

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

FORM 10-Q

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

For the quarterly period ended September 30, 2024

or

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

For the transition period from _____ to _____

Commission File Number 001-40815

Definitive Healthcare Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

492 Old Connecticut Path, Suite 401
Framingham, MA
(Address of principal executive offices)

86-3988281
(I.R.S. Employer
Identification No.)

01701
(Zip Code)

(508) 720-4224

(Registrant's telephone number, including area code)

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

| Title of Each Class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Class A Common Stock, \$0.001 par value | DH | The Nasdaq Stock Market LLC |

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See 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 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 by Rule 12b-2 of the Exchange Act). Yes No

As of November 4, 2024, the number of outstanding shares of the registrant's Class A Common Stock was 115,522,829 shares.

Definitive Healthcare Corp.
Quarterly Report on Form 10-Q
For the Quarterly Period Ended September 30, 2024

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GLOSSARY

As used in this Quarterly Report on Form 10-Q, the terms identified below have the meanings specified below unless otherwise noted or the context indicates otherwise. References in this Form 10-Q to “Definitive Healthcare Corp.” refer to Definitive Healthcare Corp. and not to any of its subsidiaries unless the context indicates otherwise. References in this Form 10-Q to “Definitive Healthcare”, “Definitive”, the “Company”, “we”, “us”, and “our” refer to Definitive Healthcare Corp. and its consolidated subsidiaries unless the context indicates otherwise.

- “AIDH Buyer” refers to AIDH Buyer, LLC, which is a wholly owned subsidiary of Definitive OpCo and the direct parent company of DH Holdings.
- “Advent” refers to funds affiliated with Advent International, a global private equity firm.
- “AIDH Management Holdings, LLC” is a special purpose investment vehicle through which certain persons, primarily employees and certain legacy investors, indirectly hold interests in Definitive OpCo.
- “Amended LLC Agreement” refers to the second amended and restated limited liability company agreement entered into by Definitive OpCo pursuant to which members have the right to exchange all or a portion of their LLC units for newly issued shares of Class A Common Stock in Definitive Healthcare Corp.
- “ARR” refers to annual recurring revenue as of period end, which is calculated by aggregating annual subscription revenue from committed contractual amounts for all existing customers during that period. ARR may also include, in rare circumstances, existing customers with expired contracts who have provided oral or written commitments to renew.
- “Blocker Company” or “Blocker Companies” refers to certain entities treated as corporations for U.S. federal income tax purposes that held LLC units in Definitive OpCo which, through the Reorganization Transactions, were merged into Definitive Healthcare Corp. and are now holders of Class A Common Stock.
- “Continuing Pre-IPO LLC Members” refers to certain Pre-IPO LLC Members who retained their equity ownership in Definitive OpCo in the form of LLC Units immediately following the consummation of the Reorganization Transactions.
- “Definitive OpCo” refers to AIDH TopCo, LLC, a Delaware limited liability company, and a subsidiary of Definitive Healthcare Corp., following the Reorganization Transactions.
- “DH Holdings” refers to Definitive Healthcare Holdings, LLC, a Delaware limited liability company and wholly owned subsidiary of AIDH Buyer.
- “IPO” refers to the initial public offering of Class A Common Stock of Definitive Healthcare Corp.
- “LLC Units” refers to limited liability company interests in Definitive OpCo.
- “NDR” or “Net Dollar Retention Rate” refers to net dollar retention rate, which we calculate as the percentage of ARR retained from existing customers across a defined period, after accounting for upsell, down-sell, pricing changes, and churn. We calculate net dollar retention as beginning ARR for a period, plus (i) expansion ARR (including, but not limited to, upsell and pricing increases), less (ii) churn (including, but not limited to, non-renewals and contractions), divided by (iii) beginning ARR for the same period.
- “Populi” refers to Populi, Inc., a Delaware corporation.
- “Pre-IPO LLC Members” refers to certain affiliates of Spectrum Equity, Jason Krantz, DH Holdings, AIDH Management Holdings, LLC, certain affiliates of Advent, and certain other minority equity holders of Definitive OpCo prior to the Reorganization Transactions.
- “Reorganization Parties” refers to the shareholders of the Blocker Companies prior to the merger of the Blocker Companies into Definitive Healthcare Corp.
- “Reorganization Transactions” refers to transactions completed in connection with the Company’s IPO as defined within Note 1 to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Form 10-Q.
- “Spectrum Equity” refers to investment funds associated with Spectrum Equity Management, L.P., a private equity firm.
- “Sponsors” refers collectively to Advent and Spectrum Equity.
- “Tax Receivable Agreement” refers to the Tax Receivable Agreement, dated September 14, 2021, between Definitive Healthcare Corp., Definitive OpCo, and the TRA Parties.
- “TRA Parties” refers to the Continuing Pre-IPO LLC Members, the Reorganization Parties, and any future party to the Tax Receivable Agreement.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (“Quarterly Report”) contains forward-looking statements. Forward-looking statements can be identified by words such as “anticipates,” “intends,” “plans,” “seeks,” “believes,” “estimates,” “expects” and similar references to future periods, or by the inclusion of forecasts or projections. Examples of forward-looking statements include, but are not limited to, statements we make regarding the outlook for our future business and financial performance, such as those contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy, and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks, and changes in circumstances that are difficult to predict. As a result, our actual results may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, regional, national, or global political, economic, business, competitive, market, and regulatory conditions.

For the reasons described above, we caution you against relying on any forward-looking statements, which should also be read in conjunction with Part I, Item 1A, “Risk Factors,” in our Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Form 10-K”) filed with the Securities and Exchange Commission (“SEC”) on February 28, 2024, and Part II, Item 1A in this Quarterly Report and the other cautionary statements that are included elsewhere in this Quarterly Report and in our public filings, including under “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Any forward-looking statement made by us speaks only as of the date on which we make it. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments, or otherwise, except as may be required by law.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

DEFINITIVE HEALTHCARE CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except number of shares and par value)
(Unaudited)

| | September 30, 2024 | December 31, 2023 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 137,609 | \$ 130,976 |
| Short-term investments | 167,779 | 177,092 |
| Accounts receivable, net | 35,754 | 59,249 |
| Prepaid expenses and other assets | 14,049 | 13,120 |
| Deferred contract costs | 13,486 | 13,490 |
| Total current assets | 368,677 | 393,927 |
| Property and equipment, net | 3,704 | 4,471 |
| Operating lease right-of-use assets, net | 8,274 | 9,594 |
| Other assets | 1,989 | 2,388 |
| Deferred contract costs | 14,136 | 17,320 |
| Intangible assets, net | 294,530 | 323,121 |
| Goodwill | 490,343 | 1,075,080 |
| Total assets | \$ 1,181,653 | \$ 1,825,901 |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 9,961 | \$ 5,787 |
| Accrued expenses and other liabilities | 35,751 | 51,529 |
| Deferred revenue | 86,219 | 97,377 |
| Term loan | 13,750 | 13,750 |
| Operating lease liabilities | 2,495 | 2,239 |
| Total current liabilities | 148,176 | 170,682 |
| Long term liabilities: | | |
| Deferred revenue | 21 | 9 |
| Term loan | 232,668 | 242,567 |
| Operating lease liabilities | 8,277 | 9,372 |
| Tax receivable agreements liability | 59,013 | 127,000 |
| Deferred tax liabilities | 30,767 | 67,163 |
| Other liabilities | 7,171 | 9,934 |
| Total liabilities | 486,093 | 626,727 |
| Equity: | | |
| Class A Common Stock, par value \$0.001, 600,000,000 shares authorized, 115,443,795 and 116,562,252 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively | 115 | 117 |
| Class B Common Stock, par value \$0.00001, 65,000,000 shares authorized, 39,460,224 and 39,393,407 shares issued and outstanding, respectively, at September 30, 2024, and 39,762,700 and 39,168,047 shares issued and outstanding, respectively, at December 31, 2023 | — | — |
| Additional paid-in capital | 1,087,555 | 1,086,581 |
| Accumulated other comprehensive income | 344 | 2,109 |
| Accumulated deficit | (581,499) | (227,450) |
| Noncontrolling interests | 189,045 | 337,817 |
| Total equity | 695,560 | 1,199,174 |
| Total liabilities and equity | \$ 1,181,653 | \$ 1,825,901 |

See notes to unaudited condensed consolidated financial statements.

DEFINITIVE HEALTHCARE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share amounts and per share data)
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|---------------------|---------------------------------|---------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Revenue | \$ 62,697 | \$ 65,325 | \$ 189,914 | \$ 185,483 |
| Cost of revenue: | | | | |
| Cost of revenue exclusive of amortization | 10,077 | 8,663 | 29,717 | 25,293 |
| Amortization | 3,589 | 3,232 | 10,330 | 9,676 |
| Gross profit | <u>49,031</u> | <u>53,430</u> | <u>149,867</u> | <u>150,514</u> |
| Operating expenses: | | | | |
| Sales and marketing | 20,130 | 22,804 | 63,435 | 70,929 |
| Product development | 7,282 | 10,759 | 27,536 | 30,872 |
| General and administrative | 11,354 | 14,545 | 40,764 | 42,294 |
| Depreciation and amortization | 9,474 | 9,795 | 28,205 | 29,073 |
| Transaction, integration, and restructuring expenses | (1,995) | 3,505 | 9,390 | 9,666 |
| Goodwill impairment | 228,153 | 287,400 | 591,794 | 287,400 |
| Total operating expenses | <u>274,398</u> | <u>348,808</u> | <u>761,124</u> | <u>470,234</u> |
| Loss from operations | (225,367) | (295,378) | (611,257) | (319,720) |
| Other income (expense), net: | | | | |
| Interest income | 3,742 | 3,464 | 11,386 | 9,870 |
| Interest expense | (3,749) | (3,897) | (11,328) | (11,304) |
| Gain on remeasurement of tax receivable agreement liability | 24,183 | 29,675 | 68,151 | 24,977 |
| Other (expense) income, net | (357) | (86) | (85) | 184 |
| Total other income, net | <u>23,819</u> | <u>29,156</u> | <u>68,124</u> | <u>23,727</u> |
| Net loss before income taxes | (201,548) | (266,222) | (543,133) | (295,993) |
| Benefit from income taxes | 13,724 | 17,534 | 36,404 | 19,728 |
| Net loss | <u>(187,824)</u> | <u>(248,688)</u> | <u>(506,729)</u> | <u>(276,265)</u> |
| Less: Net loss attributable to noncontrolling interests | (56,928) | (77,162) | (152,680) | (84,110) |
| Net loss attributable to Definitive Healthcare Corp. | <u>\$ (130,896)</u> | <u>\$ (171,526)</u> | <u>\$ (354,049)</u> | <u>\$ (192,155)</u> |
| Net loss per share of Class A Common Stock: | | | | |
| Basic and diluted | <u>\$ (1.12)</u> | <u>\$ (1.50)</u> | <u>\$ (3.02)</u> | <u>\$ (1.72)</u> |
| Weighted average Class A Common Stock outstanding: | | | | |
| Basic and diluted | <u>116,382,021</u> | <u>114,527,514</u> | <u>117,185,701</u> | <u>111,533,166</u> |

See notes to unaudited condensed consolidated financial statements.

DEFINITIVE HEALTHCARE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(Unaudited)

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|---|---|---------------------|--|---------------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Net loss | \$ (187,824) | \$ (248,688) | \$ (506,729) | \$ (276,265) |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | 212 | (30) | 52 | (134) |
| Unrealized gain (loss) on available-for-sale securities | 286 | 205 | 111 | (59) |
| Unrealized loss on interest rate hedging instruments | (1,459) | (442) | (2,508) | (686) |
| Comprehensive loss | (188,785) | (248,955) | (509,074) | (277,144) |
| Less: Comprehensive loss attributable to noncontrolling interests | (57,176) | (77,228) | (153,260) | (84,372) |
| Comprehensive loss attributable to Definitive Healthcare Corp. | <u>\$ (131,609)</u> | <u>\$ (171,727)</u> | <u>\$ (355,814)</u> | <u>\$ (192,772)</u> |

See notes to unaudited condensed consolidated financial statements.

DEFINITIVE HEALTHCARE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY
(in thousands, except share amounts)
(Unaudited)

| | Class A Shares | Class A Amount | Class B Shares | Class B Amount | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehens ive Income | Noncontrollin g Interests | Total Equity |
|--|-------------------|-------------------|-------------------|-------------------|----------------------------------|------------------------|---|---------------------------------|-----------------|
| Balance at January 1, 2024 | 116,562,252 | \$ 117 | 39,762,700 | \$ — | \$ 1,086,581 | \$ (227,450) | \$ 2,109 | \$ 337,817 | \$ 1,199,174 |
| Net loss | — | — | — | — | — | (9,518) | — | (3,200) | (12,718) |
| Other comprehensive loss | — | — | — | — | — | — | (451) | (134) | (585) |
| Vested incentive units | — | — | — | — | (784) | — | — | 784 | — |
| Issuance of Class A Common Stock upon vesting of RSUs | 1,822,506 | 2 | — | — | 2,532 | — | — | (2,534) | — |
| Shares withheld related to net share settlement | (646,041) | (1) | — | — | (5,805) | — | — | — | (5,806) |
| Effect of changes in LLC ownership, including LLC unit exchanges | 51,308 | — | (51,308) | — | 1,276 | — | — | (1,892) | (616) |
| Forfeited unvested incentive units | — | — | (47,388) | — | — | — | — | — | — |
| Equity-based compensation | — | — | — | — | 11,682 | — | — | 3,900 | 15,582 |
| Balance at March 31, 2024 | 117,790,025 | \$ 118 | 39,664,004 | \$ — | \$ 1,095,482 | \$ (236,968) | \$ 1,658 | \$ 334,741 | \$ 1,195,031 |
| Net loss | — | — | — | — | — | (213,635) | — | (92,552) | (306,187) |
| Other comprehensive loss | — | — | — | — | — | — | (601) | (198) | (799) |
| Vested incentive units | — | — | — | — | (91) | — | — | 91 | — |
| Issuance of Class A Common Stock upon vesting of RSUs | 513,252 | — | — | — | 742 | — | — | (742) | — |
| Shares withheld related to net share settlement | (161,854) | — | — | — | (969) | — | — | — | (969) |
| Repurchases of Class A Common Stock | (1,258,565) | (1) | — | — | (9,667) | — | — | 2,665 | (7,003) |
| Effect of changes in LLC ownership, including LLC unit exchanges | 170,481 | — | (170,481) | — | 2,083 | — | — | (1,997) | 86 |
| Forfeited unvested incentive units | — | — | (4,277) | — | — | — | — | — | — |
| Equity-based compensation | — | — | — | — | 6,637 | — | — | 2,205 | 8,842 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | (2,713) | (2,713) |
| Balance at June 30, 2024 | 117,053,339 | \$ 117 | 39,489,246 | \$ — | \$ 1,094,217 | \$ (450,603) | \$ 1,057 | \$ 241,500 | \$ 886,288 |
| Net loss | — | — | — | — | — | (130,896) | — | (56,928) | (187,824) |
| Other comprehensive loss | — | — | — | — | — | — | (713) | (248) | (961) |
| Vested incentive units | — | — | — | — | (1,581) | — | — | 1,581 | — |
| Issuance of Class A Common Stock upon vesting of RSUs | 359,130 | — | — | — | 390 | — | — | (390) | — |
| Shares withheld related to net share settlement | (110,159) | — | — | — | (495) | — | — | — | (495) |
| Repurchases of Class A Common Stock | (1,885,951) | (2) | — | — | (10,985) | — | — | 2,953 | (8,034) |
| Effect of changes in LLC ownership, including LLC unit exchanges | 27,436 | — | (27,436) | — | 1,297 | — | — | (909) | 388 |
| Forfeited unvested incentive units | — | — | (1,586) | — | — | — | — | — | — |
| Equity-based compensation | — | — | — | — | 4,712 | — | — | 1,584 | 6,296 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | (98) | (98) |
| Balance at September 30, 2024 | 115,443,795 | \$ 115 | 39,460,224 | \$ — | \$ 1,087,555 | \$ (581,499) | \$ 344 | \$ 189,045 | \$ 695,560 |

See notes to unaudited condensed consolidated financial statements.

