of finite-lived intangible assets could have a negative impact on our results of operations and financial condition.

Deferred tax assets represent a significant portion of our assets, and non-realizability of these assets could negatively impact our results of operations and financial condition.

A significant portion of our assets consists of deferred tax assets ("DTA"), primarily for deductible temporary differences related to Investment in Partnership and loss & tax credit carry forwards. We recognize deferred tax assets to the extent it is more likely than not that the assets will be realized. We consider positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and recent results of operations for a need of valuation allowance at each reporting period. In the event of non-realizability of

DTA, any excess of the carrying value of these assets over the realizability must be adjusted with a corresponding valuation allowance in the period of determination. Future determinations of significant non realizability of DTA could have a negative impact on our results of operations and financial condition. For example, if we were to determine that realizability of our deferred tax assets was not more likely than not, we would reduce deferred tax assets and increase income tax expense by approximately $629 million at December 31, 2024.

Legal and Regulatory Risks

We could face liability for certain information we provide, including information based on data we obtain from other parties.

We may be subject to claims for negligence, breach of contract or other claims relating to the information we provide. For example, individuals may take legal action against us if they rely on information we have provided and it contains an error. In addition, we could be subject to claims based upon the content that is accessible from our website through links to other websites. Moreover, we could face liability based on inaccurate information provided to us by others or based on information provided to us by others that have not obtained necessary consents to do so. Defending any such claims could be expensive and time-consuming, and any such claim could materially adversely affect our business, financial condition or results of operations.

We may become subject to liability based on the use of our investment accounting and reporting solutions, regulatory reporting solutions and internal risk management and performance analytics solutions by our clients.

Our solutions and services support the investment, financial and regulatory reporting processes of our clients, many of whom have asset portfolios on our system aggregating to billions of dollars. Our clients similarly rely on our solutions to ensure compliance with complex regulatory requirements. Our client agreements have provisions designed to limit our exposure to potential liability claims brought by our clients or third parties based on the use of our solutions and services. However, these provisions have certain exceptions and could be invalidated by unfavorable judicial decisions or by federal, state, foreign or local laws. For instance, use of our solutions as part of the investment process creates the risk that asset manager clients, or the parties whose assets are managed by our clients, may pursue claims against us for very significant dollar amounts, and in a similar vein, our clients or their regulators may pursue claims or investigations against us in connection with regulatory reporting deficiencies associated with our services. Any such claim, lawsuit, investigation or other proceeding, even if the outcome were to be ultimately favorable to us, would involve a significant commitment of our management, personnel, financial and other resources and could have a negative impact on our reputation. Such proceedings could therefore have a material adverse effect on our business, financial condition or results of operations.

Furthermore, our clients may use our solutions and services together with software, data or products from other companies. As a result, when problems occur, it might be difficult to identify the source of the problem. Even when our solutions and services do not cause these problems, the existence of these errors might cause us to incur significant costs and divert the attention of our management and technical personnel, any of which could materially adversely affect our business, financial condition or results of operations.

Changes to the laws or regulations applicable to us or to our asset manager or insurance industry clients could adversely affect our business, financial condition or results of operations.

We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC or other U.S. federal or state or foreign governmental regulatory authorities or self-regulatory organizations that supervise the financial markets and insurance industries around the world. In addition, we may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any current proposals will become law, and it is difficult to predict how any changes or potential changes could affect our business. Changes to laws or regulations could increase our potential liability in connection with the solutions and services that we provide.

If government regulation of the Internet or other areas of our business changes, or if attitudes toward use of the Internet change, we may need to change the manner in which we conduct our business or incur greater operating expenses.

The adoption, modification or interpretation of laws or regulations relating to the Internet or other areas of our business could adversely affect the manner in which we conduct our business. Such laws and regulations may cover sales practices, taxes, user privacy, data protection, the use of generative AI, pricing, content, copyrights, distribution, electronic contracts, consumer protection, broadband residential Internet access and the characteristics and quality of services. Moreover, it is not always clear how certain existing laws governing these matters apply to the Internet. If we are required to comply with new regulations or legislation or new interpretations of existing regulations or legislation, we may be required to incur additional expenses or alter our business model, either of which could have a material adverse effect on our business, financial condition or results of operations.

We are substantially dependent on our intellectual property rights, and a failure to protect these rights could adversely affect our business, financial condition or results of operations.

We have made substantial investments in software and other intellectual property on which our business is highly dependent. We rely on trade secret, trademark and copyright laws, confidentiality and nondisclosure agreements and other contractual and technical security measures to protect our proprietary technology. Any loss of our intellectual property rights, or any significant claim of infringement or indemnity for violation of the intellectual property rights of others, could have a material adverse effect on our business, financial condition or results of operations.

Only one of our technologies, solutions or services is covered by an issued patent. We are the owner of three copyright registrations, four registered trademarks in the United States and four international trademarks, and we claim common law rights in other trademarks that are not registered. We cannot guarantee that:

- our intellectual property rights will provide competitive advantages to us;
- our ability to assert our intellectual property rights against potential competitors or to settle current or future disputes will not be limited by our agreements with third parties;
- our intellectual property rights will be enforced in jurisdictions where competition may be intense or where legal protection may be weak;
- any of the trademarks, copyrights, trade secrets or other intellectual property rights that we presently employ in our business will not lapse or be invalidated, circumvented, challenged or abandoned;
- our trademark applications will lead to registered trademarks;
- our patent applications will lead to issued patents; or
- competitors will not design around our intellectual property rights or develop similar technologies or offerings; or that we will be able to successfully assert our intellectual property rights against others.

We are also a party to a number of third-party intellectual property license agreements. Some of these license agreements require us to make one-time payments or ongoing subscription payments. We cannot guarantee that the third-party intellectual property we license will not be licensed to our competitors or others in our industry. In the future, we may need to obtain additional licenses or renew existing license agreements. We are unable to predict whether these license agreements will be obtained or renewed on commercially reasonable terms, or at all. Additionally, we use certain software covered by open source licenses. The terms of many open source licenses have not been interpreted by U.S. courts, and there is a risk that the licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to use such software, or that could require us to disclose certain portions of our proprietary source code or re-engineer all or a portion of our solutions and services, any of which could harm our business and result in significant costs.

Third parties may sue us for intellectual property infringement or misappropriation which, if successful, could require us to pay significant damages or make changes to the solutions or services that we offer.

We cannot be certain that our internally-developed technology, solutions or services do not and will not infringe the intellectual property rights of others. In addition, we license content, software and other intellectual property rights from third parties and may be subject to claims of infringement if such parties do not possess the necessary intellectual property rights to the products they license to us. We may not have sufficient contractual protection to cover all liability associated with such claims. In addition, we may face additional risk of infringement or misappropriation claims if we hire an employee who possesses third-party proprietary information who decides to use such information in connection with our solutions, services or business processes without such third party's authorization. We have in the past been and may in the future be subject to legal proceedings and claims that we have infringed or misappropriated the intellectual property rights of a third party. Claims may involve patent holding companies who have no relevant product revenues and against whom our own proprietary technology may therefore provide little or no deterrence. In addition, third parties may in the future assert intellectual property infringement claims against our clients, which, in certain circumstances, we have agreed to indemnify. Any intellectual property related infringement or misappropriation claims, whether or not meritorious, could result in costly litigation and could divert management resources and attention. Moreover, should we be found liable for infringement or misappropriation, we may be required to enter into licensing agreements, which may not be available on acceptable terms or at all, pay substantial damages or make changes to the solutions and services that we offer. Any of the foregoing could prevent us from competing effectively, result in substantial costs to us, divert management's attention and our resources away from our operations and otherwise harm our reputation.

If our intellectual property and proprietary technology are not adequately protected to prevent use or appropriation by our competitors, our business and competitive position would suffer.

Our future success and competitive position depend in part on our ability to protect our intellectual property rights. The steps we have taken to protect our intellectual property rights may be inadequate to prevent the misappropriation of our proprietary technology. Others may develop or patent similar or superior technologies, solutions or services. Unauthorized copying or other misappropriation of our proprietary technologies could enable third parties to benefit from our intellectual property rights without paying us for doing so, which could harm our business. Policing unauthorized use of proprietary technology is difficult and expensive and our monitoring and policing activities may not be sufficient to identify any misappropriation and protect our proprietary technology. In addition, third parties may knowingly or unknowingly infringe our trademarks and other intellectual property rights, and litigation may be necessary to protect and enforce our intellectual property rights. If litigation is necessary to protect and enforce our intellectual property rights, any such litigation could be very costly and could divert management attention and resources. If we are unable to protect our intellectual property rights or if third parties independently develop or gain access to our or similar technologies, solutions or services, our business, financial condition and results of operations could be materially adversely affected.

Confidentiality and non-compete agreements with employees, consultants and others may not adequately prevent disclosure of trade secrets and other proprietary information or prevent competition.

We have devoted substantial resources to the development of our proprietary technologies, solutions and services. In order to protect our proprietary rights, we enter into confidentiality agreements with our employees, consultants and independent contractors. These agreements may not effectively prevent unauthorized disclosure of confidential information or unauthorized parties from copying aspects of our technologies, investment accounting offerings or obtaining and using information that we regard as proprietary. Moreover, these agreements may not provide an adequate remedy in the event of such unauthorized disclosures of confidential information and our rights under such agreements may not be enforceable. We have non-compete arrangements with certain employees that prevent these persons from competing with us both during and after the terms of their employment agreements. Enforceability of the non-compete agreements is not guaranteed, and such contractual restrictions could be breached without discovery or adequate remedies. In January 2024, a law prohibiting employers from entering into or attempting to enforce noncompete agreements, which are generally void under California state law, went into effect in California. In April 2024, the Federal Trade Commission ("FTC") voted to finalize a rule banning most non-compete clauses in employment agreements. If the FTC rule withstands legal challenge and takes effect, it would deem unlawful existing non-compete agreements entered into with workers who are not "senior executives," and would ban us from entering into new non-compete agreements with any worker, including senior executives. The FTC states that whether a given prohibition constitutes a non-compete agreement is a fact-specific inquiry so that a confidentiality undertaking, if sufficiently broad, might be seen by the FTC as a prohibited non-compete agreement.

In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could reduce any competitive advantage we have developed and cause us to lose clients or otherwise harm our business.

Issues in the development and use of artificial intelligence, combined with an uncertain regulatory environment, may result in reputational harm, liability, or other adverse consequences to our business operations.

We use machine learning (ML) and AI technologies in our solutions and business, and we are making investments in expanding the use of AI solutions, including ongoing deployment and improvement of features using AI technologies. The introduction of AI technologies into new or existing solutions may result in new or enhanced governmental or regulatory scrutiny (such as the recent White House executive order on the development and use of AI, the proposed EU AI Act, and other proposed state and federal regulations), litigation, confidentiality or security risks, ethical concerns, legal liability, or other complications. Compliance with new or changing laws, regulations or industry standards relating to AI may impose significant operational costs and may limit our ability to develop, deploy or use AI technologies. A failure on our part to develop solutions to ensure compliance with regulatory regimes and/or our clients' requirements may result in unforeseen costs or delays deploying new and improved features using AI technologies. Furthermore, while we aim to develop and use AI responsibly and attempt to mitigate ethical and legal issues presented by its use, we may ultimately be unsuccessful in identifying or resolving issues before they arise. Uncertainty around new and emerging AI technologies may require additional investment in the development and maintenance of proprietary datasets and machine learning models, development of new approaches and processes to provide related to the collection and use of training data, and development of appropriate protections and safeguards for handling the use of client data with AI technologies, which may be costly and could impact our expenses. AI technologies incorporated into our solutions and business processes may use algorithms, datasets, or training methodologies that may be flawed or contain deficiencies that may be difficult or impossible for us to detect during testing, including as a result of the use of biased or insufficient training data. Any of the foregoing may result in decreased demand for our solutions, harm to our business, results of operations or reputation, legal liability, regulatory action, or failure to achieve expected results including if use products or enable or offer solutions that draw scrutiny or controversy due to their perceived or actual impact on clients or on society as a whole. In addition, third parties may deploy AI technologies in a manner that reduces client demand for our solutions.

International Risks

As a global organization, our business is susceptible to risks associated with our international operations.

In addition to our U.S. operations, we currently maintain international operations in the United Kingdom and India and have smaller sales-focused research and development-focused presences in France, Germany, Luxembourg, Singapore, and Hong Kong, and have clients located around the globe. Managing a global organization outside of the United States is difficult and time-consuming and introduces risks that we may not face with our operations and sales in the United States. These risks include:

- the burdens of complying with a wide variety of foreign regulations, laws and legal standards, including privacy, data security, tax and employment, some of which may be materially different or more stringent than those of the United States;
- regional data privacy laws that apply to the transmission of personal data across international borders;
- lack of familiarity with, and unexpected changes in, foreign regulatory requirements;
- clients' unfamiliarity with and concerns regarding laws and regulations of the United States that may impact our business operations in their jurisdictions;
- negative, local perception of industries and clients that we may pursue;
- laws and business practices favoring local competitors;
- localization of our solutions and services, including unanticipated costs related to translation into foreign languages and adaptation for local practices and regulatory requirements;
- different pricing environments;
- difficulties in managing and staffing international operations;
- reduced or varied protection for intellectual property rights in some countries;
- compliance with laws and regulations for foreign operations, including the U.S. FCPA, the U.K. Bribery Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell our solutions and services in certain foreign markets, and the risks and costs of compliance;
- fluctuations in currency exchange rates;
- potentially adverse tax consequences, including the complexities of foreign value added tax systems, difficulty in interpreting international tax laws and restrictions on the repatriation of earnings;
- increased financial accounting and reporting burdens and complexities; and
- ongoing uncertainties as a result of instability or changes in geopolitical conditions, including military or political conflicts, such as those caused by the ongoing conflicts between Russian and Ukraine or in the Middle East.

Operating in international markets also requires significant management attention and financial resources. A component of our growth strategy involves the further expansion of our operations and the development of new client relationships in Europe. As we seek to expand internationally, including in Europe, we will need to develop relationships with additional partners and add internal capabilities to effectively manage the operational, financial, legal and regulatory requirements and risks associated with our international operations. The investments we make and additional resources we use to expand our operations, target new international clients, expand our presence globally within our existing clients and manage operational and sales growth in other countries may not produce desired levels of revenue or profitability, which could adversely affect our business and results of operations.

Because our employees are geographically dispersed, we are required to comply with employment-related laws and regulations both in the United States and abroad.

The nature and geographic spread of our business requires that we comply with multiple employment-related legal and regulatory regimes both in the United States and outside the United States. We are subject to the Fair Labor Standards Act, applicable foreign employment standards laws and similar state laws, which govern such matters as time keeping and payroll requirements, minimum wage, overtime, employee and worker classifications, our ability to terminate employees, and other working conditions. While we believe we are currently in compliance with all such regimes, we may be susceptible to various employment claims and proceedings. Any legal proceedings or claims, even if baseless, fully indemnified or insured, could negatively impact our reputation among our employees, clients and the public, and make it more difficult for us to compete effectively or obtain adequate insurance in the future.

If we are unable to effectively manage certain risks and challenges related to our India operations, our business could be harmed.

Our India operations are a key factor to our success. We believe that our significant presence in India provides certain important advantages for our business, such as direct access to a large pool of skilled professionals and assistance in growing our business internationally. However, it also creates certain risks that we must effectively manage. As of December 31, 2024, 541 of our total employees were based in India. Wage costs in India for skilled professionals are currently lower than in the United States for comparably skilled professionals. However, wages in India are increasing at a faster rate than in the United States, which could result in us incurring increased costs for technical professionals and reduced margins. There is intense competition in India for skilled technical professionals, and we expect such competition to increase. As a result, we may be unable to cost-effectively retain our current employee base in India or hire additional new talent. In addition, India has experienced significant inflation, low growth in gross domestic product and shortages of foreign exchange. India also has experienced civil unrest and terrorism and has been involved in conflicts with neighboring countries. The occurrence of any of these circumstances could result in disruptions to our India operations, which, if continued for an extended period of time, could have a material adverse effect on our business. If we are unable to effectively manage any of the foregoing risks related to our India operations, our development efforts could be impaired, our growth could be slowed and our results of operations could be negatively impacted.

Organizational Structure Risks

We are a holding company and our principal asset is our interest in CWAN Holdings and, accordingly, we depend on distributions from CWAN Holdings to pay our taxes and expenses. CWAN Holdings' ability to make such distributions may be subject to various limitations and restrictions.

We are a holding company and have no material assets other than the LLC Interests. As a holding company, we have no independent means of generating revenue or cash flow, and our ability to pay our taxes and operating expenses, or declare and pay dividends, if any, in the future, will depend upon the results of operations and cash flows of CWAN Holdings and its consolidated subsidiaries and distributions we receive from CWAN Holdings. Our subsidiaries may not generate sufficient cash flow to distribute funds to us and applicable state law and contractual restrictions may not permit such distributions.

We anticipate that CWAN Holdings will continue to be treated as a partnership for U.S. federal income tax purposes and, as such, generally will not be subject to any entity-level U.S. federal income tax. Instead, taxable income of CWAN Holdings will be allocated to holders of the LLC Interests. Accordingly, we and our subsidiaries will be required to pay income taxes on our allocable share of any net taxable income of CWAN Holdings allocated to us under the terms of the LLC Agreement. Under the terms of the LLC Agreement, CWAN Holdings is required to make tax distributions to the holders of LLC Interests, including us, on a pro rata basis, unless certain exceptions apply. In addition to tax payments, we will incur expenses related to our operations.

We intend to cause CWAN Holdings to make cash distributions to the owners of LLC Interests in amounts sufficient to (1) fund all or part of their tax obligations in respect of taxable income allocated to them and (2) cover our operating expenses. However, CWAN Holdings' ability to make such distributions may be subject to various limitations and restrictions, such as restrictions on distributions that would violate either any contract or agreement to which CWAN Holdings or its subsidiaries is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering CWAN Holdings or its subsidiaries insolvent. If we do not have sufficient funds to pay tax or other liabilities or to fund our operations, we may have to borrow funds, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders.

Conflicts of interest could arise between our shareholders and the Continuing Equity Owners, which may impede business decisions that could benefit our shareholders.

The Continuing Equity Owners, who are the only holders of LLC Interests other than us, have the right to consent to certain amendments to the LLC Agreement, as well as to certain other matters. The Continuing Equity Owners may exercise these consent rights in a manner that conflicts with the interests of our other shareholders. Circumstances may arise in the future when the interests of the Continuing Equity Owners conflict with the interests of our other shareholders, particularly in the context of acquisitions. As we control CWAN Holdings, we have certain obligations to the Continuing Equity Owners as holders of LLC Interests that may conflict with fiduciary duties our officers and directors owe to our shareholders. These conflicts may result in decisions that are not in the best interests of our shareholders.

In certain circumstances, CWAN Holdings will be required to make distributions to us and the Continuing Equity Owners and the distributions may be substantial.

CWAN Holdings is treated as a partnership for U.S. federal income tax purposes and, as such, is not subject to U.S. federal income tax. Instead, taxable income is allocated to its members, including us and the Continuing Equity Owners. We intend to cause CWAN Holdings to make tax distributions quarterly to the holders of LLC Interests (including us), in each case on a pro rata basis based on CWAN Holdings' net taxable income, which tax distributions will be based on an assumed tax rate. Thus, CWAN Holdings will be required to make tax distributions that, in the aggregate, may be substantial and will likely exceed the amount of taxes that it would have paid if it were taxed on its net income at the tax rate applicable to a similarly situated corporate taxpayer. Funds used by CWAN Holdings to satisfy its tax distribution obligations will not be available for reinvestment in our business. As a result, it is possible that we will receive distributions significantly in excess of our tax liabilities. While our board may choose to distribute such cash balances as dividends on our Class A common stock, it will not be required to do so, and may in its sole discretion choose to use such excess cash for any purpose depending upon the facts and circumstances at the time of determination.

If we were deemed to be an investment company under the Investment Company Act of 1940, as amended (the "1940 Act"), applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business, financial condition and results of operations.

Under Sections 3(a)(1)(A) and (C) of the 1940 Act, a company generally will be deemed to be an "investment company" for purposes of the 1940 Act if it (1) is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (2) is engaged, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company," as such term is defined in either of those sections of the 1940 Act.

As the sole managing member of CWAN Holdings, we control and manage CWAN Holdings. On that basis, we believe that our interest in CWAN Holdings is not an "investment security" under the 1940 Act. Therefore, we have less than 40% of the value of our total assets (exclusive of U.S. government securities and cash items) in "investment securities." However, if we were to lose the right to manage and control CWAN Holdings, interests in CWAN Holdings could be deemed to be "investment securities" under the 1940 Act.

We intend to conduct our operations so that we will not be deemed to be an investment company. However, if we were deemed to be an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Class A Common Stock

The Principal Equity Owners continue to have influence over us, including influence over decisions that require the approval of stockholders, which could limit your ability to influence the outcome of matters submitted to stockholders for a vote.

The Principal Equity Owners beneficially own 62.0% of the combined voting power of all of our outstanding common stock as of December 31, 2024. As such, the Principal Equity Owners have the ability to exercise significant influence over our management and affairs, as well as over corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including the election and removal of directors and the size of our board of directors, any amendment of our certificate of incorporation or bylaws, or the approval of any merger or other significant corporate transaction, including a sale of substantially all of our assets. The concentration of voting power limits your ability to influence corporate matters, and as a result, we may take actions that you do not view as beneficial. As a result, the market price of our Class A common stock could be adversely affected. In addition, the Principal Equity Owners own 14.1% of the economic interest in the Company (on a fully converted basis) and 5.1% of the direct interest in CWAN Holdings, LLC as of December 31, 2024. Because they hold a substantial portion of their ownership interests in our business through CWAN Holdings, these existing holders of LLC Interests may have conflicting interests with holders of our Class A common stock. For example, they may have different tax positions from us which could influence their decisions regarding whether and when to dispose of assets, and whether and when to incur new or refinance existing indebtedness. In addition, the structuring of future transactions may take into consideration these existing unitholders' tax considerations even where no similar benefit would accrue to us.

Certain of our stockholders will have the right to engage or invest in the same or similar businesses as us.

In the ordinary course of their business activities, the Principal Equity Owners and their respective affiliates may engage in activities where their interests conflict with our interests or those of our stockholders. Our amended and restated certificate of incorporation provides that the Principal Equity Owners or any of their respective officers, directors, agents, stockholders, members, partners, affiliates and subsidiaries will have no duty to refrain from engaging directly or indirectly in the same or similar business activities or lines of business as us or any of our subsidiaries, even if the opportunity is one that we might reasonably have pursued or had the ability or desire to pursue if granted the opportunity to do so. No such person will be liable to us for breach of any fiduciary or other duty, as a director or officer or otherwise, by reason of the fact that such person, acting in good faith, pursues or acquires any such business opportunity, directs any such business opportunity to another person or fails to present any such business opportunity, or information regarding any such business opportunity, to us unless, in the case of any such person who is our director or officer, any such business opportunity is expressly offered to such director or officer solely in his or her capacity as our director or officer.

We cannot predict the effect our multiple class structure may have on the trading market for our Class A common stock.

We cannot predict whether our multiple class structure will result in a lower or more volatile market price of our Class A common stock or other adverse consequences. For example, certain index providers have previously placed restrictions on including companies with multiple class share structures in certain of their indexes. Exclusion from indices could make our Class A common stock less attractive to investors, and as a result, the market price of our Class A common stock could be adversely affected.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change of control or changes in our management.

