

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

FORM 10-Q

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2022
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

CCC INTELLIGENT SOLUTIONS HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation or organization)

001-39447
(Commission
File Number)

98-1546280
(IRS Employer
Identification No.)

167 N. Green Street, 9th Floor
Chicago, Illinois
(Address Of Principal Executive Offices)

60607
(Zip Code)

(800) 621-8070

Registrant's telephone number, including area code
Not Applicable

(Former name or former address, if changed since last report)

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 \$0.0001 per share	CCCS	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of October 28, 2022, 620,711,455 shares of common stock, \$0.0001 par value per share, were issued and outstanding.

CCC INTELLIGENT SOLUTIONS HOLDINGS INC.
Form 10-Q
For the Quarter Ended September 30, 2022
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In this Quarterly Report on Form 10-Q, the terms “we,” “us,” “our,” the “Company” and “CCC” mean CCC Intelligent Solutions Holdings Inc. (formerly Dragoneer Growth Opportunities Corp.) and our subsidiaries. On July 30, 2021, Dragoneer Growth Opportunities Corp., a Cayman Islands exempted company (“Dragoneer”), consummated a business combination (the “Business Combination”) pursuant to the terms of the Business Combination Agreement, dated as of February 2, 2021 (the “Business Combination Agreement”), as amended, by and among Dragoneer and Cypress Holdings Inc., a Delaware corporation (“CCCIS”). Immediately upon the consummation of the Business Combination and the other transactions contemplated by the Business Combination Agreement (collectively, the “Transactions”, and such completion the “Closing”), CCCIS merged with and into Chariot Merger Sub, a wholly-owned direct subsidiary of Dragoneer, with CCCIS surviving the Business Combination as a wholly-owned direct subsidiary of Dragoneer (the “Merger”). In connection with the Transactions, Dragoneer changed its name to “CCC Intelligent Solutions Holdings Inc.”

FORWARD-LOOKING STATEMENTS

The section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” as well as other parts of this Quarterly Report on Form 10-Q and certain information incorporated herein by reference contain “forward-looking statements” for purposes of the federal securities laws. Our forward-looking statements include, but are not limited to, statements regarding our or our management team’s expectations, hopes, beliefs, intentions or strategies regarding the future, including those relating to the future financial performance and business strategies and expectations for our business. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipate,” “believe,” “contemplate,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “will,” “would” and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking. Forward-looking statements may include information concerning our possible or assumed future results of operations, client demand, business strategies, technology developments, financing and investment plans, competitive position, our industry and regulatory environment, potential growth opportunities and the effects of competition.

Important factors that could cause actual results to differ materially from our expectations include:

- our revenues, the concentration of our customers and the ability to retain our current customers;
- our ability to negotiate with our customers on favorable terms;
- our ability to maintain and grow our brand and reputation cost-effectively;
- the execution of our growth strategy;
- our projected financial information, growth rate and market opportunity;
- the health of our industry, claim volumes, and market conditions;
- changes in the insurance and automotive collision industries, including the adoption of new technologies;
- global economic conditions and geopolitical events;
- competition in our market and our ability to retain and grow market share;
- our ability to develop, introduce and market new enhanced versions of our solutions and products;
- our sales and implementation cycles;
- the ability of our research and development efforts to create significant new revenue streams;
- changes in applicable laws or regulations;
- changes in international economic, political, social and governmental conditions and policies, including corruption risks in China and other countries;
- currency fluctuations;
- our reliance on third-party data, technology and intellectual property;
- our ability to protect our intellectual property;
- our ability to keep our data and information systems secure from data security breaches;
- our ability to acquire or invest in companies or pursue business partnerships, which may divert our management’s attention or result in dilution to our stockholders, and we may be unable to integrate acquired businesses and technologies successfully or achieve the expected benefits of such acquisitions, investments or partnerships;
- our ability to raise financing in the future and improve our capital structure;
- our success in retaining or recruiting, or changes required in, our officers, key employees or directors;
- our officers and directors allocating their time to other businesses and potentially having conflicts of interest with our business;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- our financial performance;

- our ability to expand or maintain its existing customer base; and
- our ability to service our indebtedness.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are based on current expectations and beliefs concerning future developments and their potential effects on us. There can be no assurance that future developments affecting us will be those that we have anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond our control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements. These risks and uncertainties include, but are not limited to, those factors described above and under the heading “Risk Factors.” Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. It is not possible to predict or identify all such risks. We do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements (Unaudited)

CCC INTELLIGENT SOLUTIONS HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	September 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	248,153	182,544
Accounts receivable—Net of allowances of \$4,690 and \$3,791 as of September 30, 2022 and December 31, 2021, respectively	98,194	78,793
Income taxes receivable	71	318
Deferred contract costs	15,788	15,069
Other current assets	33,898	46,181
Total current assets	396,104	322,905
SOFTWARE, EQUIPMENT, AND PROPERTY—Net	147,531	135,845
OPERATING LEASE ASSETS	34,901	37,234
INTANGIBLE ASSETS—Net	1,143,630	1,213,249
GOODWILL	1,494,267	1,466,884
DEFERRED FINANCING FEES, REVOLVER—Net	2,439	2,899
DEFERRED CONTRACT COSTS	18,818	22,117
EQUITY METHOD INVESTMENT	10,228	10,228
OTHER ASSETS	49,999	26,165
TOTAL	3,297,917	3,237,526
LIABILITIES, MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	14,579	12,918
Accrued expenses	63,873	66,691
Income taxes payable	17,025	7,243
Current portion of long-term debt	8,000	8,000
Current portion of long-term licensing agreement—Net	2,832	2,703
Operating lease liabilities	3,713	8,052
Deferred revenues	33,602	31,042
Total current liabilities	143,624	136,649
LONG-TERM DEBT—Net	775,770	780,610
DEFERRED INCOME TAXES—Net	222,370	275,745
LONG-TERM LICENSING AGREEMENT—Net	31,488	33,629
OPERATING LEASE LIABILITIES	58,111	56,133
WARRANT LIABILITIES	39,026	62,478
OTHER LIABILITIES	2,729	5,785
Total liabilities	1,273,118	1,351,029
COMMITMENTS AND CONTINGENCIES (Notes 19 and 20)		
MEZZANINE EQUITY:		
Redeemable non-controlling interest	14,179	14,179
STOCKHOLDERS' EQUITY:		
Preferred stock—\$0.0001 par; 100,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock—\$0.0001 par; 5,000,000,000 shares authorized; 620,117,025 and 609,768,296 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively	62	61
Additional paid-in capital	2,720,695	2,618,924
Accumulated deficit	(709,018)	(746,352)
Accumulated other comprehensive loss	(1,119)	(315)
Total stockholders' equity	2,010,620	1,872,318
TOTAL	3,297,917	3,237,526

See notes to condensed consolidated financial statements.

CCC INTELLIGENT SOLUTIONS HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except share and per share data)
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
REVENUES	\$ 198,734	\$ 176,628	\$ 578,342	\$ 501,205
COST OF REVENUES				
Cost of revenues, exclusive of amortization of acquired technologies	46,379	51,273	135,174	128,218
Amortization of acquired technologies	6,748	6,580	20,193	19,740
Total cost of revenues	53,127	57,853	155,367	147,958
GROSS PROFIT	145,607	118,775	422,975	353,247
OPERATING EXPENSES:				
Research and development	40,273	67,016	114,711	128,894
Selling and marketing	30,838	80,382	88,731	121,350
General and administrative	39,376	142,511	123,093	208,745
Amortization of intangible assets	18,066	18,078	54,212	54,232
Total operating expenses	128,553	307,987	380,747	513,221
OPERATING INCOME (LOSS)	17,054	(189,212)	42,228	(159,974)
INTEREST EXPENSE	(10,501)	(13,878)	(25,786)	(51,548)
CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS	5,991	2,007	5,991	8,373
CHANGE IN FAIR VALUE OF WARRANT LIABILITIES	312	(26,889)	23,452	(26,889)
GAIN ON SALE OF COST METHOD INVESTMENT	9	—	3,587	—
LOSS ON EARLY EXTINGUISHMENT OF DEBT	—	(15,240)	—	(15,240)
OTHER INCOME (LOSS)—Net	382	(93)	576	1
PRETAX INCOME (LOSS)	13,247	(243,305)	50,048	(245,277)
INCOME TAX (PROVISION) BENEFIT	(3,452)	53,523	(12,714)	54,227
NET INCOME (LOSS) INCLUDING NON-CONTROLLING INTEREST	9,795	(189,782)	37,334	(191,050)
Less: net income (loss) attributable to non-controlling interest	—	—	—	—
NET INCOME (LOSS) ATTRIBUTABLE TO CCC INTELLIGENT SOLUTIONS HOLDINGS INC.	\$ 9,795	\$ (189,782)	\$ 37,334	\$ (191,050)
Net income (loss) per share attributable to common stockholders:				
Basic	\$ 0.02	\$ (0.34)	\$ 0.06	\$ (0.36)
Diluted	\$ 0.02	\$ (0.34)	\$ 0.06	\$ (0.36)
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders:				
Basic	609,421,073	566,454,782	606,181,316	525,877,533
Diluted	643,582,922	566,454,782	642,208,622	525,877,533
COMPREHENSIVE INCOME (LOSS):				
Net income (loss) including non-controlling interest	9,795	(189,782)	37,334	(191,050)
Other comprehensive income (loss)—Foreign currency translation adjustment	(510)	11	(804)	(18)
COMPREHENSIVE INCOME (LOSS) INCLUDING NON-CONTROLLING INTEREST	9,285	(189,771)	36,530	(191,068)
Less: comprehensive income (loss) attributable to non-controlling interest	—	—	—	—
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO CCC INTELLIGENT SOLUTIONS HOLDINGS INC.	\$ 9,285	\$ (189,771)	\$ 36,530	\$ (191,068)

See notes to condensed consolidated financial statements.

CCC INTELLIGENT SOLUTIONS HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY
(In thousands, except number of shares)
(Unaudited)

	Redeemable Non-Controlling Interest	Accumulated							
		Preferred Stock— Issued and Outstanding		Common Stock— Issued and Outstanding		Addition al Paid-In Capital	Accumulat ed Deficit	Other Comprehensi ve Loss	Total Stockholde rs' Equity
		Number of Shares	Par Value	Number of Shares	Par Value				
BALANCE—December 31, 2021	\$ 14,179	—	\$ —	609,768,296	\$ 61	\$ 2,618,924	\$ (746,352)	\$ (315)	\$ 1,872,318
Stock-based compensation expense	—	—	—	—	—	23,644	—	—	23,644
Exercise of stock options—net of tax	—	—	—	3,961,270	—	10,633	—	—	10,633
Exercise of warrants—net	—	—	—	1,246	—	—	—	—	—
Issuance of common stock upon vesting of RSUs—net of tax	—	—	—	27,314	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	9	9
Net income	—	—	—	—	—	—	11,975	—	11,975
BALANCE—March 31, 2022	14,179	—	—	613,758,126	61	2,653,201	(734,377)	(306)	1,918,579
Stock-based compensation expense	—	—	—	—	—	28,403	—	—	28,403
Exercise of stock options—net of tax	—	—	—	1,713,991	1	4,722	—	—	4,723
Issuance of common stock upon vesting of RSUs—net of tax	—	—	—	29,834	—	—	—	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	(303)	(303)
Net income	—	—	—	—	—	—	15,564	—	15,564
BALANCE—June 30, 2022	14,179	—	—	615,501,951	62	2,686,326	(718,813)	(609)	1,966,966
Stock-based compensation expense	—	—	—	—	—	28,722	—	—	28,722
Exercise of stock options—net of tax	—	—	—	2,685,029	—	7,455	—	—	7,455
Issuance of common stock under employee stock purchase plan	—	—	—	408,879	—	3,197	—	—	3,197
Issuance of common stock upon vesting of RSUs—net of tax	—	—	—	1,521,166	—	(5,005)	—	—	(5,005)
Foreign currency translation adjustment	—	—	—	—	—	—	—	(510)	(510)
Net income	—	—	—	—	—	—	9,795	—	9,795
BALANCE—September 30, 2022	\$ 14,179	—	\$ —	620,117,025	\$ 62	\$ 2,720,695	\$ (709,018)	\$ (1,119)	\$ 2,010,620

See notes to condensed consolidated financial statements.

CCC INTELLIGENT SOLUTIONS HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF MEZZANINE EQUITY AND STOCKHOLDERS' EQUITY
(In thousands, except number of shares)
(Unaudited)

	Redeemable Non-Controlling Interest	Accumulated							
		Preferred Stock— Issued and Outstanding		Common Stock— Issued and Outstanding		Additional Paid-In Capital	Accumulat ed Deficit	Other Comprehensive Loss	Total Stockholde rs' Equity
		Number of Shares	Par Value	Number of Shares	Par Value				
BALANCE—December 31, 2020	\$ 14,179	—	\$ —	504,274,890	\$ 50	1,501,206	(129,370)	\$ (271)	\$ 1,371,615
Issuance of common stock	—	—	—	110,679	—	1,007	—	—	1,007
Stock-based compensation expense	—	—	—	883,729	—	11,838	—	—	11,838
Exercise of stock options—net of tax	—	—	—	161,080	—	444	—	—	444
Dividend to CCCIS stockholders	—	—	—	—	—	—	(134,551)	—	(134,551)
Foreign currency translation adjustment	—	—	—	—	—	—	—	7	7
Net loss	—	—	—	—	—	—	(5,084)	—	(5,084)
BALANCE—March 31, 2021	14,179	—	—	505,430,378	50	1,514,495	(269,005)	(264)	1,245,276
Stock-based compensation expense	—	—	—	—	—	2,579	—	—	2,579
Foreign currency translation adjustment	—	—	—	—	—	—	—	(36)	(36)
Net income	—	—	—	—	—	—	3,816	—	3,816
BALANCE—June 30, 2021	14,179	—	—	505,430,378	50	1,517,074	(265,189)	(300)	1,251,635
Stock-based compensation expense	—	—	—	—	—	213,966	—	—	213,966
Net equity infusion from the Business Combination	—	—	—	97,740,002	10	704,831	—	—	704,841
Dividend to CCCIS stockholders	—	—	—	—	—	—	(134,627)	—	(134,627)
Deemed distribution to CCCIS option holders	—	—	—	—	—	(9,006)	—	—	(9,006)
Company Vesting Shares granted to CCCIS stockholders	—	—	—	—	—	98,885	(98,885)	—	—
Foreign currency translation adjustment	—	—	—	—	—	—	—	11	11
Net loss	—	—	—	—	—	—	(189,782)	—	(189,782)
BALANCE—September 30, 2021	<u>\$ 14,179</u>	<u>—</u>	<u>\$ —</u>	<u>603,170,380</u>	<u>\$ 60</u>	<u>\$ 2,525,750</u>	<u>\$ (688,483)</u>	<u>\$ (289)</u>	<u>\$ 1,837,038</u>

See notes to condensed consolidated financial statements.