DEFINITIVE HEALTHCARE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN TOTAL EQUITY (CONTINUED)
(in thousands, except share amounts)
(Unaudited)

| | Class A Shares | Class A Amount | Class B Shares | Class B Amount | Additional Paid-In Capital | Accumulated Deficit | Accumulated Other Comprehensiv e Income | Noncontrolli ng Interests | Total Equity |
|---|-------------------|-------------------|-------------------|-------------------|----------------------------------|------------------------|---|---------------------------------|-----------------|
| Balance at January 1, 2023 | 105,138,273 | \$ 105 | 50,433,101 | \$ — | \$ 970,207 | \$ (25,062) | \$ 3,668 | \$ 533,027 | \$ 1,481,945 |
| Net loss | — | — | — | — | — | (12,063) | — | (3,909) | (15,972) |
| Other comprehensive loss | — | — | — | — | — | — | (875) | (372) | (1,247) |
| Vested incentive units | — | — | — | — | (505) | — | — | 505 | — |
| Issuance of Class A Common Stock upon vesting of RSUs | 380,676 | — | — | — | 828 | — | — | (828) | — |
| Shares withheld related to net share settlement | (127,829) | — | — | — | (1,530) | — | — | — | (1,530) |
| Effect of LLC unit exchanges | 4,771,545 | 5 | (4,771,545) | — | 41,881 | — | — | (52,352) | (10,466) |
| Forfeited unvested incentive units | — | — | (34,623) | — | — | — | — | — | — |
| Equity-based compensation | — | — | — | — | 7,811 | — | — | 3,317 | 11,128 |
| Balance at March 31, 2023 | 110,162,665 | \$ 110 | 45,626,933 | \$ — | \$ 1,018,692 | \$ (37,125) | \$ 2,793 | \$ 479,388 | \$ 1,463,858 |
| Net loss | — | — | — | — | — | (8,566) | — | (3,039) | (11,605) |
| Other comprehensive income | — | — | — | — | — | — | 459 | 176 | 635 |
| Vested incentive units | — | — | — | — | (390) | — | — | 390 | — |
| Issuance of Class A Common Stock upon vesting of RSUs | 309,694 | — | — | — | 620 | — | — | (620) | — |
| Shares withheld related to net share settlement | (105,249) | — | — | — | (1,085) | — | — | — | (1,085) |
| Effect of LLC unit exchanges, as restated | 2,718,054 | 3 | (2,718,054) | — | 23,934 | — | — | (29,817) | (5,880) |
| Forfeited unvested incentive units | — | — | (47,267) | — | — | — | — | — | — |
| Equity-based compensation | — | — | — | — | 8,943 | — | — | 3,420 | 12,363 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | (2,827) | (2,827) |
| Balance at June 30, 2023 | 113,085,164 | \$ 113 | 42,861,612 | \$ — | \$ 1,050,714 | \$ (45,691) | \$ 3,252 | \$ 447,071 | \$ 1,455,459 |
| Net loss | — | — | — | — | — | (171,526) | — | (77,162) | (248,688) |
| Other comprehensive income | — | — | — | — | — | — | (201) | (66) | (267) |
| Vested incentive units | — | — | — | — | (5,086) | — | — | 5,086 | — |
| Issuance of Class A Common Stock upon vesting of RSUs | 214,549 | — | — | — | 391 | — | — | (391) | — |
| Shares withheld related to net share settlement | (75,217) | — | — | — | (782) | — | — | — | (782) |
| Effect of LLC unit exchanges | 3,057,466 | 3 | (3,057,466) | — | 23,231 | — | — | (29,634) | (6,400) |
| Forfeited unvested incentive units | — | — | (22,200) | — | — | — | — | — | — |
| Equity-based compensation | — | — | — | — | 8,864 | — | — | 3,130 | 11,994 |
| Distributions to noncontrolling interests | — | — | — | — | — | — | — | (7,866) | (7,866) |
| Balance at September 30, 2023 | 116,281,962 | \$ 116 | 39,781,946 | \$ — | \$ 1,077,332 | \$ (217,217) | \$ 3,051 | \$ 340,168 | \$ 1,203,450 |

See notes to unaudited condensed consolidated financial statements.

DEFINITIVE HEALTHCARE CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

| | Nine Months Ended September 30, | |
|--|--|------------------|
| | 2024 | 2023 |
| Cash flows provided by (used in) operating activities: | | |
| Net loss | \$ (506,729) | \$ (276,265) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,719 | 1,391 |
| Amortization of intangible assets | 36,816 | 37,358 |
| Amortization of deferred contract costs | 11,463 | 9,475 |
| Equity-based compensation | 30,720 | 35,485 |
| Amortization of debt issuance costs | 527 | 527 |
| Provision for doubtful accounts receivable | 947 | 820 |
| Non-cash impairment charges related to office leases | 1,047 | 155 |
| Goodwill impairment charges | 591,794 | 287,400 |
| Tax receivable agreement remeasurement | (68,151) | (24,977) |
| Changes in fair value of contingent consideration | (3,240) | — |
| Deferred income taxes | (36,609) | (19,728) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 23,148 | 19,370 |
| Prepaid expenses and other assets | (7,205) | (5,808) |
| Deferred contract costs | (8,275) | (13,020) |
| Contingent consideration | (602) | — |
| Accounts payable, accrued expenses, and other liabilities | (5,173) | (1,589) |
| Deferred revenue | (12,136) | (14,113) |
| Net cash provided by operating activities | <u>50,061</u> | <u>36,481</u> |
| Cash flows (used in) provided by investing activities: | | |
| Purchases of property, equipment, and other assets | (1,443) | (2,383) |
| Purchases of short-term investments | (192,670) | (213,613) |
| Maturities of short-term investments | 207,504 | 174,830 |
| Cash paid for acquisitions, net of cash acquired | (13,530) | (45,023) |
| Net cash used in investing activities | <u>(139)</u> | <u>(86,189)</u> |
| Cash flows used in financing activities: | | |
| Repayments of term loans | (10,313) | (5,156) |
| Taxes paid related to net share settlement of equity awards | (7,270) | (3,397) |
| Repurchases of Class A Common Stock | (15,037) | — |
| Payments of contingent consideration | (1,000) | — |
| Payments under tax receivable agreement | (6,950) | (246) |
| Payments of equity offering issuance costs | — | (30) |
| Member distributions | (2,811) | (10,693) |
| Net cash used in financing activities | <u>(43,381)</u> | <u>(19,522)</u> |
| Net decrease in cash and cash equivalents | 6,541 | (69,230) |
| Effect of exchange rate changes on cash and cash equivalents | 92 | (244) |
| Cash and cash equivalents, beginning of period | 130,976 | 146,934 |
| Cash and cash equivalents, end of period | <u>\$ 137,609</u> | <u>\$ 77,460</u> |
| Supplemental cash flow disclosures: | | |
| Cash paid during the period for: | | |
| Interest | \$ 10,886 | \$ 10,772 |
| Income taxes | \$ — | \$ 136 |
| Acquisitions: | | |
| Net assets acquired, net of cash acquired | \$ 13,675 | \$ 52,659 |
| Working capital adjustment receivable | (145) | 164 |
| Contingent consideration | — | (7,800) |
| Net cash paid for acquisitions | <u>\$ 13,530</u> | <u>\$ 45,023</u> |
| Supplemental disclosure of non-cash investing activities: | | |
| Capital expenditures included in accounts payable and accrued expenses and other liabilities | \$ 1,085 | \$ 283 |

See notes to unaudited condensed consolidated financial statements.

DEFINITIVE HEALTHCARE CORP.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Organization and Basis of Presentation

Description of Business and Organization

Definitive Healthcare Corp. (the “Company”) was formed on May 5, 2021 as a Delaware corporation to facilitate an initial public offering (“IPO”) and other related transactions to carry on the business of AIDH TopCo, LLC (“Definitive OpCo”). Following consummation of the Reorganization Transactions as described below, Definitive OpCo became a subsidiary of Definitive Healthcare Corp. The Company, through its operating subsidiaries, provides comprehensive and up-to-date hospital and healthcare-related information and insight across the entire healthcare continuum via a multi-tenant software-as-a-service (“SaaS”) platform which combines proprietary and public sources to deliver insights. The Company is headquartered in Framingham, Massachusetts.

In connection with the IPO, the Company completed the following transactions (the “Reorganization Transactions”). Definitive OpCo entered into an amended and restated limited liability company agreement (the “Amended LLC Agreement”) pursuant to which members of Definitive OpCo prior to the IPO who continued to hold limited liability company interests (“LLC Units”) in Definitive OpCo following the consummation of the Reorganization Transactions acquired the right to require Definitive OpCo to redeem all or a portion of their LLC Units for newly issued shares of Class A Common Stock on a one-for-one basis. Until redeemed or exchanged, each LLC Unit is paired with one share of Definitive Healthcare Corp. Class B Common Stock. The total shares of Class B Common Stock outstanding is equal to the number of vested LLC Units outstanding, excluding LLC Units held by the Company. Unvested LLC Units are paired with Class B Common Stock, which are issued but do not have voting rights and are deemed not outstanding until the corresponding LLC Units have vested. Certain entities treated as corporations for U.S. federal income tax purposes that held LLC Units (individually, a “Blocker Company” and collectively, the “Blocker Companies”) each merged with a merger subsidiary of Definitive Healthcare Corp., and subsequently merged into Definitive Healthcare Corp. (the “Mergers”). The former shareholders of the Blocker Companies collectively received a number of shares of Class A Common Stock in the Mergers equal to the number of LLC Units held by the Blocker Companies prior to the Mergers.

Following the Reorganization Transactions, Definitive Healthcare Corp. became a holding company, with its sole material asset being a controlling equity interest in Definitive OpCo. Definitive Healthcare Corp. operates and controls all of the business and affairs of Definitive OpCo, and through Definitive OpCo and its subsidiaries, conducts its business. Accordingly, Definitive Healthcare Corp. consolidates the financial results of Definitive OpCo, and reports the noncontrolling interests of unexchanged LLC Unit holders on its unaudited condensed consolidated financial statements.

In connection with the Reorganization Transactions and the IPO, Definitive Healthcare Corp entered into a tax receivable agreement. See Note 15. *Income Taxes*.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and in conformity with rules applicable to quarterly financial information. Any reference in these notes to applicable accounting guidance is meant to refer to the authoritative nongovernmental GAAP as found in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). The unaudited condensed consolidated financial statements as of September 30, 2024 and for the three and nine months ended September 30, 2024 and 2023 are unaudited and should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2023. All adjustments, consisting of normal recurring adjustments, except as otherwise noted, considered, in the opinion of management, necessary for a fair presentation of the unaudited condensed consolidated financial statements for these interim periods have been included.

Refer to Note 2. *Summary of Significant Accounting Policies* in the notes to the consolidated financial statements in the 2023 Form 10-K for the Company’s significant accounting policies and estimates.

Use of Estimates in the Preparation of Financial Statements

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. These estimates include, but are not limited to, revenue recognition, allowance for doubtful accounts, contingencies, valuations, useful lives of intangible assets acquired in business combinations, equity-based compensation, and income taxes. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements Not Yet Adopted

In November 2023, the FASB issued Accounting Standards Update No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* (“ASU 2023-07”), which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. These disclosures are required for entities with a single reportable segment. ASU 2023-07 is effective for annual filings for the Company’s fiscal year beginning January 1, 2024, and interim filings for the fiscal year beginning January 1, 2025, and should be applied on a retrospective basis to all periods presented. The Company is currently evaluating the effect of adopting ASU 2023-07 on its unaudited condensed consolidated financial statement disclosures.

No other new accounting pronouncements issued or effective during the first nine months of the current year have had, or are expected to have, a material impact on the Company’s unaudited condensed consolidated financial statements.

2. Acquisitions

Carevoyance

On January 16, 2024, the Company completed the purchase of assets comprising the Carevoyance business line of H1 Insights, Inc. (“Carevoyance”), a product that helps medical technology (“MedTech”) customers to improve segmentation, targeting, and prospect engagement, for \$13.7 million in cash consideration. The Carevoyance assets meet the definition of a business and accordingly, the Company has accounted for the Carevoyance transaction under the acquisition method. The assets acquired and liabilities assumed were recorded at their estimated fair values and the results of operations were included in the Company’s consolidated results prospectively from the acquisition date.

The purchase price allocations for the Carevoyance acquisition are provisional and are based on the information that was available as of the acquisition date to estimate the fair values of assets acquired and liabilities assumed. The Company is gathering and reviewing additional information necessary to finalize the values assigned to the acquired assets and liabilities assumed, as well as acquired identified intangible assets and goodwill. Therefore, the provisional measurements of fair values reported as of September 30, 2024 are subject to change. The Company is expected to finalize the purchase price allocations as soon as practicable, but no later than one year from the acquisition date. Acquisition-date fair values of assets and liabilities pertaining to this business combination have been allocated as follows:

| <i>(in thousands)</i> | | Preliminary |
|---|----|--------------------|
| Purchase price allocation: | | |
| Accounts receivable | \$ | 605 |
| Intangible assets | | 7,000 |
| Deferred revenue | | (987) |
| Total assets acquired and liabilities assumed | | 6,618 |
| Goodwill | | 7,057 |
| Purchase price | \$ | 13,675 |

As a result of the Carevoyance acquisition, the Company recorded goodwill, developed technology, customer relationships, and tradename of \$7.1 million, \$6.8 million, \$0.2 million, and \$0.1 million, respectively, as of the acquisition date. The goodwill recognized includes the fair value of the assembled workforce, which is not recognized as an intangible asset separable from goodwill, and any expected synergies gained through the acquisition. The Company determined that the goodwill resulting from the acquisition is deductible for tax purposes. All goodwill has been allocated to the Company’s one reportable segment.

The developed technology represents Carevoyance’s proprietary solutions that are designed to assist MedTech customers with improving segmentation, targeting, and prospect engagement. The Company used the income approach, specifically the multi-period excess earnings method, to determine the value of developed technology. Significant assumptions include an obsolescence factor, tax rate, and discount rate. The developed technology was valued at \$6.8 million and is amortized using the economic value method, which represents the pattern of cash flows over the estimated 7-year life of this asset.

Customer relationships represent the estimated fair value of the underlying relationships with the acquired entity’s business customers. The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. Significant assumptions include estimated attrition rates, discount rates, and tax rates reflecting the different risk profiles of the asset depending upon the acquisition. The value assigned to customer relationships is \$0.2 million and is amortized using the straight-line method over the estimated remaining useful life of 5 years.

The tradename represents the estimated fair value of the registered trade name associated with the Carevoyance corporate brand. The Company estimated the fair value of the trademark using a relief from royalty method of the income approach. Significant assumptions include forecast of royalty rate, tax rate, and discount rate. The trademark was valued at \$0.1 million and is amortized using the straight-line method over the estimated remaining useful life of 2 years.

In total, intangible assets acquired in the Carevoyance acquisition are estimated to be amortized over a weighted average of 6.9 years. See Note 7. *Goodwill and Intangible Assets* for the estimated total intangible amortization expense during the next five years.

Pro forma results of operation for this acquisition have not been presented because the effects were not material to the Company’s unaudited condensed consolidated financial results.

Populi, Inc.

On July 21, 2023, the Company completed the acquisition of Populi, Inc. (“Populi”), a provider-focused data and analytics company that works with healthcare organizations to optimize physician relationships, reduce network leakage, and expand market share, for total estimated consideration of \$54.1 million, consisting of approximately \$46.4 million of cash paid at closing, \$0.1 reimbursement from sellers for working capital adjustments, and up to \$28.0 million of contingent consideration, with an initial estimated fair value of \$7.8 million. The contingent consideration relates to earn-out payments that may be paid subject to meeting certain revenue metrics during calendar years 2024 and 2025. In addition to the purchase consideration and pursuant to holdback agreements with certain key Populi employees, the Company agreed to pay \$4.8 million to certain key Populi employees in quarterly installments beginning on December 31, 2023, and continuing through September 30, 2025. The payout of the holdback is subject to continued employment, and therefore recognized as compensation expense over the requisite service period as a component of transaction, integration and restructuring expenses in the accompanying unaudited condensed consolidated statements of operations. The assets acquired and liabilities assumed were recorded at their estimated fair values and the results of operations were included in the Company’s consolidated results as of the acquisition date.

The consideration transferred for the transaction is summarized as follows:

(in thousands)

| | | |
|------------------------------------|----|---------------|
| Cash consideration paid at closing | \$ | 46,446 |
| Working capital adjustment | | (145) |
| Contingent consideration | | 7,800 |
| Purchase price | \$ | <u>54,101</u> |

The contingent consideration is based on the achievement of certain revenue metrics during the two-year period following the acquisition date, with potential earn-out payouts ranging from \$0 to \$28.0 million. The Company estimated the fair value of the contingent consideration to be \$7.8 million as of July 21, 2023, based on the estimated achievement of the revenue metrics and time to payment. The contingent consideration was recorded in Other liabilities in the accompanying unaudited condensed consolidated balance sheets as of September 30, 2024. Refer to Note 11. *Fair Value Measurements*.

The Company finalized the purchase price allocations of the Populi acquisition during the first quarter of 2024. Acquisition-date fair values of assets and liabilities pertaining to this business combination have been allocated as follows:

(in thousands)

| Purchase price allocation: | Preliminary, as originally reported | Measurement period adjustments | As adjusted |
|---|-------------------------------------|--------------------------------|-------------|
| Cash | \$ 1,423 | \$ — | \$ 1,423 |
| Accounts receivable | 2,662 | — | 2,662 |
| Prepaid expenses and other assets | 153 | — | 153 |
| Property and equipment | 42 | — | 42 |
| Intangible assets | 22,830 | (500) | 22,330 |
| Accounts payable and accrued expenses | (3,316) | — | (3,316) |
| Deferred revenue | (4,010) | — | (4,010) |
| Other liabilities | (2,354) | (576) | (2,930) |
| Total assets acquired and liabilities assumed | 17,430 | (1,076) | 16,354 |
| Goodwill | 36,652 | 1,095 | 37,747 |
| Purchase price | \$ 54,082 | \$ 19 | \$ 54,101 |

As a result of the Populi acquisition, the Company recorded goodwill, developed software, customer relationships, and tradename of \$37.7 million, \$21.4 million, \$0.8 million, and \$0.1 million, respectively, as of the acquisition date. The goodwill recognized includes the fair value of the assembled workforce, which is not recognized as an intangible asset separable from goodwill, and any expected synergies gained through the acquisition. The Company determined that the goodwill resulting from the acquisition is not deductible for tax purposes. All goodwill has been allocated to the Company’s one reportable segment.

