UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2021

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: 001-40550

Intapp, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware (State or other jurisdiction of incorporation or organization)	**46-1467620** (I.R.S. Employer Identification No.)
3101 Park Blvd **Palo Alto, California** (Address of principal executive offices)	**94306** (Zip Code)

Registrant's telephone number, including area code: (650) 852-0400

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.001 per share	INTA	The Nasdaq Global Select Market

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of February 4, 2022, the registrant had 61,418,569 shares of common stock, $0.001 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, and the information incorporated herein by reference, particularly in the sections captioned “Risk Factors” under Part II, Item 1A, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” under Part I, Item 2, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, that are based on our management’s beliefs and assumptions and on information currently available to our management. Forward-looking statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q are forward-looking statements, including statements about:

- our inability to continue our growth at or near historical rates;
- our future financial performance and ability to be profitable;
- impact of the COVID-19 pandemic on U.S. and global economies, our business, our employees, results of operations, financial condition, demand for our products, sales and implementation cycles, and the health of our clients’ and partners’ businesses;
- our ability to prevent and respond to data breaches, unauthorized access to client data or other disruptions of our solutions;
- our ability to effectively manage U.S. and global market and economic conditions, particularly adverse to our targeted industries;
- the length and variability of our sales cycle;
- our ability to attract and retain customers;
- our ability to compete in highly competitive markets;
- our ability to manage additional complexity, burdens, and volatility in connection with our international sales and operations;
- our ability to incur indebtedness in the future;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs; and
- our ability to maintain, protect, and enhance our intellectual property rights.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q. In some cases, you can identify forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “objective,” “ongoing,” “plan,” “predict,” “project,” “potential,” “should,” “will,” or “would,” or the negative of these terms, or other comparable terminology intended to identify statements about the future. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

This Quarterly Report on Form 10-Q contains market data and industry forecasts that involve a number of assumptions and limitations, and you are cautioned not to give undue weight to such information. We have not independently verified any third-party information. While we believe the market position, market opportunity and market size information included in this Quarterly Report on Form 10-Q is generally reliable, such information is inherently imprecise.

You should read the section titled “Risk Factors” set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and in Part I, Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended June 30, 2021 for a discussion of important factors that may cause our actual results to differ materially from those expressed or implied by our forward-looking statements. Moreover, we operate in an evolving environment. New risk factors and uncertainties may emerge from time to time, and it is not possible for management to predict all risk factors and uncertainties. As a result of these factors, we cannot assure you that the forward-looking statements in this Quarterly Report on Form 10-Q will prove to be accurate. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

You should read this Quarterly Report on Form 10-Q completely and with the understanding that our actual future results may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Intapp, Inc.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

	December 31, 2021	June 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 56,024	$ 37,636
Restricted cash	3,727	3,827
Accounts receivable, net of allowance for doubtful accounts of $1,049 and $764 as of December 31, 2021 and June 30, 2021, respectively	40,505	48,573
Unbilled receivables, net	6,901	6,840
Other receivables, net	1,168	858
Prepaid expenses	7,742	9,591
Deferred commissions, current	8,429	6,551
Total current assets	124,496	113,876
Property and equipment, net	11,248	10,674
Goodwill	262,043	262,270
Intangible assets, net	45,731	52,349
Deferred commissions, noncurrent	11,892	10,414
Other assets	1,561	10,244
Total assets	$ 456,971	$ 459,827
Liabilities, convertible preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	$ 1,305	$ 2,198
Accrued compensation	25,917	29,218
Accrued expenses	6,544	9,953
Deferred revenue, net	117,544	107,893
Other current liabilities	31,674	22,621
Total current liabilities	182,984	171,883
Deferred tax liabilities	5,096	5,705
Long-term deferred revenue, net	2,279	1,908
Other liabilities	3,294	18,170
Debt, net	—	275,593
Total liabilities	193,653	473,259
Commitments and contingencies (Note 7)		
Convertible preferred stock, $0.001 par value per share, zero and 19,870,040 shares authorized as of December 31, 2021 and June 30, 2021, respectively; zero and 19,034,437 shares issued and outstanding as of December 31, 2021 and June 30, 2021, respectively; liquidation preference of $0 and $203,340 as of December 31, 2021 and June 30, 2021, respectively	—	144,148
Stockholders' equity (deficit)		
Preferred stock, $0.001 par value per share, 50,000,000 and zero shares authorized as of December 31, 2021 and June 30, 2021, respectively; no shares issued or outstanding as of December 31, 2021 and June 30, 2021	—	—
Common stock, $0.001 par value per share, 700,000,000 and 65,000,000 shares authorized as of December 31, 2021 and June 30, 2021, respectively; 61,148,584 and 29,444,577 shares issued and outstanding as of December 31, 2021 and June 30, 2021, respectively	61	29
Additional paid-in capital	599,401	128,943
Accumulated other comprehensive loss	(731)	(494)
Accumulated deficit	(335,413)	(286,058)
Total stockholders' equity (deficit)	263,318	(157,580)
Total liabilities, convertible preferred stock and stockholders' equity (deficit)	$ 456,971	$ 459,827

See accompanying notes to unaudited condensed consolidated financial statements.

Intapp, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Revenues				
SaaS and support	$ 46,970	$ 34,651	$ 90,459	$ 67,756
Subscription license	9,323	9,750	19,907	19,746
Total recurring revenues	56,293	44,401	110,366	87,502
Professional services	8,404	5,184	16,521	10,226
Total revenues	64,697	49,585	126,887	97,728
Cost of revenues				
SaaS and support	12,175	9,876	23,517	19,155
Total cost of recurring revenues	12,175	9,876	23,517	19,155
Professional services	11,378	7,551	22,412	15,255
Total cost of revenues	23,553	17,427	45,929	34,410
Gross profit	41,144	32,158	80,958	63,318
Operating expenses:				
Research and development	17,386	12,146	34,356	24,100
Sales and marketing	26,840	15,472	52,485	30,810
General and administrative	21,217	9,437	42,047	17,581
Total operating expenses	65,443	37,055	128,888	72,491
Operating loss	(24,299)	(4,897)	(47,930)	(9,173)
Loss on debt extinguishment	—	—	(2,407)	—
Interest expense	(38)	(6,395)	(197)	(12,674)
Other income (expense), net	(419)	1,107	460	1,375
Net loss before income taxes	(24,756)	(10,185)	(50,074)	(20,472)
Income tax benefit (expense)	531	(145)	719	(265)
Net loss	(24,225)	(10,330)	(49,355)	(20,737)
Less: cumulative dividends allocated to preferred stockholders	—	(3,889)	—	(7,700)
Net loss attributable to common stockholders	$ (24,225)	$ (14,219)	$ (49,355)	$ (28,437)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.40)	$ (0.51)	$ (0.82)	$ (1.05)
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	60,889	28,063	60,487	27,024

See accompanying notes to unaudited condensed consolidated financial statements.

Intapp, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	**2020**	**2021**	**2020**
Net loss	$ (24,225)	$ (10,330)	$ (49,355)	$ (20,737)
Other comprehensive income (loss):				
Foreign currency translation adjustments	43	626	(237)	1,041
Other comprehensive income (loss)	43	626	(237)	1,041
Comprehensive loss	$ (24,182)	$ (9,704)	$ (49,592)	$ (19,696)

See accompanying notes to unaudited condensed consolidated financial statements.

Intapp, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

(in thousands, except share data)

(unaudited)

	Three Months Ended December 31, 2021					
	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Loss	Deficit	Equity
Balance as of September 30, 2021	60,926,767	$ 61	$ 577,339	$ (774)	$ (311,188)	$ 265,438
Issuance of common stock upon exercise of stock options	221,817	—	1,622	—	—	1,622
Stock-based compensation	—	—	20,440	—	—	20,440
Foreign currency translation adjustments	—	—	—	43	—	43
Net loss	—	—	—	—	(24,225)	(24,225)
Balance as of December 31, 2021	61,148,584	$ 61	$ 599,401	$ (731)	$ (335,413)	$ 263,318

	Three Months Ended December 31, 2020							
	Convertible Preferred Stock		Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Loss	Deficit	Deficit
Balance as of September 30, 2020	19,034,437	$ 144,148	28,000,200	$ 28	$ 107,692	$ (1,252)	$ (249,701)	$ (143,233)
Issuance of common stock upon exercise of stock options	—	—	333,376	—	1,583	—	—	1,583
Stock-based compensation	—	—	—	—	4,235	—	—	4,235
Foreign currency translation adjustments	—	—	—	—	—	626	—	626
Net loss	—	—	—	—	—	—	(10,330)	(10,330)
Balance as of December 31, 2020	19,034,437	$ 144,148	28,333,576	$ 28	$ 113,510	$ (626)	$ (260,031)	$ (147,119)

See accompanying notes to unaudited condensed consolidated financial statements.

Intapp, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)

(in thousands, except share data)

(unaudited)

	Six Months Ended December 31, 2021							
	Convertible Preferred Stock		Common stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of June 30, 2021	19,034,437	$ 144,148	29,444,577	$ 29	$ 128,943	$ (494)	$ (286,058)	$ (157,580)
Conversion of convertible preferred stock to common stock upon initial public offering	(19,034,437)	(144,148)	19,034,437	19	144,129	—	—	144,148
Issuance of common stock upon initial public offering, net of offering costs of $9,767	—	—	12,075,000	12	282,979	—	—	282,991
Issuance of common stock upon exercise of stock options	—	—	594,570	1	3,882	—	—	3,883
Stock-based compensation	—	—	—	—	39,468	—	—	39,468
Foreign currency translation adjustments	—	—	—	—	—	(237)	—	(237)
Net loss	—	—	—	—	—	—	(49,355)	(49,355)
Balance as of December 31, 2021	—	$ —	61,148,584	$ 61	$ 599,401	$ (731)	$ (335,413)	$ 263,318

	Six Months Ended December 31, 2020							
	Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
Balance as of June 30, 2020	19,034,437	$ 144,148	24,331,569	$ 24	$ 69,178	$ (1,667)	$ (238,199)	$ (170,664)
Issuance of common stock, net of issuance costs of $169	—	—	2,432,545	2	29,018	—	—	29,020
Repurchase of shares	—	—	(200,000)	—	(797)	—	(1,095)	(1,892)
Issuance of common stock upon exercise of stock options	—	—	1,769,462	2	7,286	—	—	7,288
Stock-based compensation	—	—	—	—	8,825	—	—	8,825
Foreign currency translation adjustments	—	—	—	—	—	1,041	—	1,041
Net loss	—	—	—	—	—	—	(20,737)	(20,737)
Balance as of December 31, 2020	19,034,437	$ 144,148	28,333,576	$ 28	$ 113,510	$ (626)	$ (260,031)	$ (147,119)

See accompanying notes to unaudited condensed consolidated financial statements.

Intapp, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended December 31,	
	2021	2020
Cash Flows from Operating Activities:		
Net loss	$ (49,355)	$ (20,737)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,156	6,563
Amortization of deferred financing costs	37	585
Provision for doubtful accounts	594	68
Stock-based compensation	39,468	8,825
Loss on debt extinguishment	2,407	—
Change in fair value of contingent consideration, including unrealized foreign exchange gain	(489)	—
Deferred income taxes	(609)	(322)
Other	39	—
Changes in operating assets and liabilities:		
Accounts receivable	7,153	(8,074)
Unbilled receivables, current	(61)	2,371
Prepaid expenses and other assets	1,532	1,127
Deferred commissions	(3,356)	(1,277)
Accounts payable and accrued liabilities	(3,678)	(2,075)
Deferred revenue, net	10,022	10,344
Other liabilities	(5,335)	(1,316)
Net cash provided by (used in) operating activities	6,525	(3,918)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(116)	(2,358)
Capitalized internal-use software costs	(1,938)	(972)
Net cash used in investing activities	(2,054)	(3,330)
Cash Flows from Financing Activities:		
Payments on borrowings	(278,000)	(5,000)
Proceeds from initial public offering, net of underwriting discounts	292,758	—
Payments for deferred offering costs	(4,358)	(122)
Proceeds from common stock issuance	—	29,020
Proceeds from stock option exercises	3,883	7,288
Payment of deferred financing costs	(769)	—
Repurchase of common stock	—	(1,892)
Net cash provided by financing activities	13,514	29,294
Effect of foreign exchange rates on cash and cash equivalents	303	99
Net increase in cash, cash equivalents and restricted cash	18,288	22,145
Cash, cash equivalents and restricted cash - beginning of period	41,463	43,159
Cash, cash equivalents and restricted cash - end of period	$ 59,751	$ 65,304
Reconciliation of cash, cash equivalents and restricted cash to the condensed consolidated balance sheets		
Cash and cash equivalents	$ 56,024	$ 63,590
Restricted cash	3,727	1,714
Total cash, cash equivalents and restricted cash	$ 59,751	$ 65,304
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 5,950	$ 12,544
Cash paid for income taxes	$ 251	$ —
Non-cash investing and financing activities:		
Deferred offering costs in accounts payable and accrued liabilities	$ —	$ 979
Conversion of convertible preferred stock to common stock upon initial public offering	$ 144,148	$ —

See accompanying notes to unaudited condensed consolidated financial statements.