Our certificate of incorporation and bylaws contain provisions that could depress the trading price of our Class A common stock by discouraging, delaying or preventing a change of control of our Company or changes in our management that the stockholders of our Company may believe advantageous. These include provisions that:

- provide for a multi-class common stock structure in which each share of our Class C common stock and each share of our Class D common stock entitles its holder to ten votes per share on all matters presented to our stockholders generally;
- authorize "blank check" preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- provide for a classified board of directors with staggered three-year terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;

- preclude cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;
- limit the ability of stockholders to call a special stockholder meeting;
- prohibit stockholders from acting by written consent from and after the date on which Welsh Carson, Warburg Pincus and Permira and their affiliates, collectively or singly, cease to beneficially own shares of our common stock representing at least 50% of the voting power of our common stock (the "Trigger Event");
- establish advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings;
- require that, from and after the Trigger Event, the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66 2/3% in voting power of all the then-outstanding shares of common stock of the Company entitled to vote thereon;
- providing that our board of directors is expressly authorized to amend, alter, rescind or repeal our bylaws; and
- provide that, from and after the Trigger Event, requiring the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of our common stock to amend provisions of our certificate of incorporation relating to the management of our business, our board of directors, stockholder action by written consent, calling special meetings of stockholders, competition and corporate opportunities, Section 203 of the Delaware General Corporation Law (the "DGCL"), forum selection and the liability of our directors, or to amend, alter, rescind or repeal our bylaws.

Our certificate of incorporation also provides that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternate forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by applicable law, be the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the DGCL, our certificate of incorporation or our bylaws; any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or our bylaws; any action asserting a claim against us that is governed by the internal affairs doctrine; or any action asserting an "internal corporate claim" as defined in Section 115 of the DGCL. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees.

Alternatively, if a court finds the choice of forum provision contained in our certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially and adversely affect our business, financial condition and results of operations.

Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. In addition, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our certificate of incorporation provides that, unless we consent in writing to the selection of an alternate forum, the federal district court for the District of Delaware will be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. We note that there is uncertainty as to whether a court would enforce the choice of forum provision with respect to claims under the federal securities laws, and that investors cannot waive compliance with the Securities Act and the rules and regulations thereunder.

We do not intend to pay any cash distributions or dividends on our Class A common stock in the foreseeable future.

We currently do not anticipate paying any cash dividends on our Class A common stock for the foreseeable future. Instead, we anticipate that all of our available funds and earnings in the foreseeable future will be used to repay indebtedness, for working capital, to support our operations and to finance the growth and development of our business. Any future determination relating to dividend policy will be made at the discretion of our board of directors and will depend on a number of factors, including restrictions in our and our subsidiaries' current and future debt instruments, our future earnings, capital requirements, financial condition and prospects, and applicable Delaware law, which provides that dividends are only payable out of surplus or current net profits. Holders of our Class B common stock and Class C common stock are not entitled to participate in any dividends declared by our board of directors. Furthermore, because we are a holding company, our ability to pay cash dividends on our Class A common stock depends on our receipt of cash distributions from CWAN Holdings and, through CWAN Holdings, cash distributions and dividends from our other direct and indirect subsidiaries.

Future sales of our Class A common stock, or the perception that such sales may occur, could depress our Class A common stock price.

Sales of a substantial number of shares of our Class A common stock in the public market, or the perception that such sales may occur, could depress the market price of our Class A common stock. From time to time, we or our stockholders may sell shares of our Class A common stock. During the year ended December 31, 2024, our Principal Equity Owners sold 53 million shares of our Class A common stock pursuant to three underwritten secondary offerings. Issuing additional shares of our Class A common stock or other equity securities or securities convertible into equity may dilute the economic and voting rights of our existing stockholders or reduce the market price of our Class A common stock or both. Issuing additional shares of our Class B common stock and Class C common stock, as applicable, when issued with corresponding LLC Interests, may also dilute the economic and voting rights of our existing stockholders or reduce the market price of our Class A common stock or both. Additionally, further issuances of our Class D common stock, which is convertible into shares of our Class A common stock, may also dilute the economic and voting rights of our existing stockholders.

Our certificate of incorporation authorizes us to issue up to 1,500,000,000 shares of Class A common stock and we have also reserved certain shares of Class A common stock for issuance upon the exchange of outstanding LLC Interests, together with an equal number of shares of Class B common stock or Class C common stock, as the case may be, and the conversion of outstanding shares of Class D common stock into shares of Class A common stock. Shares of our common stock held by our affiliates will continue to be subject to the volume and other restrictions of Rule 144 under the Securities Act.

The holders of an aggregate of 34,785,778 shares of our Class A common stock (on an as-converted basis) or their transferees are entitled to rights with respect to the registration of their shares under the Securities Act. Following the IPO, we filed a registration statement registering under the Securities Act the shares of Class A common stock reserved for issuance under the 2021 Plan. Sales of our Class A common stock pursuant to these registration rights or such registration statement may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales also could cause our stock price to fall and make it more difficult for stockholders to sell shares of our Class A common stock.

General Risks

We cannot assure you that the price of our Class A common stock will not decline or not be subject to significant volatility.

The market price of our Class A common stock could be subject to significant fluctuations. The price of our Class A common stock may change in response to fluctuations in our results of operations in future periods and also may change in response to other factors, including factors specific to companies in our industry, many of which are beyond our control. As a result, our stock price may experience significant volatility and may not necessarily reflect our performance. Among other factors that could affect our stock price are:

- changes in laws or regulations applicable to our industry or offerings;
- speculation about our business in the press or the investment community;
- price and volume fluctuations in the overall stock market;
- volatility in the market price and trading volume of companies in our industry or companies that investors consider comparable;
- stock price and volume fluctuations attributable to inconsistent trading levels of our shares;
- our ability to protect our intellectual property and other proprietary rights and to operate our business without infringing, misappropriating or otherwise violating the intellectual property and other proprietary rights of others;

- sales of our Class A common stock by us or our significant stockholders, officers and directors, and the expiration of contractual lock-up agreements in connection therewith;
- redemptions and exchanges by certain of the Continuing Equity Owners of their LLC Interests into shares of Class A common stock;
- the development and sustainability of an active trading market for our Class A common stock;
- success of competitive products or services;
- the public's response to press releases or other public announcements by us or others, including our filings with the SEC, announcements relating to litigation or significant changes to our key personnel;
- the effectiveness of our internal controls over financial reporting;
- changes in our capital structure, such as future issuances of debt or equity securities;
- our entry into new markets;
- tax developments in the United States, Europe or other markets;
- strategic actions by us or our competitors, such as acquisitions or restructurings; and
- changes in accounting principles.

Further, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations often have been unrelated or disproportionate to the operating performance of those companies. In addition, the stock prices of many technology companies have experienced wide fluctuations that have often been unrelated to the operating performance of those companies. These broad market and industry fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may cause the market price of our Class A common stock to decline.

A credit ratings downgrade or other negative action by a credit rating organization could adversely affect the trading price of the shares of our Class A common stock.

Credit rating agencies continually revise their ratings for companies they follow. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. In addition, developments in our business and operations could lead to a ratings downgrade for us or our subsidiaries. Any such fluctuation in our or our subsidiaries' ratings may impact our ability to access debt markets in the future or increase our cost of future debt, which could have a material adverse effect on our operations and financial condition, which in return may adversely affect the trading price of shares of our Class A common stock.

The price of our Class A common stock could decline if securities analysts do not publish research or if securities analysts or other third parties publish inaccurate or unfavorable research about us.

The trading of our Class A common stock is likely to be influenced by the reports and research that industry or securities analysts publish about us, our business, our market or our competitors. If one or more securities or industry analysts downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more securities or industry analysts ceases to cover the Company or fails to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

We have implemented disclosure controls and procedures designed to provide reasonable assurance that information we must disclose in reports we file or submit under the Exchange Act is accumulated and communicated to management, and recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures, no matter how well-conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. As a result, because of these inherent limitations in our control system, misstatements or omissions due to error or fraud may occur and may not be detected, which could result in failures to file required reports in a timely manner and filing reports containing incorrect information. Any of these outcomes could result in SEC enforcement actions, monetary fines or other penalties, damage to our reputation, and harm to our financial condition.

Increasing scrutiny of environmental, social and governance matters, may impose additional costs and expose us to new risks.

Companies across all industries have been experiencing increased scrutiny related to their ESG practices and disclosures. Investors, customers, regulators, employees, and other stakeholders have focused increasingly on ESG issues, including, among other things, climate change and greenhouse gas emissions, human and civil rights, and diversity, equity, and inclusion matters. In addition, public ESG and sustainability reporting is becoming more broadly expected by various stakeholders. Clients, particularly in Europe, sometimes seek ESG information to satisfy their ESG commitments and regulatory reporting obligations. We may face reputational damage if we do not adapt to or comply with these expectations and standards relating to ESG matters, or if we fail, or are perceived to fail, to demonstrate progress toward our ESG initiatives and objectives. Further, expectations surrounding appropriate corporate behavior with respect to ESG matters are continually evolving and often reflect opposing viewpoints. If we do not successfully manage expectations across varied stakeholder interests, it could erode stakeholder confidence and thereby affect our brand and reputation.

Certain organizations that provide corporate governance and other corporate risk information to investors and shareholders have developed, and others may in the future develop, scores and ratings to evaluate companies and investment funds based upon ESG or “sustainability” metrics. Certain investment funds focus on positive ESG business practices and sustainability scores when making investments and may consider a company’s ESG or sustainability scores as a factor in making an investment decision. In addition, investors, particularly some institutional investors, use these scores to benchmark companies against their peers and if a company is perceived as lagging, these investors may engage with such company to improve ESG disclosure or performance and may also make voting decisions, or take other actions, to hold these corporations and their boards of directors accountable. Additionally, credit rating agencies may use these scores, or their own scores and ratings, as a consideration in their evaluation of our credit risk. If our credit rating is downgraded on the basis of ESG or “sustainability” metrics, we may face increased costs of capital. We may face reputational damage in the event we are unable to achieve an acceptable ESG or sustainability rating from third-party rating services. A low ESG or sustainability rating by a third-party rating service could also result in the exclusion of our ordinary shares from consideration by certain investors who may elect to invest with our competition instead. Ongoing focus on ESG and sustainability matters by investors and other parties as described above may impose additional costs or expose us to new risks.

Our business and operations are subject to risks related to climate change.

The long-term effects of global climate change present both physical risks (such as extreme weather conditions or rising sea levels) and transition risks (such as regulatory or technology changes), which are expected to be widespread and unpredictable. These changes over time could affect, for example, the availability and cost of products, commodities and energy (including utilities), which in turn may impact our ability to procure goods or services required for the operation of our business at the quantities and levels we require. In addition, many of our operations and facilities around the world are in locations that may be impacted by the physical risks of climate change, and we face the risk of losses incurred as a result of physical damage to business interruption caused by such events. We also use gasoline and electricity in our operations, all of which could face increased regulation as a result of climate change or other environmental concerns.

There are also increasing regulatory efforts to address sustainability topics and transparency with respect to sustainability matters, including an increasing number of laws and regulations promulgated by multiple countries and jurisdictions. These laws and regulations will require new and expansive disclosure on sustainability topics, including climate risks. For example, the European Union’s Corporate Sustainability Reporting Directive (“CSRD”) requires new and expansive disclosures related to sustainability risks and opportunities. At the state level, in October 2023, California enacted legislation that will ultimately require certain companies that do business in California to issue public reports on their climate-related financial risk and related mitigation measures. Compliance with any new sustainability regulatory requirements may result in increased legal, accounting and financial compliance costs, make some activities more difficult, time-consuming and costly, and place strains on our personnel, systems and resources. Further, as many of our customers and potential customers, particularly those in the European Union, may be subject to such laws and directives, those companies will increasingly be required to assess our sustainability efforts and impacts; if we are unable to satisfactorily address their requests for information or other sustainability related requests, those companies may elect to use other providers or switch providers. These events and their impacts could otherwise disrupt and adversely affect our operations and could materially adversely affect our financial performance.

Item 1B. Unresolved Staff Comments.

None.

Item 1C. Cybersecurity

Cybersecurity Risk Management and Strategy

We have developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of our critical systems and information. Our cybersecurity risk management program includes a cybersecurity incident response plan.

We design and assess our program based on various cybersecurity frameworks, such as the NIST and the CIS, and align our security program closely to the NIST Cyber Security Framework. We use these cybersecurity frameworks and information security standards as a guide to help us identify, assess and manage cybersecurity risks relevant to our business.

Our cybersecurity risk management program is integrated into our overall enterprise risk management program and shares common methodologies, reporting channels, and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas.

Key components of our cybersecurity risk management program include:

- risk assessments designed to help identify material cybersecurity risks to our critical systems, information, services, and our broader enterprise IT environment;
- a security team principally responsible for managing (1) our cybersecurity risk assessment processes, (2) our security controls and (3) our response to cybersecurity incidents;
- the use of external service providers, where appropriate, to assess, test or otherwise assist with aspects of our security processes;
- cybersecurity awareness training of our employees, incident response personnel and senior management;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents; and
- a third-party risk management process for service providers, suppliers and vendors.

As of the date of this Annual report on Form 10-K, we have not been materially impacted by any identified risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents. We face certain ongoing risks from cybersecurity threats that, if realized, are reasonably likely to materially affect us, including our operations, business strategy, results of operations, or financial condition. For more information on such risks, see Item 1A, “Risk Factors - Business and Operational Risks - If we or our third-party service providers suffer a cybersecurity event, our reputation may be harmed, we may lose clients and we may incur significant liabilities, any of which would harm our business and results of operations.”

Cybersecurity Governance

Our Board of Directors considers cybersecurity risk as part of its overall enterprise risk oversight function and has delegated to the Audit Committee primary oversight of cybersecurity and other IT risks. The Audit Committee oversees management’s implementation of our cybersecurity risk management program.

The Audit Committee oversees management’s implementation of our cybersecurity risk management program. Our Chief Information Security Officer regularly briefs the Audit Committee on our cybersecurity program and threat posture. These sessions may address a wide range of topics including recent developments, emerging threats, vulnerability assessments, third-party and independent reviews, and information security considerations arising with respect to our vendors and other third parties.

The Audit Committee periodically reports to the full Board regarding its activities, including in relation to its oversight of cybersecurity risks. The full Board also discusses cybersecurity matters with management at least annually.

Our management team, including our IT management team, is responsible for assessing and managing our material risks from cybersecurity threats. The team has primary responsibility for our overall cybersecurity risk management program and supervises both our internal cybersecurity personnel and our retained external cybersecurity consultants. Our management team has over 95 years of combined experience in IT and cybersecurity matters.

Our management team oversees efforts to prevent, detect, mitigate, and remediate cybersecurity risks and incidents through various means, which may include briefings from internal security personnel, threat intelligence and other information obtained from governmental, public, or private sources, including external consultants engaged by us, and alerts and reports produced by security tools deployed in the IT environment.

Item 2. Properties.

Our corporate headquarters is located in Boise, Idaho and consists of 106,780 square feet under a lease agreement that expires on October 31, 2026. The lease agreement includes two optional 5-year renewal periods. We also lease office space in New York, New York; McLean, Virginia; Seattle, Washington; San Jose, California; London, United Kingdom; Edinburgh, United Kingdom; Paris, France; Luxembourg; Frankfurt, Germany; Noida, India, Singapore and Hong Kong.

We lease all our facilities and do not own any real property. We believe that our office facilities are adequate for our immediate needs and that additional or substitute space is readily available if needed to accommodate the growth of our operations.

Item 3. Legal Proceedings.

From time to time, we are subject to certain legal proceedings and claims that arise in the normal course of business. In the opinion of our management, we are not involved in any litigation or proceedings with third parties that we believe could have a material adverse effect on our results of operations, financial condition, cash flows or business.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Information

Our Class A common stock is listed and traded on the NYSE under the trading symbol "CWAN." There is no established public trading market for our Class B common stock, Class C common stock and our Class D common stock.

Holders of Record

As of February 21, 2025, there were 17 holders of record of our Class A common stock. The actual number of stockholders of Class A common stock is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities. As of February 21, 2025, we also had 32 holders of record of our Class C stock and 3 holders of record of our Class D common stock.

Dividend Policy

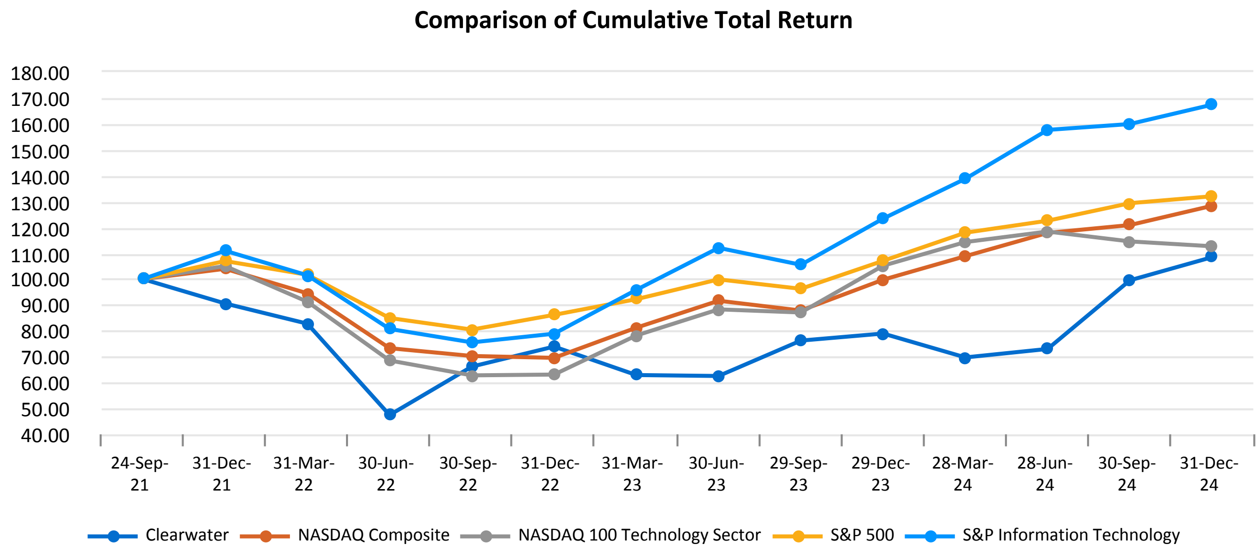
We have no current plans to pay dividends on our Class A common stock or Class D common stock. Holders of our Class B common stock and Class C common stock do not have any right to receive dividends, or to receive a distribution upon a liquidation, dissolution, or winding up of Clearwater Analytics Holdings, Inc., with respect to their Class B common stock and Class C common stock. The declaration, amount, and payment of any future dividends on shares of Class A common stock or Class D common stock is at the sole discretion of our board of directors.

Stock Performance Graph

The following performance graph and related information shall not be deemed to be "soliciting material" or "filed" for purposes of Section 18 of the Exchange Act nor shall such information be incorporated by reference into any filing of Clearwater Analytics Holdings, Inc. under the Exchange Act or the Securities Act, except to the extent we specifically incorporate it by reference in such filing.

In connection with the IPO, we issued 34,500,000 shares of Class A common stock at a public offering price of $18.00 per share. The graph set forth below compares the cumulative total return to stockholders on our Class A common stock relative to the cumulative total returns of the Standard & Poor's 500 Index (the S&P 500), Standard & Poor's Information Technology Sector Index, NASDAQ Composite Index and NASDAQ 100 Technology Sector Index. An investment of $100 is assumed to have been made in our Class A common stock and in each index on September 24, 2021, the date our Class A common stock began trading on the NYSE, and its relative performance is tracked through December 31, 2024. The graph uses the closing market price on September 24, 2021 of $25.37 per share as the initial value of our Class A common stock. All values assume reinvestment of dividends.

The comparisons are based on historical data and are not indicative of, nor intended to forecast, the future performance of our Class A common stock.



Unregistered Sales of Equity Securities

None.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

Item 6. [Reserved]

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. As discussed in the section titled “Special Note Regarding Forward-Looking Statements,” the following discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and in the section titled “Special Note Regarding Forward-Looking Statements” and “Risk Factors” included elsewhere in this Annual Report on Form 10-K.

Overview

Clearwater brings transparency to the opaque world of investment accounting and analytics with what we believe is the industry’s most trusted and innovative single instance, multi-tenant technology platform. Our cloud-native software allows clients to radically simplify their investment accounting operations, enabling them to focus on higher-value business functions such as asset allocation strategy and investment selection. Our platform provides comprehensive accounting, data and advanced analytics as well as highly-configurable reporting for global investment assets daily or on-demand, instead of weekly or monthly. We give our clients confidence that they are making the most informed decisions about investment performance, regulatory compliance and risk.

We provide investment accounting and reporting, performance measurement, compliance monitoring and risk analytics solutions for asset managers, insurance companies and large corporations. Every day, Clearwater’s powerful platform aggregates and normalizes data on over $8.8 trillion of global invested assets for over 1400 clients as of December 31, 2024. We bring modern software to an industry that has long been dominated by difficult-to-use, high cost legacy technologies and processes, which often lack data integrity and traceability, and often require significant manual intervention. The strength of our platform is demonstrated by our approximately 80% win rate for new clients over the prior four years in deals that reached the proposal stage, as well as NPS of 60+ and at least 98% gross retention in 23 of the last 24 quarters.

We allow our clients to replace legacy systems with modern cloud-native software. Our platform helps clients reduce cost, time, errors and risk and allows them to reallocate resources to other value-creating activities. Our software aggregates, reconciles and validates data from more than 4,100 daily data feeds and more than four million securities that have been modeled across multiple currencies, asset classes and countries. This cleansed and validated data runs through our proprietary accounting, performance, compliance and risk solutions to provide clients with powerful analytics and daily or on-demand configurable reporting. We offer multi-asset class, multi-basis, multi-currency accounting and analytics that provide clients with a comprehensive view of their holdings and related performance. This allows our clients to make better, more timely decisions about their investment portfolios.

Clearwater benefits from powerful network effects. With our single instance, multi-tenant architecture, every client, whether new or existing, enriches our global data set by making it more complete and accurate. Our software continually sources, ingests, models, reconciles and validates the terms, conditions and features of every investment security held by all of our clients. This continuous process helps to create a single repository of comprehensive, accurate investment data (often referred to within the industry as a “Golden Copy” of data) that benefits all our clients to the extent they otherwise have rights to the data. Through this continuous process, we are able to identify and adjudicate data discrepancies that otherwise could introduce error and risk into our clients’ investment portfolios. We believe that a meaningful competitive advantage of this network effect is that we are increasingly seen as the best and most accurate source of investment accounting data and analytics in the industry.

We have a recurring revenue model, excluding revenue from professional services and license-related revenue from the JUMP Technology acquisition. We charge our clients a fee that is based on the amount and complexity of the assets they manage on our platform as well as the breadth of the solution utilized by the customer. In 2022, we transitioned our contracting structure to a framework we describe as Base+ for all new clients. A Base+ contract framework includes a base fee for a prospective or existing client’s book of business plus an incremental fee for increases in assets on the platform. This structure is designed to limit the downside volatility in our asset-based fees. We also began to amend contracts with our existing clients to either modify the structure of such contracts from a pure asset-based fee to this Base+ model or to increase the basis point price. Prior to 2022, we charged a basis point fee based on the client’s assets on the platform subject to contracted minimums. For those clients contracted prior to 2022 and whose contract has not been amended, our revenues can more significantly fluctuate with the changes in those clients’ assets. A majority of the assets on our platform are high-grade fixed income assets, which have traditionally had lower levels of volatility, enabling our highly predictable revenue streams. The Base+ model includes annual increases in the base fee and enables us to charge additional fees for supplemental services provided for certain alternative asset classes (e.g., LPx, MLx) or additional products (e.g. Prism, OMS/PMS) should the client choose to utilize those services.