The developed software represents Populi’s proprietary solutions that are designed to assist organizations in optimizing physician relationships, reducing network leakage, and expanding market share. The Company used the income approach, specifically the multi-period excess earnings method, to determine the value of developed software. Significant assumptions include an obsolescence factor, tax rate, and discount rate. The developed software was valued at \$21.4 million and is amortized using the economic value method, which represents the pattern of cash flows over the estimated 7-year life of this asset.

Customer relationships represent the estimated fair value of the underlying relationships with the acquired entity's business customers. The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. Significant assumptions include estimated attrition rates, discount rates, and tax rates reflecting the different risk profiles of the asset depending upon the acquisition. The value assigned to customer relationships is \$0.8 million and is amortized using the straight-line method over the estimated remaining useful life of 15 years.

The tradename represents the estimated fair value of the registered trade name associated with the Populi corporate brand. The Company estimated the fair value of the trademark using a relief from royalty method of the income approach. Significant assumptions include forecast of royalty rate, tax rate, and discount rate. The trademark was valued at \$0.1 million and is amortized using the straight-line method over the estimated remaining useful life of 1 year.

In total, intangible assets acquired in the Populi acquisition are estimated to be amortized over a weighted average of 7.2 years. See Note 7. *Goodwill and Intangible Assets* for the estimated total intangible amortization expense during the next five years.

In connection with the acquisition, the Company recognized acquisition related costs of \$0.6 million and \$1.7 million for the three and nine months ended September 30, 2024, respectively, which were recorded within transaction, integration, and restructuring expenses in the accompanying unaudited condensed consolidated statements of operations.

Unaudited Pro Forma Supplementary Data as if the Populi acquisition had occurred on January 1, 2023:

| <i>(in thousands)</i> | <u>Three Months Ended September 30, 2023</u> | <u>Nine Months Ended September 30, 2023</u> |
|-----------------------|--|---|
| Revenue | \$ 66,225 | \$ 189,697 |
| Net loss | \$ (248,940) | \$ (280,870) |

These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the operating results of the Company that would have been achieved had the acquisition actually taken place on January 1, 2023. In addition, these results are not intended to be a projection of future results and do not reflect events that may occur after the acquisition, including but not limited to revenue enhancements, cost savings or operating synergies that the combined Company may achieve as a result of the acquisition.

3. Revenue

The Company disaggregates revenue from its arrangements with customers by 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 represents a disaggregation of revenue from arrangements with customers for the three and nine months ended September 30, 2024 and 2023, respectively:

| <i>(in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------|---|------------------|--|-------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Subscription services | \$ 60,897 | \$ 62,568 | \$ 184,645 | \$ 180,358 |
| Professional services | 1,800 | 2,757 | 5,269 | 5,125 |
| Total revenue | <u>\$ 62,697</u> | <u>\$ 65,325</u> | <u>\$ 189,914</u> | <u>\$ 185,483</u> |

Deferred Contract Costs

A summary of the activity impacting the deferred contract costs for the nine months ended September 30, 2024 and the year ended December 31, 2023 is presented below:

| <i>(in thousands)</i> | Nine Months Ended September 30, 2024 | Twelve Months Ended December 31, 2023 |
|--|---|--|
| Balance at beginning of period | \$ 30,810 | \$ 24,983 |
| Costs amortized | (11,463) | (12,963) |
| Additional amounts deferred | 8,275 | 18,790 |
| Balance at end of period | <u>27,622</u> | <u>30,810</u> |
| Classified as: | | |
| Current | 13,486 | 13,490 |
| Non-current | 14,136 | 17,320 |
| Total deferred contract costs (deferred commissions) | <u>\$ 27,622</u> | <u>\$ 30,810</u> |

Contract Liabilities

A summary of the activity impacting deferred revenue balances during the nine months ended September 30, 2024 and for the year ended December 31, 2023 is presented below:

| <i>(in thousands)</i> | Nine Months Ended September 30, 2024 | Twelve Months Ended December 31, 2023 |
|--------------------------------|---|--|
| Balance at beginning of period | \$ 97,386 | \$ 99,928 |
| Revenue recognized | (189,914) | (251,415) |
| Additional amounts deferred | 178,768 | 248,873 |
| Balance at end of period | <u>\$ 86,240</u> | <u>\$ 97,386</u> |

Remaining Performance Obligations

Transaction price allocated to remaining performance obligations represents contracted revenue that has not yet been recognized, which includes unearned revenue and unbilled amounts that will be invoiced and recognized as revenue in future periods. Transaction price allocated to remaining performance obligations is influenced by several factors, including seasonality, the timing of renewals, and disparate contract terms. The Company's backlog represents installment billings for periods beyond the current billing cycle. The majority of the Company's noncurrent remaining performance obligations will be recognized in the next 13 to 36 months.

The remaining performance obligations consisted of the following:

| <i>(in thousands)</i> | September 30, 2024 | December 31, 2023 |
|-----------------------|-------------------------------|------------------------------|
| Current | \$ 163,692 | \$ 187,331 |
| Non-current | 81,181 | 89,636 |
| Total | <u>\$ 244,873</u> | <u>\$ 276,967</u> |

4. Short-Term Investments

Short-term investments classified as available-for-sale consisted of the following:

| <i>(in thousands)</i> | September 30, 2024 | | | |
|------------------------------|--------------------|------------------------|-------------------------|-------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Short-term investments: | | | | |
| US Treasuries | \$ 25,402 | \$ 9 | \$ — | \$ 25,411 |
| Commercial paper | 109,143 | 137 | (3) | 109,277 |
| Certificates of deposit | 33,055 | 36 | — | 33,091 |
| Total short-term investments | <u>\$ 167,600</u> | <u>\$ 182</u> | <u>\$ (3)</u> | <u>\$ 167,779</u> |

| <i>(in thousands)</i> | December 31, 2023 | | | |
|------------------------------|-------------------|------------------------|-------------------------|-------------------|
| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
| Short-term investments: | | | | |
| US Treasuries | \$ 62,486 | \$ 20 | \$ (45) | \$ 62,461 |
| Corporate Bonds | 2,314 | 10 | — | 2,324 |
| Commercial Paper | 94,269 | 85 | (18) | 94,336 |
| Certificates of Deposit | 17,954 | 19 | (2) | 17,971 |
| Total short-term investments | <u>\$ 177,023</u> | <u>\$ 134</u> | <u>\$ (65)</u> | <u>\$ 177,092</u> |

All short-term investments had stated maturity dates of less than one year. Included in the amortized cost as of September 30, 2024 and December 31, 2023 is net accumulated accretion of \$1.8 million and \$2.8 million, respectively. Interest accretion on short-term investments was \$1.6 million and \$2.1 million during the three months ended September 30, 2024 and 2023, respectively, and \$5.4 million and \$5.8 million during the nine months ended September 30, 2024 and 2023, respectively.

5. Accounts Receivable, Net

Accounts receivable, net consisted of the following:

| <i>(in thousands)</i> | September 30, 2024 | December 31, 2023 |
|-----------------------------------|-----------------------|----------------------|
| Accounts receivable | \$ 37,640 | \$ 60,206 |
| Unbilled receivable | 499 | 1,346 |
| | 38,139 | 61,552 |
| Less: allowance for credit losses | (2,385) | (2,303) |
| Accounts receivable, net | \$ 35,754 | \$ 59,249 |

6. Property and Equipment, Net

Property and equipment, net consisted of the following:

| <i>(in thousands)</i> | September 30, 2024 | December 31, 2023 |
|--|-----------------------|----------------------|
| Computers and software | \$ 7,813 | \$ 6,921 |
| Furniture and equipment | 907 | 1,172 |
| Leasehold improvements | 1,832 | 2,338 |
| Construction and software development in process | 142 | — |
| | 10,694 | 10,431 |
| Less: accumulated depreciation and amortization | (6,990) | (5,960) |
| Property and equipment, net | \$ 3,704 | \$ 4,471 |

Depreciation and amortization expense associated with property and equipment was \$0.5 million and \$0.4 million for the three months ended September 30, 2024 and 2023, respectively, and \$1.7 million and \$1.3 million for the nine months ended September 30, 2024 and 2023, respectively.

During the second quarter of 2024, the Company consolidated certain leased office space at its corporate headquarters and, as a result, recorded an impairment charge of \$1.0 million, comprised of \$0.7 million related to the operating lease right-of-use asset, and \$0.3 million related to leasehold improvements. These non-cash charges were recognized within transaction, integration, and restructuring expenses in the Company's unaudited condensed consolidated statements of operations. The Company also recorded accelerated depreciation of furniture and fixtures of \$0.1 million and disposed of \$1.0 million of fully depreciated property and equipment in connection with the office consolidation during the second quarter of 2024.

7. Goodwill and Intangible Assets

The carrying amounts of goodwill and intangible assets, as of September 30, 2024 and December 31, 2023, consisted of the following:

| | September 30, 2024 | | |
|--|-----------------------|--------------------------|---------------------|
| <i>(in thousands)</i> | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Finite-lived intangible assets: | | | |
| Customer relationships | \$ 410,390 | \$ (188,358) | \$ 222,032 |
| Developed technologies | 85,191 | (41,157) | 44,034 |
| Tradenames | 36,121 | (11,095) | 25,026 |
| Database | 51,457 | (48,019) | 3,438 |
| Total finite-lived intangible assets | 583,159 | (288,629) | 294,530 |
| Goodwill | 490,343 | — | 490,343 |
| Total goodwill and intangible assets | <u>\$ 1,073,502</u> | <u>\$ (288,629)</u> | <u>\$ 784,873</u> |
| | | | |
| | December 31, 2023 | | |
| <i>(in thousands)</i> | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Finite-lived intangible assets: | | | |
| Customer relationships | \$ 410,210 | \$ (163,586) | \$ 246,624 |
| Developed technologies | 78,434 | (33,769) | 44,665 |
| Tradenames | 36,062 | (9,379) | 26,683 |
| Database | 50,221 | (45,072) | 5,149 |
| Total finite-lived intangible assets | 574,927 | (251,806) | 323,121 |
| Goodwill | 1,075,080 | — | 1,075,080 |
| Total goodwill and intangible assets | <u>\$ 1,650,007</u> | <u>\$ (251,806)</u> | <u>\$ 1,398,201</u> |

Amortization expense associated with finite-lived intangible assets was \$12.5 million and \$12.6 million for the three months ended September 30, 2024 and 2023, respectively, of which \$3.6 million and \$3.2 million was included in cost of revenue for each respective period. Amortization expense associated with finite-lived intangible assets was \$36.8 million and \$37.4 million for the nine months ended September 30, 2024 and 2023, respectively, of which \$10.3 million and \$9.7 million was included in cost of revenue for each respective period.

Estimated total intangible amortization expense during the next five years and thereafter is as follows:

| <i>(in thousands)</i> | |
|--|-------------------|
| 2024, excluding the nine months ended September 30, 2024 | \$ 12,213 |
| 2025 | 47,425 |
| 2026 | 41,250 |
| 2027 | 35,045 |
| 2028 | 30,778 |
| Thereafter | 127,819 |
| Total | <u>\$ 294,530</u> |

The Company determined it had one reporting unit.

Goodwill Impairment

Goodwill and acquired intangible assets are initially recorded at fair value and tested periodically for impairment. The Company estimates the fair value of these assets using primarily unobservable inputs, which are considered Level 3 fair value measurements as defined in Note 11. *Fair Value Measurements*. The Company performs an impairment test of goodwill during the fourth quarter of each fiscal year and more frequently if indicators of potential impairment arise.

Though the Company traditionally performs its annual impairment assessment in the first month of the fourth quarter of each calendar year, during the second and third quarters of 2024, the Company experienced declines in its market capitalization as a result of sustained decreases in the Company's stock price, which represented triggering events in both periods, requiring management to perform a quantitative goodwill impairment test as of the end of each respective reporting period. As a result of the impairment tests, the Company determined that the fair value of its single reporting unit was lower than its carrying value and, accordingly, recorded non-cash, pretax, goodwill impairment charges of \$228.2 million and \$363.6 million during the three months ended September 30, 2024 and June 30, 2024, respectively. The goodwill impairment charges did not affect the Company's liquidity or the financial covenants in its outstanding debt agreement.

In calculating the goodwill impairment charges, the Company estimated the fair value of its single reporting unit based on its market capitalization and an appropriate control premium. Market capitalization is determined by multiplying the number of shares of Class A Common Stock outstanding by the market price of its Class A Common Stock. The control premium, or the amount paid by a new controlling shareholder for the benefits resulting from synergies and other potential benefits derived from controlling the acquired company, is determined by utilizing data from publicly available premium studies for similarly situated public company transactions. A goodwill impairment loss is recognized for the difference between the carrying value of the reporting unit and the fair value.

As of and for the periods ended September 30, 2024 and December 31, 2023, goodwill consisted of the following:

| <i>(in thousands)</i> | Nine Months Ended September 30, 2024 | Twelve Months Ended December 31, 2023 |
|---------------------------------------|---|--|
| Goodwill, gross - beginning of period | \$ 1,362,480 | \$ 1,324,733 |
| Accumulated impairment losses | (287,400) | — |
| Goodwill, net - beginning of period | 1,075,080 | 1,324,733 |
| Goodwill acquired during period | 7,057 | 37,747 |
| Goodwill impairment loss | (591,794) | (287,400) |
| Goodwill, net - end of period | \$ 490,343 | \$ 1,075,080 |
| <i>(in thousands)</i> | Nine Months Ended September 30, 2024 | Twelve Months Ended December 31, 2023 |
| Goodwill, gross - end of period | \$ 1,369,537 | \$ 1,362,480 |
| Accumulated impairment losses | (879,194) | (287,400) |
| Goodwill, net - end of period | \$ 490,343 | \$ 1,075,080 |

The Company also considered its intangible assets with finite useful lives, which are amortized over their estimated useful lives, generally on a straight-line basis. These assets are reviewed for impairment when facts or circumstances indicate that the carrying values may not be recoverable. The Company experienced two separate triggering events in the nine months ended September 30, 2024 resulting from declines in the Company's market capitalization driven by sustained decreases in the Company's stock price. In each case, the Company's intangible assets were reviewed for impairment. Based on quantitative and qualitative analyses performed, management concluded the assets were recoverable and no impairment charges were recorded as a result of either triggering event.

8. Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following:

| <i>(in thousands)</i> | September 30, 2024 | December 31, 2023 |
|---|-----------------------|----------------------|
| Payroll and payroll-related | \$ 10,516 | \$ 12,805 |
| Tax receivable agreement, current portion | 13,075 | 20,095 |
| Contingent consideration, current | — | 1,602 |
| Sales, franchise, and other taxes | 6,321 | 9,526 |
| Other | 5,839 | 7,501 |
| Accrued expenses and other liabilities | <u>\$ 35,751</u> | <u>\$ 51,529</u> |

On January 3, 2024, the Company committed to a restructuring plan (the “2024 Restructuring Plan”) intended to reduce operating costs, improve operating margins, and continue advancing the Company’s ongoing commitment to profitable growth. The 2024 Restructuring Plan provided for a reduction of the Company’s current workforce by approximately 150 people. During the three and nine months ended September 30, 2024, the Company incurred restructuring and related charges of \$0.2 million and \$8.0 million, respectively, consisting of severance payments, employee benefits, and related cash expenses. As of September 30, 2024, \$0.5 million of severance and separation benefits is included in accrued expenses and other liabilities in the unaudited condensed consolidated balance sheets and the Company expects these payments will be made over the next six to nine months. The Company does not expect to incur any additional material charges associated with the 2024 Restructuring Plan.

The following table sets forth the activity in the Company’s liabilities resulting from the 2024 Restructuring Plan:

| <i>(in thousands)</i> | Employee termination costs |
|-------------------------------|-------------------------------|
| Balance at December 31, 2023 | \$ 122 |
| Charges incurred | 8,009 |
| Cash payments made | (7,677) |
| Balance at September 30, 2024 | <u>\$ 454</u> |

9. Long-Term Debt

Long-term debt consisted of the following as of September 30, 2024 and December 31, 2023, respectively:

| <i>(in thousands)</i> | September 30, 2024 | | |
|---|--------------------|---|--------------------|
| | Principal | Unamortized debt issuance costs / financing costs | Total debt, net |
| 2021 Term Loan | \$ 247,500 | \$ (1,082) | \$ 246,418 |
| Less: current portion of long-term debt | | | 13,750 |
| Long-term debt | | | <u>\$ 232,668</u> |

| <i>(in thousands)</i> | December 31, 2023 | | |
|---|-------------------|---|--------------------|
| | Principal | Unamortized debt issuance costs / financing costs | Total debt, net |
| 2021 Term Loan | \$ 257,813 | \$ (1,496) | \$ 256,317 |
| Less: current portion of long-term debt | | | 13,750 |
| Long-term debt | | | <u>\$ 242,567</u> |

During the nine months ended September 30, 2024, the Company repaid \$10.3 million in outstanding principal of the 2021 Term Loan (as defined below).