CCC INTELLIGENT SOLUTIONS HOLDINGS INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Nine Months Ended September 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 37,334	\$ (191,050)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization of software, equipment, and property	20,155	18,161
Amortization of intangible assets	74,405	73,972
Deferred income taxes	(53,061)	(66,499)
Stock-based compensation	80,769	235,413
Amortization of deferred financing fees	1,424	3,204
Amortization of discount on debt	196	537
Change in fair value of derivative instruments	(5,991)	(8,373)
Change in fair value of warrant liabilities	(23,452)	26,889
Loss on early extinguishment of debt	—	15,240
Non-cash lease expense	3,076	5,029
Loss on disposal of software, equipment and property	795	—
Gain on sale of cost method investment	(3,587)	—
Other	101	54
Changes in:		
Accounts receivable—Net	(19,532)	(8,332)
Deferred contract costs	(719)	(1,916)
Other current assets	12,321	(4,673)
Deferred contract costs—Non-current	3,299	(4,504)
Other assets	(18,227)	(3,221)
Operating lease assets	1,623	5,133
Income taxes	10,029	(2,846)
Accounts payable	2,466	1,399
Accrued expenses	(2,664)	17,051
Operating lease liabilities	(4,687)	(5,935)
Deferred revenues	2,557	2,861
Extinguishment of interest rate swap liability	—	(9,987)
Other liabilities	(192)	(882)
Net cash provided by operating activities	118,438	96,725
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of software, equipment, and property	(38,844)	(25,022)
Acquisition of Safekeep, Inc., net of cash acquired	(32,242)	—
Purchase of equity method investment	—	(10,228)
Proceeds from sale of cost method investment	3,901	—
Purchase of intangible asset	—	(49)
Net cash used in investing activities	(67,185)	(35,299)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	22,814	503
Proceeds from employee stock purchase plan	3,197	—
Payments for employee taxes withheld upon vesting of equity awards	(5,005)	—
Principal payments on long-term debt	(6,000)	(1,336,154)
Deemed distribution to CCCIS option holders	—	(9,006)
Net proceeds from equity infusion from the Business Combination	—	763,300
Proceeds from issuance of long-term debt, net of fees paid to lender	—	789,927
Proceeds from issuance of common stock	—	1,007
Payment of fees associated with early extinguishment of long-term debt	—	(3,320)
Dividends to CCCIS stockholders	—	(269,174)
Net cash provided by (used in) financing activities	15,006	(62,917)
NET EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(650)	(162)
NET CHANGE IN CASH AND CASH EQUIVALENTS	65,609	(1,653)
CASH AND CASH EQUIVALENTS:		
Beginning of period	182,544	162,118
End of period	\$ 248,153	\$ 160,465
NONCASH INVESTING AND FINANCING ACTIVITIES:		
Noncash purchases of software, equipment, and property	\$ —	\$ 4,054
Leasehold improvements acquired by tenant improvement allowance	\$ —	\$ 10,556
Contingent consideration related to business acquisition	\$ 200	\$ —
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	\$ 24,150	\$ 47,312
Cash paid for income taxes—Net	\$ 55,526	\$ 15,119

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. ORGANIZATION AND NATURE OF OPERATIONS

CCC Intelligent Solutions Holdings Inc., a Delaware corporation, is a leading provider of innovative cloud, mobile, telematics, hyperscale technologies, and applications for the property and casualty (“P&C”) insurance economy. Our cloud-based software as a service (“SaaS”) platform connects trading partners, facilitates commerce, and supports mission-critical, artificial intelligence (“AI”) enabled digital workflows. Our platform digitizes workflows and connects companies across the P&C insurance economy, including insurance carriers, collision repairers, parts suppliers, automotive manufacturers, financial institutions, and others.

The Company is headquartered in Chicago, Illinois. The Company’s primary operations are in the United States (“US”) and it also has operations in China.

The Company was originally incorporated as a Cayman Islands exempted company on July 3, 2020 as a special purpose acquisition company under the name Dragoneer Growth Opportunities Corp. On February 2, 2021, CCCIS entered into the Business Combination Agreement with Dragoneer. In connection with the closing of the Business Combination (see Note 3), Dragoneer changed its jurisdiction of incorporation by deregistering as an exempted company in the Cayman Islands and continuing and domesticating as a Delaware corporation on July 30, 2021, upon which Dragoneer changed its name to CCC Intelligent Solutions Holdings Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021, the condensed consolidated statements of operations and comprehensive income (loss) for the three and nine months ended September 30, 2022 and 2021, the condensed consolidated statements of mezzanine equity and stockholders’ equity for the three and nine months ended September 30, 2022 and 2021, and the condensed consolidated statements of cash flows for the nine months ended September 30, 2022 and 2021 have been prepared by the Company and have not been audited. In the opinion of management, all adjustments (which include only normal recurring adjustments except where disclosed) necessary for the fair presentation of the financial position, results of operations and cash flows have been made. The results of operations for any interim period are not necessarily indicative of the results to be expected for the full year or any future period.

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles (“GAAP”) for interim financial information and in accordance with the instructions to Form 10-Q and Regulation S-X of the Securities and Exchange Commission (“SEC”). The preparation of the condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, the condensed consolidated financial statements may not include all the information and footnotes necessary for a complete presentation of financial position, results of operations or cash flows. These condensed consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

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

Basis of Accounting—The accompanying condensed consolidated financial statements are prepared in accordance with GAAP and include the accounts of the Company and its wholly-owned subsidiaries and majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The condensed consolidated financial statements include 100% of the accounts of wholly-owned and majority-owned subsidiaries and the ownership interest of the minority investor is recorded as a non-controlling interest in a subsidiary.

Use of Estimates—The preparation of the condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts, and the disclosures of contingent amounts in the Company’s condensed consolidated financial statements and the accompanying notes. Although the Company regularly assesses these estimates, actual

results could differ from those estimates. Changes in estimates are recorded in the period in which they become known. The Company bases its estimates on historical experience and various other assumptions that it believes to be reasonable under the circumstances. Actual results could differ from management's estimates if past experience or other assumptions are not substantially accurate. Significant estimates in these condensed consolidated financial statements include the estimation of contract transaction prices, the determination of the amortization period for contract assets, the valuation of goodwill and intangible assets, the valuation of the warrant liabilities, the estimates and assumptions associated with stock incentive plans, and the measurement of expected contingent consideration in connection with business acquisitions.

Business Combinations—The Company allocates the purchase consideration of acquired companies to tangible and intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date, with the excess recorded to goodwill. These estimates are inherently uncertain and subject to refinement. During the measurement period, which may be up to one year from the acquisition date, adjustments may be recorded to the fair value of these tangible and intangible assets acquired and liabilities assumed, including uncertain tax positions and tax-related valuation allowances, with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the condensed consolidated statements of operations and comprehensive income (loss).

The Company estimates the fair value of contingent consideration related to business combinations on the date of acquisition (see Note 4). The fair value of the contingent consideration is remeasured each reporting period, with any change in the fair value recorded within the condensed consolidated statements of operations and comprehensive income (loss).

Recently Adopted Accounting Pronouncements—Effective January 1, 2022, the Company adopted Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This ASU is intended to reduce the complexity of accounting for income taxes. Changes include treatment of hybrid tax regimes, tax basis step-up in goodwill obtained in a transaction that is not a business combination, separate financial statements of legal entities not subject to tax, intra period tax allocation, ownership changes in investments, interim-period accounting for enacted changes in tax law, and year-to-date loss limitation in interim-period tax accounting. The adoption of ASU 2019-12 did not have a material impact on the Company's condensed consolidated financial statements.

Recently Issued Accounting Pronouncements—In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*, and subsequent amendments to the initial guidance: ASU 2018-19, ASU 2019-04, ASU 2019-05, and ASU 2020-03. This new guidance replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. The Company plans to adopt ASU 2016-13 on January 1, 2023 and does not expect its adoption to have a material impact on its condensed consolidated financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, and in January 2021 subsequently issued ASU 2021-01, which refines the scope of Topic 848. These ASUs provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions, subject to meeting certain criteria, that reference the London Interbank Offered Rate ("LIBOR"), or another rate that is expected to be discontinued. ASU 2020-04 was effective upon issuance and can generally be applied through December 31, 2022. While there has been no material effect to our condensed consolidated financial statements, the guidance will potentially be applicable when we modify the current reference rate of LIBOR to another reference rate in our First Lien Credit Agreement and related interest rate cap (see Note 15).

3. BUSINESS COMBINATION

On July 30, 2021, the Company consummated the Business Combination pursuant to the terms of the Business Combination Agreement, dated as of February 2, 2021, as amended, by and among Dragoneer, Chariot Opportunity Merger Sub, Inc. ("Chariot Merger Sub"), a Delaware corporation, and CCCIS, a Delaware corporation.

Immediately upon the consummation of the Business Combination and the Transactions, Chariot Merger Sub, a wholly-owned direct subsidiary of Dragoneer, merged with and into CCCIS, with CCCIS surviving the Business Combination as a wholly-owned direct subsidiary of Dragoneer ("Merger"). In connection with the Transactions, Dragoneer changed its name to "CCC Intelligent Solutions Holdings Inc."

The Merger was accounted for as a reverse recapitalization in accordance with GAAP. Under this method of accounting, Dragoneer was treated as the acquired company for accounting purposes and the Business Combination was treated as the equivalent of CCCIS issuing stock for the net assets of Dragoneer, accompanied by a recapitalization.

The net assets of Dragoneer are stated at historical cost, with no goodwill or other intangible assets recorded. Reported shares and earnings per share available to holders of CCCIS's capital stock and equity awards prior to the Business Combination have been retroactively restated reflecting the exchange ratio of 1:340.5507 ("Exchange Ratio").

Pursuant to the Merger, at the Effective Time of the Merger (the “Effective Time”):

- each share of CCCIS common stock that was issued and outstanding immediately prior to the Effective Time was automatically canceled and converted into the right to receive shares of the Company’s common stock based on the Exchange Ratio, rounded down to the nearest whole number of shares;
- each option to purchase shares of CCCIS common stock, whether vested or unvested, that was outstanding and unexercised as of immediately prior to the Effective Time was assumed by the Company and became an option (vested or unvested, as applicable) to purchase a number of shares of the Company’s common stock equal to the number of shares of CCCIS common stock subject to such option immediately prior to the Effective Time multiplied by the Exchange Ratio, rounded down to the nearest whole number of shares, at an exercise price equal to the exercise price per share of such option immediately prior to the Effective Time divided by the Exchange Ratio and rounded up to the nearest whole cent;
- each of Dragoneer’s redeemable Class A ordinary shares and Class B ordinary shares that were issued and outstanding immediately prior to the Effective Time was exchanged for an equal number of shares of the Company’s common stock.

Concurrently with the execution of the Business Combination Agreement, the Company entered into subscription agreements with certain institutional investors (the “PIPE Investors”), pursuant to which the PIPE Investors purchased, immediately prior to the Closing, an aggregate of 15,000,000 shares of the Company’s common stock at a purchase price of \$10.00 per share.

Prior to the Closing, the Company entered into forward purchase agreements with Dragoneer Funding LLC and Willett Advisors LLC, pursuant to which the Company issued an aggregate of 17,500,000 forward purchase units, each consisting of one common share and one-fifth of one Public Warrant to purchase one common share for \$11.50 per share, for a purchase price of \$10.00 per unit. The public warrants were redeemed in December 2021 (see Note 18).

Effective upon Closing, 8,625,000 shares issued and held by Dragoneer Growth Opportunities Holdings (the “Sponsor Vesting Shares”) became non-transferable and subject to forfeiture on the tenth anniversary of Closing if neither of the following triggering events has occurred: (a) the share price of the Company’s common stock has been greater than or equal to \$13.00 per share for any twenty trading days within any thirty consecutive trading day period beginning after Closing, or (b) a change in control as defined in the Business Combination Agreement. The Sponsor Vesting Shares do not meet the criteria to be classified as a liability and are presented within stockholders’ equity.

As part of the Business Combination, 15.0 million shares of the Company’s common stock (the “Company Earnout Shares”) shall be issued to CCCIS shareholders existing as of immediately prior to Closing and holders of vested and unvested equity awards of CCCIS as of the date of the Business Combination Agreement (subject to continued employment), following a triggering event (“CCC Triggering Event”). A CCC Triggering Event is defined as the earlier of (a) the first date on which the shares of the Company’s common stock have traded for greater than or equal to \$15.00 per share for any twenty trading days within any thirty consecutive trading day period commencing after the closing or (b) a change in control as defined in the Business Combination Agreement. If a CCC Triggering Event does not occur within ten years after Closing, the CCC Earnout Shares will be forfeited.

Of the 15.0 million Company Earnout Shares, 13.5 million shares are reserved for issuance to CCCIS shareholders. The Company Earnout Shares do not meet the criteria to be classified as a liability and the fair value of the shares reserved for shareholders of \$98.9 million was charged to additional paid-in capital during the three months ended September 30, 2021. The remaining 1.5 million Company Earnout Shares are reserved for issuance to CCCIS option holders.

The Company Earnout Shares are not issued shares and are excluded from the Company's issued and outstanding shares within its condensed consolidated statements of mezzanine equity and stockholders' equity.

In connection with the Business Combination, the Company incurred underwriting fees and other costs considered direct and incremental to the transaction totaling \$11.1 million (before tax), consisting of legal, accounting, financial advisory and other professional fees. These amounts were treated as a reduction of the cash proceeds and are deducted from the Company’s additional paid-in capital.

The following table reconciles the elements of the Business Combination to the consolidated statement of cash flows for the nine months ended September 30, 2021 and the consolidated statement of mezzanine equity and stockholders’ equity for the three and nine months ended September 30, 2021 (in thousands):

Cash - Dragoneer trust and cash	\$	449,441
Cash - PIPE Financing		150,000
Cash - Forward Purchase Agreements		175,000
Less: transaction costs and advisory fees		(11,141)
Net cash contributions from Business Combination		763,300
Less: non-cash fair value of Public Warrants and Private Warrants		(58,459)
Net equity infusion from Business Combination	\$	704,841

4. BUSINESS ACQUISITION

On February 8, 2022, the Company completed its acquisition of Safekeep, Inc. ("Safekeep"), a privately held company that leverages AI to streamline and improve subrogation management across auto, property, workers' compensation and other insurance lines of business. Leveraging Safekeep's AI-enabled subrogation solutions, the acquisition will broaden the Company's portfolio of cloud-based solutions available to its insurance customers.

In exchange for all the outstanding shares of Safekeep, the Company paid total cash consideration of \$32.3 million upon closing. In accordance with the acquisition agreement, the Company placed \$6.0 million in escrow for a general indemnity holdback to be paid to the sellers within 15 months of closing subject to reduction for certain indemnifications and other potential obligations of the selling shareholders.

As additional consideration for the shares, the acquisition agreement includes a contingent earnout for additional cash consideration. The potential amount of the earnout is calculated as a multiple of revenue, above a defined floor, during the 12-month measurement period ending December 31, 2024 and is not to exceed \$90.0 million. The fair value of the contingent consideration as of the acquisition date of \$0.2 million was estimated using a Monte Carlo simulation model that relies on unobservable inputs, including management estimates and assumptions. Thus, the contingent earnout is a Level 3 measurement.

The acquisition date fair value of the consideration transferred was \$32.5 million, which consisted of the following (in thousands):

Cash paid through closing	\$	32,300
Fair value of contingent earnout consideration		200
Total acquisition date fair value of the consideration transferred	\$	32,500

The acquisition was accounted for as a business combination and reflects the application of acquisition accounting in accordance with Accounting Standards Codification ("ASC") Topic 805, *Business Combinations*. The total purchase consideration was allocated to the assets acquired and liabilities assumed based on their fair values as of the acquisition date with the excess purchase price assigned to goodwill. The goodwill was primarily attributable to the expected synergies from the combined service offerings and the value of the acquired workforce. The goodwill is not deductible for tax purposes.

The Company's estimates of the fair values of the assets acquired, liabilities assumed and contingent consideration are based on information that was available at the date of the acquisition and the Company is continuing to evaluate the underlying inputs and assumptions used in its valuations. Accordingly, these preliminary estimates are subject to change during the measurement period, which is up to one year from the date of acquisition. There have been no material changes to the preliminary purchase price allocation.