Recent Developments

Secondary Offerings

As required by the Registration Rights Agreement dated September 28, 2021, the Company participated in multiple underwritten offerings of shares held by our Principal Equity Owners during the year ended December 31, 2024.

Pursuant to underwriting agreements executed on March 8, June 15, November 6, and November 30, 2023, certain affiliates of Welsh Carson, Warburg Pincus and Permira (the “Selling Stockholders”) sold 14,950,000, 10,000,000, 20,000,000 and 17,000,000 shares, respectively, of Class A common stock in underwritten secondary public offerings. As part of these secondary offerings, the Selling Stockholders exchanged a total of 14,693,431 shares of Class C common stock, together with corresponding LLC Interests of CWAN Holdings, and 47,122,278 shares of Class D common stock for an equivalent number of shares of Class A common stock that were purchased by the underwriters. The Company did not sell any securities in these secondary offerings and did not receive any proceeds from the sale of the shares sold by the Selling Stockholders. The Company incurred $2.1 million in expenses associated with these secondary offerings which were recorded as general and administrative expenses.

Pursuant to underwriting agreements executed on March 6, June 10, and November 11, 2024, the Selling Stockholders sold 16,250,000, 12,000,000 and 25,000,000 shares, respectively, of Class A common stock in underwritten secondary public offerings. As part of these secondary public offerings, the Selling Stockholders exchanged a total of 14,093,593 shares of Class C common stock and 29,613,617 shares of Class D common stock, and corresponding units in CWAN Holdings, for an equivalent number of shares of Class A common stock that were purchased by the underwriter. The Company did not sell any securities in the secondary offerings and did not receive any proceeds from the sale of the shares sold by the Selling Stockholders. The Company incurred $0.6 million in expenses associated with the secondary offerings which were recorded as general and administrative expenses.

Strategic Acquisitions

On April 22, 2024, the Company completed our acquisition of Wilshire Technology that comprises the risk and performance analytics solutions businesses of Wilshire, a leading global financial services firm. This strategic acquisition allows us to provide enhanced analytical capabilities for investment managers and institutional asset owners and to strengthen our position in the institutional asset owner market.

On January 10, 2025, the Company and Enfusion entered into the Merger Agreement for the Company to acquire Enfusion, a leader in SaaS solutions for the investment management and hedge fund industry, for a purchase consideration of approximately $1.5 billion. The acquisition is expected to accelerate the Company’s vision of building the first cloud-native front-to-back platform for the entire investment management industry. The merger is expected to be completed in the second quarter of 2025, subject to approval by Enfusion’s shareholders, the receipt of required regulatory approvals and other customary closing conditions set forth in the Merger Agreement. For more information, see Note 19 “Subsequent Events” to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Key Factors Affecting Our Performance

The growth and future success of our business depends on many factors, including those described below.

- *Adding New Clients in Established End Markets:* Our future growth is dependent upon our ability to continue to add new clients, and in 2024 we added over 100 net new clients. We are focused on continuing to increase our client base in our established client end-markets of corporations, insurance companies and asset managers, and doing so with increasingly large and sophisticated clients. As we add clients, it takes time to fully onboard their assets to the platform. Our revenue generally increases as assets are added to the platform, while the effort to serve the client is relatively consistent over time. Therefore, we expect revenues and gross margins to increase for a client as the client transitions from the onboarding process to a steady state once assets have been onboarded. In any period, our gross margins may fluctuate based on the relative size and number of clients that we are onboarding at that time.
- *Expanding and Retaining Relationships with Existing Clients:* Our future growth is dependent upon retaining our existing clients and expanding our relationships with these clients through increases in the amount of their assets on our platform. We have enjoyed consistent gross revenue retention rates of at least 98% in 23 of the past 24 quarters. The consistency in revenue retention creates predictability in our

business and enables us to better plan our future investments. Our relationships with our clients expands as these clients add more assets to our platform, with our quarterly net revenue retention rates (as defined below under "—Key Operating Measures") between 110% and 116% in 2024. Clients may add assets as a result of acquiring new clients themselves or by acquiring new businesses or simply through organic growth, which produces additional assets that they manage using our platform. We believe that our client service model and technology platform are strong contributing factors in our attractive retention rates. As such, we expect to continue to invest in both our operations and research and development functions to maintain and increase our high levels of client satisfaction, which we believe will lead to strong client retention and expansion.

- *International Expansion:* We believe that the value provided by our platform is equally applicable to asset owners and asset managers outside of North America, and there is a significant opportunity to expand our client base and usage of our platform internationally. Our future growth is dependent upon our ability to successfully enter new international markets and to expand our client base in our current international markets. Our cost to acquire clients in international markets is currently greater than in North America because there is less awareness of the Clearwater brand and our product capabilities, and we have to date invested less in sales and marketing internationally. For these reasons, we expect to invest more in sales and marketing in international markets relative to North America in order to achieve growth in these international markets.
- *Adding New Clients in Adjacent or Nascent End-Markets:* Our strategy is to also add new clients in our more nascent end-markets, which include state and local governments, pension funds, sovereign wealth funds, as well as endowments and foundations. Traditionally, our existing clients have been among our best resources for referring new clients to us, and we will continue to invest in sales and marketing to build awareness of our brand, engage prospective clients and drive adoption of our platform, particularly as it relates to expanding into new end-markets. As we establish our presence in new end-markets, we expect sales and marketing expenditures will be less efficient than in our established verticals and we will become increasingly more efficient at acquiring clients in new end-markets over time.
- *Expanding Solutions and Broadening Innovation:* Our future growth is dependent upon our continued expansion of our solutions in order to better retain our current clients and to develop new use cases that appeal to new clients. While we believe we will be able to reduce our research and development expenses as a percentage of revenues as we achieve greater scale, our priority is to maintain and grow our technological advantage over our competitors. As we identify opportunities to increase our technological and competitive advantages, we may increase our investments in research and development at rates that are faster than our growth in revenues in order to enhance our long-term growth and profitability.
- *Fluctuations in the Market Value of Assets on the Platform:* Although we generally have a base fee and adopted our Base+ model in 2022, we also bill our clients monthly in arrears based on a basis point rate applied to our clients' assets on our platform, which can be influenced by general economic conditions. While 77% of the assets on our platform were high-grade fixed income securities and structured products as of December 31, 2024 and traditionally subject to lower levels of volatility, the value of our clients' assets on our platform varies on a daily basis due to changes in securities prices, cash flow needs, incremental buying and selling of assets and other strategic priorities of our clients. For these reasons, our revenue is subject to fluctuations based on economic conditions, including market conditions and the changing interest rate environment.

Key Components of Results of Operations

The following discussion describes certain line items in our consolidated statements of operations.

Revenue

We generate revenue from fees derived from providing clients with access to the solutions and services on our SaaS platform. Sales of our offering include a right to use our software in a hosted environment without taking possession of the software. Our contracts are generally cancellable with 30 days' notice without penalty. We invoice clients monthly in arrears based on a percentage of the average daily value of assets within a client's accounts on our platform during that month, or based on a fixed monthly base fee. Payment terms may vary by contract but generally include a requirement of payment within 30 days following the month in which services are provided. Fees invoiced in advance of the delivery of the Company's performance obligations are deemed set-up activities and are deferred as a material right and recognized over time, typically 12 months. Through JUMP, which we acquired on November 30, 2022, we also earn license revenue.

Cost of Revenue

Cost of revenue consists of expenses related to delivery of revenue-generating services, including expenses associated with client services, onboarding, reconciliation and agreements related to the purchase of data used in the provision of our services. Salary and benefits for certain personnel associated with supporting these functions, in addition to allocated overhead, amortization of JUMP-related developed technology intangible asset, and depreciation for facilities, are also included in cost of revenue.

Operating Expenses

Research and development expense consists primarily of salary and benefits for our development staff as well as contractors' fees and other costs associated with the enhancement of our offering, ensuring operational stability and performance and development of new offerings.

Sales and marketing expense consists of the costs of personnel involved in the sales and marketing process, sales commissions, advertising and promotional materials, sales facilities expenses, and the cost of trade shows and seminars.

General and administrative expense consists primarily of personnel costs for IT, finance, administration, human resources and general management, as well as expenses from legal, corporate technology and accounting service providers.

Interest Income, Net

Interest income, net reflects interest received on our cash and cash equivalents based on interest rates in the course of the applicable period, and interest received from our other investments. Interest expense reflects expense on our outstanding term loans under the Credit Agreement during the course of the applicable period. The interest expense varies depending on the timing and amount of borrowings and repayments during the period as well as fluctuations in interest rates.

Tax Receivable Agreement Expense

In connection with the IPO and related transactions, we entered into a TRA that, prior to the TRA Amendment, provided for the payment by us of 85% of certain tax benefits that we realized, or in some cases were deemed to realize, as a result of Tax Attributes, as defined in the Tax Receivable Agreement. Tax receivable agreement expense relates to payments we made, or to be made, under the TRA prior to or in connection with the TRA Amendment.

On November 4, 2024, the Company entered into the TRA Amendment, which amended the TRA to provide for one-time settlement payments in a gross amount of approximately $72.5 million, inclusive of approximately $69.2 million to be paid to the TRA Parties (net of the TRA Bonus Payments) and approximately $3.3 million TRA Bonus Payments to be paid to certain executive officers of the Company (collectively, the "TRA Settlement Payments"), plus approximately $6.5 million in third-party expenses. Upon the payment of the TRA Settlement Payments, the TRA Parties will have no further rights to receive payments (past, current, or future) under the TRA, and the Company will have no further payment obligations (past, current, or future) to the TRA Parties under the TRA. Most of the TRA Settlement Payments were made in December 2024. The remaining TRA Settlement Payments are expected to be made in the first quarter of 2025. Refer to Note 17 "Tax Receivable Agreement Liability" to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Other Income, Net

Other income, net, consists of gains and losses of foreign currency and investments.

Provision for (Benefit from) Income Taxes

Provision for (benefit from) income taxes consists of income taxes related to federal, state, and foreign jurisdictions where we conduct our business, net of any valuation allowance. Our effective tax rate may increase in the future as our ownership in CWAN Holdings increases via exchanges from historical partners. In addition, our discrete items (e.g. changes in tax rates or laws, equity-based compensation deductions, or mix of income between tax jurisdictions) may not be consistent from year to year and could cause volatility in our effective tax rate.

Key Operating Measures

We consider certain operating measures, such as annualized recurring revenue, gross retention rates and net retention rates, in measuring the performance of our business.

Annualized Recurring Revenue

Annualized recurring revenue is calculated at the end of a period by dividing the recurring revenue in the last month of such period by the number of days in the month and multiplying by 365.

The following table summarizes the Company's annualized recurring revenue as of the dates presented:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(in thousands)			
2024				
Annualized recurring revenue	$ 402,326	$ 427,189	$ 456,941	$ 474,924
2023				
Annualized recurring revenue	$ 337,366	$ 349,536	$ 362,442	$ 379,096
2022				
Annualized recurring revenue	$ 287,137	$ 290,354	$ 303,560	$ 323,461

Because a substantial majority of the assets on our platform are fixed income securities that typically have low levels of volatility with respect to their market value, the growth in annualized recurring revenue is generally not attributable to the fluctuating market value of the assets on our platform. Rather, the growth in annualized recurring revenue is due to an increase in the number of clients using our offering as well as from onboarding more assets of our existing clients onto our platform.

Annualized recurring revenue increased 25% from December 31, 2023 to December 31, 2024 due to growth in our client base as we brought new clients onto our platform and added additional assets from existing clients.

Revenue Retention Rate

Gross revenue retention rate represents annual contract value ("ACV") at the beginning of the 12-month period ended on the reporting date less client attrition over the prior 12-month period, divided by ACV at the beginning of the 12-month period, expressed as a percentage. ACV is comprised of annualized recurring revenue plus contracted-not-billed revenue, which represents the estimated annual contracted revenue for new and existing client opportunities prior to revenue recognition. In order to arrive at total ACV, we include contracted-not-billed revenue, as it is contracted revenue that has not been recognized but that we expect to produce recognized revenue in the future. Client attrition occurs when a client provides a contract termination notice. The amount of client attrition is calculated as the reduction in annualized revenue of the client at the time of the notice and is recorded in the month the final billing occurs. In the case of client attrition where contracted-not-billed revenue is still present for a client, both annualized recurring revenue and contracted-not-billed revenue associated with such client are deducted from ACV.

Net revenue retention rate is the percentage of recurring revenue retained from clients on the platform for 12 months and includes changes from the addition, removal or value of assets on our platform, contractual changes that have an impact to annualized recurring revenues and lost revenue from client attrition. We calculate net revenue retention rate as of a period end by starting with the annualized recurring revenue from clients as of the 12 months prior to such period end. We then calculate the annualized recurring revenue from these clients as of the current period end. We then divide the total current period end annualized recurring revenue by the 12-month prior period end annualized recurring revenue to arrive at the net revenue retention rate.

The following table summarizes our retention rates as of the dates presented:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2024				
Gross revenue retention rate	99 %	99 %	99 %	98 %
Net revenue retention rate	110 %	110 %	114 %	116 %
2023				
Gross revenue retention rate	97 %	98 %	98 %	98 %
Net revenue retention rate	106 %	109 %	108 %	107 %
2022				
Gross retention rate	98 %	98 %	98 %	98 %
Net retention rate	107 %	104 %	103 %	106 %

Gross revenue retention rates have remained consistently at least 98% in 23 of the past 24 quarters. We believe the extremely consistent and high gross revenue retention rate is a testament to the value proposition that our leading solution offers.

Non-GAAP Financial Measures

We also consider certain non-GAAP financial measures that are not prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), such as adjusted EBITDA and adjusted EBITDA Margin, in measuring the performance of our business. The non-GAAP measures are not based on any standardized methodology prescribed by GAAP and are not necessarily comparable to similar measures presented by other companies. However, we believe that this non-GAAP information is useful as an additional means for investors to evaluate our operating performance, when reviewed in conjunction with our GAAP financial statements. These measures should not be considered in isolation or as a substitute for measures prepared in accordance with GAAP, and because these amounts are not determined in accordance with GAAP, they should not be used exclusively in evaluating our business and operations. In addition, undue reliance should not be placed upon non-GAAP or operating information because this information is neither standardized across companies nor subjected to the same control activities and audit procedures that produce our GAAP financial results.

Adjusted EBITDA and Adjusted EBITDA Margin

Adjusted EBITDA and Adjusted EBITDA Margin are supplemental performance measures that our management uses to assess our operating performance. We define Adjusted EBITDA as net loss plus (i) interest income, net, (ii) depreciation and amortization expense, (iii) equity-based compensation expense and related payroll taxes, (iv) tax receivable agreement expense, (v) transaction expenses, (vi) amortization of prepaid management fees and reimbursable expenses, (vii) provision for (benefit from) income taxes, (viii) other income, net, and (ix) Up-C structure expenses. We define Adjusted EBITDA Margin as Adjusted EBITDA (as defined above) divided by revenue.

The following table reconciles net loss to Adjusted EBITDA and includes amounts expressed as a percentage of revenue for the periods indicated.

	Year Ended December 31,					
	2024		2023		2022	
	(in thousands, except percentages)					
Net income (loss)	$ 427,585	95%	$ (23,083)	(6%)	$ (6,695)	(2%)
Adjustments:						
Interest income, net	(8,621)	(2%)	(6,401)	(2%)	(1,137)	0%
Depreciation and amortization	12,181	3%	9,929	3%	5,139	2 %
Equity-based compensation expense and related payroll taxes	110,961	25%	108,078	29%	66,525	22 %
Tax receivable agreement expense	53,181	12%	14,396	4%	11,639	4 %
Transaction expenses	8,308	2%	2,052	1%	1,711	1 %
Amortization of prepaid management fees and reimbursable expenses	1,990	0%	2,592	1%	2,486	1%
Provision for (benefit from) income taxes	(457,648)	(101%)	217	0%	1,360	0%
Other income, net	(2,263)	(1%)	(1,874)	(1%)	(50)	0%
Up-C structure expenses	—	—%	—	—%	158	0%
Adjusted EBITDA	145,674	32%	105,906	29%	81,136	27%
Revenue	$ 451,803	100%	$ 368,168	100%	$ 303,426	100%

Results of Operations

The following tables set forth our results of operations for the years ended December 31, 2024, 2023 and 2022:

	Year Ended December 31,		
	2024	2023	2022
		(in thousands)	
Revenue	$ 451,803	$ 368,168	$ 303,426
Cost of revenue[(1)]	122,987	107,127	87,784
Gross profit	328,816	261,041	215,642
Operating expenses:			
Research and development[(1)]	150,558	123,925	94,120
Sales and marketing[(1)]	67,254	60,365	52,638
General and administrative[(1)]	98,770	93,496	63,767
Total operating expenses	316,582	277,786	210,525
Income (loss) from operations	12,234	(16,745)	5,117
Interest income, net	(8,621)	(6,401)	(1,137)
Tax receivable agreement expense	53,181	14,396	11,639
Other income, net	(2,263)	(1,874)	(50)
Loss before income taxes	(30,063)	(22,866)	(5,335)
Provision for (benefit from) income taxes	(457,648)	217	1,360
Net income (loss)	427,585	(23,083)	(6,695)
Less: Net income (loss) attributable to non-controlling interests	3,207	(1,456)	1,272
Net income (loss) attributable to Clearwater Analytics Holdings, Inc.	$ 424,378	$ (21,627)	$ (7,967)

(1) Amounts include equity-based compensation as follows:

	Year Ended December 31,		
	2024	2023	2022
		(in thousands)	
Cost of revenue	$ 13,634	$ 12,215	$ 9,043
Operating expenses:			
Research and development	36,093	24,739	17,950
Sales and marketing	15,304	15,843	12,711
General and administrative	38,170	51,650	25,987
Total equity-based compensation expense	$ 103,201	$ 104,447	$ 65,691

The following table sets forth our consolidated statements of operations data expressed as a percentage of revenue for the periods indicated:

	Year Ended December 31,		
	2024	2023	2022
Revenue	100%	100%	100%
Cost of revenue	27%	29%	29%
Gross profit	73%	71%	71%
Operating expenses:			
Research and development	33%	34%	31%
Sales and marketing	15%	16%	17%
General and administrative	22%	25%	21%
Total operating expenses	70%	75%	69%
Income (loss) from operations	3%	(5%)	2%
Interest (income) expense, net	(2%)	(2%)	0%
Tax receivable agreement expense	12%	4%	4%
Other (income) expense, net	(1%)	(1%)	0%
Loss before income taxes	(7%)	(6%)	(2%)
Provision for (benefit from) income taxes	(101%)	0%	0%
Net income (loss)	95 %	(6)%	(2)%

Comparison of the Years Ended December 31, 2024, 2023 and 2022

Revenue

	Year Ended December 31,		
	2024	2023	2022
	(In thousands, except percentages)		
Revenue	$ 451,803	$ 368,168	$ 303,426
Change over prior year	83,635	64,742	51,404
Percent change over prior year	23 %	21 %	20 %

Revenue increased $83.6 million, or 23%, in 2024 compared to 2023. The increase was due to new clients brought onto our platform which resulted in an increase in revenue of $21.3 million, acquired customer base related to the Wilshire Technology acquisition of $4.2 million, as well as changes to our existing clients' assets on our platform and an increase in revenue not related to assets on our platform. Average assets on our platform that were billed to new and existing clients increased 15% from 2023 to 2024 and average basis point rate billed to clients increased by 6.2% from 2023 to 2024.

Revenue increased $64.7 million, or 21%, in 2023 compared to 2022. The increase was on account of growth in our client base as we brought new clients onto our platform, as well as changes to our existing clients' assets on our platform. Average assets on our platform that were billed to new and existing clients increased 19% from 2022 to 2023 while average basis point rate billed to clients decreased by 2.2% from 2022 to 2023. Additionally, license revenues related to JUMP were $6.6 million in 2023.

Cost of Revenue

	Year Ended December 31,						
	2024	$ Change	% Change	2023	$ Change	% Change	2022
	(In thousands, except percentages)						
Equity-based compensation	$ 13,634	$ 1,419	12 %	$ 12,215	$ 3,172	35 %	$ 9,043
All other cost of revenue	109,353	14,441	15 %	94,912	16,171	21 %	78,741
Total cost of revenue	$ 122,987	$ 15,860	15 %	$ 107,127	$ 19,343	22 %	$ 87,784
Percent of revenue	27 %			29 %			29 %

Cost of revenue changed as follows:

	Change from December 31, 2023 to December 31, 2024	Change from December 31, 2022 to December 31, 2023
	(in thousands)	
Increased payroll and related costs	$ 8,005	$ 7,954
Increased data costs	2,964	341
Increased depreciation and amortization	2,139	4,709
Increased equity-based compensation	1,419	3,172
Increased facilities and infrastructure expenses	1,409	1,068
Increased travel and entertainment	239	567
Increased outside services and contractors	223	310
(Decreased) increased technology costs	(492)	1,113
Other items	(46)	109
Total change	$ 15,860	$ 19,343

The increase in cost of revenue in 2024 was primarily due to increased payroll and related costs as a result of headcount growth, increases in merit-based compensation, and changes in our employee base leading to higher compensation and increased equity-related payroll taxes for vested equity awards. In addition, cost of revenue increased due to higher data costs for acquiring vendor data contracts related to the Wilshire Technology acquisition, increased depreciation and amortization related to the amortization of capitalized IT projects and acquired Wilshire Technology intangible assets, increased equity-based compensation due to additional headcount, increased allocation of facilities cost due to additional office space in international locations, increased travel and entertainment expense as employees travelled more between our office locations to support client onboarding, and higher utilization of third-party contractors in connection with operational activities, partially offset by decreased technology costs from hosting services.

The increase in cost of revenue in 2023 was primarily due to increased payroll and related costs as a result of headcount growth of additional employees across our client services, onboarding and reconciliation teams to support a larger client base and headcount growth related to the JUMP acquisition. In addition, cost of revenue increased due to increased depreciation and amortization related to the amortization of capitalized IT projects and JUMP-related intangible assets, increased equity-based compensation due to additional headcount, increased allocation of technology costs from hosting services as we completed the migration of IT applications to a cloud environment, increased allocation of facilities cost due to additional office space, increased travel and entertainment expense as employees travelled more between our office locations to support client onboarding, increased data costs to support a larger client base and higher utilization of third-party contractors in connection with operational activities.

Operating Expenses

Research and Development

	Year Ended December 31,						
	2024	$ Change	% Change	2023	$ Change	% Change	2022
	(In thousands, except percentages)						
Equity-based compensation	$ 36,093	$ 11,354	46 %	$ 24,739	$ 6,789	38 %	$ 17,950
All other research and development	114,465	15,279	15 %	99,186	23,016	30 %	76,170
Total research and development	$ 150,558	$ 26,633	21 %	$ 123,925	$ 29,805	32 %	$ 94,120
Percent of revenue	33 %			34 %			31 %

Research and development expense changed as follows:

	Change from December 31, 2023 to December 31, 2024	Change from December 31, 2022 to December 31, 2023
	(in thousands)	
Increased equity-based compensation	$ 11,354	$ 6,789
Increased payroll and related costs	11,276	13,655
Increased technology costs	4,207	8,847
Increased facilities and infrastructure expenses	349	1,283
Decreased outside services and contractors	(369)	(893)
Other items	(184)	124
Total change	$ 26,633	$ 29,805

The increase in research and development expense in 2024 was primarily due to increased equity-based compensation due to grants of additional awards to employees, and movement of a key employee to research and development with a change in responsibilities, as well as increased payroll and related costs as a result of headcount growth, increases in merit-based compensation, and changes in our employee base leading to higher compensation and increased equity-related payroll taxes for vested equity awards. In addition, research and development expense increased due to increased technology costs from higher utilization of third-party cloud computing and other third-party IT services, and increased allocation of facilities cost due to additional office space. These increases were partially offset by decreased use of outside services and contractors due to lower utilization of third-party consultants on development activities due to a focus on internal hiring of developers.