2021 Credit Agreement

In September 2021, DH Holdings entered into a credit agreement (the “2021 Credit Agreement”) with Bank of America, N.A., as administrative agent, the other lenders party thereto and the other parties specified therein. The 2021 Credit Agreement provides for (i) a \$275.0 million term loan A facility (the “2021 Term Loan”) and (ii) a \$75.0 million revolving credit facility (the “2021 Revolving Line of Credit” and, together with the 2021 Term Loan, collectively, the “2021 Credit Facilities”), the proceeds of which were used to repay a portion of the indebtedness outstanding under a previous credit agreement. Both the 2021 Term Loan and the 2021 Revolving Line of Credit mature on September 17, 2026. The 2021 Credit Facilities include customary affirmative, negative, and financial covenants. The 2021 Credit Facilities are guaranteed by all of DH Holdings’ wholly owned domestic restricted subsidiaries and AIDH Buyer, LLC, a Delaware limited liability company and the direct parent company of DH Holdings, in each case, subject to customary exceptions, and are secured by a lien on substantially all of the assets of DH Holdings and the guarantors, including a pledge of the equity of DH Holdings, in each case, subject to customary exceptions.

The 2021 Term Loan is subject to annual amortization of principal, payable in equal quarterly installments on the last day of each fiscal quarter, commencing on December 31, 2021 (the “Initial Amortization Date”), equal to approximately 2.5% per annum of the principal amount of the term loans in the first year and second year after the Initial Amortization Date and approximately 5.0% per annum of the principal amount of the term loans in the third year, fourth year, and fifth year after the Initial Amortization Date. A balloon payment of approximately \$220.0 million will be due at the maturity of the 2021 Term Loan. There was \$247.5 million outstanding on the 2021 Term Loan at September 30, 2024.

DH Holdings is required to pay the lenders under the 2021 Credit Agreement an unused commitment fee of between 0.25% and 0.30% per annum on the undrawn commitments under the 2021 Revolving Line of Credit, depending on the total net leverage ratio, quarterly in arrears. The expense is included in interest expense in the statements of operations. There was no outstanding balance on the 2021 Revolving Line of Credit at September 30, 2024. In September 2023, the lessor of the Company’s corporate headquarters transitioned from one entity to another. As a result, in December 2023, in lieu of a security deposit, the Company provided a standby letter of credit of \$0.6 million, which reduced the amount available under our revolving credit facility to \$74.4 million as of September 30, 2024.

For both the 2021 Term Loan and 2021 Revolving Line of Credit, DH Holdings may elect from several interest rate options based on the Term Secured Overnight Financing Rate (“SOFR”) or the Base Rate plus an applicable margin. The applicable margin is based on the total leverage ratio beginning in the fiscal year ended December 31, 2022. As of September 30, 2024, the effective interest rate was 6.70%.

In connection with the 2021 Credit Agreement, the Company capitalized financing costs totaling \$3.5 million, \$2.8 million for the 2021 Term Loan facility and \$0.8 million for the 2021 Revolving Line of Credit. The financing costs associated with the 2021 Term Loan facility are recorded as a contra-debt balance in Term loan, net of current portion in the unaudited condensed consolidated balance sheets and are amortized over the remaining life of the loan using the effective interest method. The financing costs associated with the 2021 Revolving Line of Credit are recorded in other assets in the unaudited condensed consolidated balance sheet and are amortized over the life of the arrangement. At September 30, 2024 and December 31, 2023, the unamortized financing costs were \$0.3 million and \$0.4 million, respectively.

10. Derivative Instruments and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to risks from changes in interest rates related to the 2021 Term Loan (See Note 9. *Long-Term Debt*). The Company uses derivative financial instruments, specifically, interest rate swap contracts, in order to manage its exposure to interest rate movements. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Our primary objective in holding derivatives is to reduce the volatility of cash flows associated with changes in interest rates. The Company does not enter into derivative transactions for speculative or trading purposes.

Cash Flow Hedges of Interest Rate Risk

The Company entered into two interest rate swap agreements, effective on March 31, 2022. Until October 31, 2022, the counterparties to each of the agreements paid the Company interest at a floating rate on the notional amounts based on the one-month USD-LIBO swap rate. On October 31, 2022, in conjunction with the amendment to the 2021 Credit Agreement (See Note 9. *Long-Term Debt*), the Company amended the two interest rate swap agreements to replace the LIBO rate with Term SOFR. As a result, subsequent to October 31, 2022, the counterparties paid and will continue to pay interest at a floating rate based on Term SOFR.

As of September 30, 2024, the two outstanding interest rate swap agreements each had a notional value of \$61.9 million with fixed interest rates of 1.90650% and 1.90900%. Interest payments under the swaps are made monthly on a net settlement basis. The Company has not recorded any amounts due to ineffectiveness for the period ended September 30, 2024 or year ended December 31, 2023. The notional value of each interest rate swap agreement is expected to match the corresponding principal amount of a portion of our borrowings under the 2021 Term Loan. The swap agreements mature on March 31, 2025.

The derivative interest rate swaps are designated and qualify as cash flow hedges. Consequently, the change in the estimated fair value of the effective portion of the derivative is recognized in accumulated other comprehensive income (“AOCI”) on our consolidated balance sheets and reclassified to interest expense, net, when the underlying transaction has an impact on earnings. The Company expects to recognize approximately \$1.4 million of net pre-tax gains from accumulated other comprehensive income as a reduction of interest expense in the next twelve months associated with its interest rate swaps. The Company recognizes derivative instruments and hedging activities on a gross basis as either assets or liabilities on the Company’s consolidated balance sheets and measures them at fair value. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the earnings effect of the hedged forecasted transactions in a cash flow hedge. To receive hedge accounting treatment, all hedging relationships are formally documented at the inception of the hedge, and the hedges must be highly effective in offsetting changes to future cash flows on hedged transactions.

The fair values of the interest rate swaps and their respective locations in our unaudited condensed consolidated balance sheets at September 30, 2024 and December 31, 2023 were as follows:

| <i>(in thousands)</i> | | | | |
|-----------------------------|-----------------------------------|--------------------|-------------------|--|
| Description | Balance Sheet Location | September 30, 2024 | December 31, 2023 | |
| Short-term derivative asset | Prepaid expenses and other assets | \$ 1,426 | \$ 3,426 | |
| Long-term derivative asset | Other assets | — | 509 | |

11. Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”), defines fair value as the price that would be received for an asset, or paid to transfer a liability, in an orderly transaction between market participants on the measurement date, and establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1 – Observable inputs (unadjusted) that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Other inputs that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs that are supported by little or no market activity, including the Company’s own assumptions in determining fair value.

The Company’s financial assets and liabilities subject to the three-level fair value hierarchy consist principally of cash and equivalents, short-term investments, accounts receivable, accounts payable, long-term and short-term debt, and contingent consideration payable. The estimated fair value of cash included in cash and cash equivalents, accounts receivable, and accounts payable approximates their carrying value due to their short maturities (less than 12 months).

Debt

The Company’s short- and long-term debt are recorded at their carrying values in the unaudited condensed consolidated balance sheets, which may differ from their respective fair values. The estimated fair values of the Company’s short- and long-term debt approximate their carrying values as of September 30, 2024 and December 31, 2023, based on interest rates currently available to the Company for similar borrowings.

Money market funds (included in cash and cash equivalents)

Money market funds are recorded at fair value using quoted market prices in active markets and are classified as Level 1 in the fair value hierarchy.

Short-term investments

The Company estimates the fair values of investments in U.S. treasuries, agency bond securities, commercial paper, and certificates of deposit using level 2 inputs, taking into consideration valuations obtained from a third-party pricing service. The pricing services utilize industry standard valuation models, including both income and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. These inputs include reported trades of and broker/dealer quotes on the same or similar securities, issuer credit spreads, market yield curves, benchmark securities, prepayment/default projections based on historical data, and other observable inputs.

Derivative financial instruments

Currently, the Company uses interest rate swaps to manage interest rate risk. The valuation of these instruments is determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, and implied volatilities.

To comply with the provisions of ASC 820, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty’s nonperformance risk in the fair value measurements.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. The Company has determined that the significance of the impact of the credit valuation adjustments made to its derivative contracts, which determination was based on the fair value of each individual contract, was not significant to the overall valuation. As a result, all of its derivatives held as of September 30, 2024 and December 31, 2023 were classified as Level 2 in the fair value hierarchy.

Contingent consideration

The deferred consideration resulting from the acquisition of Populi in the third quarter of 2023, which is subject to meeting certain revenue metrics during calendar years 2024 and 2025, is measured at fair value on a recurring basis. The fair value was estimated based on the present value of the amount expected to be paid at the end of the measurement period. At September 30, 2024, the fair value of the contingent consideration associated with this acquisition was estimated to be \$5.5 million and was included in other long-term liabilities on the unaudited condensed consolidated balance sheets.

The contingent consideration that resulted from the earnout associated with the acquisition of Analytical Wizards Inc. in February 2022, which was included in accrued expenses and other liabilities in the condensed consolidated balance sheets as of December 31, 2023, was paid during the nine months ended September 30, 2024.

Earnout liabilities are classified within Level 3 in the fair value hierarchy because the methodology used to develop the estimated fair value includes significant unobservable inputs reflecting management's own assumptions. The table below presents a reconciliation of earnout liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

| <i>(in thousands)</i> | Nine Months Ended September 30, 2024 | Twelve Months Ended December 31, 2023 |
|--|---|---|
| Balance at beginning of period | \$ 10,352 | \$ 2,250 |
| Additions | — | 7,800 |
| Net change in fair value and other adjustments | (3,240) | 302 |
| Payments | (1,602) | — |
| Balance at end of period | <u>\$ 5,510</u> | <u>\$ 10,352</u> |

Non-recurring fair value measurements

Certain assets and liabilities, including property, plant, and equipment, lease right-of-use assets, goodwill, and other intangible assets, are measured at fair value on a non-recurring basis. These assets are remeasured when the derived fair value is below the carrying value on the Company's unaudited condensed consolidated balance sheet. For these assets, the Company does not periodically adjust carrying value to fair value except in the event of impairment. When impairment has occurred, the Company measures the required charges and adjusts the carrying value as discussed in Note 2. *Summary of Significant Accounting Policies* of the notes to the consolidated financial statements in the Company's 2023 Form 10-K.

At September 30, 2024 and December 31, 2023, assets and liabilities measured at fair value on a recurring basis were as follows:

| <i>(in thousands)</i> | September 30, 2024 | | | |
|------------------------------------|--------------------|------------|---------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Cash and cash equivalents: | | | | |
| Money market funds | \$ 107,711 | \$ 107,711 | \$ — | \$ — |
| Short-term investments: | | | | |
| U.S. Treasuries | 25,411 | — | 25,411 | — |
| Commercial paper | 109,277 | — | 109,277 | — |
| Certificates of deposit | 33,091 | — | 33,091 | — |
| Prepaid expenses and other assets: | | | | |
| Interest rate swap contracts | 1,426 | — | 1,426 | — |
| Liabilities: | | | | |
| Contingent consideration | 5,510 | — | — | 5,510 |

| <i>(in thousands)</i> | December 31, 2023 | | | |
|--|-------------------|-----------|---------|---------|
| | Total | Level 1 | Level 2 | Level 3 |
| Assets: | | | | |
| Cash and cash equivalents: | | | | |
| Money market funds | \$ 87,869 | \$ 87,869 | \$ — | \$ — |
| Commercial paper (maturities less than 90 days) | 4,227 | — | 4,227 | — |
| Certificates of deposit (maturities less than 90 days) | 1,000 | — | 1,000 | — |
| Short-term investments: | | | | |
| U.S. treasuries | 62,461 | — | 62,461 | — |
| Corporate bonds | 2,324 | — | 2,324 | — |
| Commercial paper | 94,336 | — | 94,336 | — |
| Certificates of deposit | 17,971 | — | 17,971 | — |
| Prepaid expenses and other assets: | | | | |
| Interest rate swap contracts | 3,426 | — | 3,426 | — |
| Other assets: | | | | |
| Interest rate swap contracts | 509 | — | 509 | — |
| Liabilities: | | | | |
| Contingent consideration | 10,352 | — | — | 10,352 |

At September 30, 2024 and December 31, 2023, except for the contingent consideration noted above, the estimated fair values of all of the Company's financial assets and liabilities subject to the three-level fair value hierarchy approximated their carrying values due to their short-term maturities (less than 12 months).

12. Noncontrolling Interest

Definitive Healthcare Corp. operates and controls all of the business and affairs of Definitive OpCo, and through Definitive OpCo and its subsidiaries, conducts its business. Accordingly, Definitive Healthcare Corp. consolidates the financial results of Definitive OpCo, and reports the noncontrolling interests of its consolidated subsidiaries on its unaudited condensed consolidated financial statements based on the LLC Units held by Continuing Pre-IPO LLC Members other than Definitive Healthcare Corp. Changes in Definitive Healthcare Corp.'s ownership interest in its consolidated subsidiaries are accounted for as equity transactions. As such, future redemptions or direct exchanges of LLC Units by such Continuing Pre-IPO LLC Members will result in a change in ownership and reduce or increase the amount recorded as noncontrolling interests and increase or decrease additional paid-in capital in the Company's unaudited condensed consolidated balance sheets.

During the nine months ended September 30, 2024, 249,225 LLC Units held by Continuing Pre-IPO LLC Members were exchanged for shares of Class A Common Stock of Definitive Healthcare Corp. pursuant to the terms of the Amended LLC Agreement. In addition, 2,694,888 restricted stock units ("RSUs") vested and 918,054 shares of Class A Common Stock were withheld to cover withholding tax obligations, resulting in the net issuance of 1,776,834 shares of Class A Common Stock of Definitive Healthcare Corp. Furthermore, 3,144,516 shares of Class A Common Stock have been repurchased and subsequently retired under a stock repurchase program authorized by the Company's Board of Directors. Pursuant to the Definitive OpCo second amended and restated limited liability company agreement entered into in connection with the IPO, LLC Units were issued on a one-for-one basis in connection with the vesting of RSUs and LLC Units were cancelled on a one-for-one basis in connection with the repurchases of shares of the Company's Class A Common Stock.

As of September 30, 2024 and December 31, 2023, Definitive Healthcare Corp. held ownership interests in Definitive OpCo of 74.6% and 74.9%, respectively, and noncontrolling interests of 25.4% and 25.1%, respectively.

13. Accumulated Other Comprehensive Income

The following tables summarize the changes in accumulated balances of other comprehensive income for the three and nine months ended September 30, 2024 and 2023, respectively.

| <i>(in thousands)</i> | Three Months Ended September 30, 2024 | | | | Nine Months Ended September 30, 2024 | | | |
|--|--|---------------------------------------|--|----------|--|--------------------------------|--|----------|
| | Unrealized Gain (Loss) on Cash Flow Hedges | Unrealized (Loss) Gain on Investments | Foreign Currency Translation Adjustments | Total | Unrealized Gain (Loss) on Cash Flow Hedges | Unrealized Gain on Investments | Foreign Currency Translation Adjustments | Total |
| Beginning balance | \$ 1,601 | \$ (50) | \$ (494) | \$ 1,057 | \$ 2,387 | \$ 96 | \$ (374) | \$ 2,109 |
| Other comprehensive (loss) income before reclassifications | (276) | 219 | 159 | 102 | 599 | 73 | 39 | 711 |
| Amounts reclassified from AOCI | (815) | — | — | (815) | (2,476) | — | — | (2,476) |
| Ending balance | \$ 510 | \$ 169 | \$ (335) | \$ 344 | \$ 510 | \$ 169 | \$ (335) | \$ 344 |

| <i>(in thousands)</i> | Three months ended September 30, 2023 | | | | Nine months ended September 30, 2023 | | | |
|--|--|---------------------------------------|--|----------|--|--------------------------------|--|----------|
| | Unrealized Gain (Loss) on Cash Flow Hedges | Unrealized (Loss) Gain on Investments | Foreign Currency Translation Adjustments | Total | Unrealized Gain (Loss) on Cash Flow Hedges | Unrealized Loss on Investments | Foreign Currency Translation Adjustments | Total |
| Beginning balance | \$ 4,158 | \$ (326) | \$ (580) | \$ 3,252 | \$ 4,307 | \$ (135) | \$ (504) | \$ 3,668 |
| Other comprehensive income (loss) before reclassifications | 505 | 148 | (22) | 631 | 1,710 | (43) | (98) | 1,569 |
| Amounts reclassified from AOCI | (832) | — | — | (832) | (2,186) | — | — | (2,186) |
| Ending balance | \$ 3,831 | \$ (178) | \$ (602) | \$ 3,051 | \$ 3,831 | \$ (178) | \$ (602) | \$ 3,051 |

14. Stockholders' Equity and Equity-Based Compensation

Stock Repurchase Program

In May 2024, the Company's Board of Directors authorized a stock repurchase program of up to \$20.0 million of the Company's Class A Common Stock, which expires on December 31, 2024. Repurchases may be effected, from time to time, either on the open market (including pre-set trading plans), in privately negotiated transactions, and other transactions in accordance with applicable securities laws.

The timing and the amount of any repurchased Class A Common Stock will be determined by the Company's management based on its evaluation of market conditions and other factors. The repurchase program will be funded using the Company's working capital. Any repurchased shares of Class A Common Stock will be retired. The repurchase program does not obligate the Company to acquire any particular amount of Class A Common Stock, and the repurchase program may be suspended or discontinued at any time at the Company's discretion.

As of September 30, 2024, 3,144,516 shares of Class A Common Stock have been repurchased under the repurchase program for \$15.0 million.