Intapp, Inc.
Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Description of Business

Intapp, Inc. (“Intapp” or the “Company”), formerly known as LegalApp Holdings, Inc., was incorporated in Delaware on November 27, 2012 to facilitate the acquisition of Integration Appliance, Inc., which became a wholly owned subsidiary of Intapp, Inc. on December 21, 2012. LegalApp Holdings, Inc. changed its name to Intapp, Inc. in February 2021. Intapp has no significant assets or operations other than the ownership of Integration Appliance, Inc.

The Company is a leading provider of industry-specific, cloud-based software solutions for the professional and financial services industry globally. The Company empowers private capital, investment banking, legal, accounting, and consulting firms with the technology they need to meet rapidly changing client, investor, and regulatory requirements, deliver the right insights to the right professionals, replace legacy systems, and operate more competitively. The Company serves clients primarily in the United States, United Kingdom and Australian markets. References to “the Company,” “us,” “we,” or “our” in these unaudited condensed consolidated financial statements refer to the consolidated operations of Intapp and its consolidated subsidiaries.

Initial Public Offering

On July 2, 2021, the Company completed its initial public offering (“IPO”), in which it sold 10,500,000 shares of common stock at a public offering price of $26.00 per share for net proceeds of $244.8 million after deducting underwriting discounts of $18.4 million and offering costs of $9.8 million. Upon the closing of the IPO, all outstanding shares of Series A and Series A-1 convertible preferred stock automatically converted into 19,034,437 shares of common stock on a one-for-one basis.

On July 8, 2021, the underwriters of the Company’s IPO exercised in full their right to purchase an additional 1,575,000 shares of common stock at the public offering price of $26.00 per share, resulting in additional net proceeds of $38.2 million after deducting underwriting discounts of $2.8 million.

Prior to the IPO, deferred offering costs, which primarily consist of direct incremental legal and accounting fees relating to the IPO, were capitalized and recorded in other assets on the consolidated balance sheet as of June 30, 2021. Upon the consummation of the IPO, these costs were reclassified into additional paid-in capital as a reduction of the net proceeds received from the IPO. Deferred offering costs were paid in full as of December 31, 2021.

Note 2. Summary of Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) and the requirements of the U.S. Securities and Exchange Commission (the “SEC”) for interim reporting. Certain information and disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2021 filed with the SEC on September 15, 2021. The unaudited condensed consolidated financial statements include accounts of the Company and its consolidated subsidiaries, after eliminating all inter-company transactions and balances.

The interim unaudited condensed consolidated financial statements have been prepared on a basis consistent with the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal and recurring adjustments, necessary to state fairly the Company’s financial condition, its operations and cash flows for the periods presented. The historical results are not necessarily indicative of future results, and the results of operations for the three and six months ended December 31, 2021 are not necessarily indicative of the results to be expected for the full year or any other period.

Use of Estimates

The preparation of the accompanying unaudited condensed consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported and disclosed in the unaudited condensed consolidated financial statements and accompanying notes. Those estimates and assumptions include, but are not limited to, revenue recognition including determination of the standalone selling price ("SSP") of the deliverables included in multiple deliverable revenue arrangements; the depreciable lives of long-lived assets including intangible assets; the expected useful life of deferred commissions; the fair value of common stock used in stock-based compensation; the fair value of assets acquired and liabilities assumed in business combinations; goodwill and long-lived assets impairment assessment; the fair value of contingent consideration liabilities; valuation allowances on deferred tax assets and accounts receivable; uncertain tax positions; and loss contingencies. The Company evaluates estimates and assumptions on an ongoing basis using historical experience and other factors including those resulting from the impacts of the COVID-19 pandemic and adjusts those estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from these estimates, and those differences could be material to the unaudited condensed consolidated financial statements.

Significant Accounting Policies

The Company's significant accounting policies are described in Note 2, *Summary of Accounting Policies*, to the consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2021. There have been no material changes to the significant accounting policies during the six months ended December 31, 2021.

Revenue Recognition

The Company's revenues are derived from contracts with our clients. The majority of the Company's revenues are derived from the sale of our software as a service ("SaaS") solutions and subscriptions to our term software applications, including support services, as well as the provision of professional services for the implementation of our solutions. The Company accounts for revenues in accordance with Accounting Standards Codification 606, Revenue from Contracts with Customers ("ASC 606"), which the Company adopted on July 1, 2020 using the full retrospective method of adoption.

The core principle of ASC 606 is to recognize revenues upon the transfer of control of services or products to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services or products. The Company applies the following framework to recognize revenues:

Identification of the contract, or contracts, with our clients

The Company considers the terms and conditions of written contracts and its customary business practices in identifying its contracts under ASC 606. The Company determines it has a contract with a client when the contract is approved, each party's rights regarding the services and products to be transferred can be identified, payment terms for the services and products can be identified, the client has the ability and intent to pay, and the contract has commercial substance. The Company evaluates whether two or more contracts entered within close proximity with one another should be combined and accounted for as a single contract. The Company also evaluates the client's ability and intent to pay, which is based on a variety of factors, including the client's historical payment experience or, in the case of a new client, credit and financial information pertaining to the client.

Identification of the performance obligation in the contract

Performance obligations promised in a contract are identified based on the services or products that will be transferred to the client that are both:

i. capable of being distinct, whereby the client can benefit from the service or product either on its own or together with other resources that are readily available from the Company or third parties, and

ii. distinct in the context of the contract, whereby the transfer of the services or products is separately identifiable from other promises in the contract.

To the extent a contract includes multiple promised services or products, the Company applies judgment to determine whether promised services or products are capable of being distinct and distinct in the context of the contract. If these criteria are not met, the promised services or products are accounted for as a combined performance obligation.

The Company derives its revenues primarily from the following four sources, which represent the performance obligations of the Company:

i. *Sales of SaaS under subscription arrangements*: revenue derived from subscriptions to our SaaS solutions;

ii. *Sales of subscriptions to our licenses:* software revenues derived from the sale of term licenses to clients;

iii. *Support activities:* support activities that consist of email and phone support, bug fixes, and rights to unspecified software updates and upgrades released on a when, and if, available basis during the support term; and

iv. *Sales of professional services:* services related to the implementation and configuration of the Company's SaaS offerings and software licenses.

SaaS and subscription licenses are generally sold as annual or multi-year initial terms with automatic annual renewal provisions on expiration of the initial term. Support for subscription licenses follows the same contract periods as the initial or renewal term. Professional services related to implementation and configuration activities are typically time and materials contracts.

Determination of the transaction price

The transaction price is determined based on the consideration to which the Company expects to be entitled in exchange for transferring services and products to the client. Variable consideration is estimated and included in the transaction price if, in the Company's judgment, it is probable that no significant future reversal of cumulative revenues under the contract will occur.

In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined that contracts generally do not include a significant financing component. The primary purpose of the Company's invoicing terms is to provide clients with simplified and predictable ways of purchasing the Company's products and services, not to receive financing from clients or to provide clients with financing.

Allocation of the transaction price to the performance obligations in the contract

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on its relative SSP. The majority of the Company's contracts contain multiple performance obligations, such as when subscription licenses are sold with support and professional services. Some of the Company's performance obligations have observable inputs that are used to determine the SSP of those distinct performance obligations. Where SSP is not directly observable, the Company determines the SSP using information that may include market conditions and other observable inputs.

Recognition of revenues when, or as, the Company satisfies a performance obligation

The Company recognizes revenues as control of the services or products is transferred to a client, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those services or products. The Company is principally responsible for the satisfaction of its distinct performance obligations, which are satisfied either at a point in time or over a period of time.

The Company records revenues net of applicable sales taxes collected. Sales taxes collected from clients are recorded as part of accounts payable in the accompanying consolidated balance sheets and are remitted to state and local taxing jurisdictions based on the filing requirements of each jurisdiction.

Performance obligations satisfied at a point in time

Subscription licenses

The Company has concluded that its sale of term licenses to clients ("subscription licenses") provides the client with the right to functional intellectual property ("IP") and are distinct performance obligations from which the client can benefit on a stand-alone basis. The transaction price allocated to subscription license arrangements is recognized as revenues at a point in time when control is transferred to the client, which generally occurs at the time of delivery or upon commencement of the renewal term. Subscription license fees are generally payable in advance on an annual basis over the term of the license arrangement, which is typically noncancelable.

Performance obligations satisfied over a period of time

SaaS and support as well as professional services arrangements comprise the majority of distinct performance obligations that are satisfied over a period of time.

SaaS and support

The transaction price allocated to SaaS subscription arrangements is recognized as revenues over time throughout the term of the contract as the services are provided on a continuous basis, beginning after the SaaS environment is provisioned and made available to clients. The Company's SaaS subscriptions are generally one to three years in duration, with the majority being one year. Consideration from SaaS arrangements is typically billed in advance on an annual basis.

The Company's subscription license sales include noncancelable support which entitle clients to receive technical support and software updates, on a when and if available basis, during the term of the subscription license agreement. Technical support and software updates are considered distinct from the related subscription licenses but accounted for as a single stand ready performance obligation as they each constitute a series of distinct services that are substantially the same and have the same pattern of transfer to the client. The transaction price allocated to support is recognized as revenue over time on a straight-line basis over the term of the support contract which corresponds to the underlying subscription license agreement. Consideration for support services is typically billed in advance on an annual basis. In some instances, the client may purchase premium support services which are generally priced as a percentage of the associated subscription license.

Professional services

The Company's professional services revenues are primarily comprised of implementation, configuration and upgrade services. The Company has determined that professional services provided to clients represent distinct performance obligations. These services may be provided on a stand-alone basis or bundled with other performance obligations, including SaaS arrangements, subscription licenses, and support services. The transaction price allocated to these performance obligations is recognized as revenue over time as the services are performed. The professional services engagements are billed to clients on a time and materials basis and are recognized as invoiced. In instances where professional services arrangements are sold on a fixed price basis, revenues are recognized over time using an input measure of time incurred to date relative to total estimated time to be incurred at project completion. Professional services arrangements sold on a time and materials basis are generally invoiced monthly in arrears and those sold on a fixed fee basis are invoiced upon the achievement of project milestones.

The Company records reimbursable out-of-pocket expenses associated with professional services contracts in both revenues and cost of revenues.

Contract Modifications

Contracts may be modified to account for changes in contract scope or price. The Company considers contract modifications to exist when the modification either creates new rights or obligations or changes the existing enforceable rights and obligations of either party. Contract modifications are accounted for prospectively when it results in the promise to deliver additional products and services that are distinct and contract price does not increase by an amount that reflects standalone selling price for the new goods or services.

Balance Sheet Presentation

Contracts with our clients are reflected in the consolidated balance sheets as follows:

- Accounts receivable, net represents amounts billed to clients in accordance with contract terms for which payment has not yet been received. It is presented net of the allowance for doubtful accounts as part of current assets in the consolidated balance sheets.
- Unbilled receivables, net represents amounts that are unbilled due to agreed-upon contractual terms in which billing occurs subsequent to revenue recognition. This generally occurs in multi-year subscription license arrangements where control of the software license is transferred at the inception of the contract, but the client is invoiced annually in advance over the term of the license. Unbilled receivables are presented net of the allowance for doubtful accounts, if applicable, in the consolidated balance sheets with the long-term portion included in other assets. Under ASC 606, these balances represent contract assets.
- Contract costs consist principally of client acquisition costs (sales commissions). The Company classifies deferred commissions as current or non-current on our consolidated balance sheets based on the timing of when the Company expects to recognize the expense.
- Deferred revenue, net represents amounts that have been invoiced to the client for which the Company has the right to invoice, but that have not been recognized as revenues because the related products or services have not been transferred to the client. Deferred revenue that will be realized within twelve months of the balance sheet date is classified as current. The remaining deferred revenue is presented as non-current. Under ASC 606, these balances represent contract liabilities.