The increase in research and development expense in 2023 was primarily due to increased payroll and related costs as a result of headcount growth of additional employees to focus on new offerings, headcount growth related to the JUMP acquisition and lower capitalization of payroll costs related to IT projects, offset by a tax credit related to JUMP based on research and development expenses incurred in France. In addition, research and development expense increased due to increased technology costs from higher utilization of third-party cloud computing and other third-party services as well as increased equity-based compensation due to additional headcount, increased allocation of facilities cost due to additional office space, and increased travel and entertainment costs as employees travelled more between our office locations to support new offering initiatives.

Sales and Marketing

	Year Ended December 31,						
	2024	$ Change	% Change	2023	$ Change	% Change	2022
	(In thousands, except percentages)						
Equity-based compensation	$ 15,304	$ (539)	(3)%	$ 15,843	$ 3,132	25 %	$ 12,711
All other sales and marketing	51,950	7,428	17 %	44,522	4,595	12 %	39,927
Total sales and marketing	$ 67,254	$ 6,889	11 %	$ 60,365	$ 7,727	15 %	$ 52,638
Percent of revenue	15 %			16 %			17 %

Sales and marketing expense changed as follows:

	Change from December 31, 2023 to December 31, 2024	Change from December 31, 2022 to December 31, 2023
	(in thousands)	
Increased payroll and related costs	$ 5,219	$ 2,330
Increased outside services and contractors	906	679
Increased (decreased) marketing	793	(56)
Increased travel and entertainment	465	941
Increased depreciation and amortization	49	303
(Decreased) increased equity-based compensation	(539)	3,132
Other items	(4)	398
Total change	$ 6,889	$ 7,727

The increase in sales and marketing expense in 2024 was primarily due to increased payroll and related costs as a result of headcount growth to expand sales coverage and increases in merit-based compensation. In addition, the increase in sales and marketing expense was driven by higher utilization of third-party consultants to support marketing initiatives, increased marketing costs due to additional marketing events and IT subscriptions supporting market development programs. These increases were partially offset by a decrease in equity-based compensation due to fewer performance-based awards being granted.

The increase in sales and marketing expense in 2023 was primarily due to increased equity-based compensation due to grants of additional awards to employees, and increased payroll and related costs as a result of the hiring of additional employees to expand sales coverage. In addition, the increase in sales and marketing expense was driven by increased travel and entertainment expense as employees travelled more between our office locations and clients to support sales and marketing initiatives, as well as higher utilization of third-party consultants to support marketing initiatives.

General and Administrative

	Year Ended December 31,						
	2024	$ Change	% Change	2023	$ Change	% Change	2022
	(In thousands, except percentages)						
Equity-based compensation	$ 38,170	$ (13,480)	(26)%	$ 51,650	$ 25,663	99 %	$ 25,987
All other general and administrative	60,600	18,754	45 %	41,846	4,066	11 %	37,780
Total general and administrative	$ 98,770	$ 5,274	6 %	$ 93,496	$ 29,729	47 %	$ 63,767
Percent of revenue	22 %			25 %			21 %

General and administrative expense changed as follows:

	Change from December 31, 2023 to December 31, 2024	Change from December 31, 2022 to December 31, 2023
	(in thousands)	
Increased outside services and contractors	$ 9,701	$ 464
Increased payroll and related costs	5,126	2,408
Increased (decreased) facilities and infrastructure expenses	1,258	(48)
Increased recruiting expense	1,018	789
Increased travel and entertainment	569	56
Increased technology costs	484	837
Increased depreciation and amortization	373	27
(Decreased) increased equity-based compensation	(13,480)	25,663
Decreased insurance expense	(260)	(961)
Other items	485	494
Total change	$ 5,274	$ 29,729

The increase in general and administrative expense in 2024 was primarily due to increased outside services and contractors due to higher utilization of professional services supporting accounting, legal and human resources related to secondary transactions, acquisition-related activities and Tax Receivable Agreement settlement, increased payroll and related costs as a result headcount growth and increases in merit-based compensation, increased allocation of facilities cost due to additional office space, and increased recruiting expense to support key hires. These increases were partially offset by decrease in equity-based compensation primarily due to the movement of a key employee to research and development with a change in responsibilities, and decreased insurance costs for our directors and officers.

The increase in general and administrative expense in 2023 was primarily due to increased equity-based compensation expense due to JUMP acquisition-related equity awards and grant of additional awards to employees, increased payroll and related costs as a result of headcount growth. In addition, general and administrative expense increased due to higher utilization of IT services, increased recruiting costs to support key hires, increased transaction expense related to the Secondary Offerings, higher utilization of professional services supporting accounting, legal and human resources, and higher travel and entertainment expense as employees travelled between our office locations more. These increases were partially offset by decreased insurance costs for our directors and officers, reduction in our accruals for sales tax exposure as we finalize voluntary disclosure agreements with jurisdictions, and decreased allocation of facilities costs.

Non-Operating Expenses

Interest Income, Net

	Year Ended December 31,						
	2024	$ Change	% Change	2023	$ Change	% Change	2022
	(In thousands, except percentages)						
Interest income, net	$ (8,621)	$ (2,220)	35 %	$ (6,401)	$ (5,264)	463 %	$ (1,137)
Tax receivable agreement expense	53,181	$ 38,785	269 %	14,396	2,757	24 %	11,639
Other income, net	$ (2,263)	$ (389)	21 %	(1,874)	(1,824)	3648 %	(50)

Interest income, net increased for the year ended December 31, 2024 and 2023 due to increased interest income on our cash, cash equivalents and investments from higher interest rates, and higher average investment balances.

The TRA expense relates to amounts incurred under our Tax Receivable Agreement or in connection with the TRA Amendment. TRA expense increased for the year ended December 31, 2024 due to the TRA Settlement Payments (as defined below). As a result of the TRA Amendment and the TRA Settlement Payments made thereunder, TRA expense is not expected to be recurring in the future as, once the remaining TRA Settlement Payments are made in full, the Company will no longer have any payment obligations under the TRA . Refer to Note 17 “Tax Receivable Agreement Liability” to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Other income, net relates to foreign exchange gains and losses driven by fluctuations in exchange rates, and gains and losses related to our investments.

Provision for (benefit from) Income Taxes

	Year Ended December 31,		
	2024	**2023**	**2022**
	(In thousands, except percentages)		
Provision for (benefit from) income taxes	$ (457,648)	$ 217	$ 1,360
Percent of revenue	(101)%	0 %	0 %
Change over prior year	$ (457,865)	$ (1,143)	$ 873
Percent change over prior year	(210,998)%	(84)%	179 %

The benefit from income taxes in 2024 primarily relates to the valuation allowance release on our U.S. federal and state deferred tax assets. We have maintained a valuation allowance on all of our U.S. net deferred tax assets since our inception as it was determined that it was more likely than not that we would not recognize the benefits of these assets. In the fourth quarter of the year ended December 31, 2024, based on the relevant weight of positive and negative evidence, including the amount of our taxable income in recent years which is objective and verifiable, and consideration of our expected future taxable earnings, we concluded that the valuation allowance related to most U.S. federal and state deferred tax assets was no longer needed. Accordingly, we have recognized a non-recurring tax benefit of $472 million related to the valuation allowance reversal.

We consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, carryback potential if permitted under tax law, and results of recent operations.

The decrease in provision for income taxes in 2023 primarily relates to change in the mix of foreign jurisdiction income in the period and decreased pre-tax income in foreign jurisdictions.

Liquidity and Capital Resources

To date, we have primarily financed our operations through cash flows from operations and financing activities.

As of December 31, 2024, we had cash, cash equivalents and investments of $285.7 million, including cash and cash equivalents of $177.3 million, short-term investments of $78.1 million and long-term investments of $30.3 million. Cash, cash equivalents and short-term investments primarily consist of highly-liquid investments in money market funds, corporate debt securities, US government bond, commercial paper and certificates of deposit. Long-term investments primarily consist of US government bond, U.S. agency securities and corporate debt securities.

We believe our existing cash and cash equivalents will be sufficient to meet our operating working capital and capital expenditure requirements over the next 12 months. Our future financing requirements will depend on many factors, including our growth rate, revenue retention rates, the timing and extent of spending to support development of our platform and any future investments or acquisitions we may make. As announced on January 13, 2025, we entered into an Agreement and Plan of Merger (the “Merger Agreement”) on January 10, 2025 to acquire Enfusion for purchase consideration of $1.5 billion that includes approximately $800 million in cash. We plan to obtain a senior secured term loan B facility due 2033 in an aggregate principal amount of $800 million (“2025 Term Loan”) and a revolving credit facility agreement that provides an unsecured $200 million revolving credit facility with a tenure of 5 years to finance this acquisition, and any other acquisitions we may make in the next 12 months. For more information, see Note 19 “Subsequent Events” to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Additional funds may not be available on terms favorable to us or at all, including as a result of disruptions in the credit markets. See “Risk Factors” elsewhere in this Annual Report on Form 10-K.

The following table shows our cash flows from operating activities, investing activities and financing activities for the stated periods:

	Year Ended December 31,		
	2024	2023	2022
		(in thousands)	
Net cash provided by operating activities	$ 74,321	$ 84,602	$ 58,005
Net cash used in investing activities	(55,648)	(95,055)	(76,551)
Net cash (used in) provided by financing activities	(61,668)	(19,291)	16,229
Effect of exchange rate changes on cash and cash equivalents	(1,420)	785	(1,556)
Change in cash and cash equivalents during the period	$ (44,415)	$ (28,959)	$ (3,873)

Cash Flows from Operating Activities

Net cash provided by operating activities of $74.3 million during 2024 was primarily the result of our net income plus non-cash charges, including equity-based compensation, operating lease expense and depreciation and amortization, offset by deferred tax benefits of $460 million and changes in operating assets and liabilities that decreased operating cash flow by $21.2 million. Accounts receivable increased $13.6 million, which is comprised of $25.5 million from growth in revenues, offset by $11.9 million from improved collections of receivable balances. Deferred commissions increased $6.2 million due to higher revenue in the year. TRA liability decreased $18.9 million due to the TRA Settlement Payments, in a gross amount of approximately $72.5 million plus approximately $6.5 million in third-party expenses in 2024. TRA payments are net of $53.2 million TRA expense recognized in the year ended December 31, 2024.

Net cash provided by operating activities of $84.6 million during 2023 was primarily the result of our net loss plus non-cash charges, including equity-based compensation, operating lease expense and depreciation and amortization offset by changes in operating assets and liabilities that decreased operating cash flow by $30.5 million. Accounts receivable increased $19.3 million, which is comprised of $14.3 million from growth in revenues and $5.0 million from the aging of receivable balances for certain customers due to deterioration in days sales outstanding which we continue to believe is collectible. Deferred commissions increased $5.1 million due to higher revenue in the year. TRA payments were $8.4 million in 2023. The remaining $2.2 million TRA payments related to 2022 was made in the first quarter of 2024. TRA payments are presented net of $14.4 million TRA expense recognized in the year ended December 31, 2023.

Net cash provided by operating activities of $58.0 million during 2022 was primarily the result of our net loss plus non-cash charges, including equity-based compensation, tax receivable agreement expense, operating lease expense and depreciation and amortization. Cash flows resulting from changes in assets and liabilities include an increase in accounts receivable, increase in prepaid expenses and other assets and an increase in deferred commissions. Accounts receivable increased $19.1 million, which is comprised of $9.5 million from growth in revenues and $9.6 million from aging of receivable balances for certain customers due to short-term deterioration in days sales outstanding which we continue to believe is collectible. Prepaid expenses and other assets increased $5.0 million due to timing of payments to data vendors, and deferred commissions increased $5.8 million due to higher revenue in the year.

Cash Flows from Investing Activities

Net cash used in investing activities of $55.6 million during 2024 was primarily due to the purchase of $114.6 million available-for-sale investments, acquisition of Wilshire Technology, net of cash acquired of $40.1 million, purchase of $3.0 million held-to-maturity investments and $5.3 million attributable to the purchase of property and equipment, including internally developed software, which was offset by $107.4 million in proceeds from the sale and maturity of investments.

Net cash used in investing activities of $95.1 million during 2023 was primarily due to the purchase of $124.2 million available-for-sale investments, purchase of $3.0 million held-to-maturity investments and $5.6 million attributable to the purchase of property and equipment, including internally developed software, which was offset by $37.8 million in proceeds from the sale and maturity of investments.

Net cash used in investing activities of $76.5 million during 2022 was primarily due to $65.8 million related to the acquisition of JUMP, net of cash acquired, $3.0 million attributable to the purchase of short-term investments, and $7.8 million attributable to the purchase of property, plant and equipment, including internally developed software.

Cash Flows from Financing Activities

Net cash used in financing activities during 2024 was $61.7 million, of which $55.3 million was used to pay minimum tax withholding on behalf of employees related to net share settlement, $4.7 million was used for the payment of business acquisition holdback liability, $2.8 million was used in the repayment of borrowings and $3.9 million was used for the payment of tax distributions to Continuing Equity Owners, which was partially offset by $4.7 million of proceeds from the employee stock purchase plan.

Net cash used in financing activities during 2023 was $19.3 million, of which $20.8 million was used to pay minimum tax withholding on behalf of employees related to net share settlement, $2.9 million was used for the payment of business acquisition holdback liability, $2.8 million was used in the repayment of borrowings and $2.2 million was used for the payment of tax distributions to Continuing Equity Owners, which was partially offset by $4.8 million of proceeds from the exercise of options and $4.6 million of proceeds from the employee stock purchase plan.

Net cash provided by financing activities during 2022 was $16.2 million, of which $18.3 million was proceeds from the exercise of options and $4.2 million was proceeds from our employee stock purchase plan, which was offset by $3.2 million from minimum tax withholding paid on behalf of employees for net share settlement, and $2.8 million used in the repayment of borrowings.

Indebtedness

For a discussion of our indebtedness, refer to Note 8 “Credit Agreement” to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Critical Accounting Estimates

Management’s discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements and related notes, which have been prepared in accordance with GAAP. We review the accounting policies used in reporting our financial results on a regular basis. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent liabilities.

On an ongoing basis, we evaluate the process we use to develop estimates. We base our estimates on historical experience and on other information that we believe is reasonable for making judgments at the time the estimates are made. Actual results may differ from our estimates due to actual outcomes being different from those on which we based our assumptions.

We believe the following accounting policies contain the more significant judgments and estimates used in the preparation of our consolidated financial statements:

- Revenue recognition
- Equity-based compensation
- Income taxes
- Tax receivable agreement expense

Revenue Recognition

We earn revenues primarily from providing access to our SaaS platform solution to our customers, services that support the implementation on the SaaS platform, selling perpetual and term-based software licenses and providing maintenance and support and professional services under contracts with customers. We recognize revenue when performance obligations are satisfied under the terms of the contract in an amount that reflects the consideration we expect to receive in exchange for the services or licenses. We determined the appropriate amount of revenue to be recognized using the following steps: (i) identification of contracts with customers, (ii) identification of the performance obligations in the contract, (iii) determination of transaction price, (iv) allocation of contract transaction price to the performance obligations, and (v) recognition of revenue when or as a performance obligation is satisfied. Contracts often contain more than one performance obligation. Performance obligations are the unit of accounting for revenue recognition and generally represent the distinct services that are promised to the customer.

SaaS

We typically bill our SaaS customers monthly in arrears based on a percentage of the average of the daily value of the assets within a customer's accounts on the platform. Payment terms may vary by contract but generally include a requirement of payment within 30 days following the month in which services were provided.

Our services allow the customer to access the services without taking possession of the software. Non-refundable fees invoiced in advance of the delivery of our performance obligations are deemed set-up activities and are deferred as a material right and recognized over time, typically 12 months. After set-up activities, customers typically receive benefits from implementation services prior to the "go live" date, at which point they can use the platform as intended in the arrangement. We have determined these implementation services are generally a separate performance obligation. As our platform must stand ready to provide the services throughout the contract period, revenues are recognized as the services are provided over time beginning on the date the service is made available as intended in the arrangement. Customers generally have the right to cancel with 30 days' notice with no penalty.

Licenses

As a result of the acquisition of JUMP on November 30, 2022, we earn license revenue through the sale of software license agreements to new customers and sales of additional licenses to the existing customers who can purchase additional users for existing licenses or purchase new licenses. Licenses can be either perpetual or term-based and provide the customer with a right to use the software. When a term license is purchased, maintenance and support is bundled with the license for the term of the license period. We require customers purchasing perpetual licenses to also purchase maintenance and support services covering at least one year from the beginning of the perpetual license. We also offer professional services, including consulting and training, that are not integral to the functionality of the license.

Revenue is recognized when the performance obligation is satisfied. Revenue from our perpetual and term-based licenses is recognized when the software is delivered or made available to the customer and all other revenue recognition criteria are satisfied. We satisfy our maintenance and support performance obligations and recognize revenue ratably over the maintenance and support term or license term, consistent with the pattern of benefit to the customer of such services. Professional services are provided on a time basis or over a contract term. We satisfy our professional services and training performance obligations and recognize the associated revenue as services are delivered.

We typically bill customers for licenses and maintenance annually in advance and professional services are billed monthly in arrears as services are performed.

Professional services

Professional services consists primarily of professional services provided to our clients to configure and optimize the use of our solutions, as well as training services related to the configuration and operation of our solutions. We recognize the revenues associated with these professional services on a time and materials basis as we deliver the services or provide the training, or milestones are achieved. We generally recognize the revenues associated with our services in the period the services are performed, provided that collection of the related receivable is reasonably assured.

Equity-Based Compensation

We measure and recognize equity-based compensation expense for instruments based on the estimated fair value of equity-based awards on the date of grant using the Black-Scholes option-pricing model for options and the fair value of the equity on the date of grant for RSUs. We recognize equity-based compensation expense over the requisite service period on a straight-line basis, which is generally consistent with the vesting of the awards, based on the estimated fair value of the equity-based awards issued to employees and directors. Equity-based compensation that vests on a performance event, such as annual targets for the Company, begins to be recognized at the date that the performance event becomes probable, and compensation expense is recognized through a cumulative catch-up, if necessary, then ratably over each performance period. If there are any modifications of equity-based awards, we may be required to accelerate, increase, decrease or reverse any equity-based compensation expense on the unvested awards. The Company records forfeitures when they occur for all equity-based awards.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income taxes are recognized for the expected future tax consequences attributable to temporary differences between the carrying amount of the existing tax assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied in the years in which temporary differences are expected to be recovered or settled. The principal items giving rise to temporary differences are basis differences due to exchange transactions, loss and tax credit carryforwards, equity-based compensation, and intangible asset amortization. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent we believe it is more likely than not that they will not be realized. We consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, carryback potential if permitted under tax law, and results of recent operations.

We record uncertain tax positions in accordance with ASC 740, Income Taxes on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position, and (2) for those tax positions that meet the more likely than not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. We consider many factors when evaluating our uncertain tax positions, which involve significant judgment and may require periodic adjustments. The resolution of these uncertain tax positions in a manner inconsistent with management's expectations could have a material impact on our consolidated financial statements. We recognize interest and penalties related to uncertain tax positions as a component of our provision for (benefit from) income taxes. Accrued interest and penalties are included with the related tax liability.

Tax Receivable Agreement

In connection with the IPO and related transactions, we entered into a TRA that, prior to the TRA Amendment, provided for the payment by us of 85% of the amount of any tax benefits that we actually realized, or in some cases were deemed to realize, from any redemptions or exchanges of CWAN Holdings units.

We have historically accounted for amounts payable under the TRA in two parts. The first was to accrue the TRA liability that has been incurred as of the balance sheet date. The second was to record the TRA liability related to all future years that was probable and reasonably estimable. We determined the amount that was probable and reasonably estimable by mirroring the net deferred tax asset balance such that the TRA liability was 85% of the net deferred tax asset balance.

On November 4, 2024, the Company entered into the TRA Amendment, which amended the TRA to provide for one-time settlement payments in a gross amount of approximately $72.5 million, inclusive of approximately $69.2 million to be paid to the TRA Parties (net of the TRA Bonus Payments) and approximately $3.3 million TRA Bonus Payments to be paid to certain executive officers of the Company (collectively, the "TRA Settlement Payments"), plus approximately $6.5 million in third-party expenses. Upon the payment of the TRA Settlement Payments, the TRA Parties will have no further rights to receive payments (past, current, or future) under the TRA, and the Company will have no further payment obligations (past, current, or future) to the TRA Parties under the TRA. Most of the TRA Settlement Payments were made in December 2024. The remaining TRA Settlement Payments are expected to be made in the first quarter of 2025. Refer to Note 17 "Tax Receivable Agreement Liability" to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Recently Issued Accounting Pronouncements

Refer to Note 2 "Basis of Presentation and Summary of Significant Accounting Policies" to the consolidated financial statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

AUM Market Price Risk

A portion of our revenue is derived from fees that are primarily based on the amount of assets on our platform. These fees are stated in basis points, or 1/100th of 1%. Though in substantially all cases we charge a minimum or base fee regardless of the assets that are loaded onto our platform, our revenues fluctuate based on the value of the assets that our clients maintain on our platform. A total of $8.8 trillion and $7.3 trillion of assets was loaded on our platform as of December 31, 2024 and 2023, respectively. Movements in funds invested between different securities or fluctuations in securities prices or investment performance could cause the value of AUM to decline, which would result in lower fees we receive from our clients.

Interest Rate Risk

We have interest rate risk relating to debt and associated interest expense under the Credit Agreement, which has been amended to be indexed to the Secured Overnight Financing Rate ("SOFR"). At any time, a rise in interest rates could have a material adverse impact on our earnings and cash flows. Conversely, a decrease in interest rates could result in a material increase in earnings and cash flows. We estimate that a hypothetical increase or decrease in SOFR of 100 basis points would increase or decrease, respectively, our interest expense or income by approximately $0.2 million on an annual basis, based on our $46.1 million debt balance under the Credit Agreement at December 31, 2024.

Inflation

Our business, financial condition and results of operations may be impacted by macroeconomic conditions, including rising inflation. Although our operations in India have been impacted by rising inflation in the region, we currently do not believe that inflation has had a material direct effect on our overall business, financial condition or results of operations. However, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset higher costs through price increases and our inability or failure to do so could potentially harm our business, financial condition, and results of operations.

Item 8. Financial Statements and Supplementary Data.

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Consolidated Financial Statements of Clearwater Analytics Holdings, Inc. and Subsidiaries

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors

Clearwater Analytics Holdings, Inc.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Clearwater Analytics Holdings, Inc. and subsidiaries (the Company) as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income (loss), changes in equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2024, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 26, 2025 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits 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. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) 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 matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Evaluation of deferred tax assets recorded for exchange transactions

As discussed in Notes 2 and 16 to the consolidated financial statements, the Company holds an economic interest in CWAN Holdings, LLC (CWAN Holdings) and consolidates the financial position and results of CWAN Holdings. The Company is the sole managing member of CWAN Holdings. CWAN Holdings is treated as a partnership for U.S. federal income tax purposes with the Continuing Equity Owners of CWAN Holdings owning a non-controlling interest. The Continuing Equity Owners have the right to exchange CWAN Holdings partnership interests, along with an equal number of the Company's Class B or C Common Stock shares, for the Company's Class A or D Common Stock shares. Upon such an exchange, the Company is treated as purchasing an additional interest in CWAN Holdings from the Continuing Equity Owners in a taxable exchange. The exchange generates deferred tax assets as a result of an increase in tax basis for the Company. As of December 31, 2024, the Company reported $514 million of deferred tax assets related to its Investment in Partnership, a portion of which relates to these exchanges.