Equity-Based Compensation

The Company recognizes equity-based compensation expense associated with awards granted under equity incentive plans. Equity-based compensation expense is allocated to all departments based on the recipients of the compensation. A summary of the expense by line item in the unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2024 and 2023, respectively, is provided in the following table.

| <i>(in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|-----------------------------------|---|------------------|--|------------------|
| | 2024 | 2023 | 2024 | 2023 |
| Cost of revenue | \$ 88 | \$ 276 | \$ 668 | \$ 830 |
| Sales and marketing | 829 | 2,728 | 4,786 | 8,297 |
| Product development | 1,218 | 3,236 | 6,928 | 9,566 |
| General and administrative | 4,161 | 5,754 | 18,338 | 16,792 |
| Total compensation expense | \$ 6,296 | \$ 11,994 | \$ 30,720 | \$ 35,485 |

During the three and nine months ended September 30, 2024, the Company accelerated the vesting of 28,879 and 779,024 previously unvested time-based RSUs, respectively, along with 7,839 and 67,937 previously unvested LLC Units, respectively. Additionally, during the three and nine months ended September 30, 2024, the Company accelerated the vesting of 9,300 and 58,565 previously unvested performance-based RSUs ("PSUs"), respectively. These modifications occurred in connection with departures of certain executive-level employees. Remaining unvested shares held by the award holders were forfeited upon separation, and the modifications resulted in incremental stock-based compensation charges of approximately \$0.1 million and \$7.4 million during the three and nine months ended September 30, 2024, respectively.

15. Income Taxes

During the nine months ended September 30, 2024, management performed an assessment of the recoverability of deferred tax assets. Management determined, based on the accounting standards applicable to such assessment, that there was sufficient negative evidence as a result of the Company's scheduled reversal of deferred tax liabilities and cumulative losses to conclude it was more likely than not that its deferred tax assets would not be realized and has recorded a valuation allowance against its deferred tax assets that are not more likely than not to be realized.

As of September 30, 2024 and December 31, 2023, the Company has recorded net deferred tax liabilities of \$30.6 million and \$67.2 million, respectively.

The Company's effective tax rate was 6.8% and 6.6% for the three months ended September 30, 2024 and 2023, respectively, and 6.7% and 6.7% for the nine months ended September 30, 2024 and 2023, respectively. The Company's effective tax rate differs from the statutory tax rate of 21% due to the valuation allowance recorded, foreign tax rates that differ from the U.S. statutory tax rate, and partnership income that is not taxed.

The income of the Company's subsidiaries is generally subject to corporate-level taxation, and certain of these subsidiaries have a valuation allowance whereas others do not. The effective tax rates for each period generally arise from the tax provisions for Company subsidiaries without valuation allowances, and the impact of any revaluation of deferred taxes arising from changes in the states effective tax rates. Such revaluations are caused by changes in state apportionment factors arising from fluctuations in the mix of sales, property and payroll by state, certain state tax rate changes and certain state tax incentives.

Tax Receivable Agreement

Pursuant to the Company's election under Section 754 of the Internal Revenue Code (the "Code"), the Company expects to obtain an increase in its share of the tax basis in the net assets of Definitive OpCo when LLC Interests are redeemed or exchanged by other members. The Company intends to treat any redemptions and exchanges of LLC Interest as direct purchases of LLC Interests for U.S. federal income tax purposes. These increases in tax basis may reduce the amounts that would otherwise be paid in the future to various tax authorities. They may also decrease gains (or increase losses) on future dispositions of certain capital assets to the extent tax basis is allocated to those capital assets.

In connection with the IPO, the Company entered into a Tax Receivable Agreement ("TRA") among Definitive Healthcare Corp., Definitive OpCo, and the TRA Parties and has recorded a liability under the TRA of \$72.1 million and \$147.1 million as of September 30, 2024 and December 31, 2023, respectively. During the three and nine months ended September 30, 2024, the Company recognized a TRA remeasurement gain of \$24.2 million and \$68.2 million, respectively. During the three and nine months ended September 30, 2023, the Company recognized a TRA remeasurement gain of \$29.7 million and \$25.0 million, respectively. Losses and gains in both periods were recognized within other income, net in the Company's unaudited condensed consolidated statements of operations. Under the TRA, the Company generally will be required to pay to the TRA Parties 85% of the amount of cash savings, if any, in U.S. federal, state, or local tax that the Company actually realizes directly or indirectly (or are deemed to realize in certain circumstances) as a result of (i) certain tax basis adjustments resulting from (a) acquisitions by the Company of LLC Units from pre-IPO holders in connection with the IPO, and (b) subsequent redemptions or exchanges of LLC Units by holders for Class A Common Stock or other consideration, (ii) certain tax attributes acquired by the Company from the Blocker Companies in the Reorganization Transactions, and (iii) certain payments made under the TRA. The Company expects to benefit from the remaining 15% of any tax benefits that it may actually realize. To the extent that the Company is unable to timely make payments under the TRA for any reason, such payments generally will be deferred and will accrue interest until paid.

16. Loss Per Share

Basic net loss per share of Class A Common Stock is computed by dividing net income attributable to Definitive Healthcare Corp. by the weighted-average number of shares of Class A Common Stock outstanding during the period, excluding unvested equity awards and subsidiary member units not exchanged. Diluted earnings per share of Class A Common Stock is calculated by dividing net income attributable to Definitive Healthcare Corp., adjusted for the assumed exchange of all potentially dilutive securities by the weighted-average number of shares of Class A Common Stock outstanding.

The following table sets forth reconciliations of the numerators and denominators used to compute basic and diluted net loss per share of Class A Common Stock for the three and nine months ended September 30, 2024 and 2023.

| <i>(in thousands)</i> | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|---|---|---------------------|--|---------------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Numerator: | | | | |
| Net loss | \$ (187,824) | \$ (248,688) | \$ (506,729) | \$ (276,265) |
| Less: Net loss attributable to noncontrolling interests | (56,928) | (77,162) | (152,680) | (84,110) |
| Net loss attributable to Definitive Healthcare Corp. | <u>\$ (130,896)</u> | <u>\$ (171,526)</u> | <u>\$ (354,049)</u> | <u>\$ (192,155)</u> |

The following table sets forth the computation of basic and diluted net loss per share of Class A Common Stock for the three and nine months ended September 30, 2024 and 2023 (per share amounts unaudited).

| <i>(in thousands, except number of shares and per share amounts)</i> | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|---|---|------------------|--|------------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Basic net loss per share attributable to common stockholders | | | | |
| Numerator: | | | | |
| Allocation of net loss attributable to Definitive Healthcare Corp. | \$ (130,896) | \$ (171,526) | \$ (354,049) | \$ (192,155) |
| Denominator: | | | | |
| Weighted average number of shares of Class A Common Stock outstanding | 116,382,021 | 114,527,514 | 117,185,701 | 111,533,166 |
| Net loss per share, basic and diluted | <u>\$ (1.12)</u> | <u>\$ (1.50)</u> | <u>\$ (3.02)</u> | <u>\$ (1.72)</u> |

Shares of the Company's Class B Common Stock do not participate in the earnings or losses of Definitive Healthcare Corp. and are therefore not participating securities. As such, separate presentation of basic and diluted earnings per share of Class B Common Stock under the two-class method has not been presented.

The following table presents potentially dilutive securities excluded from the computation of diluted net loss per share for the period presented because their effect would have been anti-dilutive:

| | <u>Nine Months Ended September 30,</u> | |
|---|--|-------------|
| | <u>2024</u> | <u>2023</u> |
| Definitive OpCo LLC Units (vested and unvested) | 39,460,224 | 39,781,946 |
| Restricted Stock Units | 9,092,737 | 6,847,050 |

17. Related Parties

The Company has engaged in revenue transactions within the ordinary course of business with entities affiliated with its Sponsors and with members of the Company's board of directors. During each of the three months ended September 30, 2024 and 2023, the Company recorded revenue from related parties of \$0.3 million. During each of the nine months ended September 30, 2024 and 2023, the Company recorded revenue from related parties of \$0.7 million and \$1.1 million, respectively. Receivables for related party revenue transactions amounted to \$0.1 million and \$0.9 million at September 30, 2024 and December 31, 2023, respectively.

18. Subsequent Events

On November 1, 2024, the Company's Board of Directors authorized a stock repurchase program of up to \$100.0 million of its Class A Common Stock, which expires on December 31, 2025 (the "2025 Repurchase Program"). Repurchases may be effected, from time to time, either on the open market (including pre-set trading plans), in privately negotiated transactions, and other transactions in accordance with applicable securities laws.

The timing and the amount of any repurchased Class A Common Stock will be determined by the Company's management based on its evaluation of market conditions and other factors. The Repurchase Program will be funded using the Company's working capital. Any repurchased shares of Class A Common Stock will be retired. The Repurchase Program does not obligate the Company to acquire any particular amount of Class A Common Stock, and the Repurchase Program may be suspended or discontinued at any time at the Company's discretion. As of November 7, 2024, no repurchases have been made pursuant to the 2025 Repurchase Program.

On November 7, 2024, the Company and Advent International entered into a voting agreement, pursuant to which Advent International and its affiliated funds ("Advent") agreed, on each matter brought to a vote at any annual or special meeting of the Company's stockholders and in connection with any action proposed to be taken by consent of the Company's stockholders in lieu of a meeting, to vote all shares of voting stock of the Company, or other voting or equity securities of the Company which could be issued (collectively, "Voting Securities") beneficially owned by Advent that exceed 40.3% of the outstanding Voting Securities of the Company (the "Excess Voting Securities"), in the same proportion as all votes cast by stockholders other than Advent. Any Voting Securities that are not Excess Voting Securities may be voted at the discretion of Advent.

On November 7, 2024, the Company announced that, following discussions regarding the scope of the role of Chief Financial Officer, Richard Booth, the Company's Chief Financial Officer, and the Company agreed that Mr. Booth will be leaving the Company effective June 1, 2025. The Company will be commencing a search, which will include both internal and external candidates, to identify Mr. Booth's successor prior to his departure date.

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 in conjunction with our unaudited Condensed Consolidated Financial Statements and related notes included elsewhere in this Quarterly Report and with our audited Consolidated Financial Statements, "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in our 2023 Form 10-K.

As discussed in "Cautionary Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may materially differ from those discussed in such forward-looking statements. Factors that could cause or contribute to these differences include, but are not limited to, those identified below and those discussed in "Risk Factors" under Part II, Item 1A in this Quarterly Report and in Part I, Item 1A of our 2023 Form 10-K.

Overview

Definitive Healthcare is a leading provider of healthcare commercial intelligence. Our solutions are designed to provide accurate and comprehensive information on healthcare providers and their activities to help our customers optimize everything from product development to go-to-market planning and sales and marketing execution. Delivered through our software as a service ("SaaS") platform, our intelligence has become important to the commercial success of our approximately 2,570 customers as of September 30, 2024. We generally define a customer as a company that maintains one or more active paid subscriptions to our platform.

We sell into three end markets: Life Sciences, Provider, and Diversified. Life Sciences is made up of biopharmaceutical and medical device companies; Providers are the healthcare providers; and Diversified includes healthcare information technology companies and other organizations seeking commercial success in the attractive but complex healthcare ecosystem such as staffing firms, commercial real estate firms, and financial institutions. Within these organizations, our platform is leveraged by a broad set of functional groups, including sales, marketing, clinical research and product development, strategy, talent acquisition, and physician network management. We offer access to our platform on a subscription basis, and we generate substantially all of our revenue from subscription fees.

We were founded in 2011 by our Executive Chairman, Jason Krantz. Mr. Krantz founded the company to provide healthcare commercial intelligence that enables companies that compete within or sell into the healthcare ecosystem to make better, informed decisions and be more successful. Over time, we have expanded our platform with new intelligence modules, innovative analytics, workflow capabilities, and additional data sources.

We believe any company selling or competing within the healthcare ecosystem is a potential customer for us and contributes to our estimated current total addressable market of over \$10 billion. In total, we have identified more than 100,000 potential customers that we believe could benefit from our platform.

Recent Developments

Acquisitions

On January 16, 2024, we completed the purchase of assets comprising the Carevoyance business line of H1 Insights, Inc., a product that helps medical technology (“MedTech”) customers improve segmentation, targeting, and prospect engagement for \$13.7 million, subject to closing adjustments. The initial accounting for the business combination is incomplete as a result of the timing of the acquisition. Refer to Note 2. *Acquisitions* for further information.

Restructuring Charges

During the first quarter of 2024, we committed to a restructuring plan intended to reduce operating costs, improve operating margins, and continue advancing our ongoing commitment to profitable growth (the “2024 Restructuring Plan”). The 2024 Restructuring Plan provided for a reduction of the Company’s current workforce by approximately 150 people. During the three and nine months ended September 30, 2024, we incurred restructuring and related charges of \$0.2 million and \$8.0 million, respectively, consisting primarily of severance payments, employee benefits, and related cash expenses. These charges were recognized within transaction, integration, and restructuring expenses in our unaudited condensed consolidated statements of operations. We do not expect to incur any additional material charges associated with the 2024 Restructuring Plan.

During the second quarter of 2024, due to our headquarters office consolidation, we recorded an impairment charge of \$1.0 million, comprised of \$0.7 million relating to the operating lease right-of-use assets, and \$0.3 million relating to the leasehold improvements. These charges were recognized within transaction, integration, and restructuring expenses in our unaudited consolidated statements of operations.

Goodwill Impairment

During the second and third quarters of 2024, we experienced declines in our market capitalization as a result of sustained decreases in our stock price, which represented triggering events in both periods requiring our management to perform quantitative goodwill impairment tests as of the end of each reporting period. As a result of the impairment tests, we determined that the fair value of our single reporting unit was lower than its carrying value and, accordingly, recorded a non-cash, pre-tax, goodwill impairment charges \$228.2 million and \$363.6 million during the three months ended September 30, 2024 and June 30, 2024, respectively. The goodwill impairment charges did not affect our liquidity or the financial covenants in our outstanding debt agreement. See Note 7. *Goodwill and Intangible Assets*. Our reporting unit is at risk for future goodwill impairments if we experience a continued decline in our market capitalization or worsening macroeconomic conditions.

Sales Execution Challenges

As part of the 2024 Restructuring Plan, we made significant changes to our go-to-market team that reduced overlay expenses, created a separate group and sales motion for our small and medium sized customers, and allocated more resources to our Enterprise Customers. These changes have created disruptions to our sales efforts in 2024, impacting both new customer acquisition and upsell to existing customers, which we expect will continue to impact our results for the remainder of 2024 and into 2025.

Macroeconomic Conditions

Our current and prospective customers and their business spendings are impacted by difficult macroeconomic conditions to varying degrees and as a result, in some cases we are observing deal cycles lengthen for new and existing customers, in part as a result of more stringent approval processes, as well as a significant number of deferred purchasing decisions. We are also experiencing heightened customer churn. These trends have been particularly pronounced for smaller customers and in the Life Science and Provider markets. This churn has impacted our revenue growth since 2023, and we expect this will continue to have an impact on our growth into fiscal year 2025.

As a corporation with a global footprint, we are subject to risks and exposures caused by significant events and their macroeconomic impacts, including, but not limited to, the Russia-Ukraine war, the conflict in Israel and surrounding areas, global geopolitical tension and more recently, inflation and high interest rates, volatility in the capital markets, liquidity concerns at, and failures of, banks and other financial institutions, and related market uncertainty. We continuously monitor the direct and indirect impacts, and the potential for future impacts, of these circumstances on our business and financial results, as well as the overall global economy and geopolitical landscape. While our revenue and earnings have historically been relatively predictable as a result of our subscription-based business model, the potential implications of these macroeconomic events on our business, results of operations and overall financial position, particularly in the long term, introduce additional uncertainty.

We have been observing changes in the healthcare claims data market as a result of data source disruption earlier this year, including how data providers are reviewing pricing, data availability, and use terms, all of which may negatively impact the prices at which we acquire such data. We are continuing to evaluate these and other past and potential future direct and indirect impacts on our business and results of operations.

Key Factors Affecting Our Performance

We believe that the growth and future success of our business depend on many factors, including the following:

Acquiring New Customers

We plan to organically grow the number of customers that use our platform by increasing demand for our platform and penetrating our addressable market. Our results of operations and growth prospects will depend, in part, on our ability to attract new customers. We intend to drive new customer acquisition with our efficient go-to-market engine by continuing to invest in our sales and marketing efforts and developing new use cases for our platform. Customers generating more than \$100,000 in Annual Recurring Revenue (“ARR”), which we refer to as “Enterprise Customers”, represent the majority of our ARR and are a key focus of our go-to-market programs.

In the second quarter of 2024, we completed a project to refresh our customer hierarchy methodology to reflect industry consolidation and to better reflect our go-to-market strategy as we increased resources and focus on Enterprise Customers. In some cases, this consolidated certain existing customer legal entities under larger parent accounts, and therefore reduced total customer count. As a result, our customer counts are not directly comparable to previously reported values and prior year customer counts have been revised to also reflect the updated customer hierarchy methodology. We believe this view of customer counts better reflects our updated selling and go-to-market strategy. Using the updated methodology, our total customer count, which includes smaller customers, was approximately 2,570 as of September 30, 2024 compared with approximately 2,750 customers as of September 30, 2023. Though our total customer count has decreased as smaller customers have churned at disproportionately higher rates due to current macroeconomic conditions, our Enterprise Customer count has increased by one to 530 customers, as adjusted, as of September 30, 2024 compared with 529 customers, as adjusted, as of September 30, 2023.