The Company may receive consideration from its clients in advance of performance on a portion of the contract and, on another portion of the contract, perform in advance of receiving consideration. Contract assets and liabilities related to rights and obligations in a contract are interdependent. Therefore, contract assets and liabilities are presented net at the contract level, as either a single contract asset or a single contract liability, in the consolidated balance sheets.

Concentrations of Credit Risk and Significant Clients

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The Company maintains its cash with high quality financial institutions. The Company is exposed to credit risk for cash held in financial institutions in the event of a default to the extent that such amounts recorded on the balance sheet are in excess of amounts that are insured by the Federal Deposit Insurance Corporation ("FDIC").

No client individually accounted for 10% or more of the Company's revenues for the three and six months ended December 31, 2021 and 2020. As of December 31, 2021, no client individually accounted for 10% or more of the Company's total accounts receivable. As of June 30, 2021, one client individually accounted for 25% of the Company's total accounts receivable.

Recent Accounting Pronouncements

The Company is an emerging growth company, as defined in the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act"). Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards issued subsequent to the enactment of the JOBS Act until those standards apply to private companies. The Company has elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date that it is (i) no longer an emerging growth company or (ii) affirmatively and irrevocably opts out of the extended transition period provided in the JOBS Act. As a result, the consolidated financial statements may not be comparable to companies that comply with the new or revised accounting pronouncements as of public company effective dates.

The JOBS Act does not preclude an emerging growth company from early adopting new or revised accounting standards.

Recently issued accounting pronouncements not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The guidance requires lessees to put most leases on their balance sheets but recognize the expenses on their income statements in a manner similar to current practice. The guidance states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for the lease term. The new standard is effective for the Company beginning July 1, 2022. The Company expects to recognize lease liabilities and right-of-use assets related to its operating leases upon adoption of the standard. The Company is evaluating the impact of this ASU on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses*, which requires the establishment of an allowance for estimated credit losses on financial assets, including trade and other receivables, at each reporting date. The guidance is effective for the Company beginning July 1, 2023. The Company is evaluating the impact of this ASU on its financial statements.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (ASC 740): Simplifying the Accounting for Income Taxes*, which is intended to simplify the accounting for income taxes by removing certain exceptions and by updating accounting requirements around franchise taxes, goodwill recognized for tax purposes, the allocation of current and deferred tax expense among legal entities, among other minor changes. Most amendments within the standard are required to be applied on a prospective basis, while certain amendments must be applied on a retrospective or modified retrospective basis. This new standard will be effective for the Company beginning July 1, 2022. The Company is currently assessing the impact of adopting this standard on its consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, *Business Combinations (ASC 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires contract assets and contract liabilities (i.e., unearned revenue) acquired in a business combination to be recognized and measured in accordance with ASC 606. Currently, the Company recognizes contract assets and contract liabilities at the acquisition date based on fair value estimates, which historically has resulted in a reduction to unearned revenue on the balance sheet, and therefore, a reduction to revenues that would have otherwise been recorded as an independent entity. ASU 2021-08 is effective for emerging growth companies following private company adoption dates in fiscal years beginning after December 15, 2023, and for interim periods within those fiscal years, and early adoption is permitted. The Company is currently evaluating the potential impact of ASU 2021-08 to its consolidated financial statements.

Note 3. Revenues

Disaggregation of Revenues

Revenues by geography were as follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
United States	$ 44,474	$ 34,438	$ 87,105	$ 68,637
United Kingdom	11,442	9,241	23,320	17,946
Rest of the world	8,781	5,906	16,462	11,145
Total	$ 64,697	$ 49,585	$ 126,887	$ 97,728

No country other than those listed above accounted for 10% or more of the Company's revenues during the three and six months ended December 31, 2021 and 2020.

Contract balances

The Company's contract assets and liabilities were as follows (in thousands):

	December 31, 2021	June 30, 2021
Unbilled accounts receivable, net(1)	$ 6,914	$ 6,925
Deferred revenue, net	119,823	109,801

(1) The long-term portion of $13 and $85 as of December 31, 2021 and June 30, 2021, respectively, is included in other assets.

There was no allowance for doubtful accounts associated with unbilled receivables as of December 31, 2021 and June 30, 2021. During the six months ended December 31, 2021, the Company recognized $76.0 million in revenue pertaining to deferred revenue as of June 30, 2021.

Performance Obligations

Remaining performance obligations represent non-cancellable contracted revenues that have not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenues in future periods. Subscription services are typically satisfied over one to three years, support services are generally satisfied within one year, and professional services are typically satisfied within one year. Professional services under time and material contracts are not included in the performance obligations amount as these arrangements can be cancelled at any time.

As of December 31, 2021, approximately $247.7 million of revenues is expected to be recognized from remaining performance obligations with approximately 64% over the next 12 months and the remainder thereafter.

Note 4. Goodwill and Intangible Assets

Goodwill

Changes in the carrying amounts of goodwill were as follows (in thousands):

	Six Months Ended December 31,	
	2021	2020
Balance, beginning of period	$ 262,270	$ 227,992
Foreign currency translation adjustment	(227)	929
Balance, end of period	$ 262,043	$ 228,921

Intangible Assets

Intangible assets acquired through business combinations consisted of the following (in thousands):

	December 31, 2021			
	Useful Life (In years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	9 to 15	$ 41,000	$ (17,818)	$ 23,182
Noncompete agreements	3 to 5	4,107	(2,655)	1,452
Trademarks and trade names	Indefinite	4,892	—	4,892
Trademarks and trade names	1 to 3	7,613	(3,441)	4,172
Core technology	3 to 5	47,019	(34,986)	12,033
Intangible assets, net		$ 104,631	$ (58,900)	$ 45,731

	June 30, 2021			
	Useful Life (In years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Client relationships	9 to 15	$ 41,000	$ (15,879)	$ 25,121
Noncompete agreements	3 to 5	4,107	(2,442)	1,665
Trademarks and trade names	Indefinite	4,892	—	4,892
Trademarks and trade names	1 to 3	7,613	(2,902)	4,711
Core technology	3 to 5	47,019	(31,059)	15,960
Intangible assets, net		$ 104,631	$ (52,282)	$ 52,349

The fair value of intangible assets was derived based on the income approach. This fair value measurement is based on significant inputs that are not observable in the market. Key assumptions utilized in management's analysis included the following:

- Revenues and expense forecasts were based on trends of historical performance and management's estimate of future performance.
- Cash flows utilized in the discounted cash flow analysis were estimated using a weighted-average cost of capital.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Cost of SaaS and support	$ 1,963	$ 1,681	$ 3,927	$ 3,433
Sales and marketing	1,240	992	2,479	1,984
General and administrative	107	—	213	—
Total amortization expense	$ 3,310	$ 2,673	$ 6,619	$ 5,417

As of December 31, 2021, the estimated future amortization expense of acquired intangible assets is as follows (in thousands):

Fiscal Year Ending June 30,	Amount
2022 (remaining 6 months)	$ 6,619
2023	9,190
2024	7,707
2025	5,291
2026	3,111
2027 and thereafter	8,921
Total remaining amortization	$ 40,839

Note 5. Fair Value Measurements

The authoritative guidance on fair value measurements establishes a three-tier fair value hierarchy for disclosure of fair value measurements as follows*:*

Level 1—Inputs are unadjusted, quoted prices in active markets for identical, assets or liabilities at the measurement date;

Level 2—Inputs are quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability;

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

The following tables set forth the Company's financial liabilities that were measured at fair value on a recurring basis as of the dates indicated by level within the fair value hierarchy (in thousands):

	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Liability for contingent consideration, current portion	$ —	$ —	$ 23,114	$ 23,114
Total	$ —	$ —	$ 23,114	$ 23,114

	June 30, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Liabilities:				
Term loan	$ —	$ 273,000	$ —	$ 273,000
Revolving credit facility	—	5,000	—	5,000
Liability for contingent consideration, current and non-current portion	—	—	23,502	23,502
Total	$ —	$ 278,000	$ 23,502	$ 301,502

In connection with the acquisition of Repstor, Limited ("Repstor") in June 2021, the Company recorded contingent consideration liabilities representing the amounts payable to former Repstor shareholders based upon the achievement of certain performance measures. The current and non-current portions of these liabilities of $11.0 million and $12.5 million, respectively, were included in other current liabilities and other liabilities on the consolidated balance sheet as of June 30, 2021. The non-current portion was reclassified to the current portion during the six months ended December 31, 2021 and included in other current liabilities on the unaudited condensed consolidated balance sheet as of December 31, 2021.

The fair value of the contingent consideration was initially estimated using the Monte Carlo simulation and included key assumptions used by management related to the estimated probability of occurrence and discount rates. Subsequent changes in the fair value of the contingent consideration liabilities, resulting from management's revision of key assumptions and estimates, have been recorded in general and administrative expense in the unaudited condensed consolidated statement of operations. Gains and losses arising from exchange rate fluctuation on these liabilities which are denominated in British Pounds have been included in other income (expense) on the unaudited condensed consolidated statements of operations.

Changes in the fair value of contingent consideration liabilities during the six months ended December 31, 2021 were as follows:

	Amount
Balance as of June 30, 2021	$ 23,502
Change in fair value of contingent consideration	727
Unrealized foreign currency gain	(1,115)
Balance as of December 31, 2021	$ 23,114

Based upon Level 2 inputs and the borrowing rates available to the Company for loans with similar terms and consideration of the Company's credit risk, the carrying value of the Company's term loan and revolving credit facility approximate their fair value.

Other financial instruments consist of accounts receivable, accounts payable and accrued expenses and other current liabilities. Accounts receivable, accounts payable and accrued liabilities are stated at their carrying value, which approximates fair value due to the short time to expected receipt or payment.

Note 6. Property and Equipment

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

	December 31, 2021	June 30, 2021
Computer equipment and software	$ 966	$ 1,751
Capitalized internal-use software	8,781	6,843
Furniture and office equipment	1,889	2,189
Leasehold improvements	5,351	5,417
Construction in progress	182	—
Total property and equipment	17,169	16,200
Less: accumulated depreciation and amortization	(5,921)	(5,526)
Property and equipment, net	$ 11,248	$ 10,674

Depreciation expense, excluding the amortization of capitalized software development costs, was $0.3 million and $0.4 million for the three months ended December 31, 2021 and 2020, respectively, and was $0.6 million for the six months ended December 31, 2021 and 2020.

Amortization expense related to capitalized internal-use software was $0.5 million and $0.3 million for the three months ended December 31, 2021 and 2020, respectively, and was $0.9 million and $0.5 million for the six months ended December 31, 2021 and 2020, respectively.

Note 7. Commitments and Contingencies

Operating Leases

The Company leases the majority of its office space in the U.S., U.K. and Ukraine under noncancelable operating leases, which have various expiration dates through fiscal 2031. Minimum rent payments under operating leases are recognized on a straight-line basis over the term of the lease, including any periods of free rent and rent concessions. There has been no material change in the Company's contractual obligations on leases since the Company's fiscal year ended June 30, 2021. Total rent expense for the six months ended December 31, 2021 and 2020 was $4.4 million and $3.8 million, respectively.

Software and Other

In the ordinary course of business, the Company enters into commitments to purchase or subscribe to software that is required to conduct its business activities. The Company also has commitments towards its cloud hosting service providers. As of December 31, 2021, the Company had $5.3 million remaining on these commitments, including $0.6 million to be fully paid by June 2022 and $4.7 million by December 2028.

In December 2021, the Company entered into an agreement, pursuant to which the Company is committed to spend a minimum of $110.0 million on cloud services over the agreement's seven-year term. As of December 31, 2021, the Company had $110.0 million remaining on the commitment.