We identified the evaluation of deferred tax assets recorded for exchange transactions as a critical audit matter. Complex auditor judgment, including specialized skills and knowledge, was required to evaluate the application of the income tax law and the calculation of tax basis within management's model to determine the deferred tax assets generated in exchange transactions.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the deferred tax calculation. This included an internal control over the Company's calculation of the deferred tax assets generated in exchange transactions. We involved tax professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's application of income tax law related to the tax basis in the interest acquired from the Continuing Equity Owners in exchange transactions
- performing an independent calculation of the tax basis in the interest acquired from the Continuing Equity Owners in exchange transactions and comparing it to the Company's calculation.

Evaluation of the realizability of deferred tax assets

As discussed in Notes 2 and 16 to the consolidated financial statements, at December 31, 2024, the Company had deferred tax assets of $625 million. These deferred tax assets consist primarily of $514 million of deductible temporary differences related to Investment in Partnership. The Company recognizes deferred tax assets to the extent it is more likely than not that the assets will be realized. The Company considered positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and recent results of operations.

We identified the evaluation of the realizability of certain deferred tax assets as a critical audit matter. The evaluation of the realizability of these deferred tax assets required subjective auditor judgment to assess the sustainability of the Company's current taxable income over the periods in which those temporary differences become deductible because of the Company's historical cumulative tax loss position.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the realizability of deferred tax assets, which included controls related to the Company's evaluation of the sustainability of current taxable income. We involved tax professionals with specialized skills and knowledge who assisted in evaluating the Company's application of income tax law and the Company's deferred tax asset scheduling process to determine whether it was more likely than not that certain deferred tax assets could be realized. We assessed whether current income levels are sustainable in future years by comparing to historical income levels and income margins of peer entities. We also assessed changes in the composition of the Company's income to determine the factors that led to positive cumulative taxable income in the current year and evaluated the sustainability of those factors.

/s/ KPMG LLP

We have served as the Company's auditor since 2019.

Boise, Idaho

February 26, 2025

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors

Clearwater Analytics Holdings, Inc.:

Opinion on Internal Control Over Financial Reporting

We have audited Clearwater Analytics Holdings, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2024 and 2023, the related consolidated statements of operations, comprehensive income (loss), changes in equity (deficit), and cash flows for each of the years in the three-year period ended December 31, 2024, and the related notes (collectively, the consolidated financial statements), and our report dated February 26, 2025 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

/s/ KPMG LLP

Boise, Idaho

February 26, 2025

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

	December 31,	
	2024	**2023**
Assets		
Current assets:		
Cash and cash equivalents	$ 177,350	$ 221,765
Short-term investments	78,139	74,457
Accounts receivable, net	106,151	92,091
Prepaid expenses and other current assets	23,006	27,683
Total current assets	384,646	415,996
Property and equipment, net	14,797	15,349
Operating lease right-of-use assets, net	24,797	22,554
Deferred contract costs, non-current	7,013	6,439
Debt issuance costs - line of credit	339	533
Deferred tax assets, net	602,500	1,344
Other non-current assets	3,340	3,563
Intangible assets, net	30,868	26,132
Goodwill	70,971	45,338
Long-term investments	30,301	21,495
Total assets	$ 1,169,572	$ 558,743
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,934	$ 3,062
Accrued expenses and other current liabilities	62,983	49,535
Notes payable, current portion	2,750	2,750
Operating lease liability, current portion	8,350	6,551
Tax receivable agreement liability	35	18,894
Total current liabilities	77,052	80,792
Notes payable, less current maturities and unamortized debt issuance costs	43,164	45,828
Operating lease liability, less current portion	17,655	16,948
Other long-term liabilities	1,470	5,518
Total liabilities	139,341	149,086
Commitments and contingencies (Note 11)		
Stockholders' Equity		
Class A common stock, par value $0.001 per share; 1,500,000,000 shares authorized, 212,857,580 shares issued and outstanding as of December 31, 2024, 127,604,185 shares issued and outstanding as of December 31, 2023	213	128
Class B common stock, par value $0.001 per share; 500,000,000 shares authorized, no share issued and outstanding as of December 31, 2024, 111,191 shares issued and outstanding as of December 31, 2023	—	—
Class C common stock, par value $0.001 per share; 500,000,000 shares authorized, 12,542,110 shares issued and outstanding as of December 31, 2024, 32,684,156 shares issued and outstanding as of December 31, 2023	13	33
Class D common stock, par value $0.001 per share; 500,000,000 shares authorized, 22,243,668 shares issued and outstanding as of December 31, 2024, 82,955,977 shares issued and outstanding as of December 31, 2023	22	83
Additional paid-in-capital	725,174	532,507
Accumulated other comprehensive (loss) income	(1,113)	2,909
Retained earnings (accumulated deficit)	283,946	(181,331)
Total stockholders' equity attributable to Clearwater Analytics Holdings, Inc.	1,008,255	354,329
Non-controlling interests	21,976	55,328
Total stockholders' equity	1,030,231	409,657
Total liabilities and stockholders' equity	$ 1,169,572	$ 558,743

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

Clearwater Analytics Holdings, Inc.
Consolidated Statements of Operations
(In thousands, except share and per share amounts)

	Year Ended December 31,		
	2024	2023	2022
Revenue	$ 451,803	$ 368,168	$ 303,426
Cost of revenue[1]	122,987	107,127	87,784
Gross profit	328,816	261,041	215,642
Operating expenses:			
Research and development[1]	150,558	123,925	94,120
Sales and marketing[1]	67,254	60,365	52,638
General and administrative[1]	98,770	93,496	63,767
Total operating expenses	316,582	277,786	210,525
Income (loss) from operations	12,234	(16,745)	5,117
Interest income, net	(8,621)	(6,401)	(1,137)
Tax receivable agreement expense	53,181	14,396	11,639
Other income, net	(2,263)	(1,874)	(50)
Loss before income taxes	(30,063)	(22,866)	(5,335)
Provision for (benefit from) income taxes	(457,648)	217	1,360
Net income (loss)	427,585	(23,083)	(6,695)
Less: Net income (loss) attributable to non-controlling interests	3,207	(1,456)	1,272
Net income (loss) attributable to Clearwater Analytics Holdings, Inc.	$ 424,378	$ (21,627)	$ (7,967)
Net earnings (loss) per share attributable to Class A and Class D common stock (Note 13):			
Basic	$ 1.93	$ (0.11)	$ (0.04)
Diluted	$ 1.68	$ (0.11)	$ (0.04)
Weighted average shares of Class A and Class D common stock outstanding:			
Basic	219,316,625	199,691,873	185,560,683
Diluted	254,362,539	199,691,873	185,560,683

(1) Amounts include equity-based compensation as follows:

Cost of revenue	$ 13,634	$ 12,215	$ 9,043
Operating expenses:			
Research and development	36,093	24,739	17,950
Sales and marketing	15,304	15,843	12,711
General and administrative	38,170	51,650	25,987
Total equity-based compensation expense	$ 103,201	$ 104,447	$ 65,691

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

Consolidated Statements of Comprehensive Income (Loss)
(In thousands)

	Year Ended December 31,		
	2024	**2023**	**2022**
Net income (loss)	$ 427,585	$ (23,083)	$ (6,695)
Other comprehensive income (loss), net of taxes:			
Foreign currency translation adjustment	(4,619)	2,744	824
Unrealized gain on investments	105	42	—
Comprehensive income (loss)	$ 423,071	$ (20,297)	$ (5,871)
Less: Comprehensive income (loss) attributable to non-controlling interests	2,715	(970)	1,453
Comprehensive income (loss) attributable to Clearwater Analytics Holdings, Inc.	$ 420,356	$ (19,327)	$ (7,324)

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

Consolidated Statements of Changes in Equity (Deficit)
(In thousands, except share amounts)

	Class A Shares	Class A Amount	Class B Shares	Class B Amount	Class C Shares	Class C Amount	Class D Shares	Class D Amount	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Accumulated Deficit)	Non-controlling Interest	Total Stockholders' Equity
Balance at December 31, 2023	127,604,185	$ 128	111,191	$ —	32,684,156	$ 33	82,955,977	$ 83	$ 532,507	$ 2,909	$ (181,331)	$ 55,328	$ 409,657
Exercise of options to purchase common stock	3,139,347	3	—	—	—	—	—	—	219	—	—	26	248
Restricted stock units released	4,394,452	4	—	—	—	—	—	—	—	—	—	—	4
Shares withheld for tax obligations	(3,537,216)	(3)	—	—	—	—	—	—	(49,275)	—	—	(6,023)	(55,301)
ESPP shares issued	291,266	—	—	—	—	—	—	—	4,182	—	—	511	4,693
Equity-based compensation	—	—	—	—	—	—	—	—	92,371	—	—	11,292	103,663
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	(4,116)	—	(503)	(4,619)
Unrealized gain on available-for-sale investments	—	—	—	—	—	—	—	—	—	94	—	11	105
Net income	—	—	—	—	—	—	—	—	—	—	424,378	3,207	427,585
Accrued tax distributions payable to Continuing Equity Owners	—	—	—	—	—	—	—	—	—	—	—	(974)	(974)
Tax effect of ownership changes	—	—	—	—	—	—	—	—	145,170	—	—	—	145,170
Effect of LLC unit exchanges	80,965,546	81	(111,191)	—	(20,142,046)	(20)	(60,712,309)	(61)	—	—	40,899	(40,899)	—
Balance at December 31, 2024	212,857,580	$ 213	—	$ —	12,542,110	$ 13	22,243,668	$ 22	$ 725,174	$ (1,113)	$ 283,946	$ 21,976	$ 1,030,231

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

Consolidated Statements of Changes in Equity (Deficit)
(In thousands, except share amounts)

	Class A Shares	Class A Amount	Class B Shares	Class B Amount	Class C Shares	Class C Amount	Class D Shares	Class D Amount	Additional Paid in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Non-controlling Interest	Total Stockholders' Equity
Balance at December 31, 2022	61,148,890	$ 61	1,439,251	$ 1	47,377,587	$ 47	130,083,755	$ 130	$ 455,320	$ 609	$ (186,647)	$ 68,865	$ 338,386
Exercise of options to purchase common stock	3,016,765	3	—	—	—	—	—	—	3,910	—	—	825	4,738
Restricted stock units released	1,966,153	2	—	—	—	—	—	—	—	—	—	—	2
Shares withheld for tax obligations	(2,014,074)	(2)	—	—	—	—	—	—	(17,157)	—	—	(3,625)	(20,784)
ESPP shares issued	337,182	—	—	—	—	—	—	—	3,788	—	—	800	4,588
Equity-based compensation	—	—	—	—	—	—	—	—	86,647	—	—	18,310	104,957
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	2,265	—	479	2,744
Unrealized gain on available-for-sale investments	—	—	—	—	—	—	—	—	—	35	—	7	42
Net loss	—	—	—	—	—	—	—	—	—	—	(21,627)	(1,456)	(23,083)
Accrued tax distributions payable to Continuing Equity Owners	—	—	—	—	—	—	—	—	—	—	—	(1,933)	(1,933)
Effect of LLC unit exchanges	63,149,269	63	(1,328,060)	(1)	(14,693,431)	(15)	(47,127,778)	(47)	—	—	26,944	(26,944)	—
Balance at December 31, 2023	127,604,185	$ 128	111,191	$ —	32,684,156	$ 33	82,955,977	$ 83	$ 532,507	$ 2,909	$ (181,331)	$ 55,328	$ 409,657

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

Consolidated Statements of Changes in Equity (Deficit)
(In thousands, except share amounts)

	Class A Shares	Class A Amount	Class B Shares	Class B Amount	Class C Shares	Class C Amount	Class D Shares	Class D Amount	Additional Paid in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-controlling Interest	Total Stockholders' Equity
Balance at December 31, 2021	47,948,888	$ 48	11,151,110	$ 11	47,377,587	$ 47	130,083,755	$ 130	$ 388,591	$ (34)	$ (191,926)	$ 65,001	$ 261,868
Exercise of options to purchase common stock	2,747,332	3	—	—	—	—	—	—	14,261	—	—	4,020	18,284
Restricted stock units released	588,854	—	—	—	—	—	—	—	—	—	—	—	—
Shares withheld for tax obligations	(196,961)	—	—	—	—	—	—	—	(2,487)	—	—	(702)	(3,189)
ESPP shares issued	348,918	—	—	—	—	—	—	—	3,288	—	—	927	4,215
Equity-based compensation	—	—	—	—	—	—	—	—	51,667	—	—	14,569	66,236
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	643	—	181	824
Net loss	—	—	—	—	—	—	—	—	—	—	(7,967)	1,272	(6,695)
Accrued tax distributions payable to Continuing Equity Owners	—	—	—	—	—	—	—	—	—	—	—	(3,157)	(3,157)
Effect of LLC unit exchanges	9,711,859	10	(9,711,859)	(10)	—	—	—	—	—	—	13,246	(13,246)	—
Balance at December 31, 2022	61,148,890	$ 61	1,439,251	$ 1	47,377,587	$ 47	130,083,755	$ 130	$ 455,320	$ 609	$ (186,647)	$ 68,865	$ 338,386

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

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

	Year Ended December 31,		
	2024	2023	2022
OPERATING ACTIVITIES			
Net income (loss)	$ 427,585	$ (23,083)	$ (6,695)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	12,181	9,929	5,139
Noncash operating lease cost	9,221	7,619	5,950
Equity-based compensation	103,201	104,447	65,691
Amortization of deferred contract acquisition costs	5,265	4,763	4,327
Amortization of debt issuance costs, included in interest expense	280	280	279
Deferred tax benefit	(460,032)	(1,665)	(803)
Accretion of discount on investments	(2,185)	(1,474)	—
Realized gain on investments	(35)	(89)	—
Loss on fixed assets disposal	66	—	—
Changes in operating assets and liabilities, excluding the impact of business acquisitions:			
Accounts receivable, net	(13,648)	(19,298)	(19,098)
Prepaid expenses and other assets	5,627	1,151	(4,956)
Deferred contract acquisition costs	(6,242)	(5,067)	(5,845)
Accounts payable	269	(115)	1,609
Accrued expenses and other liabilities	11,627	1,204	207
Tax receivable agreement liability	(18,859)	6,000	12,200
Net cash provided by operating activities	74,321	84,602	58,005
INVESTING ACTIVITIES			
Purchases of property and equipment	(5,259)	(5,624)	(7,758)
Purchase of held to maturity investments	(3,009)	(3,004)	(3,000)
Purchase of available-for-sale investments	(114,572)	(124,178)	—
Proceeds from sale of available-for-sale investments	—	5,950	—
Proceeds from maturities of investments	107,417	31,801	—
Acquisition of business, net of cash acquired	(40,121)	—	(65,793)
Payment of initial direct costs for operating lease	(104)	—	—
Net cash used in investing activities	(55,648)	(95,055)	(76,551)
FINANCING ACTIVITIES			
Proceeds from exercise of options	248	4,738	18,284
Taxes paid related to net share settlement of equity awards	(55,301)	(20,784)	(3,189)
Proceeds from employee stock purchase plan	4,693	4,588	4,215
Repayments of borrowings	(2,750)	(2,749)	(2,750)
Payment of costs associated with offering	—	—	(214)
Payment of tax distributions	(3,873)	(2,184)	(117)
Payment of business acquisition holdback liability	(4,685)	(2,900)	—
Net cash (used in) provided by financing activities	(61,668)	(19,291)	16,229
Effect of exchange rate changes on cash and cash equivalents	(1,420)	785	(1,556)
Change in cash and cash equivalents during the period	(44,415)	(28,959)	(3,873)
Cash and cash equivalents, beginning of period	221,765	250,724	254,597
Cash and cash equivalents, end of period	$ 177,350	$ 221,765	$ 250,724
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest	$ 3,464	$ 3,454	$ 1,395
Cash paid for income taxes	$ 1,979	$ 2,432	$ 2,044
NON-CASH INVESTING AND FINANCING ACTIVITIES			
Purchase of property and equipment included in accounts payable and accrued expense	$ 38	$ 435	$ 350
Business acquisition holdback liability included in accrued expense and other long-term liabilities	$ —	$ —	$ 6,999
Tax distributions payable to Continuing Equity Owners included in accrued expenses	$ 23	$ 2,945	$ 3,196

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

Clearwater Analytics Holdings, Inc.
Notes to Consolidated Financial Statements

Note 1. Organization and Description of Business

Clearwater Analytics Holdings, Inc. (the “Company” or “Clearwater”) was incorporated as a Delaware corporation on May 18, 2021 as a holding company for the purpose of facilitating the IPO, completed on September 28, 2021, and other related transactions in order to carry on the business of the Company. Prior to the IPO, all business operations were conducted through Carbon Analytics Holdings, LLC, which changed its name to CWAN Holdings, LLC (“CWAN Holdings”) in connection with the IPO. Clearwater provides a SaaS solution for automated investment data aggregation, reconciliation, accounting and reporting services to insurers, investment managers, corporations, institutional investors and government entities. Following the IPO, Clearwater’s principal asset consists of ownership of common units in CWAN Holdings. As the sole managing member of CWAN Holdings, Clearwater operates and controls all the business operations of the Company. Our corporate structure following the IPO, as described above, is commonly referred to as an “Up-C” structure. The Company does not have material assets, liabilities, revenues or expenses other than its investment in (and the deferred taxes and TRA expenses, if any, associated with) CWAN Holdings, which fully owns CWAN Acquisition LLC which fully owns and is guarantor of the Company.

The Company’s headquarters are located in Boise, ID, and we operate in five offices throughout the U.S. and eight offices internationally.

We have four classes of common stock: Class A common stock, Class B common stock, Class C common stock, and Class D common stock. The attributes of the Company's classes of common stock are summarized in the following table:

Class of Common Stock	Votes per Share	Economic Rights
Class A common stock	1	Yes
Class B common stock	1	No
Class C common stock	10	No
Class D common stock	10	Yes

As of December 31, 2024, the Company owns 94.9% of the interests in CWAN Holdings. Continuing Equity Owners which hold Class B and Class C common stock own the remaining 5.1% of the interests in CWAN Holdings.

Note 2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements and accompanying notes have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its directly and indirectly wholly-owned or controlled subsidiaries. All intercompany balances and transactions have been eliminated through consolidation. Clearwater Analytics Holdings, Inc. consolidated the financial results of CWAN Holdings as a Variable Interest Entity (“VIE”). Clearwater Analytics Holdings, Inc. owns the majority economic interest and has the power to control all the business and affairs of CWAN Holdings.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the consolidated financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Actual results could differ materially from those estimates.

Items subject to estimates and assumptions include the useful lives and recoverability of long-lived assets, the average period of benefit associated with deferred contract costs, sales reserves, the incremental borrowing rate applied in lease accounting, the fair value and probability of achieving performance conditions of equity awards, business combinations and tax valuation allowance, among others. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the result of which forms the basis for making judgments about the carrying values of assets and liabilities, and measurement of revenues and expenses. To the extent there are material differences between these estimates, judgments, or assumptions and actual results, the Company's consolidated financial statements will be affected.

Revenue Recognition

The Company earns revenue primarily from providing access to its SaaS platform solution to its customers, and to a lesser degree, from services that support the implementation on the SaaS platform. The Company recognizes revenue when it satisfies performance obligations under the terms of the contract in an amount that reflects the consideration the Company expects to receive in exchange for the services. The Company determines the appropriate amount of revenue to be recognized using the following steps: (i) identification of contracts with customers, (ii) identification of the performance obligations in the contract, (iii) determination of transaction price, (iv) allocation of contract transaction price to the performance obligations, and (v) recognition of revenue when or as the Company satisfies a performance obligation. Often contracts contain more than one performance obligation. Performance obligations are the unit of accounting for revenue recognition and generally represent the distinct services that are promised to the customer.

SaaS

The Company's SaaS services allow the customer to access the services without taking possession of the software. Non-refundable fees invoiced in advance of the delivery of the Company's performance obligations are deemed set-up activities and are deferred as a material right and recognized over time, typically 12 months. After set-up activities, customers typically receive benefits from implementation services prior to the "go live" date, at which point they can use the platform as intended in the arrangement. We have determined these implementation services are generally a separate performance obligation. As the Company's platform must stand ready to provide the services throughout the contract period, revenues are recognized as the services are provided over time beginning on the date the service is made available as intended in the arrangement. Customers generally have the right to cancel with 30 days' notice with no penalty.

The Company typically bills its customers for SaaS services monthly in arrears based on a percentage of the average of the daily value of the assets within a customer's accounts on the platform, subject to a base fee, or based on a fixed monthly base fee. Payment terms may vary by contract but generally include a requirement of payment within 30 days following the month in which services were provided.

Sales tax collected from customers and remitted to governmental authorities is not included in revenue and is reflected as a liability on the Company's consolidated balance sheets.

Licenses

As a result of the acquisition of JUMP Technology ("JUMP") on November 30, 2022, the Company earns license revenue through the sale of software license agreements to new customers and sales of additional licenses to the existing customers who can purchase additional users for existing licenses or purchase new licenses. Licenses can be either perpetual or term-based and provide the customer with a right to use the software. When a term license is purchased, maintenance and support is bundled with the license for the term of the license period. The Company requires customers purchasing perpetual licenses to also purchase maintenance and support services covering at least one year from the beginning of the perpetual license. The Company also offers professional services, including consulting and training, that are not integral to the functionality of the license.

Revenue is recognized when the performance obligation is satisfied. Revenue from our perpetual and term-based licenses is recognized when the software is delivered or made available to the customer and all other revenue recognition criteria are satisfied. We satisfy our maintenance and support performance obligations and recognize revenue ratably over the maintenance and support term or license term, consistent with the pattern of benefit to the customer of such services. Professional services are provided on a time basis or over a contract term. We satisfy our professional services and training performance obligations and recognize the associated revenue as services are delivered.

License revenue is recognized when software is delivered and other revenue recognition criteria are satisfied, was \$3.8 million, \$6.6 million and \$0.9 million in the years ended December 31, 2024, 2023 and 2022, respectively.

The Company typically bills its customers for licenses and maintenance annually in advance and professional services are billed monthly in arrears as services are performed.

Professional services

Professional services consists primarily of professional services provided to our clients to configure and optimize the use of our solutions, as well as training services related to the configuration and operation of our solutions. We recognize the revenues associated with these professional services on a time and materials basis as we deliver the services or provide the training, or milestones are achieved. We generally recognize the revenues associated with our services in the period the services are performed, provided that collection of the related receivable is reasonably assured.

Costs Incurred to Obtain Revenue Contracts

The Company's incremental direct costs of obtaining a contract consist of sales commissions which are deferred and amortized ratably over the term of economic benefit, which the Company has determined to be four years. These deferred contract costs are classified as current or non-current based on the timing of when the Company expects to recognize the expense. The current and non-current portions of deferred commissions are included in prepaid expenses and other current assets, and deferred contract costs, non-current, respectively, in the Company's consolidated balance sheets.

Recoverability of these costs is subject to various business risks. The Company compares the carrying value of these assets with the undiscounted future cash flows expected to be generated by them to determine if there is impairment. No impairment losses were recognized during the years ended December 31, 2024, 2023 and 2022.

Contract Assets

Our multi-year licenses are typically invoiced annually in advance. Contract assets (as reflected in prepaid expenses and other current assets, and non-current assets - see Note 7 to these Financial Statements) are recorded upon delivery or the license being made available to the customer, to the extent we have an unconditional right to receive payment in the future related to those licenses. The non-current portion relates to unbilled receivables from multi-year license contracts.