The table below presents the customer counts under the former and updated methodologies for the periods ended:

| Total Customers | | | | | | | |
|-----------------|-------------------|------------------|-----------------------|----------------------|-------------------|------------------|-----------------------|
| | March 31, 2023 | June 30, 2023 | September 30, 2023 | December 31, 2023 | March 31, 2024 | June 30, 2024 | September 30, 2024 |
| Prior | >3,000 | ~3,000 | ~2,900 | ~2,900 | ~2,800 | — | — |
| Updated | >2,800 | ~2,800 | ~2,750 | ~2,750 | ~2,700 | ~2,600 | ~2,570 |

| Enterprise Customers | | | | | | | |
|----------------------|-------------------|------------------|-----------------------|----------------------|-------------------|------------------|-----------------------|
| | March 31, 2023 | June 30, 2023 | September 30, 2023 | December 31, 2023 | March 31, 2024 | June 30, 2024 | September 30, 2024 |
| Prior | 529 | 527 | 555 | 565 | 559 | — | — |
| Updated | 507 | 505 | 529 | 540 | 541 | 537 | 530 |

We have identified more than 100,000 potential customers across the healthcare ecosystem that we believe could benefit from our platform. Our ability to attract and acquire new customers is dependent on the strength of our platform and effectiveness of our go-to-market strategy, as well as macroeconomic factors and their impact on our potential customers’ business spending.

Expanding Relationships with Existing Customers

We believe there is a significant opportunity to generate additional revenue from our existing customer base of approximately 2,570 customers, as adjusted, as of September 30, 2024.

Our customers have historically increased their spending by adding functionality and by expanding use-cases across departments. Our customers are typically assigned to one of our vertically focused teams, which is responsible for driving usage and increasing adoption of the platform, identifying expansion opportunities, and driving customer renewals. Real-time input from these customer centric teams feeds directly into our product innovation teams, enhancing the development of new capabilities. We believe this feedback loop and our ability to innovate creates significant opportunities for continual existing customer expansion. Our ability to generate additional revenue from existing customers is also subject to such existing customers' business spending trends and the impact of macroeconomic conditions thereon.

Our progress in expanding usage of our platform with our existing customers is demonstrated by our NDR, which is further described below.

Continuing to Innovate and Expand Our Platform

The growth of our business is driven in part by our ability to apply our deep healthcare domain expertise to innovate and expand our platform. We have continually created new products since our founding in 2011. We plan to continue to invest significantly into our engineering and research and development efforts to enhance our capabilities and functionality and facilitate the expansion of our platform to new use cases and customers. In addition, we work to continuously release updates and new features. While we are primarily focused on organic investments to drive innovation, we will also evaluate strategic acquisitions and investments that further expand our platform.

Key Metrics

We monitor the following key metrics to help us evaluate our business performance, identify financial trends, formulate business plans, and make strategic operational decisions.

Net Dollar Retention Rate (“NDR”)

We believe the growth in use of our platform by our existing customers is an important measure of the health of our business and our future growth prospects. We evaluate and report on our NDR on an annual basis to measure this growth. We define NDR as the percentage of ARR retained from existing customers across a defined period, after accounting for upsell, down-sell, pricing changes and churn. We calculate NDR as beginning ARR for a period, plus (i) expansion ARR (including, but not limited to, upsell and pricing increases), less (ii) churn (including, but not limited to, non-renewals and contractions), divided by (iii) beginning ARR for the same period.

Current Remaining Performance Obligations (“cRPO”)

We monitor current remaining performance obligations as a metric to help us evaluate the health of our business and identify trends affecting our growth. cRPO represents the amount of contracted future revenue that has not yet been recognized, including both deferred revenue and non-cancelable contracted amounts that will be invoiced and recognized as revenue within the next twelve months. cRPO is not necessarily indicative of future revenue growth. In addition to total contract volume, cRPO is influenced by several factors, including seasonality, disparate contract terms, and the timing of renewals, because renewals tend to be most frequent in the fourth quarter. The value of contracts that included cancellation terms began to increase significantly during the third quarter of 2023 compared with prior periods as most of these contracts were inherited from the Populi acquisition. This precludes several millions of dollars of business from being included in the cRPO metric and puts further downward pressure on the cRPO growth rate. Due to these factors, it is important to review cRPO in conjunction with revenue and other financial metrics.

Our cRPO will continue to be impacted by macroeconomic challenges, which have resulted in elongating deal cycles as customers implement more stringent approval processes or push out final decisions to later periods. We have also observed cancellations due to the impacts of such challenges on the financial condition of our customers, particularly in the life science and provider markets. We expect this trend will continue to reduce our revenue growth rate for 2024 relative to 2023.

The fourth quarter of 2024 is an important sales and renewal quarter for us and will impact our trajectory heading into 2025. As reported, our cRPO exiting the third quarter of 2024 declined 4% year-over-year, which provides a solid indication of the challenges on revenue growth rates we anticipate in 2025.

The following table presents cRPO as of September 30, 2024 and December 31, 2023:

| <i>(in thousands)</i> | September 30, 2024 | December 31, 2023 |
|-----------------------|-----------------------|----------------------|
| Current | \$ 163,692 | \$ 187,331 |
| Non-current | 81,181 | 89,636 |
| Total | <u>\$ 244,873</u> | <u>\$ 276,967</u> |

Impact of Acquisitions

We seek to enhance our platform, data and business through internal development and through acquisitions of and investments in businesses that broaden and strengthen our platform. During the nine months ended September 30, 2024, we completed the purchase of assets comprising the Carevoyance business line of H1 Insights, Inc., a product that helps MedTech customers to improve segmentation, targeting, and prospect engagement. Acquisitions can result in transaction costs, amortization expenses and other adjustments as purchase accounting requires that all assets acquired and liabilities assumed be recorded at fair value on the acquisition date. Refer to Note 2. *Acquisitions* in the notes to our unaudited condensed consolidated financial statements included elsewhere in this Form 10-Q for further details.

Components of our Results of Operations

Revenue

For the nine months ended September 30, 2024, we derived approximately 97% of our revenue from subscription services and the remainder from professional services. Our subscription services consist primarily of subscription fees for access to our platform. Our subscription contracts typically have a term ranging from 1 to 3 years and are non-cancellable. We typically bill for services in advance annually, and we typically require payment at the beginning of each annual period. Our subscription revenue is recognized ratably over the contract term. Our professional services revenue typically is derived from non-recurring consulting services which are generally capable of being distinct and can be accounted for as separate performance obligations. Revenue related to these professional services is recognized at the time the services are performed.

As part of the 2024 Restructuring Plan, we made significant changes to our go-to-market team that reduced overlay expenses, created a separate group and sales motion for our small and medium sized customers, and allocated more resources to our Enterprise Customers. These changes disrupted our sales efforts in the first half of 2024, coupled with continued macroeconomic headwinds and sales execution challenges in the second quarter. Although subscription renewals were in line with expectations, upsells, new business, and professional services, inclusive of transactional services and one-time consulting arrangements, were more heavily impacted than anticipated. Based on these impacts, we expect our revenue to decline in the final quarter of 2024 and into 2025 compared with the respective prior year periods.

Cost of Revenue

Cost of Revenue. Cost of revenue, excluding amortization of acquired technology and data, consists of direct expenses related to the support and operations of our SaaS platform, such as data and infrastructure costs, personnel costs for our professional services, customer support, and data research teams, such as salaries, bonuses, stock-based compensation, and other employee-related benefits, as well as allocated overheads. We anticipate that we will continue to invest in cost of revenue and that cost of revenue as a percentage of revenue will modestly increase as we add to our existing intelligence modules and invest in new products and data sources. Cost of data is included in the cost of revenue and is a fundamental driver of innovation.

Amortization. Includes amortization expense for technology and data acquired in business combinations and asset purchase agreements. We anticipate that amortization will only increase if we make additional acquisitions in the future.

During 2023, additional third-party data sources, inclusive of sources obtained through the acquisition of Populi in July 2023, were rolled out to our customers, which resulted in, and is expected to continue to result in, an increase in cost of revenue, including amortization. We have been observing changes in the healthcare claims data market as a result of data source disruption earlier this year, including how data providers are reviewing pricing, data availability, and use terms, all of which may negatively impact the prices at which we acquire such data.

Gross Profit

Gross profit is revenue less cost of revenue, and gross margin is gross profit as a percentage of revenue. Gross profit and gross margin have been and will continue to be affected by various factors, including the costs associated with third-party data and third-party hosting services, leveraging economies of scale, and the extent to which we introduce new intelligence modules, features, or functionality, or expand our customer support and service organizations, hire additional personnel, or complete additional acquisitions. We expect that our gross profit and gross margin will fluctuate from period to period depending on the interplay of these various factors.

We expect that gross profit margin for 2024 will continue to be impacted by the expansion of data sources, as described above, and costs associated with the acquisitions of Populi and Carevoyance, in addition to the anticipated second half 2024 revenue decline discussed above. We expect revenue declines to continue as we enter 2025. Revenue declines, in combination with our largely fixed cost structure, are expected to result in a decrease in gross profit margin in 2025.

Operating Expenses

The most significant component of our operating expenses is personnel costs, which consist of salaries, bonuses, sales commissions, stock-based compensation, and other employee-related benefits. Operating expenses also include non-personnel costs such as facilities, technology, professional fees, and marketing. In light of macroeconomic conditions and their past and potential future impacts on our business, we have made efforts to contain our operating expenses, including implementing restructuring plans. Inflation, and in particular increases to the cost of labor due to cost-of-living increases, have negatively impacted our operating expenses, and we expect this to continue. However, inflation has not materially affected our business to date.

Sales and marketing. Sales and marketing expenses primarily consist of personnel costs such as salaries, bonuses, sales commissions, stock-based compensation, and other employee-related benefits for our sales and marketing teams, as well as non-personnel costs, including overhead costs, technology, and advertising costs. During the first quarter of 2024, as part of the 2024 Restructuring Plan, we made significant changes to our go-to-market team, which reduced overlay expenses, created a separate group and sales motion for small and medium sized customers, and allocated more resources to our Enterprise Customers.

Product development. Product development expenses primarily consist of personnel costs such as salaries, bonuses, stock-based compensation, and other employee-related benefits for our engineering, data science and product teams, as well as non-personnel costs including overhead costs. We believe that our core technologies and ongoing innovation represent a significant competitive advantage for us, and we continue to invest in systems optimization and product improvements for our customers, enhance our software development team and invest in automation and artificial intelligence (“A.I.”) to drive higher quality data and deeper insights.

General and administrative. General and administrative expenses primarily consist of personnel costs such as salaries, bonuses, stock-based compensation, and other employee-related benefits for our executive, finance, legal, human resources, IT and operations, and administrative teams, as well as non-personnel costs including overhead costs, professional fees and other corporate expenses. General and administrative expenses also include sales tax amounts payable to taxation authorities, inclusive of interest and penalties, for customers that we did not collect sales taxes from, due to misclassifications of products and services for sales tax purposes. We do not expect sales taxes and related interest and penalties to be an ongoing component of our general and administrative expense as we complete voluntary disclosure agreements, register with certain tax authorities, and commence collection of sales taxes from customers in these tax jurisdictions. We have slowed hiring in response to macroeconomic conditions and do not expect to increase it until macroeconomic conditions improve.

Depreciation and Amortization. Depreciation and amortization expenses consist primarily of amortization of intangible assets resulting from acquisitions and business combinations, as well as depreciation of property and equipment. We anticipate depreciation of property and equipment as a percentage of revenue to moderately decrease, although amortization will increase if we make additional acquisitions in the future.

Transaction, integration, and restructuring expenses. Transaction, integration, and restructuring expenses are costs directly associated with various acquisition, integration, and consolidation activities we have undertaken, primarily accounting and legal due diligence, and consulting and advisory fees, as well as expenses related to our restructuring plans and office consolidations.

Goodwill impairment. Goodwill represents the excess of consideration transferred over the fair value of tangible and identifiable intangible net assets acquired and the liabilities assumed in a business combination. Substantially all of our goodwill was recognized in the purchase price allocations when our Company was acquired in 2019 by Advent, with smaller incremental amounts recognized in subsequent business combinations. Goodwill is not amortized, but is tested for impairment at the reporting unit level annually and more frequently if indicators of potential impairment arise. In conducting the impairment test, we first review qualitative factors to determine whether it is more likely than not that the fair value of our single reporting unit is less than its carrying amount.

When testing goodwill for impairment, we have the option of first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount. If we elect to bypass the qualitative assessment, or if a qualitative assessment indicates it is more likely than not that carrying value exceeds its fair value, we perform a quantitative goodwill impairment test. Under the quantitative goodwill impairment test, if our reporting unit’s carrying amount exceeds its fair value, we will record an impairment charge based on that difference. We performed interim goodwill impairment tests during the second and third quarters of 2024 and concluded in each instance that the carrying value of the single reporting unit exceeded its fair value and recorded a \$363.6 million and a \$228.2 million non-cash, pre-tax goodwill impairment charge during each respective three-month period.

Other Income (Expense), Net

Interest expense consists of interest expense on our debt obligations and the amortization of debt discounts and debt issuance costs.

Interest income consists of earnings resulting from our short-term investments.

Other income (expense), net consists primarily of the revaluation of tax receivable agreement liabilities and realized and unrealized gains and losses related to the impact of transactions denominated in a foreign currency. Significant changes in the projected liability resulting from the tax receivable agreement may occur based on changes in anticipated future taxable income, changes in applicable tax rates, or other changes in tax attributes that may occur and could affect the expected future tax benefits to be received by us. We do not have significant exposure to foreign exchange volatility and do not anticipate foreign currency transaction gains or losses to materially impact our results of operations.

Results of Operations

The following table sets forth a summary of our unaudited condensed consolidated statements of operations for the periods presented:

| <i>(in thousands)</i> | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|---|---|--------------|--|--------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Revenue | \$ 62,697 | \$ 65,325 | \$ 189,914 | \$ 185,483 |
| Cost of revenue: | | | | |
| Cost of revenue exclusive of amortization | 10,077 | 8,663 | 29,717 | 25,293 |
| Amortization | 3,589 | 3,232 | 10,330 | 9,676 |
| Total cost of revenue | 13,666 | 11,895 | 40,047 | 34,969 |
| Gross profit | 49,031 | 53,430 | 149,867 | 150,514 |
| Operating expenses: | | | | |
| Sales and marketing | 20,130 | 22,804 | 63,435 | 70,929 |
| Product development | 7,282 | 10,759 | 27,536 | 30,872 |
| General and administrative | 11,354 | 14,545 | 40,764 | 42,294 |
| Depreciation and amortization | 9,474 | 9,795 | 28,205 | 29,073 |
| Transaction, integration, and restructuring expenses | (1,995) | 3,505 | 9,390 | 9,666 |
| Goodwill impairment | 228,153 | 287,400 | 591,794 | 287,400 |
| Total operating expenses | 274,398 | 348,808 | 761,124 | 470,234 |
| Loss from operations | (225,367) | (295,378) | (611,257) | (319,720) |
| Total other income, net | 23,819 | 29,156 | 68,124 | 23,727 |
| Net loss before income taxes | (201,548) | (266,222) | (543,133) | (295,993) |
| Benefit from income taxes | 13,724 | 17,534 | 36,404 | 19,728 |
| Net loss | (187,824) | (248,688) | (506,729) | (276,265) |
| Less: Net loss attributable to noncontrolling interests | (56,928) | (77,162) | (152,680) | (84,110) |
| Net loss attributable to Definitive Healthcare Corp. | \$ (130,896) | \$ (171,526) | \$ (354,049) | \$ (192,155) |

Three Months Ended September 30, 2024 compared to Three Months Ended September 30, 2023

Revenue

Revenue decreased \$2.6 million, or 4%, in the three months ended September 30, 2024 compared with the same period in the prior year due to lower subscription revenue of \$1.7 million and lower professional services revenue of \$0.9 million. Revenue attributable to customers that existed prior to the start of 2024 decreased \$7.9 million, which was partially offset by a \$5.3 million increase in revenue from new customers in 2024.

Cost of Revenue

Cost of revenue increased \$1.8 million, or 15%, in the three months ended September 30, 2024 compared with the same period in the prior year. This increase was driven primarily by a \$1.6 million increase in hosting fees and data subscription costs as a result of expanded customer usage of our platform and the Populi acquisition and an increase of \$0.4 million in amortization expense resulting from new data purchases. These increases were partially offset by a \$0.2 million decrease in personnel costs driven primarily by the 2024 Restructuring Plan.