The following table summarizes the allocation of the consideration to the fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Assets acquired:		
Current assets	\$	150
Intangible asset - acquired technology		4,800
Deferred tax assets		314
Total assets acquired		5,264
Liabilities assumed:		
Current liabilities		147
Total liabilities assumed		147
Net assets acquired		5,117
Goodwill		27,383
Total purchase price	\$	32,500

The acquired technology intangible asset has an estimated useful life of seven years and is being amortized on a straight-line basis.

The fair value of the acquired technology intangible asset was determined by a valuation model based on estimates of future operating projections as well as judgments on the discount rate and other variables. This fair value measurement is based on significant unobservable inputs, including management estimates and assumptions and thus represents a Level 3 measurement.

The transaction costs associated with the acquisition were \$1.2 million and are included in general and administrative expenses within the condensed consolidated statements of operations and comprehensive income (loss) for the nine months ended September 30, 2022.

5. REVENUE

Disaggregation of Revenue—The Company provides disaggregation of revenue based on type of service as it believes these categories best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

The following table summarizes revenue by type of service for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Software subscriptions	\$ 191,154	\$ 169,958	\$ 556,470	\$ 481,822
Other	7,580	6,670	21,872	19,383
Total revenues	\$ 198,734	\$ 176,628	\$ 578,342	\$ 501,205

Transaction Price Allocated to the Remaining Performance Obligations—Remaining performance obligations represent contracted revenue that has not yet been recognized, which includes deferred revenue and amounts that will be invoiced and recognized as revenue in future periods. As of September 30, 2022, approximately \$1,345 million of revenue is expected to be recognized from remaining performance obligations in the amount of approximately \$529 million during the following twelve months, and approximately \$816 million thereafter. The estimated revenues do not include unexercised contract renewals. The remaining performance obligations exclude future transaction revenue where revenue is recognized as the services are rendered and in the amount to which the Company has the right to invoice.

Deferred Revenue—Revenue recognized for the three months ended September 30, 2022 from amounts in deferred revenue as of June 30, 2022 was \$32.2 million. Revenue recognized for the three months ended September 30, 2021 from amounts in deferred revenue as of June 30, 2021 was \$27.5 million.

Revenue recognized for the nine months ended September 30, 2022 from amounts in deferred revenue as of December 31, 2021 was \$30.7 million. Revenue recognized for the nine months ended September 30, 2021 from amounts in deferred revenue as of December 31, 2020 was \$26.6 million.

Contract Assets and Liabilities—The opening and closing balances of the Company's receivables, contract assets and contract liabilities from contracts with customers are as follows (in thousands):

	September 30, 2022	December 31, 2021
Accounts receivables-net of allowances	\$ 98,194	\$ 78,793
Deferred contract costs	15,788	15,069
Long-term deferred contract costs	18,818	22,117
Other assets (accounts receivable, non-current)	17,091	8,622
Deferred revenues	33,602	31,042
Other liabilities (deferred revenues, non-current)	1,340	1,574

A summary of the activity impacting deferred revenue balances during the three and nine months ended September 30, 2022 and 2021, is presented below (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance at beginning of period	\$ 34,742	\$ 30,756	\$ 32,616	\$ 28,515
Revenue recognized ¹	(94,997)	(87,649)	(277,250)	(250,379)
Additional amounts deferred ¹	95,197	88,016	279,576	252,987
Balance at end of period	<u>\$ 34,942</u>	<u>\$ 31,123</u>	<u>\$ 34,942</u>	<u>\$ 31,123</u>
Classified as:				
Current	\$ 33,602	\$ 29,384	\$ 33,602	\$ 29,384
Non-current	1,340	1,739	1,340	1,739
Total deferred revenue	<u>\$ 34,942</u>	<u>\$ 31,123</u>	<u>\$ 34,942</u>	<u>\$ 31,123</u>

¹ Amounts include total revenue deferred and recognized during each respective period.

A summary of the activity impacting the deferred contract costs during the three and nine months ended September 30, 2022 and 2021 is presented below (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance at beginning of period	\$ 35,890	\$ 28,667	\$ 37,186	\$ 26,361
Costs amortized	(4,444)	(4,164)	(13,072)	(11,481)
Additional amounts deferred	3,160	8,223	10,492	17,846
Balance at end of period	<u>\$ 34,606</u>	<u>\$ 32,726</u>	<u>\$ 34,606</u>	<u>\$ 32,726</u>
Classified as:				
Current	\$ 15,788	\$ 13,833	\$ 15,788	\$ 13,833
Non-current	18,818	18,893	18,818	18,893
Total deferred contract costs	<u>\$ 34,606</u>	<u>\$ 32,726</u>	<u>\$ 34,606</u>	<u>\$ 32,726</u>

6. FAIR VALUE MEASUREMENTS

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Private Warrants—As of September 30, 2022, the Company's Private Warrants and contingent consideration liability related to a business acquisition are measured at fair value on a recurring basis.

The Private Warrants are valued using Level 1 and Level 2 inputs within the Black-Scholes option-pricing model. The assumptions utilized under the Black-Scholes option pricing model require judgments and estimates. Changes in these inputs and assumptions could affect the measurement of the estimated fair value of the Private Warrants. Accordingly, the Private Warrants are classified within Level 2 of the fair value hierarchy.

The valuation of the Private Warrants as of September 30, 2022 and December 31, 2021 was determined using the Black-Scholes option pricing model using the following assumptions:

	September 30, 2022	December 31, 2021
Expected term (in years)	3.8	4.6
Expected volatility	35%	35%
Expected dividend yield	0%	0%
Risk-free interest rate	4.17%	1.20%

The estimated fair value of each Private Warrant using the Company's stock price on the valuation date and above assumptions was \$2.19 and \$3.51 as of September 30, 2022 and December 31, 2021, respectively.

Contingent Consideration Liability—The contingent consideration liability related to the acquisition of Safekeep (see Note 4), recognized within other liabilities on the condensed consolidated balance sheet, is adjusted each reporting period for changes in fair value, which can result from changes in anticipated payments and changes in assumed discount rates. These inputs are unobservable in the market and therefore categorized as Level 3 inputs.

The estimated fair value of the contingent consideration at the date of acquisition was determined using probability-weighted discounted cash flows and a Monte Carlo simulation model. The discount rate, based on the Company's estimated cost of debt, was 9.0%.

Since the date of the business acquisition of Safekeep, there has been no change in the estimated fair value of the Company's contingent consideration liability and the Company has not recognized any gain or loss for a change in the estimated fair value of contingent consideration since the date of acquisition.

Interest Rate Cap—In August 2022, the Company entered into two interest rate cap agreements to reduce its exposure to increases in interest rates applicable to its floating rate long-term debt (See Note 15). The fair value of the interest rate cap agreements was estimated using inputs that were observable or that could be corroborated by observable market data and therefore, was classified within Level 2 of the fair value hierarchy as of September 30, 2022.

The Company did not designate its interest rate cap agreements as hedging instruments and records the changes in fair value within earnings. As of September 30, 2022, the interest rate cap agreements had a fair value of \$12.3 million, classified within other assets in the accompanying condensed consolidated balance sheet.

The following table presents the fair value of the assets and liabilities measured at fair value on a recurring basis as of September 30, 2022 (in thousands):

	Fair Value	Level 1	Level 2	Level 3
Assets				
Interest rate cap	12,279	—	12,279	—
Total Assets	\$ 12,279	\$ —	\$ 12,279	\$ —
Liabilities				
Contingent consideration related to business acquisition	\$ 200	\$ —	\$ —	\$ 200
Private warrants	39,026	—	39,026	—
Total Liabilities	\$ 39,226	\$ —	\$ 39,026	\$ 200

The following table presents the fair value of the assets and liabilities measured at fair value on a recurring basis as of December 31, 2021 (in thousands):

	Fair Value	Level 1	Level 2	Level 3
Liabilities				
Private warrants	\$ 62,478	\$ —	\$ 62,478	\$ —
Total	\$ 62,478	\$ —	\$ 62,478	\$ —

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis—The Company has assets that under certain conditions are subject to measurement at fair value on a nonrecurring basis. These assets include those associated with acquired businesses, including goodwill and other intangible assets. For these assets, measurement at fair value in periods subsequent to their initial recognition is applicable if one or more is determined to be impaired. During the three and nine months ended September 30, 2022 and 2021, the Company recognized no impairment related to these assets.

Fair Value of Other Financial Instruments—The following table presents the carrying amounts, net of debt discount, and estimated fair values of the Company's financial instruments that are not recorded at fair value on the condensed consolidated balance sheets (in thousands):

Description	September 30, 2022		December 31, 2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Term B Loan, including current portion	\$ 792,270	\$ 768,195	\$ 798,073	\$ 799,000

The fair value of the Company's long-term debt, including current maturities, was estimated based on the quoted market prices for the same or similar instruments and fluctuates with changes in applicable interest rates among other factors. The fair value of long-term debt is classified as a Level 2 measurement in the fair value hierarchy and is established based on observable inputs in less active markets.

7. INCOME TAXES

On August 16, 2022, President Biden signed the Inflation Reduction Act of 2022 ("IRA") into law. The IRA contains several revisions to the Internal Revenue Code, including a 15% corporate minimum income tax and a 1% excise tax on corporate stock repurchases in tax years beginning after December 31, 2022. While these tax law changes have no immediate effect on our results of operations and are not expected to have a material adverse effect on our results of operations going forward, we will continue to evaluate its impact as further information becomes available.

The Company's effective tax rate for the three months ended September 30, 2022 and 2021 was 26.1% and 22.0%, respectively. The effective tax rate for the three months ended September 30, 2022 was higher than the effective tax rate for the three months ended September 30, 2021 primarily due to non-deductible executive compensation.

The Company's effective tax rate for the nine months ended September 30, 2022 and 2021 was 25.4% and 22.1%, respectively. The effective tax rate for the nine months ended September 30, 2022 was higher than the effective tax rate for the nine months ended September 30, 2021 primarily due to non-deductible executive compensation, partially offset by the benefit related to the re-measurement of the Company's deferred tax liability for changes in state tax rates.

The Company made income tax payments of \$16.6 million and \$4.7 million for the three months ended September 30, 2022 and 2021, respectively. The Company received negligible refunds from the Internal Revenue Service ("IRS") and various states for the three months ended September 30, 2022 and 2021.

The Company made income tax payments of \$55.5 million and \$15.1 million for the nine months ended September 30, 2022 and 2021, respectively. The Company received negligible refunds from the IRS and various states for the nine months ended September 30, 2022 and 2021.

As of September 30, 2022, unrecognized tax benefits were materially consistent with the amount as of December 31, 2021. We anticipate this amount will decrease from \$3.6 million to \$3.5 million over the following twelve months, as the increase related to fiscal year 2022 is offset by decreases related to statute expirations.

8. ACCOUNTS RECEIVABLE

Accounts receivable–Net as of September 30, 2022 and December 31, 2021, consists of the following (in thousands):

	September 30, 2022	December 31, 2021
Accounts receivable	\$ 102,884	\$ 82,584
Allowance for doubtful accounts and sales reserves	(4,690)	(3,791)
Accounts receivable–net	<u>\$ 98,194</u>	<u>\$ 78,793</u>

As of September 30, 2022, one customer represented 16% of the Company's net accounts receivable. As of December 31, 2021, no customer represented more than 10% of the Company's net accounts receivable.

Changes to the allowance for doubtful accounts and sales reserves during the three and nine months ended September 30, 2022 and 2021, consist of the following (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Balance at beginning of period	\$ 4,296	\$ 4,218	\$ 3,791	\$ 4,224
Charges to bad debt and sales reserves	1,100	818	3,036	2,524
Write-offs, net	(706)	(1,064)	(2,137)	(2,776)
Balance at end of period	<u>\$ 4,690</u>	<u>\$ 3,972</u>	<u>\$ 4,690</u>	<u>\$ 3,972</u>

9. OTHER CURRENT ASSETS

Other current assets as of September 30, 2022 and December 31, 2021, consist of the following (in thousands):

	September 30, 2022	December 31, 2021
Prepaid SaaS costs	6,606	5,909
Prepaid insurance	5,820	4,416
Prepaid service fees	5,113	8,623
Prepaid software and equipment maintenance	3,912	7,593
Non-trade receivables	1,109	8,321
Other	11,338	11,319
Total	<u>\$ 33,898</u>	<u>\$ 46,181</u>

10. SOFTWARE, EQUIPMENT, AND PROPERTY

Software, equipment, and property as of September 30, 2022 and December 31, 2021, consist of the following (in thousands):

	September 30, 2022	December 31, 2021
Software, licenses and database	\$ 167,235	\$ 140,692
Leasehold improvements	33,102	34,880
Computer equipment	32,948	31,635
Building and land	4,910	4,910
Furniture and other equipment	2,780	5,343
Total software, equipment, and property	240,975	217,460
Less accumulated depreciation and amortization	(93,444)	(81,615)
Software, equipment, and property—Net	<u>\$ 147,531</u>	<u>\$ 135,845</u>

Depreciation and amortization expense related to software, equipment and property was \$6.7 million and \$7.7 million for the three months ended September 30, 2022 and 2021, respectively. Depreciation and amortization expense related to software, equipment and property was \$20.2 million and \$18.2 million for the nine months ended September 30, 2022 and 2021, respectively.

11. LEASES

The Company leases real estate in the form of office space and data center facilities. Generally, at the inception of the contract, the term for real estate leases ranges from 1 to 17 years and the term for equipment leases is 1 to 3 years. Some real estate leases include options to renew that can extend the original term by 3 to 5 years.

The components of lease expense for the three and nine months ended September 30, 2022 and 2021 were as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating lease costs	\$ 1,871	\$ 4,043	\$ 7,545	\$ 13,179
Variable lease costs	585	552	1,996	1,615
Total lease costs	<u>\$ 2,456</u>	<u>\$ 4,595</u>	<u>\$ 9,541</u>	<u>\$ 14,794</u>

Supplemental cash flow and other information related to leases for the three and nine months ended September 30, 2022 and 2021 were as follows (in thousands):

	For the Three Months Ended		For the Nine Months	
	September 30,		Ended	
	2022	2021	2022	2021
Cash payments for operating leases	\$ 1,287	\$ 2,872	\$ 7,033	\$ 8,870
Operating lease assets obtained in exchange for lease liabilities	2,257	—	2,366	2,365

12. GOODWILL AND INTANGIBLE ASSETS

Goodwill—Goodwill was recorded in connection with business acquisitions.

No goodwill impairments were recorded during the three and nine months ended September 30, 2022 and 2021.

The Company performs its annual impairment assessment as of September 30 of each fiscal year. As of September 30, 2022, the annual impairment assessment indicated no impairment and there was no change to the carrying amount of goodwill due to impairment.

Based on the quantitative assessment as of September 30, 2022, the Company determined that its China reporting unit had an estimated fair value that was not significantly in excess of its carrying value. While it was concluded that the goodwill assigned to the China reporting unit was not impaired, it could be at risk of future impairment if the Company's long-term financial objectives are not achieved or if there are changes to estimates and assumptions from a number of factors, many of which are outside the Company's control. As a result of the assessment, the Company did not recognize an impairment charge related to the China reporting unit.

As of September 30, 2021, the annual impairment assessment indicated no impairment and there was no change to the carrying amount of goodwill due to impairment.

Changes in the net carrying amount of goodwill during the nine months ended September 30, 2022 were as follows (in thousands):

	Net Carrying Amount
Balance as of December 31, 2021	\$ 1,466,884
Acquisition of Safekeep, Inc.	27,383
Balance as of September 30, 2022	<u>\$ 1,494,267</u>

Intangible Assets—The Company's intangible assets are primarily the result of business acquisitions.