Deferred Revenue

Deferred revenue (as reflected in accrued expenses and other current liabilities – see Note 7 to these Financial Statements) generally consists of non-refundable fees invoiced during the period in which the Company is performing set-up activities for the SaaS solution, and maintenance and support services for licenses. Deferred revenue that will be recognized during the succeeding twelve-month period is recorded as current deferred revenue.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and highly liquid investments, primarily money market funds, purchased with an original maturity of three months or less at the time of purchase.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company maintains the vast majority of its cash with United States financial institutions of high credit quality. The Company performs periodic evaluations of the credit standing of such institutions.

Accounts receivable are recorded net of an allowance for expected credit losses. Management's evaluation of the adequacy of the allowance for expected credit losses considers historical collection experience, changes in customer payment terms, the aging of receivable balances, as well as current and expected economic conditions, all of which may impact a customer's ability to pay. Receivables are written-off and charged against its recorded allowance when the Company has exhausted collection efforts without success.

During the years ended December 31, 2024, 2023 and 2022, the Company did not have any clients that contributed more than 10% of revenue. As of December 31, 2024 and 2023, the Company did not have any clients that accounted for 10% or more of total accounts receivable.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, investments, accounts receivable, accounts payable, accrued liabilities and notes payable. Cash equivalents are stated at carrying value, which approximates fair value as of the balance sheet dates, due to the short period of time to maturity. Investments include money market funds, commercial paper, U.S. agency securities, corporate debt securities and certificates of deposit. Accounts receivable, accounts payable and accrued liabilities are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment. The carrying amounts reported in the consolidated balance sheets for the Company's notes payable approximates fair value because the interest rate is variable and reflects current market values.

As of December 31, 2024 and December 31, 2023, the Company has not elected the fair value option for any financial assets or liabilities for which such an election would have been permitted.

The Company measures financial assets and liabilities at fair value at each reporting period using a fair value hierarchy that requires the use of observable inputs and minimizes the use of unobservable inputs. The Company defines fair value as the price that would be received from selling an asset or paid by the Company to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

- Level I – Quoted prices in active markets for identical assets or liabilities.
- Level II – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level III – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

The Company measures its cash equivalents, which includes money market accounts and available-for-sale debt securities at fair value, and held-to-maturity debt securities at amortized cost, and classifies them in accordance with the fair value hierarchy on a recurring basis.

Investments

Investments primarily consist of money market funds, commercial paper, U.S. agency securities, corporate debt securities and certificates of deposit. The Company invests in a diversified portfolio of investment securities and limits the concentration of its investment in any particular security. We classify our investments with an original maturity of greater than three months, but less than one year, as short-term investments, and investments with maturities greater than one year as long-term investments.

Investments in debt securities that we have the positive intent and ability to hold until maturity are classified as held-to-maturity debt securities. Our held-to-maturity debt securities consist of short-term certificates of deposit which mature in less than one year. Held-to-maturity debt investments are recorded at amortized cost, which approximates fair value, and realized gains or losses are reported in earnings.

Available-for-sale securities consist of commercial paper, U.S. agency securities and corporate debt securities. Available-for-sale investments are recorded at fair value, and unrealized gains or losses related to changes in fair value between periods are reported in accumulated other comprehensive income. Realized gains or losses related to available-for-sale investments are reported in earnings. Realized gains or losses were not material during the year ended December 31, 2024.

If the estimated fair value of an available-for-sale debt security is below its amortized cost basis, then the Company evaluates the security for impairment. The Company considers its intent to sell the security or whether it is more likely than not that it will be required to sell the security before recovery of its amortized basis. If either of these criteria are met, the debt security's amortized cost basis is written down to fair value through other (income) expense, net in the consolidated statements of operations. If neither of these criteria are met, the Company evaluates whether unrealized losses have resulted from a credit loss or other factors. The factors considered in determining whether a credit loss exists can include the extent to which fair value is less than the amortized cost basis, changes to the rating of the security by a rating agency, any adverse conditions specifically related to the security, as well as other factors. An impairment relating to credit losses is recorded through an allowance for credit losses reported in other (income) expense, net in the consolidated statements of operations. The allowance is limited by the amount that the fair value of the debt security is below its amortized cost basis. When a credit loss exists, the Company compares the present value of cash flows expected to be collected from the debt security with the amortized cost basis of the security to determine what allowance amount, if any, should be recorded. As of December 31, 2024 and December 31, 2023, no allowance of credit losses related to our available-for-sale investments was recorded. Unrealized losses not resulting from credit losses are recorded through accumulated other comprehensive income.

Property and Equipment, Net

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, which are generally three to five years. Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining lease term or the estimated useful lives of related improvements. Expenditures for repairs and maintenance are charged to expense in the period incurred.

Costs associated with the development of internal use software incurred during the application and development stage are capitalized and recorded as part of property and equipment, net. Costs related to preliminary project activities and post implementation activities are expensed as incurred. Upgrades and enhancements are capitalized if the expenditures will result in adding functionality to the software.

Depreciation and amortization periods for property and equipment are as follows:

Property and Equipment	Estimated Useful Life
Computer equipment	3 years
Furniture and fixtures	3 - 5 years
Internally developed software	4 years
Leasehold improvements	Lesser of estimated useful life or remaining lease term

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the sum of the future undiscounted cash flows the assets are expected to generate. If a long-lived asset is considered impaired, the impairment equals the amount by which the carrying value of the asset exceeds its fair value. Impairment losses were not material during the years ended December 31, 2024, 2023 and 2022.

Cost of Revenue

Cost of revenue consists of expenses that are related to delivery of revenue generating services, including expenses associated with client services, global delivery, reconciliation, and agreements related to the purchase of data used in the provision of the Company’s services. Certain personnel expenses associated with supporting these functions, including associated allocated overhead expenses, are also included in cost of revenue.

Capitalized software costs are amortized using the straight-line method over the estimated economic life of the related software, which is generally four years, and are recorded as cost of revenue in the consolidated statements of operations.

Research and Development

Research and development costs consist of personnel expenses, including salaries and benefits, bonuses, equity-based compensation and related overhead costs for employees engaged in the design, development and maintenance of the Company’s offerings and other internally used systems and applications.

Equity-Based Compensation

The Company measures and recognizes equity-based compensation expense for stock options based on the estimated fair value of equity-based awards on the date of grant using the Black-Scholes option-pricing model for options and the fair value of the equity on the date of grant for RSUs. The Company recognizes equity-based compensation expense over the requisite service period on a straight-line basis, which is generally consistent with the vesting of the awards, based on the estimated fair value of the equity-based awards issued to employees and directors. Equity-based compensation that vests on a performance event, such as annual targets for the Company, begins to be recognized at the date that the performance event becomes probable, and compensation expense is recognized through a cumulative catch-up if necessary, then ratably over each performance period. If there are any modifications of equity-based awards, the Company may be required to accelerate, increase, decrease, or reverse any equity-based compensation expense on the unvested awards. The Company records forfeitures when they occur for all equity-based awards.

Equity-based compensation expense related to purchase rights issued under the Employee Stock Purchase Plan (“ESPP”) is based on a Black-Scholes option pricing formula to determine fair value of the estimated awards as of the beginning of the offering period. Equity-based compensation expense is recognized following the straight-line attribution method over the offering period.

Income Taxes

We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. Deferred income taxes are recognized for the expected future tax consequences attributable to temporary differences between the carrying amount of the existing tax assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to be applied in the years in which temporary differences are expected to be recovered or settled. The principal items giving rise to temporary differences are basis differences due to exchange transactions, loss and tax credit carryforwards, equity-based compensation, and intangible asset amortization. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Deferred tax assets are evaluated for future realization and reduced by a valuation allowance to the extent we believe it is more likely than not that they will not be realized. We consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, carryback potential if permitted under tax law, and results of recent operations.

We record uncertain tax positions in accordance with ASC 740, Income Taxes on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position, and (2) for those tax positions that meet the more likely than not recognition threshold, we recognize the largest amount of tax benefit that is more than 50% percent likely to be realized upon ultimate settlement with the related tax authority. We consider many factors when evaluating our uncertain tax positions, which involve significant judgment and may require periodic adjustments. The resolution of these uncertain tax positions in a manner inconsistent with management's expectations could have a material impact on our consolidated financial statements. We recognize interest and penalties related to uncertain tax positions as a component of our provision for (benefit from) income taxes. Accrued interest and penalties are included with the related tax liability.

Tax Receivable Agreement

In connection with the IPO and related transactions, we entered into a TRA that, prior to the TRA Amendment, provided for the payment by us of 85% of the amount of any tax benefits that we actually realized, or in some cases were deemed to realize, from any redemptions or exchanges of CWAN Holdings units.

We have historically accounted for amounts payable under the TRA in two parts. The first was to accrue the TRA liability that has been incurred as of the balance sheet date. The second was to record the TRA liability related to all future years that was probable and reasonably estimable. We determined the amount that was probable and reasonably estimable by mirroring the net deferred tax asset balance such that the TRA liability was 85% of the net deferred tax asset balance. Refer to Note 17 "Tax Receivable Agreement Liability".

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the effective interest method. Debt issuance costs related to the term note are included within notes payable on the consolidated balance sheet. Debt issuance costs associated with the line of credit are included as a non-current asset on the consolidated balance sheets. Amortization of debt issuance costs are included in interest (income) expense, net in the consolidated statements of operations.

Comprehensive Income (Loss)

Comprehensive income (loss) is comprised of two elements: net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) refers to income (losses) that are recorded as an element of stockholders' equity but are excluded from the Company's net income (loss). For all periods presented, the Company's other comprehensive income (loss) is comprised of foreign currency translation adjustments related to its foreign subsidiaries and unrealized gains on investments.

Foreign Currency

The functional currencies of the Company's foreign subsidiaries are their local currencies. The assets and liabilities of the Company's foreign subsidiaries are translated at the spot rate in effect at the applicable reporting date, and the consolidated statements of operations are translated at the average exchange rates in effect during the applicable period.

The resulting unrealized cumulative translation adjustment is recorded as a component of accumulated other comprehensive income in stockholders' equity.

The Company has transactions in foreign currencies other than the functional currency. Transactions denominated in currencies other than the functional currency are recorded based on exchange rates at the time the transactions occur. Subsequent changes in exchange rates result in transaction gains and losses which are reflected in the consolidated statements of operations as unrealized (based on the applicable period-end exchange rate) or realized upon settlement of the transactions. Foreign currency gains and losses resulting from transactions denominated in a currency other than the functional currency are included in other (income) expense, net in the consolidated statements of operations. During the years ended December 31, 2024, 2023 and 2022, the Company recognized net foreign currency gains (losses) of $0.1 million, $0.7 million, and $0.1 million, respectively.

Non-Controlling Interests

The non-controlling interests balance represents the economic interests in CWAN Holdings held by Continuing Equity Owners, based on the portion of Class B and Class C common stock owned by Continuing Equity Owners. Income or loss is attributed to the non-controlling interests based on the weighted-average Class B and Class C common stock outstanding during the period. As of December 31, 2024, the non-controlling interests owned 5.1% of CWAN Holdings. The non-controlling interests' ownership percentage can fluctuate over time as Continuing Equity Owners elect to exchange Class B and Class C common stock for Class A and Class D common stock of Clearwater Analytics Holdings, Inc.

Net Earnings (Loss) Per Share

Basic net earnings (loss) per share is computed by dividing net income (loss) attributable to Clearwater Analytics Holdings, Inc. by the weighted-average number of shares of Class A and Class D common stock during the same period.

Diluted net earnings (loss) per share of Class A and Class D common stock is computed by dividing net income (loss) attributable to Clearwater Analytics Holdings, Inc., adjusted for the assumed exchange of all potentially dilutive instruments for Class A and Class D common stock and shares issuable under the ESPP, by the weighted-average number of shares of Class A and Class D common stock outstanding, adjusted to give effect to potentially dilutive elements. The dilutive effect of outstanding awards, if any, is reflected in diluted earnings (loss) per share by application of the treasury stock method or if-converted method, as applicable.

Business Combinations

We include the results of operations of the businesses that we acquire beginning as of the respective dates of acquisition. We allocate the fair value of the purchase price of our acquisitions to the assets acquired and liabilities assumed, generally based on their estimated fair values. The excess of the purchase price over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from acquired technology, useful lives, royalty rates, and discount rates. Additional information existing as of the acquisition date but unknown to us may become known during the remainder of the measurement period, not to exceed 12 months from the acquisition date, which may result in changes to the amounts and allocations recorded.

Intangible Assets

Purchased intangible assets with finite lives are carried at cost, less accumulated amortization. Amortization is computed over the estimated useful lives of the respective assets. Finite-lived intangible assets are evaluated for impairment when impairment indicators are present. No impairment charge was recorded for the years ended December 31, 2024 and 2023.

Impairment of Goodwill

Goodwill is evaluated for impairment on an annual basis in the fourth quarter of our fiscal year, and whenever events or changes in circumstances indicate the carrying amount of goodwill may not be recoverable. We have elected to first assess qualitative factors to determine whether it is more likely than not that the fair value of our single reporting unit is less than its carrying amount, including goodwill. If we determine that it is more likely than not that the fair value is less than its carrying amount, then the quantitative impairment test will be performed. Under the quantitative impairment test, if the carrying amount exceeds its fair value, we will recognize an impairment loss in an amount equal to that excess but limited to the total amount of goodwill. No impairment charge was recorded for the years ended December 31, 2024 and 2023.

Recently Adopted Accounting Pronouncements

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): *Improvements to Reportable Segment Disclosures*, which requires all public entities, including public entities with a single reportable segment, to provide in interim and annual periods one or more measures of segment profit or loss used by the chief operating decision maker to allocate resources and assess performance. Additionally, the standard requires disclosures of significant segment expenses and other segment items as well as incremental qualitative disclosures. The guidance in this update is effective for fiscal years beginning after December 15, 2023, and interim periods after December 15, 2024. The Company adopted this pronouncement retrospectively on December 31, 2024. Refer to Note 15 “Segment and Geographic Information.”

Recently Issued Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): *Improvements to Income Tax Disclosures*, which requires enhanced income tax disclosures, including specific categories and disaggregation of information in the effective tax rate reconciliation, disaggregated information related to income taxes paid, income or loss from continuing operations before income tax expense or benefit, and income tax expense or benefit from continuing operations. The requirements of the ASU are effective for annual periods beginning after December 15, 2024, with early adoption permitted. The Company is currently in the process of evaluating the impact of this pronouncement on our related disclosures.

In November 2024, the FASB issued ASU No. 2024-03, Disaggregation of Income Statement Expenses (Subtopic 220-40), which requires the disaggregated disclosure of specific expense categories, including purchases of inventory, employee compensation, depreciation, and amortization, within relevant income statement captions. This ASU also requires disclosure of the total amount of selling expenses along with the definition of selling expenses. The ASU is effective for annual periods beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Adoption of this ASU can either be applied prospectively to consolidated financial statements issued for reporting periods after the effective date of this ASU or retrospectively to any or all prior periods presented in the consolidated financial statements. Early adoption is also permitted. This ASU will likely result in the required additional disclosures being included in our consolidated financial statements, once adopted. The Company is currently in the process of evaluating the impact of this pronouncement on our related disclosures.

Note 3. Revenue Recognition

For SaaS offerings, the Company is applying the optional exemption to not disclose transaction price allocated to the remaining performance obligations as the Company’s performance obligations are part of contracts that have an expected original duration of one year or less.

For Licenses, the Company's remaining performance obligations represent the transaction price allocated to maintenance and support performance obligations that have yet to be satisfied. The following table includes estimated revenue expected to be recognized in the future related to maintenance and support performance obligations that are partially satisfied (in thousands):

	Total	2025	2026	2027	2028 and Thereafter
Revenue expected to be recognized in the future as of December 31, 2024	$ 2,029	$ 1,083	$ 522	$ 269	$ 155

Of the total revenue recognized for the year ended December 31, 2024, $2.4 million was included in the deferred revenue balance as of December 31, 2023 related to our SaaS solution. Of the total revenue recognized for the year ended December 31, 2023, $1.1 million was included in deferred revenue balance as of December 31, 2022, related to both our SaaS solution and performance and maintenance services for licenses.

Contract asset balances classified as current are $1.8 million and $2.8 million as of December 31, 2024 and December 31, 2023, respectively. Contract asset balances classified as non-current are $0.6 million and $1.9 million as of December 31, 2024 and December 31, 2023, respectively.

Revenue by geography as presented in Note 15 "Segment and Geographic Information" is determined based on the billing address of the customer.

Note 4. Fair Value Measurements

The following tables set forth the fair value of the Company's financial assets measured at fair value as of December 31, 2024 and December 31, 2023 in accordance with the fair value hierarchy (in thousands):

	December 31, 2024						
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Investment	Long-Term Investment
Cash	$ 30,431	$ —	$ —	$ 30,431	$ 30,431	$ —	$ —
Level 1:							
Money market funds	145,671	—	—	145,671	145,671	—	—
Level 2:							
Treasury bills	1,462	1	—	1,463	—	1,463	—
US government bond	33,567	61	(9)	33,619	—	26,566	7,053
U.S. agency securities	6,907	—	(3)	6,904	—	—	6,904
Commercial paper	10,670	2	—	10,672	1,248	9,424	—
Corporate debt securities	53,926	112	(17)	54,021	—	37,677	16,344
Certificates of deposit	3,009	—	—	3,009	—	3,009	—
Subtotal	$ 109,541	$ 176	$ (29)	$ 109,688	$ 1,248	$ 78,139	$ 30,301
Total	$ 285,643	$ 176	$ (29)	$ 285,790	$ 177,350	$ 78,139	$ 30,301

	December 31, 2023						
	Adjusted Cost	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Short-Term Investment	Long-Term Investment
Cash	$ 24,247	$ —	$ —	$ 24,247	$ 24,247	$ —	$ —
Level 1:							
Money market funds	190,610	—	—	190,610	190,610	—	—
Level 2:							
Treasury bills	1,485	—	(2)	1,483	—	1,483	—
US government bond	9,553	20	(11)	9,562	—	4,387	5,175
U.S. agency securities	23,843	2	(22)	23,823	—	23,823	—
Commercial paper	16,983	9	(1)	16,991	6,908	10,083	—
Corporate debt securities	47,951	91	(45)	47,997	—	31,677	16,320
Certificates of deposit	3,004	—	—	3,004	—	3,004	—
Subtotal	$ 102,819	$ 122	$ (80)	$ 102,860	$ 6,908	$ 74,457	$ 21,495
Total	$ 317,676	$ 122	$ (80)	$ 317,717	$ 221,765	$ 74,457	$ 21,495

As of December 31, 2024, the fair value of the available-for-sale ("AFS") securities and held-to-maturity ("HTM") security is $106.7 million and $3.0 million, respectively. Of the $106.7 million AFS securities, $76.4 million are due within one year, and $30.3 million are due after one year through five years. The $3.0 million HTM security is due within one year. During the years ended December 31, 2024 and 2023, there were no transfers of assets or liabilities between Level 1, Level 2 and Level 3 of the fair value hierarchy.

Note 5. Business Combinations

On April 22, 2024, we completed our acquisition of Wilshire Axiom[SM], Wilshire Atlas[SM], Wilshire Abacus ("AAA"), and Wilshire iQComposite ("IQComposite" and, together with AAA, the "Wilshire Technology")), which together comprise the risk and performance analytics solutions businesses of Wilshire Advisors LLC, ("Wilshire"), a leading global financial services firm. We acquired the employee base and all customer contracts associated with the Wilshire Technology. Following the acquisition, the Wilshire Technology is co-branded as Clearwater Wilshire Analytics and enables clients to calculate performance and risk attribution, assist with security-level portfolio construction, access high-quality portfolio models, and identify investment opportunities that maximize returns and mitigate risk. The total purchase consideration for the acquisition of the Wilshire Technology was $40.1 million in cash, paid upon completion of the acquisition. In connection with the acquisition, the Company and Wilshire entered into a Transition Services Agreement pursuant to which Wilshire agreed to perform certain services for a period of time with respect to the Company's use and operation of the Wilshire Technology, and a Master SaaS Agreement for Wilshire to license back the underlying technology for use in their retained business. We expensed acquisition-related costs in the amount of $1.3 million in general and administrative expenses in the three months ended June 30, 2024.

We have accounted for this transaction as a business combination and allocated the fair value of the consideration to the tangible and intangible assets acquired as well as liabilities assumed, based on their estimated fair values. The excess of the purchase price over the fair values of these identifiable assets and liabilities was recorded as goodwill. The allocated fair value is summarized as follows (in thousands):

	Fair Value
Accounts receivable	$ 412
Prepaid expenses	325
Intangible assets	11,700
Goodwill	28,237
Deferred revenue	(552)
Cash paid for acquisition of business	$ 40,121

Goodwill generated from this business combination is primarily attributable to the assembled workforce, expected post-acquisition synergies from integrating the Wilshire Technology into our platform and the expansion of product offerings to our existing global customer base. The goodwill is deductible for income tax purposes.

The following table presents details of the fair values of identified intangible assets acquired (in thousands, except years):

	Fair Value	Estimated Useful Life
Developed technology - AAA	$ 9,100	5 years
Developed technology - iQComposite	900	6 years
Customer relationships	1,350	11 years
Trademarks	350	3 years
Total	$ 11,700	

The identified intangible assets are measured at fair value as Level III in accordance with the fair value hierarchy.

Note 6. Goodwill and Intangible Assets

Goodwill

The following table presents details of our goodwill during the year ended December 31, 2024 (in thousands):

	Amount
Balance as of December 31, 2023	$ 45,338
Goodwill acquired	28,237
Foreign currency translation adjustments	(2,604)
Balance as of December 31, 2024	$ 70,971

Purchased Intangible Assets

The following table presents details of our purchased intangible assets as of December 31, 2024 and December 31, 2023 (in thousands):

	December 31, 2024			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Useful Life (In Years)
Intangible assets with finite lives:				
Developed technology	$ 34,366	$ (8,617)	$ 25,749	4.9
Customer relationships	5,619	(769)	4,850	10.7
Trade name / Trademarks	662	(393)	269	2.3
Total intangible assets	$ 40,647	$ (9,779)	$ 30,868	

	December 31, 2023			
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Useful Life (In Years)
Intangible assets with finite lives:				
Developed technology	$ 25,829	$ (3,997)	$ 21,832	5.9
Customer relationships	4,526	(377)	4,149	11.9
Trade name / Trademarks	331	(179)	152	0.9
Total intangible assets	$ 30,686	$ (4,553)	$ 26,132	

We recognized amortization expense of $5.6 million and $4.3 million for the years ended December 31, 2024 and December 31, 2023, respectively.

The following table summarizes estimated future amortization expense of our intangible assets as of December 31, 2024 (in thousands):

	Fiscal Years					
	Total	2025	2026	2027	2028	2029 and Thereafter
Total future amortization expense	$ 30,868	$ 6,019	$ 6,019	$ 5,938	$ 5,902	$ 6,990

Note 7. Balance Sheet Components

Accounts Receivable, net

Accounts receivable, net consisted of the following (in thousands):

	December 31,	
	2024	2023
Unbilled accounts receivable	$ 46,316	$ 46,595
Billed accounts receivable	59,995	45,805
Allowance for doubtful accounts and reserves	(160)	(309)
Accounts receivable, net	$ 106,151	$ 92,091

The majority of invoices included within the unbilled accounts receivable balance are issued within the first few days of the month directly following the period of service.