Operating Expenses

Operating expenses, which included a goodwill impairment charge of \$228.2 million incurred during the three months ended September 30, 2024 compared with \$287.4 million incurred during the three months ended September 30, 2023 (refer to Note 7. *Goodwill and Intangible Assets* for further details), decreased \$74.4 million, or 21%, during the three months ended September 30, 2024 compared with the same period in the prior year. The decrease to operating expense as compared to the prior-year period was primarily due to a lower goodwill impairment charge in the current period, as well as:

- A decrease in sales and marketing expense of \$2.7 million for the three months ended September 30, 2024, primarily driven by lower personnel costs, including stock-based compensation expense, resulting from the 2024 Restructuring Plan, along with a decrease in consulting fees;
 - A decrease in product development expense of \$3.5 million for the three months ended September 30, 2024, primarily driven by lower personnel costs, including stock-based compensation expense, resulting from the 2024 Restructuring Plan and the departure of certain executive-level employees;
 - A decrease in general and administrative expense of \$3.2 million for the three months ended September 30, 2024, primarily driven by lower personnel costs, including stock-based compensation expense, resulting from departures of certain executive-level employees in 2024, relief from sales tax exposure during the year, including penalties and interest, resulting from voluntary disclosure agreements, and lower professional service fees and franchise taxes;
 - A decrease in depreciation and amortization expense of \$0.3 million for the three months ended September 30, 2024, primarily driven by certain customer relationship intangible assets utilizing economic consumption amortization methods with lower amortization in the current period; and
- A decrease in transaction, integration, and restructuring expenses of \$5.5 million for the three months ended September 30, 2024, primarily driven by a gain in the current period resulting from an adjustment to the Populi contingent consideration and by higher costs incurred in the third quarter of 2023 associated with a commitment to a new restructuring plan during the prior year period.

Total Other Income, Net

Total other income, net was \$23.8 million for the three months ended September 30, 2024 compared to \$29.2 million in the same period in the prior year. The decrease was primarily driven by a decrease in the TRA liability remeasurement gain of \$5.5 million in the three months ended September 30, 2024 compared with the same period in the prior year. The TRA liability remeasurement gain, which is driven primarily by the impairment of goodwill, as well as changes in future realizability of tax attributes payable under the TRA, was lower in the current period primarily as a result of a \$59.2 million decrease in the goodwill impairment charge during the three months ended September 30, 2024 compared with the same period in the prior year. This decrease was partially offset by an increase in interest income earned from our short-term investments of \$0.3 in the three months ended September 30, 2024 compared with the same period in the prior year and a decrease in interest expense of \$0.1 million during the three months ended September 30, 2024 compared with the same period in the prior year.

Benefit from Income Taxes

Benefit from income taxes was \$13.7 million for the three months ended September 30, 2024 compared to \$17.5 million in the comparable prior year period. The overall decrease was primarily attributed to a smaller impairment of goodwill during the current period compared with the same period in the prior year.

Nine Months Ended September 30, 2024 compared to Nine Months Ended September 30, 2023

Revenue

Revenue increased \$4.4 million, or 2%, in the nine months ended September 30, 2024 compared with the same period in the prior year, due to higher subscription revenue of \$4.3 million and higher professional services revenue of \$0.1 million. Revenue attributable to new customers in 2024 increased \$10.9 million, which was partially offset by a \$6.5 million decrease in revenue from customers that existed prior to the start of 2024.

Cost of Revenue

Cost of revenue increased \$5.1 million, or 15%, in the nine months ended September 30, 2024 compared with the same period in the prior year. This increase was driven primarily by a \$4.4 million increase in hosting fees and data subscription costs as a result of expanded customer usage of our platform and the Populi acquisition, an increase of \$0.7 million in amortization expense resulting from new data purchases, and an increase in other costs of \$0.5 million. These increases were partially offset by a \$0.5 million decrease in personnel costs driven primarily by the 2024 Restructuring Plan.

Operating Expenses

Operating expenses, which include goodwill impairment charges of \$591.8 incurred during the nine months ended September 30, 2024 compared with \$287.4 million incurred during the nine months ended September 30, 2023 (refer to Note 7. *Goodwill and Intangible Assets* for further details), increased \$290.9 million, or 62%, during the nine months ended September 30, 2024 compared with the same period in the prior year. The increase to operating expense as compared to the prior-year period was primarily driven by higher goodwill impairment charges in the current period, partially offset by:

- A decrease in sales and marketing expense of \$7.5 million for the nine months ended September 30, 2024, primarily driven by lower personnel costs, including stock-based compensation expense, resulting from the 2024 Restructuring Plan;
 - A decrease in product development expense of \$3.3 million for the nine months ended September 30, 2024, primarily driven by lower personnel costs, including stock-based compensation expense, resulting from the 2024 Restructuring Plan and the departure of certain executive-level employees;
 - A decrease in general and administrative expense of \$1.5 million for the nine months ended September 30, 2024, primarily driven by expense relief from sales tax exposure during the year, including penalties and interest, resulting from voluntary disclosure agreements, lower professional service fees, and lower recruiting fees. These decreases were partially offset by increased stock-based compensation expense resulting from new equity grants in the current year and the acceleration of certain shares in connection with the departure of executive-level employees, and increased fees and severance costs associated with a strategic transition initiative separate from our 2024 Restructuring Plan;
 - A decrease in depreciation and amortization expense of \$0.9 million for the nine months ended September 30, 2024, primarily driven by certain customer relationship intangible assets utilizing economic consumption amortization methods with lower amortization in the current period; and
- A decrease in transaction, integration, and restructuring expenses of \$0.3 million for the nine months ended September 30, 2024, primarily driven by a gain on the adjustment to the Populi contingent consideration in the current period, along with higher acquisition related costs in the prior year period, partially offset by costs incurred in the current period associated with the 2024 Restructuring Plan and impairment charges resulting from the consolidation of certain leased office facilities.

Total Other Income, Net

Total other income, net was \$68.1 million for the nine months ended September 30, 2024 compared to \$23.7 million in the same period in the prior year. The overall change was primarily attributable to a \$68.2 million TRA liability remeasurement gain in the nine months ended September 30, 2024, primarily driven by the impairment of goodwill, as well as changes in future realizability of tax attributes payable under the TRA, compared with a \$25.0 million TRA liability remeasurement gain in the comparable prior year period. The increase in the TRA liability remeasurement gain year-over-year was primarily driven by an increase in the goodwill impairment charges of \$304.4 million in the nine months ended September 30, 2024 compared with the same period in the prior year. Interest income earned from our short-term investments also increased by \$1.5 million to \$11.4 million in the nine months ended September 30, 2024 compared with \$9.9 million in the comparable prior year period.

Benefit from Income Taxes

Benefit from income taxes was \$36.4 million for the nine months ended September 30, 2024 compared to \$19.7 million in the comparable prior year period. The overall increase was primarily attributed to a larger impairment of goodwill during the current period compared with the same period in the prior year.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe certain non-GAAP measures are useful in evaluating our operating performance. Non-GAAP measures include, but are not limited to, Adjusted Gross Profit, Adjusted Gross Margin, Adjusted EBITDA, and Adjusted EBITDA Margin. We believe these non-GAAP measures are useful to investors because they eliminate certain items that affect period-over-period comparability and provide consistency with past financial performance and additional information about our underlying results and trends by excluding certain items that may not be indicative of our business, results of operations, or outlook.

We view Adjusted Gross Profit, Adjusted Gross Margin, Adjusted EBITDA, and Adjusted EBITDA Margin as operating performance measures. As such, we believe the most directly comparable GAAP financial measures to Adjusted Gross Profit and Adjusted Gross Margin are GAAP Gross Profit and GAAP Gross Margin, respectively, and the most directly comparable GAAP financial measure to Adjusted EBITDA and Adjusted EBITDA Margin is GAAP net loss and GAAP net loss margin, respectively.

Non-GAAP measures are supplemental financial measures of our performance and should not be considered substitutes for net loss, gross profit, or any other measure derived in accordance with GAAP. This information should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP. There are limitations to these non-GAAP financial measures because they are not prepared in accordance with GAAP and may not be comparable to similarly titled measures of other companies due to potential differences in methods of calculation and items or events being adjusted. In addition, other companies may use different measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with GAAP.

Adjusted Gross Profit and Adjusted Gross Margin

We define Adjusted Gross Profit as Gross Profit, excluding acquisition-related depreciation and amortization, and equity-based compensation costs. We exclude acquisition-related depreciation and amortization expenses as they have no direct correlation to the cost of operating our business on an ongoing basis. A small portion of equity-based compensation is included in cost of revenue in accordance with GAAP, but is excluded from our Adjusted Gross Profit calculations due to its non-cash nature. Gross Margin is defined as Gross Profit as a percentage of revenue and Adjusted Gross Margin is defined as Adjusted Gross Profit as a percentage of revenue. These are key metrics used by management and our board of directors to assess our operations.

The following table presents a reconciliation of gross profit and gross margin to adjusted gross profit and adjusted gross margin for the periods presented:

| (in thousands) | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|--|----------------------------------|--------------|-----------|--------------|---------------------------------|--------------|------------|--------------|
| | 2024 | | 2023 | | 2024 | | 2023 | |
| | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue |
| Reported gross profit and margin | \$ 49,031 | 78 % | \$ 53,430 | 82 % | \$ 149,867 | 79 % | \$ 150,514 | 81 % |
| Amortization of intangible assets resulting from acquisition-related purchase accounting adjustments | 2,573 | 4 % | 2,303 | 4 % | 7,383 | 4 % | 6,907 | 4 % |
| Equity-based compensation costs | 88 | 0 % | 276 | 0 % | 668 | 0 % | 830 | 0 % |
| Adjusted gross profit and margin | \$ 51,692 | 82 % | \$ 56,009 | 86 % | \$ 157,918 | 83 % | \$ 158,251 | 85 % |

Adjusted EBITDA and Adjusted EBITDA Margin

We present “Adjusted EBITDA” as a measure of our operating performance. EBITDA is defined as earnings before (i) debt-related costs, including interest expense, (ii) interest income, (iii) income taxes, and (iv) depreciation and amortization. Management further adjusts EBITDA in its presentation of Adjusted EBITDA to exclude (i) other income, (ii) equity-based compensation, (iii) transaction, integration, and restructuring expenses, (iv) goodwill impairments, and (v) other non-core items. We exclude these items because they are by nature non-cash, non-recurring, and/or unrelated to our core operations, and therefore we do not believe them to be representative of ongoing operational performance. Adjusted EBITDA Margin is defined as Adjusted EBITDA as a percentage of revenue. Adjusted EBITDA and Adjusted EBITDA Margin are key metrics used by management and our board of directors to assess the profitability of our operations. We believe these metrics provide useful measures to investors to assess our operating performance and in measuring the profitability of our operations on a consolidated level.

The following table presents a reconciliation of net loss and margin to Adjusted EBITDA and Adjusted EBITDA margin, respectively, for the periods presented:

| <i>(in thousands, except percentages)</i> | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|----------------------------------|--------------|--------------|--------------|---------------------------------|--------------|--------------|--------------|
| | 2024 | | 2023 | | 2024 | | 2023 | |
| | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue | Amount | % of Revenue |
| Net loss and margin | \$ (187,824) | (300)% | \$ (248,688) | (381)% | \$ (506,729) | (267)% | \$ (276,265) | (149)% |
| Interest expense (income), net | 7 | 0% | 433 | 1% | (58) | (0)% | 1,434 | 1% |
| Benefit from income taxes | (13,724) | (22)% | (17,534) | (27)% | (36,404) | (19)% | (19,728) | (11)% |
| Depreciation & amortization | 13,063 | 21% | 13,027 | 20% | 38,535 | 20% | 38,749 | 21% |
| EBITDA and margin | (188,478) | (301)% | (252,762) | (387)% | (504,656) | (266)% | (255,810) | (138)% |
| Other income, net ^(a) | (23,826) | (38)% | (29,589) | (45)% | (68,066) | (36)% | (25,161) | (14)% |
| Equity-based compensation ^(b) | 6,296 | 10% | 11,994 | 18% | 30,720 | 16% | 35,485 | 19% |
| Transaction, integration, and restructuring expenses ^(c) | (1,995) | (3)% | 3,505 | 5% | 9,390 | 5% | 9,666 | 5% |
| Goodwill impairment ^(d) | 228,153 | 364% | 287,400 | 440% | 591,794 | 312% | 287,400 | 155% |
| Other non-core items ^(e) | 465 | 1% | 1,196 | 2% | 2,375 | 1% | 3,072 | 2% |
| Adjusted EBITDA and margin | \$ 20,615 | 33% | \$ 21,744 | 33% | \$ 61,557 | 32% | \$ 54,652 | 29% |

- (a) Primarily represents foreign exchange and TRA liability remeasurement gains and losses.
- (b) Equity-based compensation represents non-cash compensation expense recognized in association with equity awards made to employees and directors.
- (c) Transaction and integration expenses primarily represent legal, accounting, and consulting expenses and fair value adjustments for contingent consideration related to our acquisitions. Restructuring expenses relate to the 2024 Restructuring Plan and those we committed to during the first and third quarters of 2023, as well as impairment and restructuring charges related to office closures, relocations, and consolidations.

| <i>(in thousands)</i> | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|----------------------------------|----------|---------------------------------|----------|
| | 2024 | 2023 | 2024 | 2023 |
| Merger and acquisition due diligence and transaction costs | \$ 1,114 | \$ 1,033 | \$ 2,410 | \$ 4,110 |
| Integration costs | 211 | 474 | 939 | 805 |
| Fair value adjustment for contingent consideration | (3,510) | — | (3,240) | — |
| Restructuring charges for severance and other separation costs | 190 | 2,141 | 8,009 | 4,596 |
| Office closure and relocation restructuring charges and impairments | — | (143) | 1,272 | 155 |
| Total transaction, integration and restructuring expenses | \$ (1,995) | \$ 3,505 | \$ 9,390 | \$ 9,666 |

- (d) Goodwill impairment represents non-cash, pre-tax, goodwill impairment charges. We experienced declines in our market capitalization as a result of sustained decreases in our stock price, which represented triggering events requiring our management to perform quantitative goodwill impairment tests as of the end of the second and third quarters of 2024 and the third quarter of 2023. As a result of the impairment tests conducted in each respective period, we determined that the fair value of our single reporting unit was lower than its carrying value and, accordingly, recorded these impairment charges.
- (e) Other non-core items represent expenses driven by events that are typically by nature one-time, non-operational, and/or unrelated to our core operations. These expenses are comprised of non-core legal and regulatory costs isolated to unique and extraordinary litigation, legal and regulatory matters that are not considered normal and recurring business activity, including sales tax accrual adjustments inclusive of penalties and interest for sales taxes that we may have been required to collect from customers in 2024 and in certain previous years, and other non-recurring legal and regulatory matters. Other non-core items also include non-recurring consulting fees and severance costs associated with strategic transition initiatives, as well as professional fees related to financing, capital structure changes, and other non-recurring costs.

| <i>(in thousands)</i> | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|---|---|-----------------|--|-----------------|
| | <u>2024</u> | <u>2023</u> | <u>2024</u> | <u>2023</u> |
| Non-core legal and regulatory | \$ 363 | \$ 1,003 | \$ (1) | \$ 2,431 |
| Consulting and severance costs for strategic transition initiatives | 3 | — | 2,218 | — |
| Other non-core expenses | 99 | 193 | 158 | 641 |
| Total other non-core items | <u>\$ 465</u> | <u>\$ 1,196</u> | <u>\$ 2,375</u> | <u>\$ 3,072</u> |

Liquidity and Capital Resources

Overview

As of September 30, 2024, we had \$137.6 million of cash and cash equivalents, \$167.8 million of short-term investments, and \$74.4 million available under our revolving credit facility. Our principal sources of liquidity are cash and cash equivalents and short-term investments on hand, primarily from our IPO and follow-on offering, as well as the cash flows we generate from operations. Our principal uses of liquidity have been, and are expected to continue to be, primarily for investment in long-term growth of the business through capital expenditures, acquisitions, and repurchases of our Class A Common Stock, as well as debt services (see Note 9. *Long-Term Debt* for further details) and distributions to members of Definitive OpCo.

All of our business is conducted through Definitive OpCo and its consolidated subsidiaries and affiliates, and the financial results are included in the unaudited condensed consolidated financial statements of Definitive Healthcare Corp. Definitive Healthcare Corp. has no independent means of generating revenue. The Amended LLC Agreement provides that certain distributions will be made to cover Definitive Healthcare Corp.'s taxes and such tax distributions are also expected to be used by Definitive Healthcare Corp. to satisfy its obligations under the TRA. We have broad discretion to make distributions out of Definitive OpCo. In the event Definitive Healthcare Corp. declares any cash dividend, we expect to cause Definitive OpCo to make distributions to us, in an amount sufficient to cover such cash dividends declared by us. Deterioration in the financial condition, earnings, or cash flow of Definitive OpCo and its subsidiaries for any reason could limit or impair their ability to pay such distributions. In addition, the terms of our 2021 Credit Agreement contain covenants that may restrict DH Holdings and its subsidiaries from paying such distributions, subject to certain exceptions. Further, Definitive OpCo and Definitive Healthcare Corp. are generally prohibited under Delaware law from making a distribution to a member to the extent that, at the time of the distribution, after giving effect to the distribution, liabilities of Definitive OpCo and DH Holdings (with certain exceptions), as applicable, exceed the fair value of its assets. Subsidiaries of DH Holdings are generally subject to similar legal limitations on their ability to make distributions to DH Holdings.

We believe that our cash flow from operations, availability under the 2021 Credit Agreement and available cash and cash equivalents and short-term investments will be sufficient to meet our liquidity needs for at least the next twelve months. We anticipate that to the extent that we require additional liquidity, it will be funded through the incurrence of additional indebtedness, the issuance of additional equity, or a combination thereof. We cannot provide assurance that we will be able to obtain this additional liquidity on reasonable terms, or at all.