During the three and nine months ended September 30, 2022 and 2021, the Company did not record an impairment charge.

The Company performs its annual impairment assessment of indefinite life intangible assets as of September 30 of each fiscal year. As of September 30, 2022 and 2021, the annual impairment assessment indicated no impairment.

During February 2022, the Company recorded \$4.8 million of acquired technology intangible assets as a result of the acquisition of Safekeep (see Note 4).

The intangible assets balance as of September 30, 2022, is reflected below (in thousands):

	Estimated Useful Life (Years)	Weighted- Average Remaining Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	16–18	12.6	\$ 1,299,750	\$ (392,029)	\$ 907,721
Acquired technologies	3–7	2.0	187,950	(142,511)	45,439
Subtotal			1,487,700	(534,540)	953,160
Trademarks—indefinite life			190,470	—	190,470
Total intangible assets			<u>\$ 1,678,170</u>	<u>\$ (534,540)</u>	<u>\$ 1,143,630</u>

The intangible assets balance as of December 31, 2021, is reflected below (in thousands):

	Estimated Useful Life (Years)	Weighted- Average Remaining Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	16–18	13.3	\$ 1,299,750	\$ (337,831)	\$ 961,919
Acquired technologies	3–7	2.3	183,164	(122,318)	60,846
Favorable lease terms	6	0.3	280	(266)	14
Subtotal			1,483,194	(460,415)	1,022,779
Trademarks—indefinite life			190,470	—	190,470
Total intangible assets			<u>\$ 1,673,664</u>	<u>\$ (460,415)</u>	<u>\$ 1,213,249</u>

Amortization expense for intangible assets was \$24.8 million and \$24.7 million for the three months ended September 30, 2022 and 2021, respectively. Amortization expense for intangible assets was \$74.4 million and \$74.0 million for the nine months ended September 30, 2022 and 2021, respectively.

Future amortization expense for the remainder of the year ended December 31, 2022 and the following four years ended December 31 and thereafter for intangible assets as of September 30, 2022, is as follows (in thousands):

Years Ending December 31:

2022	\$	24,818
2023		99,003
2024		81,417
2025		72,949
2026		72,949
Thereafter		602,024
Total	<u>\$</u>	<u>953,160</u>

13. ACCRUED EXPENSES

Accrued expenses as of September 30, 2022 and December 31, 2021, consist of the following (in thousands):

	September 30, 2022	December 31, 2021
Compensation	\$ 43,263	\$ 49,510
Professional services	4,178	2,371
Software license agreement	2,567	3,265
Royalties and licenses	4,543	2,640
Employee insurance benefits	3,586	2,443
Sales tax	2,411	2,296
Other	3,325	4,166
Total	<u>\$ 63,873</u>	<u>\$ 66,691</u>

14. OTHER LIABILITIES

Other liabilities as of September 30, 2022 and December 31, 2021, consist of the following (in thousands):

	September 30, 2022	December 31, 2021
Deferred revenue-non-current	\$ 1,340	\$ 1,574
Software license agreement	1,189	4,211
Contingent consideration	200	—
Total	<u>\$ 2,729</u>	<u>\$ 5,785</u>

15. LONG-TERM DEBT

On September 21, 2021, CCC Intelligent Solutions Inc., an indirect wholly-owned subsidiary of the Company, together with certain of the Company's subsidiaries acting as guarantors entered into a credit agreement (the "2021 Credit Agreement").

The 2021 Credit Agreement replaced the Company's 2017 First Lien Credit Agreement (the "First Lien Credit Agreement"), dated as of April 27, 2017, as amended as of February 14, 2020.

The proceeds of the 2021 Credit Agreement were used to repay all outstanding borrowings under the First Lien Credit Agreement.

2021 Credit Agreement—The 2021 Credit Agreement consists of an \$800.0 million term loan ("Term B Loan") and a revolving credit facility for an aggregate principal amount of \$250.0 million (the "2021 Revolving Credit Facility"). The 2021 Revolving Credit Facility has a sublimit of \$75.0 million for letters of credit. The Company received proceeds of \$798.0 million, net of debt discount of \$2.0 million, related to the Term B Loan. As of September 30, 2022 and December 31, 2021, the unamortized debt discount was \$1.7 million and \$1.9 million respectively.

The Company incurred \$9.8 million in financing costs related to the Term B Loan. These costs were recorded to a contra debt account and are being amortized to interest expense over the term of the Term B Loan using the effective interest method. As of September 30, 2022 and December 31, 2021, the unamortized financing costs were \$8.5 million and \$9.5 million, respectively.

The Company incurred \$3.1 million in financing costs related to the 2021 Revolving Credit Facility. These costs were recorded to a deferred financing fees asset account and are being amortized to interest expense over the term of the 2021 Revolving Credit Facility using the effective interest method. As of September 30, 2022 and December 31, 2021, the deferred financing fees asset balance was \$2.4 million and \$2.9 million, respectively.

Beginning with the quarter ended March 31, 2022, the Term B Loan requires quarterly principal payments of \$2.0 million until June 30, 2028, with the remaining outstanding principal amount required to be paid on the maturity date, September 21, 2028. Beginning with the year ending December 31, 2022, the Term B Loan requires a prepayment of principal, subject to certain exceptions, in connection with the receipt of proceeds from certain asset sales, casualty events, and debt issuances by the Company, and up to 50% of annual excess cash flow, as defined in and as further set forth in the 2021 Credit Agreement. When a principal prepayment is required, the prepayment offsets the future quarterly principal payments of the same amount. As of

September 30, 2022, the Company was not subject to the annual excess cash flow calculation and no such principal prepayments are required.

As of September 30, 2022 and December 31, 2021, the amount outstanding on the Term B Loan is \$794.0 million and \$800.0 million, respectively. As of September 30, 2022 and December 31, 2021, \$8.0 million of the amount outstanding on the Term B Loan is classified as current in the accompanying condensed consolidated balance sheets.

Borrowings under the 2021 Credit Facility bear interest at rates based on the ratio of the Company's and its subsidiaries' consolidated first lien net indebtedness to the Company's and its subsidiaries' consolidated EBITDA for applicable periods specified in the 2021 Credit Facility. A quarterly commitment fee of up to 0.50% is payable on the unused portion of the 2021 Revolving Credit Facility.

During the three months ended September 30, 2022 and 2021, the weighted-average interest rate on the outstanding borrowings under the Term B Loan was 4.6% and 3.0%, respectively. The Company made interest payments of \$9.2 million during the three months ended September 30, 2022. There were no interest payments made during the three months ended September 30, 2021.

During the nine months ended September 30, 2022 and 2021, the weighted-average interest rate on the outstanding borrowings under the Term B Loan was 3.6% and 3.0%, respectively. The Company made interest payments of \$21.6 million during the nine months ended September 30, 2022. There were no interest payments made during the nine months ended September 30, 2021.

The Company issued a standby letter of credit for \$0.7 million during 2021 which reduces the amount available to be borrowed under the 2021 Revolving Credit Facility and as of September 30, 2022 and December 31, 2021, \$249.3 million was available to be borrowed.

In addition, beginning with the three months ended March 31, 2022, the terms of the 2021 Credit Agreement include a financial covenant which requires that, at the end of each fiscal quarter, if the aggregate amount of borrowings under the 2021 Revolving Credit Facility exceeds 35% of the aggregate commitments, the Company's leverage ratio cannot exceed 6.25 to 1.00. As of September 30, 2022, the Company was not subject to the financial covenant.

First Lien Credit Agreement—In April 2017, the Company entered into the First Lien Credit Agreement.

The First Lien Credit Agreement consisted of a \$1.0 billion term loan ("First Lien Term Loan") and revolving credit facilities for an aggregate principal amount of \$100.0 million (the "First Lien Revolvers"), with a sublimit of \$30.0 million for letters of credit under the First Lien Revolvers. The Company received proceeds of \$997.5 million, net of debt discount of \$2.5 million, related to the First Lien Term Loan.

In February 2020, the Company refinanced its long-term debt and entered into the First Amendment to the First Lien Credit Agreement ("First Lien Amendment"). The proceeds of the refinance were used to repay the outstanding balance of the Company's Second Lien Credit Agreement, entered into in April 2017.

The First Lien Amendment provided an incremental term loan in the amount of \$375.0 million. The Company received proceeds from the incremental term loan of \$373.1 million, net of debt discount of \$1.9 million.

In addition, the First Lien Amendment reduced the amount of commitments under the First Lien Revolvers to an aggregate principal amount of \$91.3 million. The First Lien Revolvers continued to have a sublimit of \$30.0 million for letters of credit.

The Company incurred \$27.6 million and \$3.4 million in financing costs related to the First Lien Credit Agreement and First Lien Amendment, respectively. These costs were recorded to a contra debt account and were being amortized to interest expense over the term of the First Lien Credit Agreement using the effective interest method.

The First Lien Term Loan required (after giving effect to the First Lien Amendment) quarterly principal payments of approximately \$3.5 million until March 31, 2024, with the remaining outstanding principal amount required to be paid on the maturity date, April 27, 2024. The First Lien Term Loan required a prepayment of principal, subject to certain exceptions, in connection with the receipt of proceeds from certain asset sales, casualty events, and debt issuances by the Company, and up to 50% of annual excess cash flow, as defined in and as further set forth in the First Lien Credit Agreement. When a principal prepayment was required, the prepayment offset the future quarterly principal payments of the same amount. As of December 31, 2020, subject to the request of the lenders of the First Lien Term Loan, a principal prepayment of up to \$21.9 million was required. In April 2021, the Company made a principal prepayment of \$1.5 million to those lenders who made such a request.

Using a portion of the proceeds of the Business Combination, the Company made a principal prepayment of \$525.0 million on July 30, 2021. Subsequently, in September 2021, using the proceeds from the Term B Loan provided in the 2021 Credit Agreement and cash on hand, the Company fully repaid the remaining \$804.2 million of outstanding borrowings on the First Lien Term Loan.

Amounts outstanding under the First Lien Credit Agreement bore interest at a variable rate of LIBOR, plus up to 3.00% per annum based upon the Company's leverage ratio, as defined in the First Lien Credit Agreement. A quarterly commitment fee of up to 0.50% was payable on the unused portion of the First Lien Revolvers.

During the three months ended September 30, 2021, the weighted-average interest rate on the outstanding borrowings under the First Lien Term Loan was 4.1%. The Company made interest payments of \$9.3 million during the three months ended September 30, 2021.

During the nine months ended September 30, 2021, the weighted-average interest rate on the outstanding borrowings under the First Lien Term Loan was 4.1%. The Company made interest payments of \$36.1 million during the nine months ended September 30, 2021.

Long-term debt as of September 30, 2022 and December 31, 2021, consists of the following (in thousands):

	September 30, 2022	December 31, 2021
Term B Loan	\$ 794,000	\$ 800,000
Term B Loan—discount	(1,730)	(1,926)
Term B Loan—deferred financing fees	(8,500)	(9,464)
Term B Loan—net of discount & fees	783,770	788,610
Less: Current portion	(8,000)	(8,000)
Total long-term debt—net of current portion	<u>\$ 775,770</u>	<u>\$ 780,610</u>

Interest Rate Cap—In August 2022, the Company entered into two interest rate cap agreements to reduce its exposure to increases in interest rates applicable to its floating rate long-term debt. The aggregate notional value of the interest rate cap agreements is \$600.0 million with a cap rate of 4.0% and an expiration date of July 31, 2025. The premium paid for the interest rate cap agreements was \$6.3 million and recognized in cash flows from operating activities in the accompanying condensed consolidated statement of cash flows. As of September 30, 2022, the aggregate fair value of the interest rate cap agreements was \$12.3 million (see Note 6).

Interest Rate Swaps—In June 2017, the Company entered into three floating to fixed interest rate swap agreements ("Swap Agreements") to reduce its exposure to the variability from future cash flows resulting from interest rate risk related to its floating rate long-term debt. In September 2021, the Company made an aggregate payment of \$10.0 million to extinguish the Swap Agreements which were scheduled to expire in June 2022.

16. CAPITAL STOCK

Preferred Stock—The Company is authorized to issue up to 100,000,000 shares of undesignated preferred stock with a par value of \$0.0001 per share with such designations, voting and other rights and preferences as may be determined from time to time by the Company's board of directors. As of September 30, 2022, there were no shares of preferred stock issued or outstanding.

Common Stock—The Company is authorized to issue up to 5,000,000,000 shares of common stock with a par value of \$0.0001 per share. Each holder of common stock is entitled to one (1) vote for each share of common stock held of record by such holder on all matters voted upon by the stockholders, subject to the restrictions set out in the Company's certificate of incorporation. Holders of common stock are entitled to receive any dividends as may be declared from time to time by the board of directors. Upon a liquidation event, subject to the rights of the holders of any Preferred Stock issued and outstanding at such time, any distribution shall be made on a pro rata basis to the common stockholders.

There were 620,117,025 and 609,768,296 shares of common stock issued and outstanding as of September 30, 2022 and December 31, 2021, respectively.

During April 2022, certain existing shareholders completed a secondary offering where the selling shareholders sold 20,000,000 shares of common stock at a price to the public of \$9.70 per share. The Company did not receive proceeds from the sale of the shares by the existing stockholders. In connection with the offering, the Company incurred \$1.2 million of offering costs during the nine months ended September 30, 2022, which are included within general and administrative expenses on the condensed consolidated statements of operations and comprehensive income (loss).

Dividends—In July 2021, the board of directors of CCCIS declared a cash dividend on its common stock. The aggregate cash dividend of \$134.6 million was paid on August 3, 2021.

In March 2021, the board of directors of CCCIS declared a cash dividend on its common stock. The aggregate cash dividend of \$134.5 million was paid on March 17, 2021.

17. STOCK INCENTIVE PLANS

In connection with the closing of the Business Combination, the 2021 Equity Incentive Plan (the "2021 Plan") was adopted and approved by the Company's board of directors.

Prior to the Business Combination, the Company maintained its 2017 Stock Option Plan (the "2017 Plan").

Upon the adoption and approval of the 2021 Plan, the 2017 Plan was terminated and each outstanding vested or unvested option, as required under the 2017 Plan, was converted to the 2021 Plan, multiplied by the Exchange Ratio, with the same key terms and vesting requirements. Additionally, the Company maintained a Phantom Stock Plan (the "Phantom Plan"), which provided for the issuance of phantom shares of CCCIS's common stock ("Phantom Shares") to eligible employees under the 2017 Plan.

Awards granted under the 2017 Plan and Phantom Plan had time-based vesting or performance-based with a market condition vesting requirements.

The board of directors of CCCIS approved a modification that resulted in vesting of the performance-based awards with a market condition and the Phantom Shares upon Closing of the Business Combination. At the time of modification, the Company estimated a new fair value of the modified awards and recognized \$203.9 million of stock-based compensation based on the fair value of the performance-based awards with a market condition and \$6.0 million of stock-based compensation based on the fair value of the Phantom Shares.

Stock Options—The table below summarizes the option activity for the nine months ended September 30, 2022:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Options outstanding—December 31, 2021	55,644,495	\$ 2.95	6.0	\$ 469,591
Exercised	(8,367,100)	2.73		
Forfeited and canceled	(272,295)	4.64		
Options outstanding—September 30, 2022	<u>47,005,100</u>	\$ 2.98	5.2	\$ 287,659
Options exercisable—September 30, 2022	<u>43,168,788</u>	\$ 2.73	4.9	\$ 274,947
Options vested and expected to vest—September 30, 2022	<u>46,752,866</u>	\$ 2.96	5.1	\$ 286,840

The fair value of the options vested during the nine months ended September 30, 2022 was \$8.4 million.