Prepaid Expenses and Other Current Assets

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

	December 31, 2024	December 31, 2023
Prepaid expenses	$ 12,834	$ 11,225
Deferred contract costs, current portion	5,047	4,644
Prepaid management fee to Principal Equity Owners	—	2,009
Contract assets	1,841	2,772
Tax receivable	687	4,382
Other receivable	1,493	1,692
Other current assets	1,104	959
Prepaid expense and other current assets	$ 23,006	$ 27,683

Property and Equipment, net

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

	December 31, 2024	December 31, 2023
Computer equipment	$ 11,579	$ 11,924
Leasehold improvements	4,334	3,904
Furniture and fixtures	1,508	1,341
Internally developed software	18,053	15,954
Construction in progress	2,188	497
Total property and equipment	37,662	33,620
Less: accumulated depreciation	(22,865)	(18,271)
Total property and equipment, net	$ 14,797	$ 15,349

Internally developed software includes $0.5 million of capitalized equity-based compensation for each of the years ended December 31, 2024, 2023 and 2022. Depreciation expense was $6.5 million, $5.7 million and $4.8 million for the years ended December 31, 2024, 2023 and 2022, respectively. Impairment losses were not material during the years ended December 31, 2024, 2023 and 2022.

Other Non-current Assets

Other Non-current assets consisted of the following (in thousands):

	December 31, 2024	December 31, 2023
Long-term deposits	$ 1,551	$ 1,290
Long-term contract asset	554	1,909
Prepaid IT services	899	364
Long-term income tax receivable	336	—
Other non-current assets	$ 3,340	$ 3,563

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	December 31, 2024	December 31, 2023
Accrued interest	$ 550	$ 622
Accrued bonus	16,034	11,808
Accrued vendor liabilities	9,725	6,883
Accrued benefits and retirement	15,478	10,329
Acquisition holdback liability	—	4,679
Deferred revenue	7,329	2,766
Accrued commissions	3,204	3,415
Income tax payable	403	456
Tax distributions payable to Continuing Equity Owners	23	2,945
Other current liabilities	10,237	5,632
Accrued expenses and other liabilities	$ 62,983	$ 49,535

Other Long-term Liabilities

Other long-term liabilities consisted of the following (in thousands):

	December 31, 2024	December 31, 2023
Asset retirement obligation	$ 160	$ 161
Deferred tax liabilities	1,310	5,356
Other long-term liabilities	$ 1,470	$ 5,518

Note 8. Credit Agreement

Credit Agreement

In connection with the closing of the IPO, Clearwater Analytics, LLC (the "Borrower") entered into a credit agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A., that included a $55 million term loan facility (the "Term Loan") and a $125 million revolving facility (the "Revolving Facility"). The Term Loan and Revolving Facility will be used for working capital and other general corporate purposes (including acquisitions permitted under the Credit Agreement).

The interest rates applicable to the loans under the Credit Agreement, which was amended in June 2023 to be indexed to SOFR, are based on a fluctuating rate of interest determined by reference to a base rate plus an applicable margin of 0.75% or a SOFR rate plus an applicable margin of 1.75%, in each case with a step-up of 0.25% if certain secured net leverage levels are not achieved. The applicable margin is adjusted after the completion of each full fiscal quarter based upon the pricing grid in the Credit Agreement. The revolving commitment has an unused commitment fee of 25 basis points, stepping up to 30 basis points if certain secured net leverage levels are not achieved.

Under the Credit Agreement, the term loan amortizes at a rate of 5.00% per annum, paid quarterly. The Credit Agreement contains mandatory prepayments to the extent the company incurs certain indebtedness or receives proceeds from certain dispositions or casualty events.

The obligations of the Borrower under the Credit Agreement are anticipated to be jointly and severally guaranteed by its direct parent and certain of its subsidiaries (such guarantors together with the Borrower, the "Loan Parties"). The obligations of the Loan Parties are secured by a first priority lien on substantially all of their assets, subject to customary exceptions.

The Credit Agreement contains customary affirmative and negative covenants, including, without limitation, covenants that restrict our ability to borrow money, grant liens, make investments, make restricted payments or dispose of assets, and customary events of default. Specifically, we are required to maintain a consolidated secured net indebtedness to consolidated EBITDA ratio of not more than 4.75:1.00 as of the last day of each fiscal quarter commencing with the fiscal quarter ended December 31, 2022.

Future maturities of debt as of December 31, 2024 are as follows:

For the year ending December 31,		
2025	$	2,750
Note payable, current portion		2,750
2026	$	43,313
Note payable, non-current portion		43,313
Unamortized loan costs		(149)
Note payable, less current maturities and unamortized debt issuance costs	$	43,164
Net carrying amount	$	45,914

Note 9. Employee Retirement Plan

The Company’s U.S. 401K and international retirement plans are defined contribution plans (“the Plans”) that are available to employees that meet certain eligibility requirements. Company cash contributions to the Plans are based on a percentage of employee contributions subject to an annual limitation. The Company reserves the right to amend the Plans at any time.

The Company made contributions of $6.7 million, $6.7 million, and $5.6 million during the years ended December 31, 2024, 2023 and 2022, respectively.

Note 10. Leases

The Company leases facilities under non-cancelable operating lease agreements with varying terms that range from one to 10 years. In addition, some of these leases have renewal options for up to five years. The Company determines if an arrangement contains a lease at inception. Operating leases are included in operating lease right-of-use (“ROU”) assets, and operating lease liabilities on the Company's consolidated balance sheets. The Company does not have any finance leases.

Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of future payments. Variable lease payments are expensed as incurred and are not included within the ROU asset and lease liability calculation. Optional periods to extend a lease under renewal options are included in the lease term when it is reasonably certain that the option will be exercised. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. The Company does not account for lease components (e.g., fixed payments including rent) separately from the non-lease components (e.g., common-area maintenance costs).

Operating lease cost was $9.2 million and $7.6 million for the years ended December 31, 2024 and 2023, respectively, and is allocated between cost of revenue and each operating expense line item based on headcount. Variable lease cost and short-term lease cost were immaterial during each of the years ended December 31, 2024 and 2023. Future minimum lease payments at December 31, 2024 under the Company's non-cancellable leases were as follows:

For the year ending December 31,		
2025	$	9,666
2026		9,136
2027		4,871
2028		2,007
Thereafter		3,340
Total future minimum lease payments		29,020
Less: Imputed interest		(3,015)
Present value of future minimum lease payments		26,005
Less: Current portion of operating lease liability		(8,350)
Operating lease liabilities - noncurrent	$	17,655

The following table presents supplemental information for the Company's non-cancellable operating leases for the years ended December 31, 2024 and 2023 (in thousands, except for weighted average and percentage data):

	Year Ended December 31,			
	2024		**2023**	
Weighted average remaining lease term		3.28		3.38
Weighted average discount rate		5.83 %		4.70 %
Cash paid for amounts included in the measurement of lease liabilities	$	8,854	$	7,241
Noncash right-of-use assets obtained in exchange for operating lease obligations	$	10,091	$	4,604

Note 11. Commitments and Contingencies

Purchase Obligations

The Company has future minimum purchase obligations under arrangements with third parties who provide hosting infrastructure services, cloud services, and SaaS accounting solutions.

The following is a schedule of future minimum purchase obligations as of December 31, 2024 (in thousands):

For the year ending December 31,		
2025	$	7,335
2026		4,570
2027		860
2028		62
2029		—
Total future purchase obligations	$	12,827

Note 12. Non-controlling Interest

In connection with the Transactions, the Company became the sole managing member of CWAN Holdings, and has the sole voting interest in, and control of the management of, CWAN Holdings. As a result, the Company consolidates the financial results of CWAN Holdings. The non-controlling interest on our consolidated balance sheet relates to the interests of CWAN Holdings held by the Continuing Equity Owners. The ownership of the LLC interests is summarized as follows:

	December 31, 2024		December 31, 2023	
	Shares	Ownership %	Shares	Ownership %
Clearwater Analytics Holdings, Inc. interest in CWAN Holdings	235,101,248	94.9 %	210,560,162	86.5 %
Continuing Equity Owners' interest in CWAN Holdings	12,542,110	5.1 %	32,795,347	13.5 %
	247,643,358	100.0 %	243,355,509	100.0 %

Note 13. Earnings (Loss) Per Share

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted net earnings (loss) per share of Class A and Class D common stock for the periods (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Numerator:			
Net income (loss)	$ 427,585	$ (23,083)	$ (6,695)
Less: Net income (loss) attributable to non-controlling interests	3,207	(1,456)	1,272
Net income (loss) attributable to Clearwater Analytics Holdings, Inc. - basic and diluted	$ 424,378	$ (21,627)	$ (7,967)

The following table sets forth the computation of basic and diluted net earnings (loss) per share of Class A and Class D common stock (in thousands, except share amounts and per share amounts):

	Year Ended December 31, 2024		Year Ended December 31, 2023		Year Ended December 31, 2022	
	Class A	Class D	Class A	Class D	Class A	Class D
Basic net income (loss) attributable to Class A and Class D common stockholders						
Numerator:						
Allocation of net income (loss) attributable to Clearwater Analytics, Inc.	$ 309,418	$ 114,960	$ (9,211)	$ (12,416)	$ (2,382)	$ (5,585)
Denominator:						
Weighted average number of shares of Class A and Class D common stock outstanding - basic	159,906,046	59,410,579	85,048,639	114,643,234	55,476,928	130,083,755
Basic net earnings (loss) per share attributable to Class A and Class D common stockholders	$ 1.93	$ 1.93	$ (0.11)	$ (0.11)	$ (0.04)	$ (0.04)

	Year Ended December 31, 2024		Year Ended December 31, 2023		Year Ended December 31, 2022	
	Class A	Class D	Class A	Class D	Class A	Class D
Diluted net income (loss) attributable to Class A and Class D common stockholders						
Numerator:						
Allocation of net income (loss) attributable to Clearwater Analytics, Inc.	$ 309,418	$ 114,960	$ (9,211)	$ (12,416)	$ (2,382)	$ (5,585)
Reallocation of earnings as a result of potentially dilutive equivalents	18,297	(15,090)	—	—	—	—
Reallocation of earnings as a result of conversion of Class D common stock to Class A common stock	99,870	—	—	—	—	—
Allocation of undistributed earnings	$ 427,585	$ 99,870	$ (9,211)	$ (12,416)	$ (2,382)	$ (5,585)
Denominator:						
Weighted average number of shares of Class A and Class D common stock outstanding - basic	159,906,046	59,410,579	85,048,639	114,643,234	55,476,928	130,083,755
Add: weighted-average effect of dilutive securities exchangeable for Class A common stock:						
Class B and Class C common stock	26,799,077	—	—	—	—	—
Stock options of Clearwater Analytics Holdings, Inc.	5,615,242	—	—	—	—	—
RSUs of Clearwater Analytics Holdings, Inc.	2,604,418	—	—	—	—	—
ESPP of Clearwater Analytics Holdings, Inc.	27,177	—	—	—	—	—
Conversion of Class D common stock to Class A common stock outstanding	59,410,579	—	—	—	—	—
Weighted average number of shares of Class A and Class D common stock outstanding - diluted	254,362,539	59,410,579	85,048,639	114,643,234	55,476,928	130,083,755
Diluted net earnings (loss) per share attributable to Class A and Class D common stockholders	$ 1.68	$ 1.68	$ (0.11)	$ (0.11)	$ (0.04)	$ (0.04)

Shares of the Company's Class B and Class C common stock do not participate in the earnings or losses of the Company and are therefore not participating securities. As such, separate presentation of basic and diluted earnings (loss) per share of Class B and Class C common stock under the two-class method has not been presented.

The following weighted-average potentially dilutive securities were evaluated under the treasury stock method for potentially dilutive effects and have been excluded from diluted net loss per share in the periods presented due to their anti-dilutive effect:

	Year Ended December 31,		
	2024	2023	2022
Conversion of Class B and Class C common stock	—	42,973,041	52,301,672
Stock options of Clearwater Analytics Holdings, Inc.	25,438	9,505,777	10,280,184
RSUs of Clearwater Analytics Holdings, Inc.	804,920	3,396,765	1,342,284
ESPP of Clearwater Analytics Holdings, Inc.	—	183,134	179,314
Total	830,358	56,058,717	64,103,454

Note 14. Equity-Based Compensation

In September 2021, the Board of Directors of the Company (the "Board") adopted the Clearwater Analytics Holdings, Inc. 2021 Omnibus Incentive Plan (the "2021 Plan"), pursuant to which employees, consultants and directors of our Company and our affiliates performing services for us, including our executive officers, are eligible to receive awards. The 2021 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units ("RSUs"), bonus stock, dividend equivalents, other stock-based awards, substitute awards, annual incentive awards and performance awards intended to align the interests of participants with those of our shareholders. A total of 57,197,804 shares of common stock are authorized for issuance under the 2021 Plan. In connection with the approval of the 2021 Plan, the 2017 Equity Incentive Plan (the "2017 Plan") was terminated and all outstanding stock options and RSUs were transferred to the 2021 Plan.

Options

The following table summarizes the stock option activity for the years ended December 31, 2024, 2023 and 2022 (in thousands, except per share data):

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Balance - December 31, 2021	22,315,171	$ 8.52	6.25	$ 322,877
Granted	43,986	18.19		
Exercised	(2,950,662)	7.45		31,341
Forfeited	(1,653,725)	11.16		
Balance - December 31, 2022	17,754,770	$ 8.47	7.06	$ 183,315
Exercised	(3,016,765)	6.90		33,792
Forfeited	(1,492,651)	13.12		
Balance - December 31, 2023	13,245,354	$ 8.31	6.65	$ 155,438
Exercised	(3,139,347)	7.15		49,438
Forfeited	(591,266)	12.58		
Balance - December 31, 2024	9,514,741	$ 8.42	5.13	$ 181,714
Options vested - December 31, 2024	8,748,737	$ 8.38		$ 167,467

No stock options were granted during the years ended December 31, 2024 and 2023. The weighted-average grant-date fair value of stock options granted during the year ended December 31, 2022 was $7.74 per share. The aggregate intrinsic value disclosed in the above table is based on the difference between the exercise price of the stock option and the estimated fair value of the Company's common stock as of the respective period-end dates. As of December 31, 2024, the total unrecognized compensation expense related to unvested options was $1.1 million, which is expected to be recognized over a weighted average period of 0.7 years.

In general, options which vest over a four-year period are subject to time-based vesting conditions based on continuous employment over the four-year period:

Time-based vesting – 25% of the units awarded are eligible to vest on the first anniversary of employment, and 75% are subsequently eligible to vest on a monthly basis over the remaining three-year period, subject to continued employment.

RSUs

The summary of RSU activity is as follows (in thousands, except per share data):

	Units Activity	Weighted Average Grant Date Fair Value	Aggregate Intrinsic Value
Unvested units as of December 31, 2021	6,070,668	$ 17.84	$ 138,958
Granted	4,745,363	18.86	
Released	(588,854)	17.54	
Canceled	(699,829)	18.47	
Unvested units as of December 31, 2022	9,527,348	$ 18.32	$ 178,638
Granted	7,421,772	18.70	
Released	(1,966,153)	18.20	
Canceled	(1,262,830)	17.60	
Unvested units as of December 31, 2023	13,720,137	$ 18.61	$ 278,519
Granted	4,063,202	20.02	
Released	(4,394,452)	18.62	
Canceled	(1,213,177)	18.20	
Unvested units as of December 31, 2024	12,175,710	$ 19.12	$ 335,076

The aggregate intrinsic value disclosed in the above table is based on the closing stock price on the NYSE on December 31, 2024, 2023 and 2022. As of December 31, 2024, there was $134.8 million of unrecognized equity-based compensation expense related to RSUs, which is expected to be recognized over a weighted average period of 2.2 years.

In general, RSUs are either subject to time-based vesting conditions, or both time-based vesting conditions and performance-based vesting, in each case based on continuous employment of the employee.

Time-based vesting – units awarded are eligible to vest in substantially equal annual installments on each anniversary from the grant date over a four year period.

Performance-based vesting – units awarded are eligible to vest in equal three annual installments upon the achievement of annual targets tied to annual revenue growth. All terms of performance conditions are established on grant date.

Determination of Fair Value

The Company estimated the fair value of each stock option awarded on the date of grant using the Black-Scholes option-pricing model utilizing the assumptions noted below:

Fair Value of Units/Stock – prior to the IPO, the fair value of the common stock underlying the equity-based awards was determined by the Company's Board of Directors, with input from management and third-party valuations. Subsequent to the IPO, the fair value of the common stock underlying equity-awards was determined using the closing stock price on the NYSE on the date of the award being granted.

Expected Term – the expected term represents the period that the awards are expected to be outstanding. The Company issues "plain vanilla," awards and the Company determines the expected term using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the equity-based awards.

Expected Volatility – the stock price volatility based on the volatility of a set of publicly traded comparable companies with a look back period consistent with the expected life.

Risk-Free Interest Rate – the risk-free interest rate is calculated using the average of the published interest rates of U.S. Treasury zero-coupon issues with maturities that approximate the expected term of the equity-based awards.

Dividend Rate – the dividend yield assumption is zero.

The following assumptions were used to calculate the fair value of stock options granted to employees on the date of grant using the Black-Scholes option-pricing model:

	Year Ended December 31, 2022
Weighted-average grant date fair value per option	$ 7.74
Fair value of units/ stock	$17.72 - $18.68
Expected term (in years)	5.5
Expected volatility	44 %
Risk-free interest rates	1.8% - 2.0%

In addition to the Black-Scholes assumptions discussed immediately above, forfeitures may also have a significant impact on the related equity-based compensation. The forfeiture of options and RSUs is recognized as forfeitures occur.

In the period subsequent to the IPO, the Company estimated the fair value of each RSU awarded using the closing price of the Company’s shares on the NYSE on the date of the award being granted.

Employee Stock Purchase Plan

In September 2021, the Board adopted the Clearwater Analytics Holdings, Inc. 2021 Employee Stock Purchase Plan (“ESPP”). As of January 1, 2023, a total of 7,889,367 shares of Class A common stock were available for issuance under the ESPP. The offering periods are scheduled to start on June 1 and December 1 of each year. Eligible employees may purchase the Company's common stock through payroll deductions at a price equal to 85% of the lower of the fair market values of the stock as of the beginning or the end of six-month offering periods. An employee's payroll deductions under the ESPP are limited to 10% of the employee's compensation and an employee may not purchase more than $25,000 of stock during any calendar year in which the employee’s option to purchase stock under the ESPP is outstanding at any time.

On May 31, 2024, a total of 173,268 shares were issued to employees for the offering period ended May 31, 2024. On November 30, 2024, a total of 117,998 shares were issued to employees for the offering period ended November 30, 2024. As of December 31, 2024, total unrecognized equity-based compensation costs related to ESPP were $1.1 million, which is expected to be recognized over the remaining current offering period ending May 31, 2025.

On May 31, 2023, a total of 189,390 shares were issued to employees for the offering period ended May 31, 2023. On November 30, 2023, a total of 147,792 shares were issued to employees for the offering period ended November 30, 2023. As of December 31, 2023, total unrecognized equity-based compensation costs related to ESPP were $0.7 million, which is expected to be recognized over the remaining current offering period ending May 31, 2024.

On May 31, 2022, a total of 200,220 shares were issued to employees for the offering period ended May 31, 2022. On November 30, 2022, a total of 148,698 shares were issued to employees for the offering period ended November 30, 2022. As of December 31, 2022, total unrecognized equity-based compensation costs related to ESPP were $0.9 million, which is expected to be recognized over the remaining current offering period ending May 31, 2023.

ESPP payroll contributions accrued at December 31, 2024 and December 31, 2023 totaled $0.5 million and $0.4 million, respectively, and are included within accrued expenses in the consolidated balance sheets. Employee payroll contributions used to purchase shares under the ESPP will be reclassified to stockholders' equity at the end of the offering period.

The fair value of the purchase right for the ESPP is estimated on the date of grant using the Black-Scholes model with the following assumptions for the year ended December 31, 2024:

	Year Ended December 31, 2024	Year Ended December 31, 2023	Year Ended December 31, 2022
Expected volatility	26.5 - 42.6%	26.5 - 52.8%	34.9 - 57.1%
Risk-free interest rate	4.4 - 5.4%	4.6 - 5.4%	0.1 - 4.6%
Expected term (years)	0.5	0.5	0.5

Note 15. Segment and Geographic Information

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), or decision group, in deciding how to allocate resources and assessing performance. The Company's chief operating decision maker is the Company's Chief Executive Officer ("CEO"). The Company's CEO reviews financial information presented on a consolidated basis and makes decisions and allocates resources based on the Company as a whole. The Company has one business activity as a provider of a solution for investment data aggregation, accounting, analytics, and reporting services. Accordingly, the Company operates as one operating segment, and all required segment financial information is found in the consolidated financial statements.

The CODM uses net income (loss) to allocate operating and capital resources and assesses the Company's performance by comparing actual results and previously forecasted financial information. The measure of segment assets is reported on the balance sheet as total consolidated assets. The following table presents information on revenue, significant expenses, and net income (loss) (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Revenue	$ 451,803	$ 368,168	$ 303,426
Less:			
Employee compensation expense	208,403	184,723	159,452
Technology expense	35,598	31,362	20,065
Facilities expense	14,119	11,129	8,703
Outside services and contractors expense	15,975	10,810	10,896
Data costs	13,553	10,585	10,245
Provision for (benefit from) income taxes	(457,648)	217	1,360
Equity-based compensation expense and related payroll taxes	110,961	108,078	66,525
Tax receivable agreement expenses	53,181	14,396	11,639
Depreciation and amortization expense	12,181	9,929	5,139
Interest income, net	(8,621)	(6,401)	(1,137)
Other segment items[1]	26,516	16,423	17,234
Consolidated net income (loss)	427,585	(23,083)	(6,695)

[1] Other segment items included in consolidated net income (loss) includes travel, marketing, training, recruiting and other overhead expenses.

The following table presents the Company's revenue disaggregated by geography, based on billing address of the customer (in thousands):

	Year Ended December 31,		
	2024	2023	2022
United States	$ 368,519	$ 300,330	$ 261,755
Rest of World	83,284	67,838	41,671
Total revenue	$ 451,803	$ 368,168	$ 303,426

The following table presents the Company's long-lived assets including property and equipment, net, operating lease right-of-use assets, net, and intangible assets, net, disaggregated by geography (in thousands):

	Year Ended December 31,		
	2024	2023	2022
United States	$ 31,826	$ 24,491	$ 28,179
Rest of World	38,636	39,544	40,455
Total long-lived assets, net	$ 70,462	$ 64,035	$ 68,634

Note 16. Income Taxes

As part of the Up-C structure, Clearwater Analytics Holdings, Inc. owns a portion of CWAN Holdings, which contains all operations of the business and is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, CWAN Holdings is generally not subject to U.S. federal, state, and local income taxes. Any taxable income or loss generated by CWAN Holdings is passed through to and included in the taxable income or loss of its members in accordance with the terms of the operating agreement of CWAN Holdings. CWAN Holdings' international wholly-owned subsidiaries are subject to taxes in foreign jurisdictions.

Clearwater Analytics Holdings, Inc. is taxed as a corporation and pays corporate federal, state, and local taxes on income allocated to it from CWAN Holdings based on Clearwater Analytics Holdings, Inc.'s economic interest held in CWAN Holdings. While the Company consolidates CWAN Holdings for financial reporting purposes, the Company will not be taxed on the earnings attributed to the non-controlling interests. As a result, the income tax burden on the earnings attributed to the non-controlling interests is not reported by the Company in its consolidated financial statements.