Litigation

In the ordinary course of business, the Company often includes standard indemnification provisions in its commercial arrangements. Pursuant to these provisions, the Company may be obligated to indemnify such parties for losses or claims suffered or incurred in connection with its products, services, breach of representations or covenants, intellectual property infringement or other claims made against such parties.

It is not possible to determine the maximum potential amount under these indemnification obligations due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular arrangement. The Company has never incurred material amounts under these provisions. Accordingly, the Company has no liabilities recorded for these provisions as of December 31, 2021 and June 30, 2021.

Note 8. Debt

As of June 30, 2021, the Company had outstanding borrowings of $273.0 million under a term loan and $5.0 million under an associated revolving credit facility (together, the “Prior Credit Facility”). On July 12, 2021, amounts outstanding under the Prior Credit Facility were repaid in full from proceeds of the IPO. As a result of the extinguishment of the debt, a loss of $2.4 million related to the write-off of unamortized financing costs, has been recorded as a loss on debt extinguishment in the unaudited condensed consolidated statement of operations for the three months ended September 30, 2021. As of December 31, 2021, the Company had no outstanding borrowings under the Prior Credit Facility.

On October 5, 2021, the Company entered into a Credit Agreement (the “Credit Agreement”) among the Company, the guarantors party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent (“JPMorgan”). The Credit Agreement provides for a five-year, senior secured revolving credit facility of $100.0 million with a sub-facility for letters of credit in the aggregate amount of up to $10.0 million (the “JPMorgan Credit Facility”). The Credit Agreement also provides that the Company may seek additional revolving credit commitments in an aggregate amount not to exceed $50.0 million, subject to certain administrative procedures, including approval by the Administrative Agent. Future borrowings under the JPMorgan Credit Facility will bear interest, at the Company’s election, at an annual rate of either (a) LIBOR plus a percentage spread (ranging from 1.75% to 2.50%) or (b) an alternate base rate (as described in the Credit Agreement) plus a percentage spread (ranging from 0.75% to 1.50%), in each case based on the Company’s total net leverage ratio. In addition, a commitment fee accrues with respect to the unused amount of the JPMorgan Credit Facility at an annual rate ranging from 0.25% to 0.40%, based on the Company’s total net leverage ratio.

In connection with the execution of the Credit Agreement, the Company also entered into a pledge and security agreement (the “Security Agreement”) dated as of October 5, 2021 with the subsidiaries of the Company and JPMorgan, as collateral agent for the secured parties. Under the Security Agreement, borrowings under the JPMorgan Credit Facility are secured by a first priority pledge of all of the capital stock and substantially all of the assets (excluding real estate interests) of each subsidiary of the Company and the subsidiary guarantors.

The Credit Agreement provides that the Company must maintain compliance with a maximum consolidated total net leverage ratio covenant, as determined in accordance with the Credit Agreement. It also contains affirmative, negative and financial covenants, including limitations on certain other indebtedness, loans and investments, liens, mergers, asset sales, and transactions with affiliates, as well as customary events of default. The Company was in compliance with all covenants as of December 31, 2021.

The Company incurred $0.8 million of costs directly related to the Credit Agreement, which were capitalized and are being amortized over the term of the Credit Agreement. These debt issuance costs are included in other assets on the unaudited condensed consolidated balance sheets. As of December 31, 2021, there were no outstanding borrowings under the JPMorgan Credit Facility.

Note 9. Stockholders’ Equity

On July 2, 2021, in conjunction with the closing of the IPO, the Company’s Amended and Restated Certificate of Incorporation became effective, pursuant to which the Company’s authorized capital stock was increased to 700,000,000 shares of common stock, par value $0.001 per share, and 50,000,000 shares of preferred stock, par value $0.001 per share.

On July 2, 2021, upon the closing of the IPO, all outstanding shares of Series A and Series A-1 convertible preferred stock were automatically converted into 19,034,437 shares of the Company’s common stock on a one-for-one basis.

As of December 31, 2021, shares of common stock have been reserved for the following:

Outstanding stock options	13,961,943
Unvested performance stock units and restricted stock units	4,818,441
Reserved for ESPP	1,466,996
Reserved for future stock award grants	2,089,711
	22,337,091

Note 10. Stock-Based Compensation

Stock Awards

The Company has granted time-based and performance-based stock options, time-based restricted stock units ("RSUs") and performance-based restricted stock units ("PSUs"), collectively referred to as "Stock Awards". The Company accounts for stock-based compensation using the fair value method which requires the Company to measure stock-based compensation based on the grant-date fair value of the awards and recognize compensation expense over the requisite service or performance period. Awards that contain only service conditions, are generally earned over four years and expensed on a straight-line basis over that term. Compensation expense for awards that contain performance conditions is calculated using the graded vesting method and the portion of expense recognized in any period may fluctuate depending on changing estimates of the achievement of the performance conditions.

Stock option activity under the Company's equity incentive plans during the six months ended December 31, 2021 was as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of June 30, 2021	14,684,809	$ 10.11	7.3	$ 262,762
Granted	104,390	32.22		
Exercised	(594,570)	6.53		
Forfeited	(232,686)	13.86		
Outstanding as of December 31, 2021	13,961,943	$ 10.36	6.9	$ 207,619
Vested and exercisable as of December 31, 2021	9,277,359	$ 7.63	6.0	$ 162,663
Unvested and early exercised as of December 31, 2021	150,000	$ 14.77		
Vested and expected to vest as of December 31, 2021	14,111,943	$ 10.41	6.9	$ 209,178

The weighted-average grant date fair value of options granted during the six months ended December 31, 2021 was $12.61. The total intrinsic value of options exercised during the six months ended December 31, 2021 was $14.4 million. The proceeds from option exercises totaled $3.9 million during the six months ended December 31, 2021.

Performance stock unit activity during the six months ended December 31, 2021 was as follows:

	Stock Awards Outstanding	Weighted-Average Grant Date Fair Value
Balance as of June 30, 2021	3,950,000	$ 26.00
Granted	163,527	38.18
Vested	—	—
Forfeited	(54,784)	27.06
Balance as of December 31, 2021	4,058,743	$ 26.48

Restricted stock unit activity during the six months ended December 31, 2021 was as follows:

	Stock Awards Outstanding	Weighted-Average Grant Date Fair Value
Balance as of June 30, 2021	46,150	$ 26.00
Granted	733,386	34.84
Vested	—	—
Forfeited	(19,838)	35.56
Balance as of December 31, 2021	759,698	$ 34.28

Stock-Based Compensation Expense

The Company recorded stock-based compensation expense in the unaudited condensed consolidated statements of operations as follows (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	**2020**	**2021**	**2020**
Cost of revenues				
Cost of SaaS and support	$ 355	$ 80	$ 523	$ 122
Cost of professional services	835	237	1,415	441
Research and development	4,285	1,052	8,635	2,078
Sales and marketing	6,888	1,246	13,357	2,831
General and administrative	8,077	1,620	15,538	3,859
Total stock-based compensation	$ 20,440	$ 4,235	$ 39,468	$ 9,331

During the six months ended December 31, 2020, the Company also recognized additional stock-based compensation expense of $0.5 million relating to the buy-back of shares of common stock, which represents the excess between the repurchase price and the fair value of common stock at the date of repurchase.

As of December 31, 2021, there was a total of $124.2 million in unrecognized compensation cost related to unvested stock-based awards granted, which is expected to be recognized over the weighted-average period of approximately 2.6 years.

The calculated fair value of stock option grants was estimated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Six Months Ended December 31,	
	2021	**2020**
Expected dividend yield	0%	0%
Risk-free interest rate	1%	0.3%
Expected volatility	40%	38%
Expected life (in years)	6	6

Employee Stock Purchase Plan

In June 2021, the Board of Directors adopted and shareholders approved the 2021 Employee Stock Purchase Plan ("ESPP"), which became effective as of June 29, 2021. The ESPP initially reserved 1,466,996 shares of the Company’s common stock for future issuance to participating employees. The initial offering period for the ESPP began on December 16, 2021 and will end on November 30, 2023. The first purchase date will be on May 31, 2022, followed by three more purchase dates in six-month intervals thereafter during this initial offering period. Eligible employees may purchase the Company’s common stock at a price equal to 85% of the lower of the fair market value of the Company’s common stock on the offering date or the applicable purchase date. As of December 31, 2021, no shares have been purchased under the ESPP.

The fair value of ESPP shares was estimated using the Black-Scholes option valuation model with the following weighted-average assumptions:

	Six Months Ended December 31, 2021
Expected dividend yield	0%
Risk-free interest rate	0.4%
Expected volatility	39%
Expected life (in years)	1.2

As of December 31, 2021, total unrecognized compensation expense related to the ESPP was $2.2 million. That cost is expected to be recognized over the remaining term of the initial offering period of 1.9 years.

Note 11. Income Taxes

The Company determines its income tax provision for interim periods using an estimate of its annual effective tax rate adjusted for discrete items occurring during the periods presented. The primary difference between its effective tax rate and the federal statutory rate is the full valuation allowance the Company has established on its federal and state net operating losses and credits. Income taxes from international operations were not material for the three and six months ended December 31, 2021 and 2020.

The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions and various foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities. The Company is not currently under audit by the Internal Revenue Service or other similar tax authorities. The Company's tax returns remain open to examination as follows: U.S. federal and states, all tax years; and significant foreign jurisdictions, generally 2017 through 2021.

Note 12. Net Loss Per Share

The following table sets forth the computation of basic and diluted net loss per share for the periods indicated (in thousands, except per share data):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	**2020**	**2021**	**2020**
Numerator:				
Net loss	$ (24,225)	$ (10,330)	$ (49,355)	$ (20,737)
Less: cumulative dividends allocated to preferred stockholders	—	(3,889)	—	(7,700)
Net loss attributable to common stockholders	$ (24,225)	$ (14,219)	$ (49,355)	$ (28,437)
Denominator:				
Weighted-average shares used to compute net loss per share attributable to common stockholders, basic and diluted	60,889	28,063	60,487	27,024
Net loss per share attributable to common stockholders				
Basic and diluted	$ (0.40)	$ (0.51)	$ (0.82)	$ (1.05)

Basic net loss per share is the same as diluted net loss per share because the Company reported net losses for all periods presented. The Company excluded the following potential shares of common stock from the calculation of diluted net loss per share attributable to common stockholders because their effect would be anti-dilutive:

	As of December 31,	
	2021	**2020**
Convertible preferred stock (on an if-converted basis)	—	19,034,437
Outstanding stock options to purchase common stock	13,961,943	13,663,958
Unvested performance stock units and restricted stock units	4,818,441	—
Shares issuable under employee stock purchase plan	6,607	—
Total	18,786,991	32,698,395

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

Cautionary Notes Regarding Forward-Looking Statements

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited condensed consolidated financial statements and related notes and other financial information included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended June 30, 2021 filed with the SEC on September 15, 2021. The following discussion contains forward-looking statements that reflect our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K, particularly in the section titled “Risk Factors.” Our historical results are not necessarily indicative of the results that may be expected for any period in the future. Unless otherwise noted, any reference to a year preceded by the word “fiscal” refers to the fiscal year ended June 30 of that year.

Overview

Intapp is a leading provider of industry-specific, cloud-based software solutions for the professional and financial services industry globally. We empower the world’s premier private capital, investment banking, legal, accounting, and consulting firms with the technology they need to meet rapidly changing client, investor, and regulatory requirements, deliver the right insights to the right professionals, and operate more competitively.

Our Intapp Platform is purpose-built to modernize these firms. The platform facilitates greater team collaboration, digitizes complex workflows to optimize deal and engagement execution, and leverages proprietary AI to help nurture relationships and originate new business. By better connecting their most important assets—people, processes, and data—our platform helps firms increase client fees and investment returns, operate more efficiently, and better manage risk and compliance.

How We Generate Revenue

We generate revenues primarily from software subscriptions, typically with one-year or multi-year contract terms. We sell our software through a direct enterprise sales model, which targets clients based on end market, geography, firm size, and business need. Historically, most of our clients hosted our software on-premise. However, as we saw the potential for the cloud to impact the professional and financial services industries, we invested in developing a multi-tenant cloud version of our platform and launched our initial software-as-a-service (“SaaS”) solutions in 2017. We recognize revenues from SaaS subscriptions ratably over the term of the contract, while we recognize revenues from the license component of on-premise subscriptions upfront and the support component of such subscriptions ratably over the support term. We generally price our subscriptions based on the modules deployed as well as the number of users adopting our solution.