Restricted Stock Units—Restricted Stock Units ("RSUs") are convertible into shares of the Company's common stock upon vesting.

During the nine months ended September 30, 2022, the Company granted 15,824,517 RSUs, of which 14,445,917 have time-based vesting requirements, 689,325 have performance-based vesting requirements and 689,275 have performance-based with a market condition vesting requirements.

The valuation of the performance-based RSUs with a market condition granted during the nine months ended September 30, 2022 was determined using a Monte Carlo simulation model using the following assumptions:

Expected term (in years)	2.8
Expected volatility	35%
Expected dividend yield	0%
Risk-free interest rate	2.28%

The estimated fair value of the performance-based RSUs with a market condition granted during the nine months ended September 30, 2022 was \$7.42.

The table below summarizes the RSU activity for the nine months ended September 30, 2022:

	Shares	Weighted-Average Fair Value
Non-vested RSUs—December 31, 2021	18,558,211	\$ 10.74
Granted	15,824,517	10.13
Vested	(2,081,478)	11.36
Forfeited	(963,556)	11.02
Non-vested RSUs—September 30, 2022	<u>31,337,694</u>	10.38

Employee Stock Purchase Plan—As of September 30, 2022, 6,031,714 shares of common stock are reserved for sale under the Employee Stock Purchase Plan ("ESPP"). The aggregate number of shares reserved for sale under the ESPP increases on January 1 by the lesser of 1% of the total numbers of shares outstanding or a lesser amount as determined by the board of directors.

As of September 30, 2022, 408,879 shares had been sold under the ESPP.

The fair value of ESPP purchase rights sold during the nine months ended September 30, 2022 was estimated using the Black Scholes option pricing model with the following assumptions:

Expected term (in years)	0.5
Expected volatility	47%
Expected dividend yield	0%
Risk-free interest rate	0.2%

Company Earnout Shares—Pursuant to the Business Combination Agreement, CCCIS shareholders and option holders, subject to continued employment, have the right to receive up to an additional 13.5 million and 1.5 million shares of common stock, respectively, if before the tenth anniversary of the Closing, (a) the share price has been greater than or equal to \$15.00 per share for any twenty trading days within any thirty consecutive trading day period beginning after Closing, or (b) there is a change in control, as defined in the Business Combination Agreement.

The fair value of the Company Earnout Shares was estimated on the date of grant, using the Monte Carlo simulation method. Compensation expense on the shares granted to option holders was recorded ratably over the implied service period of five months beginning on July 30, 2021. During the three months ended September 30, 2021, the Company recognized \$8.1 million of stock-based compensation expense related to the Company Earnout Shares.

Stock-Based Compensation—Stock-based compensation expense has been recorded in the accompanying condensed consolidated statements of operations and comprehensive income (loss) as follows for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenues	\$ 1,657	\$ 12,169	\$ 4,167	\$ 12,563
Research and development	5,373	35,472	14,433	36,748
Sales and marketing	6,890	58,770	18,331	60,060
General and administrative	14,802	113,465	43,838	126,042
Total stock-based compensation expense	<u>\$ 28,722</u>	<u>\$ 219,876</u>	<u>\$ 80,769</u>	<u>\$ 235,413</u>

As of September 30, 2022, there was \$185.6 million of unrecognized stock compensation expense related to non-vested time-based awards which is expected to be recognized over a weighted-average period of 3.1 years. As of September 30, 2022, there was \$81.9 million of unrecognized stock-based compensation expense related to non-vested performance-based awards to be recognized over a weighted-average period of 1.6 years.

18. WARRANTS

Upon consummation of the Business Combination (see Note 3), the Company assumed the outstanding Public Warrants and Private Warrants issued by Dragoneer.

Public Warrants were only able to be exercised for a whole number of shares of the Company's common stock. All Public Warrants had an exercise price of \$11.50 per share, subject to adjustment, beginning on August 29, 2021, and were to expire on July 30, 2026 or earlier upon redemption or liquidation.

On November 29, 2021, the Company announced that it had elected to redeem all of the outstanding Public Warrants on December 29, 2021. Each Public Warrant not exercised before 5:00 p.m. Eastern Daylight Time on December 29, 2021 was redeemed by the Company for \$0.10 and the Public Warrants subsequently ceased trading on the New York Stock Exchange.

Of the 17,299,983 Public Warrants that were outstanding as of the closing of the Business Combination, 10,638 warrants were exercised for cash proceeds of \$0.1 million and 15,876,341 were exercised on a cashless basis in exchange for an aggregate of 4,826,339 shares of common stock. The Company paid \$0.1 million to redeem the remaining 1,413,004 unexercised Public Warrants. As of December 31, 2021, there were no Public Warrants outstanding.

The Private Warrants are identical to the Public Warrants underlying the shares sold in Dragoneer's initial public offering. Additionally, the Private Warrants are exercisable on a cashless basis and are non-redeemable, so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

Private Warrants may only be exercised for a whole number of shares of the Company's common stock. Each whole Private Warrant entitles the registered holder to purchase one share of the Company's common stock. All warrants have an exercise price of \$11.50 per share, subject to adjustment, beginning on August 29, 2021, and will expire on July 30, 2026 or earlier upon redemption or liquidation.

There were no exercises or redemptions of the Private Warrants during the three and nine months ended September 30, 2022. As of September 30, 2022 and December 31, 2021, the Company had 17,800,000 Private Warrants outstanding.

The Company recognized income of \$0.3 million and \$23.5 million as a change in fair value of warrant liabilities in the condensed consolidated statements of operations and comprehensive income (loss) for the three and nine months ended September 30, 2022, respectively.

The Company recognized an expense of \$26.9 million as a change in fair value of warrant liabilities in the condensed consolidated statements of operations and comprehensive income (loss) for the three and nine months ended September 30, 2021.

As of September 30, 2022 and December 31, 2021, the Company's warrant liability was \$39.0 million and \$62.5 million, respectively.

19. COMMITMENTS

Purchase Obligations—The Company has long-term agreements with suppliers and other parties related to licensing data used in its products and services, outsourced data center, disaster recovery, and software as a service that expire at various dates through 2031. As of September 30, 2022, there were no material changes from the amounts disclosed as of December 31, 2021.

Guarantees—The Company's services and solutions are typically warranted to perform in a manner consistent with general industry standards that are reasonably applicable and substantially in accordance with the Company's services and solutions documentation under normal use and circumstances. The Company's services and solutions are generally warranted to be performed in a professional manner and to materially conform to the specifications set forth in the related customer contract. The Company's arrangements also include certain provisions for indemnifying customers against liabilities if its services and solutions infringe a third party's intellectual property rights.

To date, the Company has not incurred any material costs as a result of such indemnifications or commitments and has not accrued any liabilities related to such obligations in the accompanying consolidated financial statements.

Employment Agreements—The Company is a party to employment agreements with key employees that provide for compensation and certain other benefits. These agreements also provide for severance and bonus payments under certain circumstances.

20. LEGAL PROCEEDINGS AND CONTINGENCIES

In the ordinary course of business, the Company is from time to time, involved in various pending or threatened legal actions. The litigation process is inherently uncertain, and it is possible that the resolution of such matters might have a material adverse effect upon the Company's consolidated financial condition and/or results of operations. The Company's management believes, based on current information, matters currently pending or threatened are not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

21. RELATED PARTIES

The Company has engaged in transactions within the ordinary course of business with entities affiliated with its principal equity owners.

The following table summarizes revenues and incurred expenses with entities affiliated with one of its principal equity owners for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Revenues				
Credit card processing	\$ 233	\$ 122	\$ 574	\$ 269
Expenses				
Employee health insurance benefits	716	755	2,353	2,190
Human resources support services	59	53	196	194
Sales tax processing and license fees for tax information	245	*	443	*

*Not material

The following table summarizes amounts receivable and due to entities affiliated with one of its principal equity owners as of September 30, 2022 and December 31, 2021 (in thousands):

	September 30, 2022	December 31, 2021
Receivables		
Credit card processing	*	*
Payables		
Employee health insurance benefits	\$ 208	\$ 232
Human resources support services	*	*
Sales tax processing and license fees for tax information	*	*

*Not material

22. NET INCOME (LOSS) PER SHARE

The Company calculates basic earnings per share by dividing the net income (loss) by the weighted average number of shares of common stock outstanding for the period. The diluted earnings per share is computed by assuming the exercise, settlement and vesting of all potential dilutive common stock equivalents outstanding for the period using the treasury stock method. The Company excludes common stock equivalent shares from the calculation if their effect is anti-dilutive. In a period where the Company is in a net loss position, the diluted loss per share is calculated using the basic share count.

The 8,625,000 Sponsor Vesting Shares that are issued and outstanding as of September 30, 2022 are excluded from the weighted average number of shares of common stock outstanding until the vesting requirement is met and the restriction is removed.

The following table sets forth a reconciliation of the numerator and denominator used to compute basic and diluted earnings per share of common stock (in thousands, except for share and per share data).

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Numerator				
Net income (loss)	\$ 9,795	\$ (189,782)	\$ 37,334	\$ (191,050)
Denominator				
Weighted average shares of common stock - basic	609,421,073	566,454,782	606,181,316	525,877,533
Dilutive effect of stock-based awards	34,161,849	—	36,027,306	—
Weighted average shares of common stock - diluted	643,582,922	566,454,782	642,208,622	525,877,533
Net income (loss) per share:				
Basic	\$ 0.02	\$ (0.34)	\$ 0.06	\$ (0.36)
Diluted	\$ 0.02	\$ (0.34)	\$ 0.06	\$ (0.36)

Approximately 8,224,561 and 33,220,634 common stock equivalent shares were excluded from the computation of diluted per share amounts for the three months ended September 30, 2022 and 2021, respectively, because their effect was anti-dilutive.

Approximately 8,250,431 and 28,940,767 common stock equivalent shares were excluded from the computation of diluted per share amounts for the nine months ended September 30, 2022 and 2021, respectively, because their effect was anti-dilutive.

23. SEGMENT INFORMATION AND INFORMATION ABOUT GEOGRAPHIC AREAS

The Company operates in one operating segment. The chief operating decision maker for the Company is the chief executive officer. The chief executive officer reviews financial information presented on a consolidated basis, accompanied by information about revenue by type of service and geographic region, for purposes of allocating resources and evaluating financial performance.

Revenues by geographic area, presented based upon the location of the customer are as follows (in thousands):

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
United States	\$ 196,727	\$ 175,297	\$ 572,417	\$ 496,784
China	2,007	1,331	5,925	4,421
Total revenues	<u>\$ 198,734</u>	<u>\$ 176,628</u>	<u>\$ 578,342</u>	<u>\$ 501,205</u>

Software, equipment and property, net by geographic area are as follows (in thousands):

	September 30, 2022	December 31, 2021
United States	\$ 147,477	\$ 135,784
China	54	61
Total software, equipment and property-net	<u>\$ 147,531</u>	<u>\$ 135,845</u>

24. GAIN ON SALE OF COST METHOD INVESTMENT

During February 2022, the Company received cash proceeds of \$3.9 million in exchange for its equity interest in an investee as a result of the acquisition of the investee. The Company had been accounting for its investment using the cost method and recognized a gain of \$3.6 million during the nine months ended September 30, 2022. The investment's carrying value was \$0.3 million and was included within other assets on the accompanying condensed consolidated balance sheet as of December 31, 2021. The Company no longer has any ownership interest in the investee.

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

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

Unless otherwise indicated or the context otherwise requires, references to “CCC,” the “Company,” “we,” “us,” “our” and other similar terms refer to Cypress Holdings Inc. and its consolidated subsidiaries prior to the Business Combination and to CCC Intelligent Solutions Holdings Inc. and its consolidated subsidiaries after giving effect to the Business Combination.

Business Overview

Founded in 1980, CCC is a leading provider of innovative cloud, mobile, AI, telematics, hyperscale technologies and applications for the property and casualty (“P&C”) insurance economy. Our SaaS platform connects trading partners, facilitates commerce, and supports mission-critical, AI-enabled digital workflows. Leveraging decades of deep domain experience, our industry-leading platform processes more than \$100 billion in annual transaction value across this ecosystem, digitizing workflows and connecting more than 30,000 companies across the P&C insurance economy, including insurance carriers, collision repairers, parts suppliers, automotive manufacturers, financial institutions and others.

Our business has been built upon two foundational pillars: automotive insurance claims and automotive collision repair. For decades we have delivered leading software solutions to both the insurance and repair industries, including pioneering Direct Repair Programs (“DRP”) in the United States (“U.S.”) beginning in 1992. Direct Repair Programs connect auto insurers and collision repair shops to create business value for both parties, and require digital tools to facilitate interactions and manage partner programs. Insurer-to-shop DRP connections have created a strong network effect for CCC’s platform, as insurers and repairers both benefit by joining the largest network to maximize opportunities. This has led to a virtuous cycle in which more insurers on the platform drives more value for the collision shops on the platform, and vice versa.

We believe we have become a leading insurance and repair SaaS provider in the U.S. by increasing the depth and breadth of our SaaS offerings over many years. Our insurance solutions help insurance carriers manage mission-critical workflows, from claims to underwriting, while building smart, dynamic experiences for their own customers. Our software integrates seamlessly with both legacy and modern systems alike and enables insurers to rapidly innovate on our platform. Our repair solutions help collision repair facilities achieve better performance throughout the collision repair cycle by digitizing processes to drive business growth, streamline operations, and improve repair quality. We have more than 300 insurers on our network, connecting with over 27,500 repair facilities through our multi-tenant cloud platform. We believe our software is the architectural backbone of insurance DRP programs and is the primary driver of material revenue for our collision shop customers and a source of material efficiencies for our insurance carrier customers.

Our platform is designed to solve the many-to-many problem faced by the insurance economy. There are numerous internally and externally developed insurance software solutions in the market today, with the vast majority of applications focused on insurance-only use cases and not on serving the broader insurance ecosystem. We have prioritized building a leading network around our automotive insurance and collision repair pillars to further digitize interactions and maximize value for our customers. We have tens of thousands of companies on our platform that participate in the insurance economy, including insurers, repairers, parts suppliers, automotive manufacturers, and financial institutions. Our solutions create value for each of these parties by enabling them to connect to our vast network to collaborate with other companies, streamline operations, and reduce processing costs and dollars lost through claims management inefficiencies, or claims leakage. Expanding our platform has added new layers of network effects, further accelerating the adoption of our software solutions.

We have processed more than \$1 trillion of historical data across our network, allowing us to build proprietary data assets that leverage insurance claims, vehicle repair, automotive parts and other vehicle-specific information. We are uniquely positioned to provide data-driven insights, analytics, and AI-enhanced workflows that strengthen our solutions and improve business outcomes for our customers. Our suite of AI solutions increases automation across existing insurer processes including vehicle damage detection, claim triage, repair estimating, intelligent claims review, and subrogation. We deliver real-world AI with more than 95 U.S. auto insurers actively using AI-powered solutions in production environments. We have processed more than 9 million unique claims using CCC deep learning AI as of December 31, 2021, an increase of more than 80 percent over December 31, 2020.

One of the primary obstacles facing the P&C insurance economy is increasing complexity. Complexity in the P&C insurance economy is driven by technological advancements, Internet of Things (“IoT”) data, new business models, and changing customer expectations. We believe digitization plays a critical role in managing this growing complexity while meeting customer expectations. Our technology investments are focused on digitizing complex processes and interactions across our ecosystem, and we believe we are well positioned to power the P&C insurance economy of the future with our data, network, and platform.