The components of the loss before income taxes were as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Domestic	$ (1,860)	$ (11,383)	$ (9,306)
Foreign	(28,203)	(11,483)	3,971
Total	$ (30,063)	$ (22,866)	$ (5,335)

The provision for (benefit from) income taxes was as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Federal	$ —	$ —	$ —
State	336	761	491
International	2,048	1,121	1,737
Total current income tax expense	$ 2,384	$ 1,882	$ 2,228
Federal	$ (350,567)	$ —	$ —
State	(105,060)	(7)	(3)
International	(4,405)	(1,658)	(865)
Total deferred income tax benefit	$ (460,032)	$ (1,665)	$ (868)
Total provision for (benefit from) income taxes	$ (457,648)	$ 217	$ 1,360

The provision for (benefit from) income taxes differs from the amount computed by applying the statutory federal rate as follows (in thousands, except percentages):

	Year Ended December 31,		
	2024	2023	2022
Tax at federal statutory rate	$ (6,313)	$ (4,802)	$ (1,120)
Non-controlling interest	(768)	349	(41)
State taxes	1,498	(1,583)	(1,592)
Foreign rate differential	(320)	16	92
Executive compensation deduction limitations	10,876	10,985	5,544
Global intangible low taxed income inclusion	—	—	1,854
Equity-based compensation	(3,860)	(1,604)	(2,316)
Permanent items	(9)	185	394
Nondeductible TRA payments	6,983	—	—
Tax credits and incentives	(2,749)	(3,442)	(1,136)
Return to provision	1,393	70	(38,107)
Changes in tax law	6,552	(3,303)	63,504
Changes in prior year unrecognized tax benefits	(2,260)	(487)	(487)
Valuation allowance	(468,549)	3,804	(25,356)
Other	(122)	29	127
Total	$ (457,648)	$ 217	$ 1,360
Effective tax rate	1,522.3%	(0.9%)	(25.5%)

In 2024, our tax rate was primarily affected by the release of the majority of our valuation allowance on our U.S. deferred tax assets. In 2023, our tax rate was primarily affected by the disallowance of certain expenses, the generation of tax credits and incentives, changes in tax law related to state tax rates and apportionment, and the recognition of additional valuation allowance. In 2022, our tax rate was primarily affected by changes in tax law related to state tax rates and apportionment, a return to provision adjustment related to partnership basis of our continuing equity owners and their upstream entities, the recognition of additional valuation allowance, and the disallowance of certain expenses.

Deferred income taxes result from differences in the recognition of amounts for tax and financial reporting purposes, as well as operating loss and tax credit carryforwards. Significant components of our deferred income tax assets and liabilities are as follows (in thousands):

	Year Ended December 31,	
	2024	2023
Investment in Partnership	$ 513,945	$ 409,924
Loss and tax credit carryforwards	92,670	86,807
Equity-based compensation	12,465	11,992
Lease liability	4,061	2,657
Other	1,938	1,563
Total deferred tax assets	$ 625,079	$ 512,943
Valuation allowance	(13,973)	(506,494)
Net deferred tax asset	$ 611,106	$ 6,449
Intangible assets	(5,171)	(6,495)
Right of use asset	(3,964)	(2,624)
Revenue	(735)	(1,252)
Other	(46)	(90)
Total deferred tax liabilities	$ (9,916)	$ (10,461)
Net deferred tax assets (liabilities)	$ 601,190	$ (4,012)

We recognize deferred tax assets to the extent that we believe that these assets are more likely than not to be realized. The realization of tax benefits of net deferred tax assets is dependent upon future levels of taxable income, of an appropriate character, in the periods the items are expected to be deductible or taxable. We review the likelihood that we will realize the benefit of our deferred tax assets and, therefore, the need for a valuation allowance at each reporting period. Historically, we had maintained a valuation allowance on all of our U.S. net deferred tax assets since our inception as it was determined that it was more likely than not that we would not recognize the benefits of these assets. In the fourth quarter of the year ended December 31, 2024, based on the relevant weight of positive and negative evidence, including the amount of our taxable income in recent years which is objective and verifiable, and consideration of our expected future taxable earnings, we concluded that the valuation allowance related to most U.S. federal and state deferred tax assets was no longer needed. Accordingly, we have recognized a non-recurring tax benefit of $472 million related to the valuation allowance reversal.

As of December 31, 2024, we continue to maintain a valuation allowance for deferred tax assets related to U.S. losses that are capital in nature and certain state loss and credit carryforwards. We will maintain this valuation allowance until there is sufficient evidence to support the reversal of all or a portion of the valuation allowance.

The valuation allowance decreased $493 million during the year ended December 31, 2024 and was primarily attributable to the valuation allowance release on most of our U.S. federal and state deferred tax assets, offset by current year increases in the valuation allowance related to U.S. losses that are capital in nature and certain state credits.

As of December 31, 2024, we had gross net operating loss carryforwards of approximately $255 million for federal income tax purposes, a small portion of which will begin to expire in 2036, if unused. We had gross net operating loss carryforwards of approximately $348 million for state income tax purposes, a small portion of which will begin to expire in the year 2025, if unused. We had gross net operating loss carryforwards of approximately $18 million for foreign income tax purposes, which do not expire and can be carried forward indefinitely.

As of December 31, 2024, we also had research and development credit carryforwards of approximately $8.4 million for federal income tax and $1.2 million for state income tax purposes. The research and development tax credits will begin to expire in 2036 and 2034 for federal and state purposes, respectively, if unused.

The federal and state net operating loss carryforwards may be subject to significant limitations under Section 382 and Section 383 of the Code and similar provisions under state law. The Tax Reform Act of 1986 contains provisions that limit the federal net operating loss carryforwards that may be used in any given year in the event of special occurrences, including significant ownership changes. We have completed a Section 382 review and determined that none of our operating losses will expire solely due to Section 382 limitation(s).

We indefinitely reinvest earnings from our foreign subsidiaries and therefore no deferred tax liability has been recognized on the basis difference created by such earnings. We have not provided foreign withholding taxes for any undistributed earnings of our foreign subsidiaries.

A reconciliation of the beginning and ending balance of total unrecognized tax benefits is as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Balance - Beginning of Year	$ 6,865	$ 3,932	$ 3,548
Increases related to current year's tax positions	2,497	2,423	959
Increases related to business combinations	—	666	—
Increases (decreases) related to prior year's tax positions	(39)	182	(182)
Decreases related to lapse of statute	(2,291)	(487)	(487)
Increases related to exchanges	—	149	94
Balance - End of Year	$ 7,032	$ 6,865	$ 3,932

To the extent taxes are not assessed with respect to uncertain tax positions, approximately $6.3 million of the tax benefits included in the balance of unrecognized tax benefits as of December 31, 2024 would affect the effective tax rate if recognized. The remainder would have no impact as the unrecognized tax benefits are recorded as reductions of deferred tax assets which are fully reduced by a valuation allowance.

We recognize interest and penalties related to unrecognized tax benefits as income tax expense. During the years ended December 31, 2024, 2023, and 2022, we did not recognize any interest and penalties for income taxes.

We file income tax returns in the U.S. federal jurisdiction, various state jurisdictions, and various foreign jurisdictions. As of December 31, 2024, all of the years remain open to examination by the federal and state tax authorities for three or four years from the later of when the return is filed or the tax year in which net operating losses or tax credits are utilized. We believe that an adequate provision has been made for any adjustments that may result from tax examinations. Although the timing of the resolution, settlement, and closure of audits is not certain, we do not expect our unrecognized tax benefits to materially change in the next 12 months.

Note 17. Tax Receivable Agreement Liability

Pursuant to our election under Section 754 of the Code, we expect to obtain an increase in our share of the tax basis in the net assets of CWAN Holdings when its units are redeemed or exchanged. We intend to treat any redemptions and exchanges of CWAN Holdings units as direct purchases of the units for U.S. federal income tax purposes. These increases in tax basis may reduce the amounts that we would otherwise pay in the future to various tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

In connection with the IPO and related transactions, we entered into a TRA that, prior to the TRA Amendment, provided for the payment by us of 85% of the amount of any tax benefits that we actually realized, or in some cases were deemed to realize, as a result of (i) increases in our share of the tax basis in the net assets of CWAN Holdings resulting from any redemptions or exchanges of CWAN Holdings units, (ii) tax basis increases attributable to payments made under the TRA, and (iii) deductions attributable to imputed interest and TRA bonus payments pursuant to the TRA (the “TRA Payments”). The TRA Payments are not conditioned upon any continued ownership interest in CWAN Holdings or the Company. The rights of each member of CWAN Holdings, that is a party to the TRA, were assignable to transferees of their respective CWAN Holdings units.

The estimation of a liability under the TRA was, by its nature, imprecise and subject to significant assumptions regarding a number of factors, including (but not limited to) the amount and timing of taxable income generated by the Company each year as well as the tax rate then applicable. As of December 31, 2023, the Company had recorded a full valuation allowance against the future realization of its deferred tax assets. As such, no TRA liability related to future years was recorded as of December 31, 2023. As of December 31, 2023, before considering the tax benefits subject to our TRA we estimated that we would have reported taxable income for the tax year primarily due to the capitalization of research and development expenses under Section 174 and equity-based compensation expense that has either not yet met the rules for deductibility or has had the deduction limited under Section 162(m) of the Code. This resulted in a TRA liability related to the tax year ended December 31, 2023 being recorded as we expected to make a cash payment during calendar year 2024.

On November 4, 2024, the Company entered into the TRA Amendment by and among (i) the Company, (ii) CWAN Holdings and (iii) certain affiliates of the Principal Equity Owners (the “TRA Parties”), which amended the TRA to provide for one-time settlement payments in a gross amount of approximately $72.5 million, inclusive of approximately $69.2 million to be paid to the TRA Parties (net of the TRA Bonus Payments) and approximately $3.3 million in cash bonus payments (the “TRA Bonus Payments”) to be paid to certain executive officers of the Company (collectively, the “TRA Settlement Payments”), plus approximately $6.5 million in third-party expenses. Upon the payment of the TRA Settlement Payments, the TRA Parties will have no further rights to receive payments (past, current, or future) under the TRA, and the Company will have no further payment obligations (past, current, or future) to the TRA Parties under the TRA. Most of the TRA Settlement Payments were made in December 2024. The remaining TRA Settlement Payments are expected to be made in the first quarter of 2025.

A reconciliation of the beginning and ending balance of the TRA liability is as follows (in thousands):

	Year Ended December 31,		
	2024	2023	2022
Balance - Beginning of Year	$ 18,894	$ 12,200	$ —
Tax receivable agreement expense	11,545	14,396	11,639
TRA bonus expense	557	694	561
Tax receivable agreement expense due to TRA Amendment	41,636	—	—
TRA bonus expense due to TRA Amendment	2,009	—	—
Payments	(74,606)	(8,396)	—
Balance - End of Year	$ 35	$ 18,894	$ 12,200
Tax receivable agreement expense	$ 53,181	$ 14,396	$ 11,639
TRA bonus expense in operating expenses	2,566	694	561
Total expense	$ 55,747	$ 15,090	$ 12,200

Note 18. Transactions with Related Parties

During January 2021, the Company paid $9.6 million in relation to management fees to Principal Equity Owners which is recorded as prepaid management fees within prepaid expenses and other current assets and non-current assets. The prepaid management fees are being amortized over four years. In the years ended December 31, 2024, 2023 and 2022, the Company recognized a management fee to Principal Equity Owners of $2.0 million, $2.6 million and $2.5 million, respectively.

In the years ended December 31, 2024 and 2023 the Company accrued $0 million and $2.9 million tax distributions payable, respectively, and $53.2 million and $14.4 million related to TRA Payments payable to certain Continuing Equity Owners, respectively. The Company paid $3.9 million of tax distributions, $71.3 million TRA payments to certain Continuing Equity Owners, and $3.3 million of TRA Bonus Payments to certain executive officers of the Company in the year ended December 31, 2024.

Note 19. Subsequent Events

On January 10, 2025, the Company and Enfusion, Inc. (NYSE: ENFN) (“Enfusion”) entered into an Agreement and Plan of Merger (the “Merger Agreement”) for the Company to acquire Enfusion, a leader in SaaS solutions for the investment management and hedge fund industry, for purchase consideration of approximately $1.5 billion. The purchase consideration comprises a combination of cash and equity-based compensation based on the Company’s common stock, as well as a payment of $30 million made in connection with the termination of Enfusion’s tax receivable agreement with

Enfusion's historic equity holders. The acquisition is expected to be completed in the second quarter of 2025, subject to approval by Enfusion's shareholders, the receipt of required regulatory approvals and other customary closing conditions set forth in the Merger Agreement.

On February 7, 2025, the Company completed syndication for a senior secured term loan B facility due 2033 in an aggregate principal amount of $800 million ("2025 Term Loan"), subject to the satisfaction of customary closing conditions for similar facilities, for the purpose of financing a portion of the cash consideration and paying related fees and expenses in connection with the merger. The interest rate on the 2025 Term Loan is based on SOFR plus 2.25%.

Additionally, the Company has arranged for a replacement to our existing revolving credit facility agreement that provides an unsecured $200 million revolving credit facility with a tenure of 5 years from the date of closing of the acquisition. These debt facilities will close contemporaneously with the closing of the acquisition of Enfusion.

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

The Company's management, under the supervision and with the participation of our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act as of December 31, 2024. Based on that evaluation, our CEO and CFO have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2024, the end of the period covered by this Annual Report on Form 10-K, to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our CEO and CFO to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is 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 our financial reporting and the preparation of consolidated financial statements for external purposes in accordance with U.S. GAAP.

To evaluate the effectiveness of the Company's internal control over financial reporting, the Company uses the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "2013 COSO Framework"). Using the 2013 COSO Framework, the Company's management, including the CEO and CFO, under the oversight of the Board of Directors, evaluated the Company's internal control over financial reporting and concluded that the Company's internal control over financial reporting was effective as of December 31, 2024.

The effectiveness of our internal control over financial reporting as of December 31, 2024 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included in Part II, Item 8, "Financial Statements and Supplementary Data", of this Annual Report on Form 10-K.

Remediation Efforts to Address the Previously Disclosed Material Weakness

We previously identified and disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023 a material weakness in our internal control over financial reporting related to ineffective general information technology controls in the Company's invoicing systems environment which is relevant to the preparation of our consolidated financial statements related to revenue and accounts receivable, net. Specifically, the Company did not (i) design and implement change management and computer operations controls to ensure configuration data changes affecting the IT applications were appropriate (ii) design and implement program development controls to ensure the data migration, program testing and approval of new software development is aligned with business and IT requirements and (iii) design and implement user access controls to ensure segregation of duties in our invoicing systems. As a result, process level automated controls and manual controls that are dependent on the completeness and accuracy of information derived from the affected information systems were also ineffective because the controls had the potential to be adversely impacted. The material weakness resulted from ineffective risk assessment related to the invoicing IT environment, which led to a lack of the required number of trained IT personnel with the appropriate skills and knowledge related to the design, implementation and operating effectiveness of internal control, and ineffective control activities related primarily to the implementation of the new invoicing systems.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. In response, our management, under the oversight of the Audit Committee, has implemented the following remediation steps to address the previously disclosed material weakness:

- Enhanced risk assessment and control identification procedures for our invoicing systems environment;
- Expanded controls and applied other appropriate procedures to address the design and operation of IT general controls within our invoicing systems environment;

- Enhanced our training programs addressing IT general controls and policies, including educating control owners concerning the principles and requirements of each control, with a focus on those related to user access, change management, program development and computer operations within our invoicing system environment; and
- Enhanced policy documentation underlying IT general controls to promote knowledge transfer upon personnel and function changes.

Based on the steps implemented, management concluded that we have remediated the previously disclosed material weakness during the quarter ended December 31, 2024.

Changes in Internal Control Over Financial Reporting

Except for the remediation steps described above, there have not been any other changes in our internal control over financial reporting during the three months ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Limitations on Effectiveness of Controls and Procedures

The Company’s management, including the CEO and CFO, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within our Company have been detected. due to inherent limitations of internal controls. 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.

Item 9B. Other Information.

During the three months ended December 31, 2024, the following officer adopted a “Rule 10b5-1 trading arrangement”, as such term is defined in Item 408(a) of Regulation S-K. All trading plans that were adopted during the period were entered into during an open insider trading window and are intended to satisfy the affirmative defense of Rule 10b5-1(c) under the Exchange Act, and our policies regarding transactions in our securities.

Name and Title	Date	Action	Expiration Date	Total Shares Subject to Plan
Scott Erickson, Chief Revenue Officer	November 22, 2024	Adoption	November 30, 2025	41,410, plus 100% of net shares (post-tax) to be received upon vesting of RSUs or performance awards with a share acquired or vest date of 1/1/2025

Item 9C. Disclosure Regarding Foreign Jurisdictions That Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this Item will be provided in a subsequent amendment to this Annual Report on Form 10-K, which will be filed with the SEC within 120 days after December 31, 2024.

Item 11. Executive Compensation.

The information required by this Item will be provided in a subsequent amendment to this Annual Report on Form 10-K.

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

The information required by this Item will be provided in a subsequent amendment to this Annual Report on Form 10-K.

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

The information required by this Item will be provided in a subsequent amendment to this Annual Report on Form 10-K.

Item 14. Principal Accounting Fees and Services.

The information required by this Item will be provided in a subsequent amendment to this Annual Report on Form 10-K.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as a part of this Annual Report on Form 10-K:

(1) *All Financial Statements*: Our Financial Statements are listed in the "Index to Consolidated Financial Statements" under Part II, Item 8 of this Annual Report on Form 10-K.

(2) *Financial Statement Schedules*: All other schedules have been omitted as the required information is not applicable or is not present in amounts sufficient to require submission of the schedule, or because the information required is included in the Consolidated Financial Statements and notes thereto.

(3) *Exhibits*: Except as otherwise noted below, the exhibits listed below in the accompanying "Index to Exhibits" are filed or incorporated by reference as part of this Annual Report on Form 10-K.

INDEX TO EXHIBITS

Exhibits filed or furnished herewith are designated by an asterisk (*); all exhibits not so designated are incorporated by reference to a prior filing as indicated.

Exhibit Number	Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
2.1	Agreement and Plan of Merger, dated as of January 10, 2025, by and among Clearwater Analytics Holdings, Inc., Enfusion, Inc., Enfusion Ltd LLC, Poseidon Merger Sub I, Inc. and Poseidon Merger Sub II, LLC	8-K filed January 13, 2025	001-40838	2.1
3.1	Amended and Restated Certificate of Incorporation of Clearwater Analytics Holdings, Inc., dated September 27, 2021	8-K filed September 28, 2021	001-40838	3.1
3.2	Amended and Restated Bylaws of Clearwater Analytics Holdings, Inc., dated September 27, 2021	8-K filed September 28, 2021	001-40838	3.2
4.1	Description of Clearwater Analytics Holdings, Inc.'s securities registered pursuant to Section 12 of the Securities Exchange Act of 1934	10-K filed February 28, 2024	001-40838	4.1
10.1#	Advisory Services Agreement between Clearwater Analytics Holdings, Inc. and Joseph Kochansky, dated November 29, 2022	10-K filed March 3, 2023	001-40838	10.1
10.2	Registration Rights Agreement, dated September 28, 2021, by and among Clearwater Analytics Holdings, Inc. and certain holders identified therein	8-K filed September 28, 2021	001-40838	10.1
10.3	Stockholders Agreement, dated as of September 28, 2021, by and among Clearwater Analytics Holdings, Inc. and the Principal Equity Owners	8-K filed September 28, 2021	001-40838	10.2
10.4	Tax Receivable Agreement, dated as of September 28, 2021, by and among Clearwater Analytics Holdings, Inc., CWAN Holdings, LLC and the other parties thereto	8-K filed September 28, 2021	001-40838	10.3
10.5	Amendment No. 1 to the Tax Receivable Agreement, dated November 4, 2024, by and among the Company, OpCo and certain affiliates of the Principal Equity Owners	8-K filed November 6, 2024	001-40838	10.1

10.6	Third and Amended Restated Limited Liability Company Agreement of CWAN Holdings, LLC, dated as of September 28, 2021, by and among CWAN Holdings, LLC and the other parties thereto	8-K filed September 28, 2021	001-40838	10.4
10.7	Credit Agreement, dated as of September 28, 2021, by and among Clearwater Analytics, LLC, as borrower, CWAN Acquisition, LLC, as holdings, the lenders party thereto and JPMorgan Chase Bank, N.A, as administrative agent, collateral agent and revolver agent	8-K filed September 28, 2021	001-40838	10.5
10.8	Amendment No.1 of Credit Agreement, dated as of June 22, 2023, by and among Clearwater Analytics, LLC, as borrower, CWAN Acquisition, LLC, as holdings, the lenders party thereto and JPMorgan Chase Bank, N.A, as administrative agent, collateral agent and revolver agent	10-Q filed August 4, 2023	001-40838	10.1
10.9#	Form of Tax Receivable Agreement Bonus Letter	8-K filed September 28, 2021	001-40838	10.6
10.10#	Form of 2021 Employee Stock Purchase Plan	S-1/A filed September 21, 2021	333-259155	10.1
10.11#	Form of Omnibus Incentive Plan	S-1/A filed September 21, 2021	333-259155	10.5
10.12#	Form of Director and Officer Indemnification Agreement	S-1/A filed September 21. 2021	333-259155	10.6
10.13#	Employment Agreement by and between Sandeep Sahai and Clearwater Analytics, LLC.	S-1/A filed September 21, 2021	333-259155	10.13
10.14#	Employment Agreement by and between James S. Cox Jr. and Clearwater Analytics, LLC. and Clearwater Analytics, LLC.	S-1/A filed September 21, 2021	333-259155	10.14
10.15#	Employment Agreement by and between Scott Erickson and Clearwater Analytics, LLC.	S-1/A filed September 21, 2021	333-259155	10.15
10.16	Form of Notice of Amendment to Option Agreement (2017 Equity Incentive Plan)	S-1/A filed September 21, 2021	333-259155	10.19
10.17#	Employment Agreement by and between Souvik Das and Clearwater Analytics, LLC.	10-K filed March 3, 2023	001-40838	10.17
10.18#	Employment Agreement by and between Subi Sethi and Clearwater Analytics, LLC	10-K filed February 29, 2024	001-40838	10.17
19.1*	Insider Trading Policy			
21.1*	Subsidiaries of the Registrant			
23.1*	Consent of KPMG LLP			
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) or 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.			
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.			

97	Clawback Policy	10-K filed February 29, 2024	001-40838	97
+101.INS	Inline XBRL Instance Document			
+101.SCH	Inline XBRL Taxonomy Extension Schema Document			
+101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
+101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document			
+101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document			
+101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File			

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* Filed herewith.

Management contract or compensatory plan or arrangement.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Clearwater Analytics Holdings, Inc.

Date: February 26, 2025	By: /s/ Jim Cox Jim Cox Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/ Sandeep Sahai Sandeep Sahai	Chief Executive Officer (Principal Executive Officer) and Director	February 26, 2025
/s/ Jim Cox Jim Cox	Chief Financial Officer (Principal Financial and Accounting Officer)	February 26, 2025
/s/ Eric Lee Eric Lee	Director and Chairman of the Board of Directors	February 26, 2025
/s/ Jacques Aigrain Jacques Aigrain	Director	February 26, 2025
/s/ Kathleen A. Corbet Kathleen A. Corbet	Director	February 26, 2025
/s/ Cary Davis Cary Davis	Director	February 26, 2025
/s/ Lisa Jones Lisa Jones	Director	February 26, 2025
/s/ Christopher Hooper Christopher Hooper	Director	February 26, 2025
/s/ D. Scott Mackesy D. Scott Mackesy	Director	February 26, 2025
/s/ Andrew Young Andrew Young	Director	February 26, 2025
/s/ Jaswinder Pal Singh Jaswinder Pal Singh	Director	February 26, 2025