We expect the vast majority of our new ARR growth in the future to be from the sale of SaaS subscriptions.

We generate a majority of our non-recurring revenues from professional services. Our clients utilize these services to configure and implement one or more modules of the Intapp Platform, integrate those modules with the existing platform and with other core systems in their IT environment, upgrade their existing deployment, and provide training for their employees. Other professional services include strategic consulting and advisory work, which are generally provided on a standalone basis.

Recent Developments

On July 2, 2021, in conjunction with the IPO, our amended and restated Certificate of Incorporation became effective, pursuant to which our authorized capital stock was increased to 700 million shares of common stock and 50 million shares of preferred stock.

On July 2, 2021, we completed our IPO and sold 10,500,000 shares of our common stock at a public offering price of $26.00 per share. The net proceeds to us were $244.8 million, after deducting the underwriters’ discounts and offering expenses payable by us.

On July 2, 2021, upon the closing of the IPO, all outstanding shares of Series A and Series A-1 convertible preferred stock were automatically converted into 19,034,437 shares of our common stock on a one-for-one basis.

On July 8, 2021, the underwriters of our IPO exercised in full their right to purchase an additional 1,575,000 shares of our common stock at the public offering price of $26.00 per share. The net proceeds to us were $38.2 million, after deducting the underwriters’ discounts.

On July 12, 2021, we repaid the outstanding $273.0 million borrowing under the term loan and $5.0 million borrowing under the revolving credit facility from the proceeds of the IPO. As a result, we recognized a loss on extinguishment of debt of $2.4 million on this date in connection with the write-off of the unamortized financing costs related to the term loan.

On October 5, 2021, we entered into the Credit Agreement with a group of lenders led by JPMorgan. The Credit Agreement provides for a five-year, senior secured revolving credit facility of $100.0 million with a sub-facility for letters of credit in the aggregate amount of up to $10.0 million. The Credit Agreement also provides that we may seek additional revolving credit commitments in an aggregate amount not to exceed $50.0 million. No amounts have been borrowed under the JPMorgan Credit Facility.

Factors affecting our performance

Market adoption of our cloud platform. Our future growth depends on our ability to win new professional and financial services clients and expand within our existing client base, primarily through the continued acceptance of our cloud business. Our cloud business has historically grown faster than our overall business, and represents an increasing proportion of our ARR. We must demonstrate to new and existing clients the benefits of selecting our cloud platform, and support those deployments once live with reliable and secure service. From a sales perspective, our ability to add new clients and expand within existing accounts depends upon a number of factors, including the quality and effectiveness of our sales personnel and marketing efforts, and our ability to convince key decision makers within professional and financial services firms to embrace the Intapp Platform over point solutions, internally developed solutions, and horizontal solutions.

Net Revenue Retention. We measure our ability to grow and retain ARR from existing clients using a metric we refer to as net revenue retention. We calculate this by starting with the ARR from the cohort of all clients as of the twelve months prior to the applicable fiscal period, or prior period ARR. We then calculate the ARR from these same clients as of the current fiscal period, or current period ARR. We then divide the current period ARR by the prior period ARR to calculate the net revenue retention.

This metric accounts for changes in our recurring revenue base from cross-sell (additional solution capabilities sold), upsell (additional seats sold), price changes, and client attrition (including contraction of solution capabilities, contraction of seats and client churn). We have averaged a net revenue retention rate of over 110% in each of the twelve-month periods ended December 31, 2021 and 2020 due to a steady increase in client adoption of our platform's capabilities and a low level of client attrition. However, if our clients do not continue to see the ability of our platform to generate return on investment relative to other software alternatives, net revenue retention could suffer and our operating results may be adversely affected.

Continued investment in innovation and growth. We have made substantial investments in research and development and sales and marketing to achieve a leadership position in our market and grow our revenues and client base. We intend to continue to invest in research and development to build new capabilities and maintain the core technology underpinning our differentiated platform. In addition, we expect to increase investment in sales and marketing to broaden our reach with new clients in the United States and abroad and deepen our penetration with existing clients. We are continuing to increase our general and administrative spending to support our growing operational needs as a public company. With our revenue growth objectives, we expect to continue to make such investments for the foreseeable future.

We have a track record of successfully identifying and integrating complementary businesses within the professional and financial services industry. To complement our organic investment in innovation and accelerate our growth, we will continue to evaluate acquisition opportunities that help us extend our platform, broaden and deepen our market leadership, and add new clients.

COVID-19 expenses. In March 2020, in response to the COVID-19 pandemic to ensure the safety of our employees, we implemented a global work from home policy and suspended international and domestic travel. We began easing these restrictions as we entered fiscal year 2022, including by re-opening offices and resuming some essential business travel and in-person marketing events. As a result, we have seen a small increase in travel-related and marketing expenses. In December 2021, due to the surge in COVID-19 cases, we reinstated more stringent travel and meeting restrictions and continue to monitor the situation closely to ensure the safety of our employees and clients. We expect business travel to resume and marketing-related expenses to increase as the situation stabilizes.

Key business metrics

We review a number of operating and financial metrics, including the following key metrics to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions.

Annual recurring revenues ("ARR")

ARR represents the annualized recurring value of all active SaaS and on-premise subscription contracts at the end of a reporting period. Contracts with a term other than one year are annualized by taking the committed contract value for the current period divided by number of days in that period then multiplying by 365. As a metric, ARR mitigates fluctuations in revenue recognition due to certain factors, including contract term and the sales mix of SaaS contracts and subscription licenses. ARR does not have any standardized meaning and may not be comparable to similarly titled measures presented by other companies. ARR should be viewed independently of revenues and deferred revenues and is not intended to be combined with or to replace either of those elements of our financial statements. ARR is not a forecast and the active contracts at the end of a reporting period used in calculating ARR may or may not be extended or renewed by our clients.

ARR was $240.0 million and $189.4 million as of December 31, 2021 and 2020, respectively, an increase of 27%.

Cloud ARR

Cloud ARR is the portion of our ARR which represents the annualized recurring value of our active SaaS contracts. We believe Cloud ARR provides important information about our ability to sell new SaaS subscriptions to existing clients and to acquire new SaaS clients.

Cloud ARR was $135.3 million and $88.9 million as of December 31, 2021 and 2020, respectively, an increase of 52%, and represented 56% and 47% of ARR as of December 31, 2021 and 2020, respectively.

Number of clients

We believe our ability to increase the number of clients on our platform is a key indicator of the growth of our business and our future business opportunities. We define a client at the end of any reporting period as an entity with at least one active subscription as of the measurement date. As of December 31, 2021, we had more than 2,000 clients. No single client represented more than 10% of total revenues for the three and six months ended December 31, 2021 and 2020.

Our client base includes some of the largest and most reputable professional and financial services firms globally. These clients have the financial and operating resources needed to purchase, deploy, and successfully use the full capabilities of our software platform, and as such, we believe the number of our clients with contracts greater than $100,000 of ARR is an important metric for highlighting our progress on the path to full adoption of our platform by our professional and financial services clients. As of December 31, 2021 and 2020, we had 467 and 380 clients, respectively, with contracts greater than $100,000 of ARR.

Components of Our Results of Operations

Revenues

We generate recurring revenues from the sale of our SaaS solutions, subscriptions to our term software applications, and from providing support for those applications. We generate non-recurring revenues primarily by delivering professional services for the configuration, implementation and upgrade of our solutions. Our recurring revenues accounted for 87% and 90% of our total revenues during the six months ended December 31, 2021 and 2020, respectively.

SaaS and support

We recognize revenues from our SaaS solutions ratably over the term of the contract beginning once the SaaS environment is provisioned and made available to clients. The initial term of our SaaS contracts is generally one to three years in duration.

Support revenues consist of non-cancelable support which is included with our subscription licenses and entitles clients to receive technical support and software updates, on a when and if available basis. We recognize revenues for support ratably over the term of the support contract which corresponds to the underlying subscription license agreement. We expect to continue to generate a relatively consistent stream of revenues from support services we provide to our existing subscription license clients. However, over time as we focus on new sales of our SaaS solutions and encourage existing subscription license clients to migrate to SaaS solutions, we expect revenues from support to decrease as a percentage of total revenues.

Subscription license

Our subscription licenses provide the client with the right to functional intellectual property and are distinct performance obligations as the client can benefit from the subscription licenses on their own. The transaction price allocated to subscription license arrangements is recognized as revenues at a point in time when control is transferred to the client, which generally occurs at the time of delivery for a new contract or commencement of the renewal term for renewals. Subscription license fees are generally payable in advance on an annual basis over the term of the license arrangement, which is typically noncancelable.

Professional services

Our professional services primarily consist of implementation, configuration and upgrade services provided to clients. These engagements are billed to clients either on a time and materials or milestone basis; revenues are recognized as invoiced or in proportion to the work performed, respectively. We expect the demand for our professional services to increase due to client growth and the need for implementation, upgrade, and migration services for new and existing clients. This demand will be affected by the mix of professional services that are provided by us versus provided by our third-party implementation partners. Our professional services are currently loss making (after allocated overhead for facilities and IT) and accounted for 13% and 10% of our total revenues during the six months ended December 31, 2021 and 2020, respectively.

Cost of revenues

Our cost of revenues consists primarily of expenses related to providing SaaS subscription, support and professional services to our clients, including personnel costs (salaries, bonuses, benefits, and stock-based compensation) and related expenses for client support and services personnel, as well as cloud infrastructure costs, third-party expenses, depreciation of fixed assets, amortization of capitalized internal-use software costs and acquired intangible assets, and allocated overhead. We do not have any cost of revenues related to our subscription licenses. We expect our cost of revenues to increase in absolute dollars as we expand our SaaS client base over time as this will result in increased cloud infrastructure costs and increased costs for additional personnel to provide technical support services to our growing client base.

Cost of SaaS and support

Our cost of SaaS and support revenues comprises the direct costs to deliver and support our products, including salaries, bonus, benefits, stock-based compensation, as well as allocated overhead for facilities and IT, third-party hosting fees related to cloud services, amortization of capitalized internal-use software development costs and amortization of acquired intangible assets.

Cost of professional services

Our cost of professional services revenues comprises the personnel-related expenses for our professional services employees and contractors responsible for delivering implementation, upgrade and migration services to our clients. This includes salaries, benefits, stock-based compensation, and allocated overhead for facilities and IT. We expect the cost of professional services revenues to increase in absolute dollars as we continue to hire personnel to provide implementation, upgrade and migration services to our growing client base.

Operating expenses

Research and development expense

Our research and development expenses comprise costs associated with the development of our software products for sale. The major components of research and development costs include salaries and employee benefits, costs of third-party services, and allocations of various overhead and occupancy costs. We expect our research and development expenses to continue to increase in absolute dollars for the foreseeable future as we continue to dedicate substantial internal resources to develop, improve and expand the functionality of our solutions.

Sales and marketing expense

Our sales and marketing expenses consist primarily of costs incurred for personnel-related expenses for our sales and marketing employees as well as commission payments to our sales employees, costs of marketing events and online advertising, allocations of various overhead and occupancy costs and travel and entertainment expenses. We capitalize client acquisition costs (principally commissions paid to sales personnel) and subsequently amortize these costs over the expected period of benefit. We expect in the long-term we will see an increase of our sales and marketing expense as we continue to expand our direct sales force to capitalize on opportunities for growth and resume in-person conferences and attendance at trade shows once the COVID-19 pandemic has abated.

General and administrative expense

Our general and administrative expenses consist primarily of personnel-related expenses as well as professional services and facilities costs related to our executive, finance, human resources, information technology and legal functions. Being a new public company, we expect to incur significant additional accounting and legal costs related to compliance with rules and regulations enacted by the SEC, including the additional costs of achieving and maintaining compliance with the Sarbanes-Oxley Act, as well as additional insurance, investor relations and other costs associated with being a public company.

Loss on debt extinguishment

Loss on debt extinguishment consists of the write-off of unamortized deferred financing costs upon the repayment of our debt obligations.