While our position in the P&C insurance economy is grounded in the automotive insurance sector, the largest insurance sector in the U.S. representing nearly half of Direct Written Premiums (“DWP”), we believe our integrations and cloud platform are capable of driving innovation across the entire P&C insurance economy. Our customers are increasingly looking for CCC to expand its solutions to other parts of their business where they can benefit from our technology, service, and partnership. In response, we are investing in new solutions that we believe will enable us to digitize the entire automotive claims lifecycle, and over time expand into adjacencies including other insurance lines.

We have strong customer relationships in the end-markets we serve, and these relationships are a key component of our success given the long-term nature of our contracts and the interconnectedness of our network. We have customer agreements with more than 300 insurers (including carriers, self-insurers and other entities processing insurance claims), including 18 of the top 20 automotive insurance carriers in the U.S., based on DWP, and hundreds of regional carriers. We have more than 30,000 total customers, including over 27,500 automotive collision repair facilities (including repairers and other entities that estimate damaged vehicles), thousands of automotive dealers, 13 of the top 15 automotive manufacturers, based on new vehicle sales, and numerous other companies that participate in the P&C insurance economy.

Key Performance Measures and Operating Metrics

In addition to our GAAP and non-GAAP financial measures, we rely on Software Net Dollar Retention Rate (“Software NDR”) and Software Gross Dollar Retention Rate (“Software GDR”) to measure and evaluate our business to make strategic decisions. Software NDR and Software GDR may not be comparable to or calculated in the same way as other similarly titled measures used by other companies.

Software NDR

We believe that Software NDR provides our management and our investors with insight into our ability to retain and grow revenue from our existing customers, as well as their potential long-term value to us. We also believe the results shown by this metric reflect the stability of our revenue base, which is one of our core competitive strengths. We calculate Software NDR by dividing (a) annualized software revenue recorded in the last month of the measurement period, for example, March for a quarter ending March 31, for unique billing accounts that generated revenue during the corresponding month of the prior year by (b) annualized software revenue as of the corresponding month of the prior year. The calculation includes changes for these billing accounts, such as change in the solutions purchased, changes in pricing and transaction volume, but does not reflect revenue for new customers added. The calculation excludes: (a) changes in estimates related to the timing of one-time revenue and other revenue, including professional services, and (b) annualized software revenue for smaller customers with annualized software revenue below the threshold of \$100,000 for carriers and \$4,000 for shops. The customers that do not meet the revenue threshold are small carriers and shops that tend to have different buying behaviors, with a narrower solution focus, and different tenure compared to our core customers (excluded small carriers and shops represent less than 5% of total revenue within these sales channels). Our Software NDR includes carriers and shops who subscribe to our auto physical damage solutions, which account for most of the Company’s revenue, and excludes revenue from diagnostic providers, smaller emerging solutions with international subsidiaries or other ecosystem solutions, such as parts suppliers and other automotive manufacturers, and also excludes CCC Casualty which are largely usage and professional service based solutions.

	Quarter Ending	2022	2021
Software NDR	March 31	114%	106%
	June 30	111%	110%
	September 30	110%	113%
	December 31		115%

Software GDR

We believe that Software GDR provides our management and our investors with insight into the value our solutions provide to our customers as represented by our ability to retain our existing customer base. We believe the results shown by this metric reflect the strength and stability of our revenue base, which is one of our core competitive strengths. We calculate Software GDR by dividing (a) annualized software revenue recorded in the last month of the measurement period in the prior year, reduced by annualized software

revenue for unique billing accounts that are no longer customers as of the current period end by (b) annualized software revenue as of the corresponding month of the prior year. The calculation reflects only customer losses and does not reflect customer expansion or contraction for these billing accounts and does not reflect revenue for new customer billing accounts added. Our Software GDR calculation represents our annualized software revenue that is retained from the prior year and demonstrates that the vast majority of our customers continue to use our solutions and renew their subscriptions. The calculation excludes: (a) changes in estimates related to the timing of one-time revenue and other revenue, including professional services, and (b) annualized software revenue for smaller customers with annualized software revenue below the threshold of \$100,000 for carriers and \$4,000 for shops. The customers that do not meet the revenue threshold are small carriers and shops that tend to have different buying behaviors, with a narrower solution focus, and different tenure compared to our core customers (excluded small carriers and shops which represent less than 5% of total revenue within these sales channels). Our Software GDR includes carriers and shops who subscribe to our auto physical damage solutions, which account for most of the Company's revenue, and excludes revenue from diagnostic providers, smaller emerging solutions with international subsidiaries or other ecosystem solutions, such as parts suppliers and other automotive manufacturers, and excludes CCC's casualty solutions which are largely usage and professional service based solutions.

	Quarter Ending	2022	2021
Software GDR	March 31	99%	98%
	June 30	99%	98%
	September 30	99%	98%
	December 31		98%

Results of Operations

Comparison of the three months ended September 30, 2022 to the three months ended September 30, 2021

(dollar amounts in thousands, except share and per share data)	Three Months Ended September 30,			
	2022	2021	\$	%
Revenues	\$ 198,734	\$ 176,628	\$ 22,106	12.5%
Cost of revenues, exclusive of amortization of acquired technologies	46,379	51,273	(4,894)	-9.5%
Amortization of acquired technologies	6,748	6,580	168	2.6%
Cost of revenues ⁽¹⁾	53,127	57,853	(4,726)	-8.2%
Gross profit	145,607	118,775	26,832	22.6%
Operating expenses:				
Research and development ⁽¹⁾	40,273	67,016	(26,743)	-39.9%
Selling and marketing ⁽¹⁾	30,838	80,382	(49,544)	-61.6%
General and administrative ⁽¹⁾	39,376	142,511	(103,135)	-72.4%
Amortization of intangible assets	18,066	18,078	(12)	-0.1%
Total operating expenses	128,553	307,987	(179,434)	-58.3%
Operating income (loss)	17,054	(189,212)	206,266	NM
Other income (expense):				
Interest expense	(10,501)	(13,878)	3,377	24.3%
Change in fair value of derivative instruments	5,991	2,007	3,984	198.5%
Change in fair value of warrant liabilities	312	(26,889)	27,201	NM
Loss on early extinguishment of debt	—	(15,240)	15,240	NM
Gain on sale of cost method investment	9	—	9	NM
Other income (loss), net	382	(93)	475	NM
Total other income (expense)	(3,807)	(54,093)	50,286	93.0%
Income (loss) before income taxes	13,247	(243,305)	256,552	NM
Income tax (provision) benefit	(3,452)	53,523	(56,975)	NM
Net income (loss)	\$ 9,795	\$ (189,782)	\$ 199,577	NM
Net income (loss) per share attributable to common stockholders:				
Basic	\$ 0.02	\$ (0.34)		
Diluted	\$ 0.02	\$ (0.34)		
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders:				
Basic	609,421,073	566,454,782		
Diluted	643,582,922	566,454,782		

⁽¹⁾ Includes stock-based compensation expense as follows (in thousands):

	Three Months Ended September 30,	
	2022	2021
Cost of revenues	\$ 1,657	\$ 12,169
Research and development	5,373	35,472
Sales and marketing	6,890	58,770
General and administrative	14,802	113,465
Total stock-based compensation expense	\$ 28,722	\$ 219,876

NM—Not Meaningful

Revenues

Revenue increased by \$22.1 million to \$198.7 million, or 12.5%, for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The Company's software subscription revenues accounted for \$191.2 million and \$170.0 million, or 96% and 96%, of total revenue during the three months ended September 30, 2022 and 2021, respectively.

The increase in revenue was primarily a result of 10% growth from existing customer upgrades and expanding solution offerings to these existing customers as well as 3% growth from new customers.

Cost of Revenues

Cost of revenues decreased by \$4.7 million to \$53.1 million, or 8.2%, for the three months ended September 30, 2022, compared to the three months ended September 30, 2021.

Cost of Revenues, exclusive of amortization of acquired technologies

Cost of revenues, exclusive of amortization of acquired technologies, decreased by \$4.9 million to \$46.4 million, or 9.5%, for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The decrease was primarily due to a \$10.5 million reduction in stock-based compensation, mainly from the vesting term modification completed in conjunction with the Business Combination in the prior year, partially offset by a \$1.1 million increase in personnel-related costs, a \$2.2 million increase in third party license and royalty fees, a \$1.6 million increase in depreciation expense related to additional investments in platform and infrastructure enhancements and a \$0.5 million increase in consulting and other professional service costs.

Amortization of Acquired Technologies

Amortization of acquired technologies was \$6.7 million for the three months ended September 30, 2022, compared to \$6.6 million for the three months ended September 30, 2021.

Gross Profit

Gross profit increased by \$26.8 million to \$145.6 million, or 22.6%, for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. Our gross profit margin was 73.3% for the three months ended September 30, 2022 compared to 67.2% for the three months ended September 30, 2021. The increase in gross profit was due to a reduction in stock-based compensation, increased software subscription revenues and economies of scale resulting from fixed cost arrangements.

Research and Development

Research and development expense decreased by \$26.7 million to \$40.3 million, or 39.9%, for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The decrease was primarily due to a reduction of \$30.1 million in stock-based compensation, mainly from the vesting term modification completed in conjunction with the Business Combination in the prior year and a \$4.3 million increase in the amount of capitalized time on development projects, partially offset by a \$6.8 million increase in resource costs.

Selling and Marketing

Selling and marketing expense decreased by \$49.5 million to \$30.8 million, or 61.6%, for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The decrease was primarily due to a reduction of \$51.9 million in stock-based compensation, mainly from the vesting term modification completed in conjunction with the Business Combination in the prior year, partially offset by a \$2.1 million increase in personnel-related costs, including sales incentives and travel costs.

General and Administrative

General and administrative expense decreased by \$103.1 million to \$39.4 million, or 72.4%, for the three months ended September 30, 2022, compared to the three months ended September 30, 2021. The decrease was primarily due to a reduction of \$98.7 million in stock-based compensation, mainly from the vesting term modification completed in conjunction with the Business Combination in the prior year, a \$1.6 million decrease in the Company's facilities costs due to the closure of the Company's previous headquarters in March 2022 and a \$0.8 million decrease in consulting and other professional service costs.

Amortization of Intangible Assets

Amortization of intangible assets was \$18.1 million for the three months ended September 30, 2022 and 2021.

Interest Expense

Interest expense decreased by \$3.4 million to \$10.5 million, or 24.3%, for the three months ended September 30, 2022, compared to the three months ended September 30, 2021, due to less outstanding long-term debt, partially offset by higher interest rates during the three months ended September 30, 2022.

Change in Fair Value of Derivative Instruments

Change in fair value of derivative instruments was \$6.0 million for the three months ended September 30, 2022, compared to \$2.0 million for the three months ended September 30, 2021. The \$6.0 million change in fair value recognized for the three months ended September 30, 2022 is related to the interest rate cap agreement entered into in August 2022 and driven by the increase in the forward yield curve since the inception of the agreement. The \$2.0 million change in fair value of derivative instruments for the three months ended September 30, 2021 is related to the interest rate swap agreements in effect during the prior year. The interest rate swap agreements were extinguished in September 2021.

Change in Fair Value of Warrant Liabilities

We recognized income of \$0.3 million from a change in fair value of warrant liabilities for the three months ended September 30, 2022, compared to expense of \$26.9 million for the three months ended September 30, 2021. The income recognized for the three months ended September 30, 2022 was due to the decrease in the estimated fair value of the Private Warrants, primarily from the lower price of the Company's common stock as of September 30, 2022, compared to June 30, 2022. The expense for the three months ended September 30, 2021 was due to the increase in the estimated fair value of the Public Warrants and Private Warrants.

Loss on Early Extinguishment of Debt

There was no loss on early extinguishment of debt during the three months ended September 30, 2022. Loss on early extinguishment of debt for the three months ended September 30, 2021 was \$15.2 million due to the early repayments of the total balance outstanding under the Company's First Lien Term Loan.

Income Tax (Provision) Benefit

Income tax provision was \$3.5 million for the three months ended September 30, 2022, compared to a benefit of \$53.5 million for the three months ended September 30, 2021. The income tax provision was due to the Company having pretax income during the three months ended September 30, 2022 compared to a pretax loss during the three months ended September 30, 2021.

Comparison of the nine months ended September 30, 2022 to the nine months ended September 30, 2021

(dollar amounts in thousands, except share and per share data)	Nine Months Ended September 30,		\$	%
	2022	2021		
Revenue	\$ 578,342	\$ 501,205	\$ 77,137	15.4%
Cost of revenue, exclusive of amortization of acquired technologies	135,174	128,218	6,956	5.4%
Amortization of acquired technologies	20,193	19,740	453	2.3%
Cost of revenues ⁽¹⁾	155,367	147,958	7,409	5.0%
Gross profit	422,975	353,247	69,728	19.7%
Operating expenses:				
Research and development ⁽¹⁾	114,711	128,894	(14,183)	-11.0%
Selling and marketing ⁽¹⁾	88,731	121,350	(32,619)	-26.9%
General and administrative ⁽¹⁾	123,093	208,745	(85,652)	-41.0%
Amortization of intangible assets	54,212	54,232	(20)	0.0%
Total operating expenses	380,747	513,221	(132,474)	-25.8%
Operating income (loss)	42,228	(159,974)	202,202	NM
Other income (expense):				
Interest expense	(25,786)	(51,548)	25,762	50.0%
Change in fair value of derivative instruments	5,991	8,373	(2,382)	-28.4%
Change in fair value of warrant liabilities	23,452	(26,889)	50,341	NM
Loss on early extinguishment of debt	—	(15,240)	15,240	NM
Gain on sale of cost method investment	3,587	—	3,587	NM
Other income, net	576	1	575	NM
Total other income (expense)	7,820	(85,303)	93,123	NM
Income (loss) before income taxes	50,048	(245,277)	295,325	NM
Income tax (provision) benefit	(12,714)	54,227	(66,941)	NM
Net income (loss)	\$ 37,334	\$ (191,050)	\$ 228,384	NM
Net income (loss) per share attributable to common stockholders:				
Basic	\$ 0.06	\$ (0.36)		
Diluted	\$ 0.06	\$ (0.36)		
Weighted-average shares used in computing net income (loss) per share attributable to common stockholders:				
Basic	606,181,316	525,877,533		
Diluted	642,208,622	525,877,533		

⁽¹⁾ Includes stock-based compensation expense as follows (in thousands):

	Nine Months Ended September 30,	
	2022	2021
Cost of revenues	\$ 4,167	\$ 12,563
Research and development	14,433	36,748
Sales and marketing	18,331	60,060
General and administrative	43,838	126,042
Total stock-based compensation expense	\$ 80,769	\$ 235,413

NM—Not Meaningful

Revenues

Revenue increased by \$77.1 million to \$578.3 million, or 15.4%, for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. The Company's software subscription revenues accounted for \$556.5 million and \$481.8 million, or 96% and 96%, of total revenue during the nine months ended September 30, 2022 and 2021, respectively.

The increase in revenue was primarily a result of 12% growth from existing customer upgrades and expanding solution offerings to these existing customers as well as 3% growth from new customers.

Cost of Revenues

Cost of revenues increased by \$7.4 million to \$155.4 million, or 5.0%, for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021.

Cost of Revenues, exclusive of amortization of acquired technologies

Cost of revenues, exclusive of amortization of acquired technologies, increased by \$7.0 million to \$135.2 million, or 5.4%, for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. The increase was due to a \$6.1 million increase in third party license and royalty fees, a \$3.3 million increase in depreciation expense related to additional investments in platform and infrastructure enhancements, a \$2.6 million increase in consulting and other professional service costs and a \$3.9 million increase in personnel-related costs, partially offset by a \$8.4 million reduction in stock-based compensation, mainly from the vesting term modification completed in conjunction with the Business Combination in the prior year.