Interest expense

Interest expense, net primarily consists of the interest on our debt, which was repaid in full in July 2021.

Other income (expense), net

Other income (expense), net consists primarily of realized and unrealized foreign exchange gains and losses resulting from fluctuations in foreign exchange rates on monetary assets and liabilities denominated in currencies other than the U.S. dollar.

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Income tax benefit (expense)

Our income tax provision consists of an estimate of federal, state, and foreign income taxes based on enacted federal, state, and foreign tax rates, as adjusted for allowable credits, deductions, uncertain tax positions, changes in the valuation of our deferred tax assets and liabilities, and changes in tax laws. We maintain a full valuation allowance on our federal and state deferred tax assets as we have concluded that it is not more likely than not that the deferred tax assets will be realized.

Results of Operations

The following tables set forth our results of operations for the periods presented, expressed in total dollar terms and as a percentage of total revenues (percentages may not add up due to rounding):

	Three Months Ended December 31,				Six Months Ended December 31,			
	2021		2020		2021		2020	
	(in thousands, except for percentages)							
Revenues:								
SaaS and support	$ 46,970	73 %	$ 34,651	70 %	$ 90,459	71 %	$ 67,756	69 %
Subscription license	9,323	14	9,750	20	19,907	16	19,746	20
Total recurring revenues	56,293	87	44,401	90	110,366	87	87,502	90
Professional services	8,404	13	5,184	10	16,521	13	10,226	10
Total revenues	64,697	100	49,585	100	126,887	100	97,728	100
Cost of revenues:								
SaaS and support	12,175	19	9,876	20	23,517	19	19,155	20
Total cost of recurring revenues	12,175	19	9,876	20	23,517	19	19,155	20
Professional services	11,378	18	7,551	15	22,412	18	15,255	16
Total cost of revenues	23,553	36	17,427	35	45,929	36	34,410	35
Gross profit	41,144	64	32,158	65	80,958	64	63,318	65
Operating expenses:								
Research and development	17,386	27	12,146	24	34,356	27	24,100	25
Sales and marketing	26,840	41	15,472	31	52,485	41	30,810	32
General and administrative	21,217	33	9,437	19	42,047	33	17,581	18
Total operating expenses	65,443	101	37,055	75	128,888	102	72,491	74
Operating loss	(24,299)	(38)	(4,897)	(10)	(47,930)	(38)	(9,173)	(9)
Loss on debt extinguishment	—	—	—	—	(2,407)	(2)	—	—
Interest expense	(38)	—	(6,395)	(13)	(197)	—	(12,674)	(13)
Other income (expense), net	(419)	(1)	1,107	2	460	—	1,375	1
Net loss before income taxes	(24,756)	(38)	(10,185)	(21)	(50,074)	(39)	(20,472)	(21)
Income tax benefit (expense)	531	1	(145)	—	719	1	(265)	—
Net loss	$ (24,225)	(37) %	$ (10,330)	(21) %	$ (49,355)	(39) %	$ (20,737)	(21) %

Comparison of the Three and Six Months Ended December 31, 2021 and 2020

Revenues

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2021	2020	Amount	%	2021	2020	Amount	%
	(in thousands, except for percentages)							
Revenues:								
SaaS and support	$ 46,970	$ 34,651	$ 12,319	36%	$ 90,459	$ 67,756	$ 22,703	34%
Subscription license	9,323	9,750	(427)	(4)%	19,907	19,746	161	1%
Total recurring revenues	56,293	44,401	11,892	27%	110,366	87,502	22,864	26%
Professional services	8,404	5,184	3,220	62%	16,521	10,226	6,295	62%
Total revenues	$ 64,697	$ 49,585	$ 15,112	30%	$ 126,887	$ 97,728	$ 29,159	30%

Recurring revenues

Recurring revenues from the sale of our SaaS solutions, from subscriptions to our term software solutions, and from providing support for these solutions increased by $11.9 million, or 27%, and $22.9 million, or 26%, respectively, in the three and six months ended December 31, 2021 compared to the same periods in the prior year.

Our SaaS and support revenues grew $12.3 million, or 36%, and $22.7 million, or 34%, respectively, in the three and six months ended December 31, 2021 compared to the three and six months ended December 31, 2020, due to sales to new clients and expansion of existing clients from both cross-selling and upselling sales motions. An increase in clients starting to migrate from using our on-premise solutions to our cloud solutions also contributed to the growth.

Subscription license revenues decreased by $0.4 million, or 4%, and increased by $0.2 million, or 1%, respectively, in the three and six months ended December 31, 2021 compared to the same periods in the prior year. This reflects our continued emphasis on selling new subscriptions as SaaS and migrating our existing on-premise clients to our SaaS solutions.

Professional services

Professional services revenues increased by $3.2 million, or 62%, for the three months ended December 31, 2021 compared to the three months ended December 31, 2020, and increased by $6.3 million, or 62%, for the six months ended December 31, 2021 compared to the six months ended December 31, 2020. The results for both the three and six month periods ended December 31, 2021 reflect a recovery in demand for implementation, upgrade and migration services, which were adversely impacted by COVID-19 during the six months ended December 31, 2020.

Cost of revenues and gross profit

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2021	2020	Amount	%	2021	2020	Amount	%
	(in thousands, except for percentages)				(in thousands, except for percentages)			
Cost of revenues:								
SaaS and support	$ 12,175	$ 9,876	$ 2,299	23%	$ 23,517	$ 19,155	$ 4,362	23%
Total cost of recurring revenues	12,175	9,876	2,299	23%	23,517	19,155	4,362	23%
Professional services	11,378	7,551	3,827	51%	22,412	15,255	7,157	47%
Total cost of revenues	23,553	17,427	6,126	35%	45,929	34,410	11,519	33%
Gross profit:								
SaaS and support	34,795	24,775	10,020	40%	66,942	48,601	18,341	38%
Subscription license	9,323	9,750	(427)	(4)%	19,907	19,746	161	1%
Total gross profit - recurring revenues	44,118	34,525	9,593	28%	86,849	68,347	18,502	27%
Professional services	(2,974)	(2,367)	(607)	26%	(5,891)	(5,029)	(862)	17%
Gross profit	$ 41,144	$ 32,158	$ 8,986	28%	$ 80,958	$ 63,318	$ 17,640	28%

Cost of SaaS and support

Cost of SaaS and support revenues increased by $2.3 million, or 23%, for the three months ended December 31, 2021 compared to the three months ended December 31, 2020. The increase can be attributed primarily to increases in royalty expense of $0.8 million relating to third-party products, amortization expense of $0.6 million relating to capitalized software development costs and intangible assets, personnel expense of $0.5 million mainly due to headcount increases, and hosting costs of $0.4 million resulting from the growth of our business.

Cost of SaaS and support revenues increased by $4.4 million, or 23%, for the six months ended December 31, 2021 compared to the six months ended December 31, 2020. The increase can be attributed primarily to increases in royalty expense of $1.5 million relating to third-party products, amortization expense of $1.1 million relating to capitalized software development costs and intangible assets, personnel expense of $0.9 million mainly due to annual pay raises and headcount increases, hosting costs of $0.6 million to support our growth as we scale our business and contractor costs of $0.3 million.

Cost of professional services

Cost of professional services revenues increased by $3.8 million, or 51%, for the three months ended December 31, 2021 compared to the three months ended December 31, 2020, primarily due to an increase in personnel costs by $2.4 million due to increased headcount, sub-contractor costs of $0.8 million, and other allocated overhead costs of $0.6 million as we expanded our teams to provide implementation and migration services to our growing client base.

Cost of professional services revenues increased by $7.2 million, or 47%, for the six months ended December 31, 2021 compared to the six months ended December 31, 2020, primarily due to an increase in personnel costs by $4.5 million due to annual raises and increased headcount, sub-contractor costs of $1.5 million, and other allocated overhead costs of $1.0 million as we expanded our teams to provide implementation and migration services to our growing client base.

Gross profit

Gross profit increased by $9.0 million, or 28%, for the three months ended December 31, 2021 compared to the three months ended December 31, 2020, and increased by $17.6 million, or 28%, for the six months ended December 31, 2021 compared to the six months ended December 31, 2020, primarily driven by the growth in SaaS and support revenues, which was partially offset by increases in professional services costs as we invested in headcount to support our implementation, upgrade and migration services, and royalty expenses incurred on sales of third-party products.

Operating expenses

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2021	**2020**	**Amount**	**%**	**2021**	**2020**	**Amount**	**%**
	(in thousands, except for percentages)							
Operating expenses:								
Research and development	$ 17,386	$ 12,146	$ 5,240	43%	$ 34,356	$ 24,100	$ 10,256	43%
Sales and marketing	26,840	15,472	11,368	73%	52,485	30,810	21,675	70%
General and administrative	21,217	9,437	11,780	125%	42,047	17,581	24,466	139%
Total operating expenses	$ 65,443	$ 37,055	$ 28,388	77%	$ 128,888	$ 72,491	$ 56,397	78%

Research and development expense

Research and development expenses increased by $5.2 million, or 43%, for the three months ended December 31, 2021 compared to the three months ended December 31, 2020. Stock-based compensation expense increased by $3.2 million, primarily due to stock awards granted since January 2021 combined with an increase in the grant date fair value of such awards. Personnel costs increased by $1.4 million due to increased headcount. Cloud hosting costs and contractor costs increased by $0.5 million and $0.4 million, respectively, due to incremental development activities relating to our cloud offerings. These increases in expenses were partially offset by an increase in capitalized software development costs of $0.5 million.

Research and development expenses increased by $10.3 million, or 43%, for the six months ended December 31, 2021 compared to the six months ended December 31, 2020. Stock-based compensation expense increased by $6.6 million, primarily due to stock awards granted since January 2021 combined with an increase in the grant date fair value of such awards. Personnel-related costs increased by $2.8 million due to increased headcount and pay increases. Contractor costs increased by $0.9 million and cloud hosting costs increased by $0.8 million due to incremental development activities relating to our cloud offerings, partially offset by increased capitalized internal-use software costs of $1.0 million.

Sales and marketing expense

Sales and marketing expenses increased by $11.4 million, or 73%, for the three months ended December 31, 2021 compared to the three months ended December 31, 2020. Stock-based compensation expense increased by $5.6 million, primarily due to stock awards granted since January 2021 combined with an increase in the grant date fair value of such awards. Personnel-related costs increased by $4.3 million due to increased headcount, salary raises, and higher sales commissions driven by increased sales. Marketing expenses increased by $0.9 million due to company events and a modest return to in-person activities resulting from the easing of Covid-related restrictions on travel. Allocated overhead costs increased by $0.5 million due to increased headcount.

Sales and marketing expenses increased by $21.7 million, or 70%, for the six months ended December 31, 2021 compared to the six months ended December 31, 2020. Stock-based compensation expense increased by $10.5 million, primarily due to stock awards granted since January 2021 combined with an increase in the grant date fair value of such awards. Personnel-related costs increased by $8.2 million due to increased headcount, salary raises, and higher sales commissions driven by increased sales. Marketing expenses increased by $1.8 million due to company events and a modest return to in-person activities resulting from the easing of Covid-related restrictions on travel and our IPO. Allocated overhead costs increased by $1.1 million due to increased headcount and overall costs to support the growth in our business.

General and administrative expense

General and administrative expenses increased by $11.8 million, or 125%, for the three months ended December 31, 2021 compared to the three months ended December 31, 2020. The increase was primarily driven by personnel-related expenses and costs associated with being a public company. Stock-based compensation expense increased by $6.5 million mainly due to stock awards granted since January 2021 combined with an increase in the grant date fair value of such awards. Personnel-related costs increased by $2.3 million, primarily due to increased headcount and salary raises. Insurance expense increased by $1.4 million and third-party professional fees increased by $1.3 million, in each case largely due to costs associated with being a public company.

General and administrative expenses increased by $24.5 million, or 139%, for the six months ended December 31, 2021 compared to the six months ended December 31, 2020. The increase was primarily driven by personnel expenses and costs associated with being a public company. Stock-based compensation expense increased by $11.7 million mainly due to stock awards granted since January 2021 combined with an increase in the grant date fair value of such awards. Personnel-related costs increased by $4.6 million, primarily due to increased headcount and salary raises. Third-party professional fees increased by $4.0 million and insurance expense increased by $2.8 million, in each case largely due to costs associated with being a public company. Other costs increased by $1.0 million primarily due to increases recorded in the fair value of contingent consideration and the impact of a one-time rent credit which was received in the prior year.