Amortization of Acquired Technologies

Amortization of acquired technologies was \$20.2 million for the nine months ended September 30, 2022, compared to \$19.7 million for the nine months ended September 30, 2021.

Gross Profit

Gross profit increased by \$69.7 million to \$423.0 million, or 19.7%, for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. Our gross profit margin increased to 73.1% for the nine months ended September 30, 2022 compared to 70.5% for the nine months ended September 30, 2021. The increase in both gross profit and gross profit margin was primarily due to a reduction in stock-based compensation, increased software subscription revenues and economies of scale resulting from fixed cost arrangements.

Research and Development

Research and development expense decreased by \$14.2 million to \$114.7 million, or 11.0%, for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. The decrease was due to a \$22.3 million reduction in stock-based compensation, mainly from the vesting term modification completed in conjunction with the Business Combination in the prior year and a \$12.0 million increase in the amount of capitalized time on development projects, partially offset by a \$17.5 million increase in resource costs and a \$2.1 million increase in information technology related costs.

Selling and Marketing

Selling and marketing expense decreased by \$32.6 million to \$88.7 million, or 26.9%, for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. The decrease was primarily due to a \$41.7 million reduction in stock-based compensation, mainly from the vesting term modification completed in conjunction with the Business Combination in the prior year, partially offset by a \$6.7 million increase of personnel-related costs including sales incentives and travel costs and a \$1.1 million increase in marketing and event costs mainly due to the Company's annual Industry Conference, held in person in 2022 while held virtually in 2021.

General and Administrative

General and administrative expense decreased by \$85.7 million to \$123.1 million, or 41.0%, for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. The decrease was primarily due to a \$82.2 million reduction in stock-based compensation, mainly from the vesting term modification completed in conjunction with the Business Combination in the prior year, a \$4.5 million decrease in consulting and other professional service costs and a \$3.9 million decrease in the Company's facilities costs due to the Company's closure of its previous headquarters in March 2022, partially offset by a \$3.8 million increase in insurance costs.

Amortization of Intangible Assets

Amortization of intangible assets was \$54.2 million for the nine months ended September 30, 2022 and 2021.

Interest Expense

Interest expense decreased by \$25.8 million to \$25.8 million, or 50.0%, for the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021 primarily due to less outstanding long-term debt and a lower variable interest rate during the nine months ended September 30, 2022.

Change in Fair Value of Derivative Instruments

The change in fair value of derivative instruments was \$6.0 million for the nine months ended September 30, 2022, compared to \$8.4 million for the nine months ended September 30, 2021. The \$6.0 million change in fair value recognized for the nine months ended September 30, 2022 was related to the interest rate cap agreement the Company entered into in August 2022 and driven by the changes in the forward yield curve. The \$8.4 million change in fair value of derivative instruments in the prior year was related to the interest rate swap agreements in effect during the prior year. The interest rate swap agreements were extinguished in September 2021.

Change in Fair Value of Warrant Liabilities

We recognized income of \$23.5 million from a change in fair value of warrant liabilities for the nine months ended September 30, 2022, compared to expense of \$26.9 million for the nine months ended September 30, 2021. The income from the change in fair value was due to the decrease in the estimated fair value of the Private Warrants, primarily from the lower price of the Company's common stock as of September 30, 2022, compared to December 31, 2021. The expense for the nine months ended September 30, 2021 was due to the increase in the estimated fair value of the Public Warrants and Private Warrants.

Loss on Early Extinguishment of Debt

There was no loss on early extinguishment of debt during the nine months ended September 30, 2022. Loss on early extinguishment of debt for the nine months ended September 30, 2021 was \$15.2 million due to the early repayments of the total balance outstanding under the Company's First Lien Term Loan.

Gain on Sale of Cost Method Investment

Gain on sale of cost method investment was \$3.6 million for the nine months ended September 30, 2022. The gain recognized was due to the \$3.9 million payment received in exchange for its equity interest in an investee as a result of the acquisition of the investee. The Company did not recognize any gain or loss on sale of cost method investment during the nine months ended September 30, 2021.

Income Tax (Provision) Benefit

Income tax provision was \$12.7 million for the nine months ended September 30, 2022, compared to an income tax benefit of \$54.2 million for the nine months ended September 30, 2021. The income tax provision was due to the Company having pretax income during the nine months ended September 30, 2022, compared to a pretax loss during the nine months ended September 30, 2021.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe that Adjusted Gross Profit, Adjusted Operating Expenses, Adjusted Operating Income, Adjusted EBITDA, Adjusted Net Income and Adjusted Earnings Per Share, and Free Cash Flow which are each non-GAAP measures, are useful in evaluating our operational performance. We use this non-GAAP financial information to evaluate our ongoing operations and for internal planning, budgeting and forecasting purposes and setting management bonus programs. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors in assessing our operating performance and comparing our performance with competitors and other comparable companies, which may present similar non-GAAP financial measures to investors. Our computation of these non-GAAP measures may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate these measures in the same fashion. We endeavor to compensate for the limitation of the non-GAAP measure presented by also providing the most directly comparable GAAP measure and a description of the reconciling items and adjustments to derive the non-GAAP measure. These non-GAAP measures should be considered in addition to results prepared in accordance with GAAP, but should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using non-GAAP measures on a supplemental basis.

Adjusted Gross Profit

Adjusted Gross Profit is defined as gross profit, adjusted for amortization of acquired technologies, business combination transaction costs and stock-based compensation and related employer payroll tax, which are not indicative of our recurring core business operating results. Adjusted Gross Profit Margin is defined as Adjusted Gross Profit divided by Revenue.

The following table reconciles Gross Profit to Adjusted Gross Profit for the three and nine months ended September 30, 2022 and 2021:

(amounts in thousands, except percentages)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Gross Profit	\$ 145,607	\$ 118,775	\$ 422,975	\$ 353,247
Amortization of acquired technologies	6,748	6,580	20,193	19,740
Business combination transaction costs	—	905	—	905
Stock-based compensation and related employer payroll tax	1,765	12,169	4,378	12,563
Adjusted Gross Profit	<u>\$ 154,120</u>	<u>\$ 138,429</u>	<u>\$ 447,546</u>	<u>\$ 386,455</u>
Gross Profit Margin	73%	67%	73%	70%
Adjusted Gross Profit Margin	78%	78%	77%	77%

Adjusted Operating Expenses

Adjusted Operating Expenses is defined as operating expenses adjusted for amortization, stock-based compensation expense and related employer payroll tax, business combination transaction costs, lease abandonment charges, lease overlap costs for the incremental expenses associated with the Company's new corporate headquarters prior to termination of its then existing headquarters' lease, net income (costs) related to divestiture and merger and acquisition ("M&A") and integration costs.

The following table reconciles operating expenses to Adjusted Operating Expenses for the three and nine months ended September 30, 2022 and 2021:

(dollar amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating expenses	\$ 128,553	\$ 307,987	\$ 380,747	\$ 513,221
Stock-based compensation expense and related employer payroll tax	(27,800)	(207,707)	(78,496)	(222,850)
Lease abandonment	—	(438)	(1,222)	(2,256)
Lease overlap costs	—	(924)	(1,338)	(2,773)
Net income (costs) related to divestiture	471	(338)	418	(2,605)
Business combination transaction and related costs	(101)	(5,516)	(1,156)	(10,471)
M&A and integration costs	(6)	—	(1,761)	—
Amortization of intangible assets	(18,066)	(18,078)	(54,212)	(54,232)
Adjusted operating expenses	<u>\$ 83,051</u>	<u>\$ 74,986</u>	<u>\$ 242,980</u>	<u>\$ 218,034</u>

Adjusted Operating Income

Adjusted Operating Income is defined as operating income (loss) adjusted for amortization, stock-based compensation expense and related employer payroll tax, business combination transaction costs, lease abandonment charges, lease overlap costs for the incremental expenses associated with the Company's new corporate headquarters prior to termination of its then existing headquarters' lease, net (income) costs related to divestiture and M&A and integration costs.

The following table reconciles operating income (loss) to Adjusted Operating Income for the three and nine months ended September 30, 2022 and 2021:

(dollar amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating income (loss)	\$ 17,054	\$ (189,212)	\$ 42,228	\$ (159,974)
Stock-based compensation expense and related employer payroll tax	29,565	219,876	82,874	235,413
Lease abandonment	—	438	1,222	2,256
Lease overlap costs	—	924	1,338	2,773
Net (income) costs related to divestiture	(471)	338	(418)	2,605
Business combination transaction and related costs	101	5,516	1,156	10,471
M&A and integration costs	6	—	1,761	—
Amortization of intangible assets	18,066	18,078	54,212	54,232
Amortization of acquired technologies—Cost of revenue	6,748	6,580	20,193	19,740
Adjusted operating income	<u>\$ 71,069</u>	<u>\$ 62,538</u>	<u>\$ 204,566</u>	<u>\$ 167,516</u>

Adjusted EBITDA

Adjusted EBITDA is defined as net income (loss) adjusted for interest, taxes, depreciation, amortization, change in fair value of derivative instruments, change in fair value of warrant liabilities, stock-based compensation expense and related employer payroll tax, loss on early extinguishment of debt, business combination transaction costs, lease abandonment charges, lease overlap costs for the incremental expenses associated with the Company's new corporate headquarters prior to termination of its then existing headquarters' lease, net (income) costs related to divestiture, M&A and integration costs and gain on sale of cost method investment. Adjusted EBITDA Margin is defined as Adjusted EBITDA divided by Revenue.

The following table reconciles net income (loss) to Adjusted EBITDA for the three and nine months ended September 30, 2022 and 2021:

(dollar amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 9,795	\$ (189,782)	\$ 37,334	\$ (191,050)
Interest expense	10,501	13,878	25,786	51,548
Income tax provision (benefit)	3,452	(53,523)	12,714	(54,227)
Amortization of intangible assets	18,066	18,078	54,212	54,232
Amortization of acquired technologies—Cost of revenue	6,748	6,580	20,193	19,740
Depreciation and amortization of software, equipment and property	6,665	7,694	20,155	18,161
EBITDA	<u>55,227</u>	<u>(197,075)</u>	<u>170,394</u>	<u>(101,596)</u>
Change in fair value of derivative instruments	(5,991)	(2,007)	(5,991)	(8,373)
Change in fair value of warrant liabilities	(312)	26,889	(23,452)	26,889
Loss on early extinguishment of debt	—	15,240	—	15,240
Stock-based compensation expense and related employer payroll tax	29,565	219,876	82,874	235,413
Business combination transaction and related costs	101	5,516	1,156	10,471
Lease abandonment	—	438	1,338	2,256
Lease overlap costs	—	924	1,222	2,773
Net (income) costs related to divestiture	(471)	338	(418)	2,605
M&A and integration costs	6	—	1,761	—
Gain on sale of cost method investment	(9)	—	(3,587)	—
Adjusted EBITDA	<u>\$ 78,116</u>	<u>\$ 70,139</u>	<u>\$ 225,297</u>	<u>\$ 185,678</u>
Adjusted EBITDA Margin	<u>39.3%</u>	<u>39.7%</u>	<u>39.0%</u>	<u>37.0%</u>

Adjusted Net Income and Adjusted Earnings Per Share

Adjusted Net Income is defined as net income (loss) adjusted for the after-tax effects of amortization, change in fair value of derivative instruments, change in fair value of warrant liabilities, stock-based compensation expense and related employer payroll tax, loss on early extinguishment of debt, business combination transaction costs, lease abandonment charges, lease overlap costs for the incremental expenses associated with the Company's new corporate headquarters prior to termination of its then existing headquarters' lease, net (income) costs related to divestiture, M&A and integration costs and gain on sale of cost method investment.

The following table reconciles net income (loss) to Adjusted Net Income and Adjusted Earnings per Share for the three and nine months ended September 30, 2022 and 2021:

(dollar amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	\$ 9,795	\$ (189,782)	\$ 37,334	\$ (191,050)
Amortization of intangible assets	18,066	18,078	54,212	54,232
Amortization of acquired technologies— Cost of revenue	6,748	6,580	20,193	19,740
Change in fair value of derivative instruments	(5,991)	(2,007)	(5,991)	(8,373)
Change in fair value of warrant liabilities	(312)	26,889	(23,452)	26,889
Loss on early extinguishment of debt	—	15,240	—	15,240
Stock-based compensation expense and related employer payroll tax	29,565	219,876	82,874	235,413
Business combination transaction and related costs	101	5,516	1,156	10,471
Lease abandonment	—	438	1,222	2,256
Lease overlap costs	—	924	1,338	2,773
Net (income) costs related to divestiture	(471)	338	(418)	2,605
M&A and integration costs	6	—	1,761	—
Gain on sale of cost method investment	(9)	—	(3,587)	—
Tax effect of adjustments	(10,894)	(72,360)	(34,193)	(89,134)
Adjusted net income	\$ 46,604	\$ 29,730	\$ 132,449	\$ 81,062
Adjusted net income per share attributable to common stockholders:				
Basic	\$ 0.08	\$ 0.05	\$ 0.22	\$ 0.15
Diluted	\$ 0.07	\$ 0.05	\$ 0.21	\$ 0.15
Weighted average shares outstanding:				
Basic	609,421,073	566,454,782	606,181,316	525,877,533
Diluted	643,582,922	599,675,416	642,208,622	554,818,300

Free Cash Flow

Free Cash Flow is defined as net cash provided by operating activities less cash used for the purchases of software, equipment and property, and purchase of intangible assets.

The following table reconciles net cash provided by operating activities to Free Cash Flow for the three and nine months ended September 30, 2022 and 2021:

(dollar amounts in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net cash provided by operating activities	\$ 30,753	\$ 36,905	\$ 118,438	\$ 96,725
Less: Purchases of software, equipment, and property	(13,375)	(11,864)	(38,844)	(25,022)
Less: Purchase of intangible assets	—	—	—	(49)
Free Cash Flow	\$ 17,378	\$ 25,041	\$ 79,594	\$ 71,654

Liquidity and Capital Resources

We have financed our operations with cash flows from operations. The Company generated \$118.4 million of cash flows from operating activities during the nine months ended September 30, 2022. As of September 30, 2022, the Company had cash and cash equivalents of \$248.2 million, a working capital surplus of \$252.5 million and an accumulated deficit totaling \$ 709.0 million. As of September 30, 2022, the Company had \$794.0 million aggregate principal outstanding on its term loan.

We believe that our existing cash and cash equivalents, our cash flows from operating activities and our borrowing capacity under our 2021 Revolving Credit Facility will be sufficient to fund our operations, fund required long-term debt repayments and meet our commitments for capital expenditures for at least the next twelve months.

Although we are not currently a party to any material definitive agreement regarding potential investments in, or acquisitions of, complementary businesses, applications or technologies, we may enter into these types of arrangements, which could reduce our cash and cash equivalents or require us to seek additional equity or debt financing. Additional funds from financing arrangements may not be available on terms favorable to us or at all.

Debt

On September 21, 2021, CCC Intelligent Solutions Inc., an indirect wholly owned subsidiary of the Company, together with certain of the Company's subsidiaries acting as guarantors entered into a credit agreement (the "2021 Credit Agreement").

The 2021 Credit Agreement replaced the Company's 2017 First Lien Credit Agreement (the "First Lien Credit Agreement"), dated as of April 27, 2017, as amended as of February 14, 2020.

The proceeds of the 2021 Credit Agreement were used to repay all outstanding borrowings under the First Lien Credit Agreement.

2021 Credit Agreement—The 2021 Credit Agreement consists of the \$800.0 million Term B Loan and 2021 Revolving Credit Facility for an aggregate principal amount of \$250.0 million. The 2021 Revolving Credit Facility has a sublimit of \$75.0 million for letters of credit. The Company received proceeds of \$798.0 million, net of debt discount of \$2.0 million, related to the Term B Loan.

Beginning with the quarter ending March 31, 2022, the Term B Loan requires quarterly principal payments of \$2.0 million until June 30, 2028, with the remaining outstanding principal amount required to be paid on the maturity date, September 21, 2028.

Beginning with the year ending December 31, 2022, the Term B Loan requires a prepayment of principal, subject to certain exceptions, in connection with the receipt of proceeds from certain asset sales, casualty events, and debt issuances by the Company, and up to 50% of annual excess cash flow, as defined in and as further set forth in the 2021 Credit Agreement. When a principal prepayment is required, the prepayment offsets the future quarterly principal payments of the same amount. As of September 30, 2022, the Company is not subject to the annual excess cash flow calculation and no such principal prepayments are required.

As of September 30, 2022, the amount outstanding on the Term B Loans was \$794.0 million, of which, \$8.0 million is classified as current.

Borrowings under the 2021 Credit Facility bear interest at rates based on the ratio of the Company's and its subsidiaries' consolidated first lien net indebtedness to the Company's and its subsidiaries' consolidated EBITDA for applicable periods specified in the 2021 Credit Facility.

A quarterly commitment fee of up to 0.50% is payable on the unused portion of the 2021 Revolving Credit Facility.

During the three months ended September 30, 2022 and 2021, the weighted-average interest rate on the outstanding borrowings under the Term B Loan was 4.6% and 3.0%, respectively. The Company made interest payments of \$9.2 million during the three months ended September 30, 2022. There were no interest payments made during the three months ended September 30, 2021.

During the nine months ended September 30, 2022 and 2021, the weighted-average interest rate on the outstanding borrowings under the Term B Loan was 3.6% and 3.0%, respectively. The Company made interest payments of \$21.6 million during the nine months ended September 30, 2022. There were no interest payments made during the nine months ended September 30, 2021.

The Company has an outstanding standby letter of credit for \$0.7 million which reduces the amount available to be borrowed under the 2021 Revolving Credit Facility. As of September 30, 2022, \$249.3 million was available to be borrowed under the 2021 Revolving Credit Facility.

In addition, beginning with the three months ended March 31, 2022, the terms of the 2021 Credit Agreement include a financial covenant which requires that, at the end of each fiscal quarter, if the aggregate amount of borrowings under the 2021 Revolving Credit Facility exceeds 35% of the aggregate commitments, the Company's leverage ratio cannot exceed 6.25 to 1.00. As of September 30, 2022, the Company was not subject to the financial covenant.

First Lien Credit Agreement—In April 2017, the Company entered into the First Lien Credit Agreement.

The First Lien Credit Agreement initially consisted of a \$1.0 billion term loan and revolving credit facilities for an aggregate principal amount of \$100.0 million, with a sublimit of \$30.0 million for letters of credit under the First Lien Revolvers.

In February 2020, the Company refinanced its long-term debt and entered into the First Amendment to the First Lien Credit Agreement. The First Lien Amendment provided an incremental term loan, amended the amount of commitments and the maturity dates of the First Lien Credit Agreement's revolving credit facilities.

The First Lien Amendment provided an incremental term loan in the amount of \$375.0 million and reduced the amount of commitments under the First Lien Revolvers to an aggregate principal amount of \$91.3 million. The First Lien Revolvers continued to have a sublimit of \$30.0 million for letters of credit.

The First Lien Term Loan required (after giving effect to the First Lien Amendment) quarterly principal payments of approximately \$3.5 million until March 31, 2024, with the remaining outstanding principal amount required to be paid on the maturity date, April 27, 2024. The First Lien Term Loan required a prepayment of principal, subject to certain exceptions, in connection with the receipt of proceeds from certain asset sales, casualty events, and debt issuances by the Company, and up to 50% of annual excess cash flow, as defined in and as further set forth in the First Lien Credit Agreement. When a principal prepayment was required, the prepayment offset the future quarterly principal payments of the same amount. As of December 31, 2020, subject to the request of the lenders of the First Lien Term Loan, a principal prepayment of up to \$21.9 million was required. In April 2021, the Company made a principal prepayment of \$1.5 million to those lenders who made such a request.

The Company made a principal prepayment of \$525.0 million on July 30, 2021. Subsequently, in September 2021, using the proceeds from the Term B Loan provided in the 2021 Credit Agreement and cash on hand, the Company fully repaid the remaining \$804.2 million of outstanding borrowings on the First Lien Term Loan.

Amounts outstanding under the First Lien Credit Agreement bore interest at a variable rate of LIBOR, plus up to 3.00% per annum based upon the Company's leverage ratio, as defined in the First Lien Credit Agreement. A quarterly commitment fee of up to 0.50% was payable on the unused portion of the First Lien Revolvers.

During the three months ended September 30, 2021 the weighted-average interest rate on the outstanding borrowings under the First Lien Term Loan was 4.1%. The Company made interest payments of \$9.3 million during the three months ended September 30, 2021.

During the nine months ended September 30, 2021 the weighted-average interest rate on the outstanding borrowings under the First Lien Term Loan was 4.1%. The Company made interest payments of \$36.1 million during the nine months ended September 30, 2021.

Interest Rate Cap—In August 2022, the Company entered into an interest rate cap agreement to reduce its exposure to increases in interest rates applicable to its floating rate long-term debt. The aggregate notional value of the interest rate cap agreements is \$600.0 million with a cap rate of 4.0% and an expiration date of July 31, 2025.

Interest Rate Swaps—In June 2017, the Company entered into three floating to fixed interest rate swap agreements to reduce its exposure to the variability from future cash flows resulting from interest rate risk related to its floating rate long-term debt. In September 2021, the Company made an aggregate payment of \$10.0 million to extinguish the Swap Agreements which were scheduled to expire in June 2022.

Cash Flows

The following table provides a summary of cash flow data for the nine months ended September 30, 2022 and 2021:

(dollar amounts in thousands)	Nine Months Ended September 30,	
	2022	2021
Net cash provided by operating activities	\$ 118,438	\$ 96,725
Net cash used in investing activities	(67,185)	(35,299)
Net cash provided by (used in) financing activities	15,006	(62,917)
Net effect of exchange rate change	(650)	(162)
Change in cash and cash equivalents	<u>\$ 65,609</u>	<u>\$ (1,653)</u>

Net cash provided by operating activities was \$118.4 million for the nine months ended September 30, 2022. Net cash provided by operating activities consists of net income of \$37.3 million, adjusted for \$94.8 million of non-cash items, \$4.5 million for changes in working capital and (\$18.2) million for the effect of changes in other operating assets and liabilities. Significant non-cash adjustments include depreciation and amortization of \$94.6 million, stock-based compensation expense of \$80.8 million, non-cash lease expense of \$3.1 million, deferred income tax benefits of (\$53.1), a change in fair value of derivative instruments of (\$6.0) million and a change in fair value of warrant liabilities of (\$23.5) million. The change in net operating assets and liabilities was primarily a result of an increase in accounts receivable of \$19.5 million due to timing of receipts of payments from customers and an increase in other assets of \$18.2 million due to timing of payments for prepaid and other deferred costs including the \$6.3 million interest rate cap premium payment, partially offset by a decrease in other current assets of \$12.4 million due to timing of cash receipts of non-trade receivables and timing of payments for other deferred costs.

Net cash used in investing activities was \$67.2 million for the nine months ended September 30, 2022. Net cash used in investing activities was due to \$38.8 million of capitalized internally developed software projects and purchases of software, equipment and property and \$32.2 million for a business acquisition, partially offset by \$3.9 million of proceeds from the sale of a cost method investment.

Net cash provided by financing activities was \$15.0 million for the nine months ended September 30, 2022. Net cash provided by financing activities was due to \$22.8 million of proceeds from stock option exercises and \$3.2 million of proceeds from shares purchased through the Company's ESPP, partially offset by \$6.0 million of principal payments of long-term debt and \$5.0 million of tax payments related to the net share settlement of employee equity awards.

Recent Accounting Pronouncements

See Note 2 to our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for more information about recent accounting pronouncements, the timing of their adoption, and our assessment, to the extent we have made one, of their potential impact on our financial condition and our results of operations.

Critical Accounting Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these financial statements requires our management to make estimates, judgments and assumptions that affect the reported amounts of assets, liabilities, revenue, costs, and expenses and related disclosures. Our estimates are based on our historical experience, trends and various other assumptions that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these judgments and estimates under different assumptions or conditions and any such differences may be material.

Except as described below, there have been no material changes to our critical accounting estimates as compared to the critical accounting policies and estimates disclosed in our audited consolidated financial statements and notes thereto for the year ended December 31, 2021, included in our Annual Report on Form 10-K.

Valuation of Goodwill and Intangible Assets

We perform an annual assessment for impairment of goodwill and indefinite-lived intangible assets as of September 30 each fiscal year, or whenever events occur or circumstances indicate that it is more likely than not that the fair value of a reporting unit or indefinite-lived intangible asset is below its carrying value. For the three and nine months ended September 30, 2022 and 2021, our annual impairment analysis performed indicated no impairments of goodwill or changes in carrying values due to impairment.

The September 30, 2022 quantitative goodwill impairment test performed primarily uses an income approach based on a number of key estimates and assumptions, including revenue and expense growth factors along with applying a discount rate to the estimated

cash flows. The discount rates are based on the estimated weighted average cost of capital for each reporting unit and may change from year to year. Weighted average cost of capital includes certain assumptions such as market capital structures, market betas, risk-free rates of return and estimated costs of borrowing.

The process of evaluating the potential impairment of goodwill is subjective and requires significant judgment. In estimating the fair value of a reporting unit for the purposes of our annual or periodic impairment analyses, we make estimates and significant judgments about the future cash flows of that reporting unit. Our cash flow forecasts are based on assumptions that represent the highest and best use for our reporting units. Changes in judgment on these assumptions and estimates could result in goodwill impairment charges. We believe that the assumptions and estimates utilized are appropriate based on the information available to management.

We have two reporting units, Domestic and China, for purposes of analyzing goodwill. As of September 30, 2022, the annual impairment assessment indicated no impairment for our China reporting unit. The quantitative assessment for the China reporting unit had an estimated fair value that exceeded its carrying value by approximately 10%. Key financial assumptions utilized to determine the fair value of the reporting unit included revenue growth levels that reflect the rollout of new services and solutions, improving profit margins and a 13.5% discount rate. The reporting unit's fair value would approximate its carrying value with a 60 basis point increase in the discount rate.

As noted above, a considerable amount of management judgment and assumptions are required in performing the annual goodwill impairment assessment. While we believe our judgments and assumptions are reasonable, different assumptions could change the estimated fair values. A number of factors, many of which we have no ability to control, could cause actual results to differ from the estimates and assumptions we employed. These factors include:

- continued negative impact from the COVID-19 pandemic;
- a prolonged global or regional economic downturn;
- a significant decrease in the demand for our services and solutions;
- the inability to develop new and enhanced services and solutions in a timely manner;
- a significant adverse change in legal factors or in the business climate;
- an adverse action or assessment by a regulator;
- successful efforts by our competitors to gain market share in our markets;
- disruptions to the Company's business;
- unexpected or unplanned changes in the use of assets or entity structure; and
- business divestitures

If management's estimates of future operating results change or if there are changes to other assumptions due to these factors, the estimate of the fair value may change significantly. Such change could result in impairment charges in future periods, which could have a significant impact on our operating results and financial condition.

Intangible assets with finite lives and software, equipment and property are amortized or depreciated over their estimated useful life on a straight-line basis. We monitor conditions related to these assets to determine whether events and circumstances warrant a revision to the remaining amortization or depreciation period. We test these assets for potential impairment whenever our management concludes events or changes in circumstances indicate that the carrying amount may not be recoverable. The original estimate of an asset's useful life and the impact of an event or circumstance on either an asset's useful life or carrying value involve significant judgment regarding estimates of the future cash flows associated with each asset.

There was no impairment charge related to intangible assets recorded during the three and nine months ended September 30, 2022 and 2021.

Fair Value of Contingent Consideration

Earnout liabilities arising from business acquisitions represent contingent consideration that may be payable in cash and recorded as a liability at fair value upon acquisition and re-measured at fair value in each subsequent reporting period. Changes in fair value are recorded in the consolidated statements of operations.

Determining the fair value of contingent consideration requires us to make assumptions and judgments. We estimate the fair value of contingent consideration using a Monte Carlo simulation model. These estimates involve inherent uncertainties and if different assumptions had been used, including but not limited to forecast inputs and discount rates, the fair value of contingent consideration could have been materially different from the amounts recorded. We have estimated the fair value of the contingent consideration associated with the acquisition of Safekeep as of the acquisition date and reassess our estimate each reporting period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes in our market risk compared to the disclosures in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (“Exchange Act”), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer have concluded that as of September 30, 2022, our disclosure controls and procedures were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2022 identified in management’s evaluation pursuant to in Rules 13a-15(d) and 15d-15(d) of the Exchange Act that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, the Company is from time to time, involved in various pending or threatened legal actions. The litigation process is inherently uncertain, and it is possible that the resolution of such matters might have a material adverse effect upon the Company's consolidated financial condition and/or results of operations. The Company's management believes, based on current information, matters currently pending or threatened are not expected to have a material adverse effect on the Company's consolidated financial position or results of operations.

Item 1A. Risk Factors

For risk factors relating to our business, please refer to the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

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

Not applicable.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Exhibit Number	Description
31.1*	Certification of Chief Executive Officer (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.
31.2*	Certification of Chief Financial Officer (Principal Financial and Accounting 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.
32.1**	Certification of Chief Executive Officer (Principal Executive Officer) Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

* Filed herewith

** Furnished herewith

SIGNATURE

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

Dated: November 4, 2022

CCC INTELLIGENT SOLUTIONS HOLDINGS INC.

By: /s/ Githesh Ramamurthy
Name: Githesh Ramamurthy
Title: Chief Executive Officer and Chairman of the Board of Directors
(Principal Executive Officer)

Dated: November 4, 2022

By: /s/ Brian Herb
Name: Brian Herb
Title: Executive Vice President, Chief Financial and Administrative
Officer
(Principal Financial Officer)

**Certification of Chief Executive Officer
Pursuant To
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Githesh Ramamurthy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CCC Intelligent Solutions Holdings 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (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 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.
-

Dated: November 4, 2022

/s/ Githesh Ramamurthy

Githesh Ramamurthy

Chief Executive Officer

**Certification of Chief Financial Officer
Pursuant To
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Brian Herb, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of CCC Intelligent Solutions Holdings 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (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 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.
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Dated: November 4, 2022

/s/ Brian Herb

Brian Herb

Executive Vice President, Chief Financial and Administrative Officer

**Certification of Chief Executive Officer
Pursuant To Rule 18 U.S.C. Section 1350**

In connection with the Quarterly Report on Form 10-Q of CCC Intelligent Solutions Holdings Inc. (the "Company") for the period ended September 30, 2022, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Githesh Ramamurthy, Chief Executive Officer and Chairman of the Board of Directors of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2022

/s/ Githesh Ramamurthy

Githesh Ramamurthy

Chief Executive Officer

**Certification of Chief Financial Officer
Pursuant To Rule 18 U.S.C. Section 1350**

In connection with the Quarterly Report on Form 10-Q of CCC Intelligent Solutions Holdings Inc. (the "Company") for the period ended September 30, 2022, as filed with the U.S. Securities and Exchange Commission (the "Report"), I, Brian Herb, Executive Vice President, Chief Financial and Administrative Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 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, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2022

/s/ Brian Herb

Brian Herb

Executive Vice President, Chief Financial and Administrative Officer