Loss on debt extinguishment

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2021	2020	Amount	%	2021	2020	Amount	%
	(in thousands, except for percentages)				(in thousands, except for percentages)			
Loss on debt extinguishment	$ —	$ —	$ —	*	$ (2,407)	$ —	$ (2,407)	*

**Not meaningful*

Loss on debt extinguishment of $2.4 million during the six months ended December 31, 2021 related to the write-off of unamortized deferred financing costs upon the full repayment of our debt under the Prior Credit Facility in July 2021.

Interest expense

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2021	2020	Amount	%	2021	2020	Amount	%
	(in thousands, except for percentages)							
Interest expense	$ (38)	$ (6,395)	$ 6,357	(99)%	$ (197)	$ (12,674)	$ 12,477	(98)%

Interest expense decreased by $6.4 million in the three months ended December 31, 2021 compared to the three months ended December 31, 2020, and decreased by $12.5 million in the six months ended December 31, 2021 compared to the six months ended December 31, 2020. The decreases were mainly due to the full repayment of our debt under the Prior Credit Facility in July 2021.

Other income (expense), net

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2021	2020	Amount	%	2021	2020	Amount	%
	(in thousands, except for percentages)							
Other income (expense), net	$ (419)	$ 1,107	$ (1,526)	(138)%	$ 460	$ 1,375	$ (915)	(67)%

Other income (expense), net decreased by $1.5 million in the three months ended December 31, 2021 compared to the three months ended December 31, 2020 primarily due to the impact of fluctuations in foreign currency rates on our cash and accounts receivable balances denominated in British Pounds. We had foreign exchange losses during the three months ended December 31, 2021 compared to foreign exchange gains during the same period in the prior year.

Other income (expense), net decreased by $0.9 million in the six months ended December 31, 2021 compared to the six months ended December 31, 2020 primarily due to a decrease in foreign exchange gains arising on our cash, accounts receivable balances and contingent consideration relating to the acquisition of Repstor, denominated in British Pounds.

Income tax benefit (expense)

	Three Months Ended December 31,		Change		Six Months Ended December 31,		Change	
	2021	2020	Amount	%	2021	2020	Amount	%
	(in thousands, except for percentages)							
Income tax benefit (expense)	$ 531	$ (145)	$ 676	(466)%	$ 719	$ (265)	$ 984	(371)%

Income tax benefit was $0.5 million and $0.7 million for the three and six months ended December 31, 2021, respectively, compared to an income tax expense of $0.1 million and $0.3 million recorded during the three and six months ended December 31, 2020, respectively. Our income tax benefit during the three and six months ended December 31, 2021 was primarily attributable to an income tax benefit in a number of foreign jurisdictions.

Liquidity and Capital Resources

Sources of liquidity

As of December 31, 2021, we had cash, cash equivalents, and restricted cash of $59.8 million. Prior to our IPO in July 2021, we financed our operations primarily through collections from clients, borrowings under our credit facility and the issuance of convertible preferred stock and common stock. We generally bill and collect from our clients annually in advance. Our billings are subject to seasonality, with billings in the second and fourth quarters substantially higher than in the first and third quarters.

We expect that operating losses could continue in the future as we continue to invest in the growth of our business. We believe our existing cash and cash equivalents and restricted cash as of December 31, 2021, along with our JPMorgan Credit Facility described below, will be sufficient to meet our working capital and capital expenditure needs for at least the next twelve months.

In July 2021, we received net proceeds of $283.0 million upon the completion of our IPO. We used $278.0 million of the net proceeds from the offering to fully repay amounts outstanding under our Prior Credit Facility, consisting of $273.0 million outstanding under the term loan and $5.0 million outstanding under the revolving credit facility.

On October 5, 2021, we entered into a Credit Agreement with a group of lenders led by JPMorgan. The Credit Agreement provides for a five-year, senior secured revolving credit facility of $100.0 million with a sub-facility for letters of credit in the aggregate amount of up to $10.0 million. The Credit Agreement also provides that we may seek additional revolving credit commitments in an aggregate amount not to exceed $50.0 million, subject to certain administrative procedures, including approval by the Administrative Agent. Future borrowings under the JPMorgan Credit Facility will bear interest, at our election, at an annual rate of either (a) LIBOR plus a percentage spread (ranging from 1.75% to 2.50%) or (b) an alternate base rate (as described in the Credit Agreement) plus a percentage spread (ranging from 0.75% to 1.50%), in each case based on our total net leverage ratio. In addition, a commitment fee accrues with respect to the unused amount of the JPMorgan Credit Facility at an annual rate ranging from 0.25% to 0.40%, based on our total net leverage ratio. As of December 31, 2021, no amounts have been borrowed under the JPMorgan Credit Facility.

Our future capital requirements will depend on many factors, including, but not limited to, our ability to grow our revenues and the timing and extent of investment across our organization necessary to support growth in our business. In addition, we may in the future enter into arrangements to acquire or invest in complementary businesses or technologies. We may need to seek additional equity or debt financing in order to meet these future capital requirements. If we are unable to raise additional capital when desired, or on terms that are acceptable to us, our business, financial condition and results of operations could be adversely affected.

Cash flows

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

	Six Months Ended December 31,	
	2021	**2020**
	(in thousands)	
Cash flow data:		
Net cash provided by (used in) operating activities (1)	$ 6,525	$ (3,918)
Net cash used in investing activities	(2,054)	(3,330)
Net cash provided by financing activities	13,514	29,294
Effect of foreign exchange rates on cash and cash equivalents	303	99
Net increase in cash, cash equivalents, and restricted cash	$ 18,288	$ 22,145

(1) Includes debt-related cash interest payments of $6.0 million and $12.5 million during the six months ended December 31, 2021 and 2020, respectively.

Operating activities

During the six months ended December 31, 2021, net cash provided by operating activities was $6.5 million, as our operating loss of $49.4 million, was reduced by $55.9 million of adjustments. These adjustments consisted of $49.6 million of non-cash charges (principally comprising stock-based compensation expense, depreciation and amortization and loss on debt extinguishment), and net cash inflow of $6.3 million from net changes in operating assets and liabilities. The net cash inflow from changes in operating assets and liabilities was primarily driven by an increase in deferred revenues of $10.0 million due to our revenue growth, a decrease in accounts receivable of $7.2 million due to the timing of billing and collections on our outstanding receivables and a decrease in prepaid expenses and other assets of $1.5 million primarily due to the timing of prepaid operating expenses. These changes were partially offset by a decrease in other liabilities of $5.3 million primarily due to a decrease in our accrued interest as our debt under the Prior Credit Facility was repaid in full in July 2021, a decrease in accounts payable and accrued liabilities of $3.7 million primarily due to payments for deferred offering costs and annual bonuses, and an increase in deferred commissions of $3.4 million due to increased sales.

During the six months ended December 31, 2020, net cash used in operating activities was $3.9 million, primarily resulting from our operating loss of $20.7 million, which was offset by $16.8 million of adjustments. These adjustments consisted of $15.7 million of non-cash charges (principally comprising depreciation and amortization and stock-based compensation expense) and net cash inflow of $1.1 million from net changes in operating assets and liabilities. The net cash inflow from changes in operating assets and liabilities was primarily driven by an increase in deferred revenues of $10.3 million due to our revenue growth and a decrease in unbilled revenues of $2.4 million due to the timing of invoicing our clients. These changes were partially offset by an increase in our accounts and other receivables of $8.1 million due to an increase in our billing and timing of client payments, a decrease in accounts payable and accrued liabilities of $2.1 million and a decrease in other liabilities of $1.3 million due to timing of payments.

Investing activities

Net cash used in investing activities consists of purchases of property and equipment and capitalization of internal-use software costs.

During the six months ended December 31, 2021, net cash used in investing activities was $2.1 million, primarily consisting of capitalized internal-use software costs.

During the six months ended December 31, 2020, net cash used in investing activities was $3.3 million, consisting of capital expenditures of $2.4 million on property and equipment consisting largely of leasehold improvements to our facilities in Charlotte, North Carolina and capitalization of internal-use software costs of $1.0 million.

Financing activities

During the six months ended December 31, 2021, net cash provided by financing activities was $13.5 million, primarily comprised of $292.8 million in net proceeds from our IPO completed in July 2021 and $3.9 million of proceeds from stock option exercises, partially offset by $278.0 million used for the repayment of borrowings, $4.4 million of payments related to deferred offering costs in connection with our IPO and $0.8 million of payments related to deferred financing costs.

During the six months ended December 31, 2020, net cash provided by financing activities was $29.3 million, primarily comprised of $29.0 million from the issuance of common stock and $7.3 million net proceeds from option exercises, partially offset by $5.0 million for the repayment of borrowings on our revolving line of credit and $1.9 million of payments for the repurchase of common stock.

Other non-cash items

As of December 31, 2021, we are obligated to make certain earn-out payments in connection with the acquisition of Repstor for an amount up to $27.7 million if certain performance measures are achieved. The earn-out payments are expected to be paid in the third quarter of fiscal year 2022 and in the first quarter of fiscal year 2023. We also are obligated to pay $2.0 million in the second quarter of fiscal year 2023 that was held back from the purchase consideration, subject to any outstanding indemnification claims. See Note 5 for a discussion of the fair value of liabilities recorded.

Non-GAAP Financial Measures

We report our financial results in accordance with GAAP, however, management believes evaluating our ongoing operating results may be enhanced if investors have additional non-GAAP financial measures. Specifically, management reviews non-GAAP gross profit, non-GAAP recurring gross profit, and non-GAAP operating profit (loss), each of which is a non-GAAP financial measure, to manage our business, make planning decisions, evaluate our performance and allocate resources and, for the reasons described below, considers them to be useful indicators, for both management and investors, of our financial performance over time. These non-GAAP financial measures, which may be different than similarly-titled measures used by other companies, should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

Non-GAAP gross profit

We define non-GAAP gross profit as GAAP gross profit before the portion related to cost of revenues of stock-based compensation expense and amortization of intangible assets. We believe non-GAAP gross profit provides investors and other users of our financial information consistency and comparability with our past financial performance and facilitates period-to-period comparisons of gross profit.

The following table provides a reconciliation of gross profit to non-GAAP gross profit (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Gross profit	$ 41,144	$ 32,158	$ 80,958	$ 63,318
Adjusted to exclude the following (as related to cost of revenues):				
Stock-based compensation	1,190	317	1,938	563
Amortization of intangible assets	1,963	1,681	3,927	3,433
Non-GAAP gross profit	$ 44,297	$ 34,156	$ 86,823	$ 67,314

Non-GAAP recurring gross profit

We define non-GAAP recurring gross profit as GAAP total recurring revenues less GAAP total cost of recurring revenues adjusted for the portion of cost related to stock-based compensation expense and amortization of intangible assets. We believe non-GAAP recurring gross profit provides investors and other users of our financial information consistency and comparability with our past financial performance and facilitates period-to-period comparisons of recurring gross profit as management is focused on increasing sales associated with our recurring revenue stream.

The following table provides a reconciliation of recurring gross profit to non-GAAP recurring gross profit (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Total recurring revenues	$ 56,293	$ 44,401	$ 110,366	$ 87,502
Total cost of recurring revenues	12,175	9,876	23,517	19,155
Recurring gross profit	44,118	34,525	86,849	68,347
Adjusted to exclude the following (as related to cost of recurring revenues)				
Stock-based compensation	355	80	523	122
Amortization of intangible assets	1,963	1,681	3,927	3,433
Non-GAAP recurring gross profit	$ 46,436	$ 36,286	$ 91,299	$ 71,902

Non-GAAP operating profit (loss)

We define non-GAAP operating profit (loss) as GAAP operating loss excluding stock-based compensation expense, amortization of intangible assets, change in fair value of contingent consideration and acquisition-related transaction costs. We believe non-GAAP operating profit (loss) provides investors and other users of our financial information consistency and comparability with our past financial performance and facilitates period-to-period comparisons of GAAP operating loss.

The following table provides a reconciliation of GAAP operating loss to non-GAAP operating profit (loss) (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2021	2020	2021	2020
Operating loss	$ (24,299)	$ (4,897)	$ (47,930)	$ (9,173)
Adjusted to exclude the following (including the portion related to total cost of revenues):				
Stock-based compensation	20,440	4,235	39,468	9,331
Amortization of intangible assets	3,310	2,673	6,619	5,417
Change in fair value of contingent consideration	390	—	727	—
Acquisition-related transaction costs	—	—	81	—
Non-GAAP operating profit (loss)	$ (159)	$ 2,011	$ (1,035)	$ 5,575

Contractual Obligations and Commitments

During the six months ended December 31, 2021, except as disclosed below, there were no material changes to our contractual obligations on leases and other contractual commitments as set forth under the caption, “Contractual Obligations and Commitments” in the Management’s Discussion and Analysis of Financial Condition and Results of Operations, as reported in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021.

On July 12, 2021, we repaid in full amounts outstanding under our Prior Credit Facility, consisting of $273.0 million under the term loan and $5.0 million under the revolving credit facility. Unamortized financing costs of $2.4 million were recognized as a loss on debt extinguishment during the six months ended December 31, 2021.

The acquisition for Repstor in June 2021 included contingent consideration of up to $27.7 million payable to the former shareholders of Repstor, based on the achievement of certain performance measures. The earn-out payments are expected to be paid in cash of up to $10.8 million in the third quarter of fiscal year 2022 and up to $16.9 million in the first quarter of fiscal year 2023 if the performance measures are achieved. See Note 5 to our unaudited condensed consolidated financial statements for additional information.

In December 2021, we entered into an agreement, pursuant to which we are committed to spend a minimum of $110.0 million on cloud services over the agreement’s seven-year term. As of December 31, 2021, we had $110.0 million remaining on the commitment.

Indebtedness

As of June 30, 2021, we had an outstanding balance under our Prior Credit Facility of $273.0 million under a term loan and $5.0 million under the associated revolving credit facility. As noted above, this was fully repaid in July 2021, using proceeds from the IPO.

On October 5, 2021, we entered into a Credit Agreement with a group of lenders led by JPMorgan. The Credit Agreement provides for a five-year, senior secured revolving credit facility of $100.0 million with a sub-facility for letters of credit in the aggregate amount of up to $10.0 million. Future borrowings under the JPMorgan Credit Facility will bear interest, at our election, at an annual rate of either (a) LIBOR plus a percentage spread (ranging from 1.75% to 2.50%) or (b) an alternate base rate (as described in the Credit Agreement) plus a percentage spread (ranging from 0.75% to 1.50%), in each case based on our total net leverage ratio. In addition, a commitment fee accrues with respect to the unused amount of the JPMorgan Credit Facility at an annual rate ranging from 0.25% to 0.40%, based on our total net leverage ratio. Subject to certain exceptions, our total net leverage ratio as of the end of each fiscal quarter may not exceed 3.50 to 1.00. We were in compliance with all of the covenants as of December 31, 2021.

As of December 31, 2021, no amounts have been borrowed under the JPMorgan Credit Facility.

Off-Balance Sheet Arrangements

We did not have, during any of the periods presented, nor do we currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

The process of preparing our unaudited condensed consolidated financial statements in conformity with U.S. GAAP requires the use of estimates and judgments that affect the reported amounts of assets, liabilities, revenues, and expenses. These estimates and judgments are based on historical experience, future expectations and other factors and assumptions we believe to be reasonable under the circumstances. The most significant estimates and judgments are reviewed on an ongoing basis and are revised when necessary. Actual amounts may differ from these estimates and judgments.

There have been no significant changes in our critical accounting policies or estimates from those disclosed in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, filed with the SEC on September 15, 2021.

Recent Accounting Pronouncements

See Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for more information regarding recent accounting pronouncements and our assessment of their impact.

Emerging Growth Company Status

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. We have elected to use this extended transition period to enable us to comply with certain new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our unaudited condensed consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

We also intend to rely on certain other exemptions and reduced reporting requirements under the JOBS Act, including: not having to (1) provide an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act or (2) comply with any requirement that may be adopted by Public Company Accounting Oversight Board (“PCAOB”) regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis.

We will remain an emerging growth company until the earlier of (1) the last day of fiscal year in which we have more than $1.07 billion in annual revenues; (2) the date we qualify as a “large accelerated filer,” which would occur if the market value of our common stock that is held by non-affiliates exceeds $700 million as of the last business day of the most recently completed second fiscal quarter, and we have been required to file annual, quarterly and current reports under the Exchange Act for at least twelve months, and we have filed at least one annual report pursuant to the Exchange Act; (3) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities; and (4) the last day of fiscal year ending after the fifth anniversary of our initial public offering.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business, including foreign currency exchange and credit risks.

Foreign currency exchange risk

Our reporting currency is the U.S. dollar and the functional currency for all of our foreign subsidiaries is the U.S. dollar, except Rekoop Ltd., which uses the British Pound.

The majority of our expenses are denominated in U.S. dollars. However, we have foreign currency risks as we have contracts with clients and payroll obligations and a limited number of supply contracts with vendors which have payments denominated in foreign currencies.

The volatility of exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in foreign exchange gains and losses related to changes in foreign currency exchange rates. We have not engaged in the hedging of foreign currency transactions to date, although we may choose to do so in the future. Our exposure to foreign currency exchange risk relates primarily to our contingent consideration liability, accounts receivable, cash balances and other employee compensation related obligations denominated in British Pounds. If a hypothetical 10% change in the relative value of U.S. dollar to British Pound were to occur in the future, the resulting gain or loss would be approximately $1.6 million in our operating results.

Credit risk

We routinely assess the creditworthiness of our clients. We have not experienced any material losses related to non-payment of receivables from individual or groups of clients due to loss of creditworthiness during the three and six months ended December 31, 2021 and 2020. Clients representing in excess of 10% of our accounts receivable balance at December 31, 2021 and June 30, 2021 were zero and one, respectively. Due to these factors, management believes that we do not have additional credit risk beyond the amounts already provided for collection losses in our accounts receivable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

The information contained in Note 7. “Commitments and Contingencies—Litigation” in our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q is incorporated herein by reference. From time to time, we may be subject to legal proceedings and claims in the ordinary course of business. We cannot predict the results of any such disputes, and regardless of the potential outcomes, the existence thereof may have an adverse material impact on us due to diversion of management time and attention as well as the financial costs related to resolving such disputes.

On February 11, 2021, Navatar Group, Inc. commenced an action in the United States District Court for the Southern District of New York captioned Navatar Group, Inc. v. DealCloud, Inc., 1:21-cv-01255. In its complaint, Navatar asserts false advertising and related claims, alleging that DealCloud, Inc., a subsidiary of the Company, has disseminated false and/or misleading statements about Navatar’s financial condition, current sales and sales staff levels. Navatar claims that it has lost customers and prospective customers to DealCloud as a result of the allegedly false statements. Navatar has not alleged the amount of damages resulting from such statements. The Company is not in a position to estimate such damages. The Company is vigorously defending the claim.

Item 1A. Risk Factors

Except as set forth below, there have been no material changes to the risk factors disclosed under Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, the current effects of which are discussed in more detail in Part I, Item 2 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this Quarterly Report on Form 10-Q. If any of these risks or uncertainties actually occur, our business, financial condition, prospects, results of operations and cash flow could be materially and adversely affected. In that case, the market price of our common stock could decline. These risks are not the only risks we face. Additional risks or uncertainties not currently known to us, or that we currently deem immaterial, may also have a material adverse effect on our business, financial condition, prospects, results of operations or cash flows, as well as the market price of our securities. We cannot assure you that any of the events discussed in the risk factors will not occur.

Some of our development resources are subject to additional risks inherent in foreign operations, which could lead to interruptions in our development efforts or hamper our ability to maintain our solutions.

A majority of our research and development is conducted through our facilities based in Ukraine and our suppliers’ facilities located in Belarus, Ukraine, and Russia. In addition to product development, resources in the area also play a role in providing implementation services as well as supporting our solutions. Any escalation of political tensions or economic instability in the area, including the risk of armed conflict, cyber warfare or sanctions affecting the region, could disrupt or delay communications with our resources there, disrupt or delay the flow of funds to support operations or render resources unavailable. Specifically, there are tensions among the U.S., the North Atlantic Treaty Organization (“NATO”), and Russia that have escalated to increase the threat of a potential Russian invasion of Ukraine. A potential invasion of Ukraine and any retaliatory measures taken by the U.S. and NATO have created security concerns and disruptions to the economies in such areas. Instability, unrest or conflict could cause us to shift all or portions of the work occurring in Ukraine to other locations or countries. Such disruptions could negatively impact our research and development operations, adversely affect the timeliness of new product delivery or maintenance and upgrades to existing products and solutions, impact service delivery or lead to periods of unavailability of our cloud solutions which could harm our operations, financial conditions, sales and growth prospects.

Additionally, we engage through third parties a significant number of independent contractors in our research and development efforts. Changes to foreign laws governing the definition or classification of such independent contractors, or judicial decisions regarding independent contractor classification could result in re-classification of such contractors as employees. Such reclassification could have an adverse effect on our business and results of operations, could require us to pay significant retroactive wages, taxes and penalties, and could force us to change our contractor business model in the foreign jurisdictions affected.

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

Recent Sales of Unregistered Securities

None.

Use of Proceeds from our IPO

On July 2, 2021, we completed our initial public offering, in which we sold 10,500,000 shares of our common stock to the public at a price of $26.00 per share. Additionally, on July 8, 2021, we sold an additional 1,575,000 shares of our common stock, pursuant to the underwriters' exercise in full of the over-allotment option that was granted to the underwriters in connection with our initial public offering, for an aggregate of 12,075,000 shares of our common stock sold in our initial public offering. The offer and sale of the shares of our common stock in our initial public offering were registered under the Securities Act pursuant to a registration statement on Form S-1 (File No. 333-256812) which was declared effective by the SEC on June 29, 2021.

The aggregate offering price for the shares sold in the offering was $314.0 million. We received net proceeds of $283.0 million after deducting underwriters' discounts and commissions and offering expenses of $31.0 million. We used $278.0 million of the net proceeds from the offering to fully repay outstanding borrowings under the Prior Credit Facility. There has been no material change in the planned use of the remaining net proceeds from the use of proceeds described in the prospectus relating to our initial public offering.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information

None.

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Item 6. Exhibits

The information required by this Item is set forth on the exhibit index that precedes the signature page of this Quarterly Report on Form 10-Q.

Exhibit Number	Description	Incorporated by Reference Form	File Number	Date	Number	Filed Herewith
10.1+	Credit Agreement, dated as of October 5, 2021, by and among the Company, the guarantors party thereto, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent.	10-Q	001-40550	November 12, 2021	10.1	
10.2+	Pledge and Security Agreement, dated as of October 5, 2021, by and among the Company, the subsidiary guarantors party thereto and JPMorgan Chase Bank, N.A., as collateral agent.	10-Q	001-40550	November 12, 2021	10.2	
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
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.					X
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.					X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)					X

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and are not deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, nor shall they be deemed incorporated by reference into any filing under the Securities Act or the Exchange Act, irrespective of any general incorporation language contained in such filing.

\+ Certain schedules and exhibits have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon its request.

SIGNATURES

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

	Intapp, Inc.
Date: February 11, 2022	By: /s/ John Hall
	John Hall Chief Executive Officer *(Principal Executive Officer)*
Date: February 11, 2022	By: /s/ Stephen Robertson
	Stephen Robertson Chief Financial Officer *(Principal Financial Officer)*

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, John Hall, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Intapp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [Omitted];

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2022

By: /s/ John Hall
John Hall
Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Stephen Robertson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Intapp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) [Omitted];

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 11, 2022

By: /s/ Stephen Robertson
Stephen Robertson
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Intapp, Inc. (the "Company") on Form 10-Q for the period ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of and for the period covered by the Report.

Date: February 11, 2022

By: /s/ John Hall
John Hall
Chief Executive Officer

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Intapp, Inc. (the “Company”) on Form 10-Q for the period ending December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company as of and for the period covered by the Report.

Date: February 11, 2022

By: /s/ Stephen Robertson
Stephen Robertson
Chief Financial Officer