Additionally, our liquidity and our ability to meet our obligations and fund our capital requirements are dependent on our future financial performance, which is subject to general economic, financial, and other factors that are beyond our control. See "Risk Factors" in our 2023 Form 10-K and the factors described elsewhere in this "Management's Discussion and Analysis of Financial Condition and Results of Operations." Macroeconomic conditions, including inflation and a potential recession, could increase our anticipated funding requirements. In the event we need to seek additional funding, high interest rates, stock market volatility, or other unfavorable macroeconomic conditions may also prevent us from obtaining additional financing on favorable terms or at all. Future adverse developments with respect to specific financial institutions or the broader financial services industry may lead to market-wide liquidity shortages that could impact us and our customers, and materially harm our business and financial condition. Our ability to access our cash, cash equivalents and investments, including transferring funds, making payments or receiving funds could be threatened and our ability to raise additional capital could be substantially impaired, any of which could materially and adversely affect our business and financial condition. Accordingly, we cannot provide assurance that our business will generate sufficient cash flow from operations or that future borrowings will be available from additional indebtedness or otherwise to meet our liquidity needs. In addition, if we decide to pursue one or more significant acquisitions, we may incur additional debt or sell or issue additional equity to finance such acquisitions, which could possibly result in additional expenses or dilution.

Credit Risk

Our financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents, and trade and other receivables. We hold cash with reputable financial institutions that often exceed federally insured limits. We manage our credit risk by concentrating our cash deposits with high-quality financial institutions and periodically evaluating the credit quality of those institutions. The carrying value of cash approximates fair value.

Impact of Inflation

We do not believe inflation has had a material effect on our business, financial condition, or results of operations. However, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset higher costs through price increases and our inability or failure to do so could potentially harm our business, financial condition, and results of operations.

Cash Flows

The following table summarizes our cash flows for the periods presented:

| <i>(in thousands)</i> | Nine Months Ended September 30, | |
|---|---------------------------------|--------------------|
| | 2024 | 2023 |
| Cash provided by (used in): | | |
| Operating activities | \$ 50,061 | \$ 36,481 |
| Investing activities | (139) | (86,189) |
| Financing activities | (43,381) | (19,522) |
| Change in cash and cash equivalents (excluding effect of exchange rate changes) | <u>\$ 6,541</u> | <u>\$ (69,230)</u> |

Cash Provided by Operating Activities

Net cash provided by operating activities was \$50.1 million during the nine months ended September 30, 2024, primarily as a result of a net loss of \$506.7 million, offset by non-cash charges of \$567.0 million. The non-cash charges were primarily comprised of \$591.8 million in goodwill impairment charges recorded during the nine months ended September 30, 2024, a gain on remeasurement of the TRA of \$68.2 million, amortization of intangible assets of \$36.8 million, a decrease in deferred taxes of \$36.6 million, equity compensation costs of \$30.7 million, and amortization of deferred contract costs of \$11.5 million. The net decrease in operating assets and liabilities of \$10.2 million for the nine months ended September 30, 2024 was primarily driven by cash outflows resulting from a decrease in deferred revenue of \$12.1 million due to the timing of billings and cash received in advance of revenue recognition for subscription services, an increase in deferred contract costs of \$8.3 million, an increase in prepaid expenses and other assets of \$7.2 million, and lower accounts payable, accrued expenses, and other liabilities, collectively, of \$5.2 million. These factors were partially offset by a decrease in accounts receivable of \$23.1 million.

Cash Used in Investing Activities

Cash used in investing activities during the nine months ended September 30, 2024 was \$0.1 million, driven primarily by \$192.7 million in purchases of short-term investments and \$13.5 million in cash paid, net of cash acquired, for the acquisition of Carevoyance in the first quarter of 2024, partially offset by \$207.5 million in maturities of short-term investments.

Cash Used in Financing Activities

Cash used in financing activities during the nine months ended September 30, 2024 was \$43.4 million, driven by payments of \$15.0 million for repurchases of our Class A Common Stock, repayments of the 2021 Term Loan (as defined below) of \$10.3 million, taxes paid related to the net share settlement of equity awards of \$7.3 million, payments of \$7.0 million under the TRA, distribution payments to members of \$2.8 million, and payments of contingent consideration of \$1.0 million.

Refer to *Debt Obligations* for additional information related to our debt obligations.

Debt Obligations

On September 17, 2021, DH Holdings entered into the 2021 Credit Agreement, providing for (i) a \$275.0 million term loan A facility (the “2021 Term Loan”) and (ii) a \$75.0 million revolving credit facility (the “2021 Revolving Line of Credit”) and, together with the 2021 Term Loan, collectively, the “2021 Credit Facilities”). The 2021 Credit Facilities are guaranteed by all of DH Holdings’ wholly owned domestic restricted subsidiaries and AIDH Buyer, LLC, a Delaware limited liability company and the direct parent company of DH Holdings, in each case, subject to customary exceptions, and are secured by a lien on substantially all of the assets of DH Holdings and the guarantors, including a pledge of the equity of DH Holdings, in each case, subject to customary exceptions. The 2021 Term Loan of \$275.0 million has a maturity date of September 17, 2026. The 2021 Term Loan was recorded net of \$3.5 million in issuance costs, which are amortized to interest expense over the term of the loan using the effective interest method.

The 2021 Term Loan is subject to annual amortization of principal, payable in equal quarterly installments on the last day of each fiscal quarter, commencing on the Initial Amortization Date, equal to approximately 2.5% per annum of the principal amount of the term loans in the first year and second year after the Initial Amortization Date and approximately 5.0% per annum of the principal amount of the term loans in the third year, fourth year, and fifth year after the Initial Amortization Date. A balloon payment of approximately \$220.0 million will be due at maturity. There was \$247.5 million outstanding on the 2021 Term Loan at September 30, 2024.

The 2021 Revolving Line of Credit is committed for \$75.0 million and has a maturity date of September 17, 2026. There was no outstanding balance as of September 30, 2024. In September 2023, the lessor of the Company’s corporate headquarters transitioned from one entity to another. As a result, in December 2023, in lieu of a security deposit, the Company provided a standby letter of credit of \$0.6 million, which reduces the amount available under our revolving credit facility to \$74.4 million.

On October 31, 2022, the Company amended the 2021 Credit Agreement to replace the LIBO rate with Term Secured Overnight Financing Rate (“SOFR”) plus an applicable rate.

The 2021 Credit Agreement includes certain financial covenants, and the Company was compliant with its financial covenants under the 2021 Credit Agreement as of September 30, 2024 and December 31, 2023.

Financing Obligations

Financing obligations generally include repayment of principal amounts of the 2021 Term Loan, lease payments, and purchase obligations. There have been no material changes to our financing obligations during the nine months ended September 30, 2024. Refer to Note 5. *Leases* and Note 14. *Commitments and Contingencies* in our Annual Report on Form 10-K filed with the SEC on February 28, 2024 for further information.

Stock Repurchase Program

In May 2024, our Board of Directors authorized a stock repurchase program of up to \$20.0 million of our Class A Common Stock, which expires on December 31, 2024. Repurchases may be effected, from time to time, either on the open market (including pre-set trading plans), in privately negotiated transactions, and other transactions in accordance with applicable securities laws.

The timing and the amount of any repurchased Class A Common Stock will be determined by our management based on its evaluation of market conditions and other factors. The repurchase program will be funded using our working capital. Any repurchased shares of Class A Common Stock will be retired. The repurchase program does not obligate us to acquire any particular amount of Class A Common Stock, and the repurchase program may be suspended or discontinued at any time at our discretion. As of September 30, 2024, 3,144,516 shares of Class A Common Stock have been repurchased under the repurchase program.

Tax Receivable Agreement

In connection with the Reorganization Transactions and the IPO, the Company entered into the TRA with certain of our pre- IPO unitholders and the former shareholders of certain Blocker Companies. The TRA provides for the payment by Definitive Healthcare Corp. of 85% of the amount of any tax benefits that it actually realizes, or in some cases is deemed to realize, as a result of (i) certain tax attributes that it acquired from the Blocker Companies in the Reorganization Transactions (including net operating losses and the unamortized portion of the increase in tax basis in the tangible and intangible assets of Definitive OpCo and its subsidiaries resulting from the prior acquisitions of interests in Definitive OpCo by the Blocker Companies), (ii) certain tax basis adjustments resulting from the acquisition of LLC Units by Definitive Healthcare Corp., and (iii) certain payments made under the TRA.

In each case, these tax basis adjustments generated over time may increase (for tax purposes) the Definitive Healthcare Corp.'s depreciation and amortization deductions and, therefore, may reduce the amount of tax that the Definitive Healthcare Corp. would otherwise be required to pay in the future, although the IRS may challenge all or part of the validity of that tax basis, and a court could sustain such a challenge. The anticipated tax basis adjustments upon redemptions or exchanges of LLC Units may also decrease gains (or increase losses) on future dispositions of certain assets to the extent tax basis is allocated to those assets. The payment obligations under the TRA are an obligation of Definitive Healthcare Corp., but not of Definitive OpCo. Definitive Healthcare Corp. expects to benefit from the remaining 15% of realized cash tax benefits. For purposes of the TRA, the realized cash tax benefits will be computed by comparing the actual income tax liability of Definitive Healthcare Corp. (calculated with certain assumptions) to the amount of such taxes that Definitive Healthcare Corp. would have been required to pay had there been no tax basis adjustments of the assets of Definitive Healthcare Corp. as a result of redemptions or exchanges and no utilization of certain tax attributes of the Blocker Companies, and had Definitive Healthcare Corp. not entered into the TRA. The term of the TRA will continue until all such tax benefits have been utilized or expired, unless (i) Definitive Healthcare Corp. exercises its right to terminate the TRA for an amount based on the agreed payments remaining to be made under the agreement, (ii) Definitive Healthcare Corp. breaches any of its material obligations under the TRA in which case all obligations (including any additional interest due relating to any deferred payments) generally will be accelerated and due as if Definitive Healthcare Corp. had exercised its right to terminate the TRA, or (iii) there is a change of control of Definitive Healthcare Corp., in which case, all obligations (including any additional interest due relating to any deferred payments) generally will be accelerated and due as if Definitive Healthcare Corp. had exercised its right to terminate the TRA as described above in clause (i). Estimating the amount of payments that may be made under the TRA is by its nature imprecise, insofar as the calculation of amounts payable depends on a variety of factors. The amount of the anticipated tax basis adjustments, as well as the amount and timing of any payments under the TRA, will vary depending upon a number of factors, including the timing of exchanges, the price of shares of our Class A Common Stock at the time of an exchange, the extent to which such exchanges are taxable, the amount of tax attributes, and the amount and timing of our income.

We expect that as a result of the size of the anticipated tax basis adjustment of the tangible and intangible assets of Definitive OpCo upon the exchange or redemption of LLC Units and our possible utilization of certain tax attributes, the payments that Definitive Healthcare Corp. may make under the TRA will be substantial. The payments under the TRA are not conditioned upon continued ownership of us by the exchanging holders of LLC Units. See Note 15. *Income Taxes* in our unaudited condensed consolidated financial statements.

Off-Balance Sheet Arrangements

As a requirement of our lease agreement for our corporate headquarters, in lieu of a security deposit, we provided a standby letter of credit of \$0.6 million, which is effective through March 2038.

Capital Expenditures

Capital expenditures decreased by \$1.0 million to \$1.4 million for the nine months ended September 30, 2024 compared to \$2.4 million for the same period in the prior year, primarily driven by lower spend on historical data purchases in the current year compared with the comparable prior year period.

Critical Accounting Policies and Estimates

Our unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP, which requires us to make estimates and assumptions that affect reported amounts. The estimates and assumptions are based on historical experience and on other factors that we believe to be reasonable. Actual results may differ from those estimates. We review these estimates on a periodic basis to ensure reasonableness. Although actual amounts may differ from such estimated amounts, we believe such differences are not likely to be material. For additional detail regarding our critical accounting policies and estimates including business combinations, goodwill and indefinite-lived intangible assets, and income taxes, see our discussion for the year ended December 31, 2023 included in our 2023 Form 10-K. There have been no material changes to these policies or estimates as of September 30, 2024.

New Accounting Pronouncements

See new accounting pronouncements described under “—Adoption of Recently Issued Financial Accounting Standards” and “—Recently Issued Accounting Pronouncements Not Yet Adopted” within Note 1. *Organization and Basis of Presentation* in the Notes to the unaudited condensed consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact our financial condition due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of exposure due to potential changes in inflation, interest rates, or currency rates.

Interest Rate Risk

Our cash, cash equivalents, and short-term investments primarily consist of cash on hand and highly liquid investments in money market funds, U.S. government securities, and commercial paper. As of September 30, 2024, we had cash and cash equivalents of \$137.6 million and short-term investments of \$167.8 million.

Our operating results are subject to market risk from interest rate fluctuations on our 2021 Term Loan, which bears a variable interest rate based on the Secured Overnight Financing Rate (“SOFR”) or a Base Rate plus an applicable margin. In order to reduce the interest rate risk on our debt, we have entered into an interest rate swap agreement on a portion of our borrowings. As of September 30, 2024, the total principal balance outstanding was \$247.5 million. Excluding the effect of the interest rate swap agreement, a hypothetical 1.0% increase or decrease in the interest rate associated with borrowings under the 2021 Credit Agreement would have resulted in an impact to interest expense of approximately \$1.9 million for the nine months ended September 30, 2024.

Foreign Currency Exchange Risk

To date, the majority of our sales contracts have been denominated in U.S. dollars. We have one foreign entity established in Sweden and one in India. The functional currencies of these foreign subsidiaries are the Swedish Krona and the Indian Rupee, respectively. Assets and liabilities of the foreign subsidiaries are translated into U.S. dollars at the exchange rates in effect at the reporting date and revenue and expenses are translated at average exchange rates in effect during each reporting period. Realized and unrealized foreign currency transaction gains and losses are recorded to non-operating loss. As the impact of foreign currency exchange rates has not been material to our historical results of operations, we have not entered into derivative or hedging transactions, but we may do so in the future if our exposure to foreign currency becomes more significant.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Based on our management’s evaluation, management concluded that our disclosure controls and procedures were not effective as of September 30, 2024 as a result of the material weakness discussed below. Notwithstanding this material weakness, our management concluded that our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q fairly present, in all material respects, our financial condition, results of operations and cash flows as of and for the periods presented in conformity with accounting principles generally accepted in the United States (“U.S. GAAP”).

Material Weakness

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

During 2023, we identified a material weakness in the design of our controls over the collection and remittance of sales taxes, as well as the accurate recording of our sales tax obligations in the financial statements. This material weakness remains unremediated as of September 30, 2024. Management is taking steps to remediate this material weakness (see “Remediation Efforts to Address Material Weakness” below for details).

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Remediation Efforts to Address Material Weakness

In response to the identified material weakness, management, with the oversight of the Audit Committee of the Board of Directors, has designed and implemented measures to improve our internal control over financial reporting and remediate the material weakness. Our efforts include a number of actions:

- We immediately engaged additional third-party tax experts to assist in the review of the classification for sales tax purposes of our existing products and services;
- We have designed and implemented additional sales tax nexus reviews, including controls over the monitoring of changes in our products and service offerings and identification of new and/or enhanced products and services, to put in place effective review controls over the classification of products and services for sales tax purposes; and
- We have designed and implemented controls over the collection, control, and subsequent monitoring of applicable documentation of exempt status from customers in affected jurisdictions.

Our management believes that the measures described above will remediate the material weakness and strengthen our overall internal control over financial reporting. The material weakness will not be considered remediated until the applicable remediated controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Inherent Limitations on Effectiveness of Controls and Procedures

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

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are subject to various legal proceedings, claims, and governmental inspections, audits, or investigations that arise in the ordinary course of our business. Although the outcomes of these matters cannot be predicted with certainty, in the opinion of management, the ultimate resolution of these matters would not be expected to have a material adverse effect on our financial position, results of operations, or cash flows.

ITEM 1A. RISK FACTORS

For a more detailed discussion of our risks and uncertainties, see also Item 1A – Risk Factors in our 2023 Form 10-K. There have been no material changes in our risk factors since the filing of our 2023 Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Pursuant to the terms of the Amended LLC Agreement, holders of LLC Units have the right to exchange all or a portion of their LLC Units for newly issued shares of Class A Common Stock on a one-for-one basis, which issuances are made in reliance on Section 4(a)(2) of the Securities Act. Upon any such exchange, a corresponding number of shares of Class B Common Stock held by such LLC Unit holders are cancelled. Such exchanges executed in the three months ended September 30, 2024 are as follows:

| Date of Exchange | Number of Shares Exchanged |
|-------------------------|-----------------------------------|
| July 29, 2024 | 27,436 |
| Total | 27,436 |

The following table sets forth certain information with respect to repurchases of our Class A Common Stock during the quarter ended September 30, 2024.

ISSUER PURCHASES OF EQUITY SECURITIES

| Period | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽¹⁾ | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽¹⁾ (in thousands) |
|----------------------------------|---|-------------------------------------|--|---|
| July 1 - July 31, 2024 | — | \$ — | — | \$ 13,023 |
| August 1 - August 31, 2024 | 1,757,542 | \$ 4.20 | 1,757,542 | \$ 5,633 |
| September 1 - September 30, 2024 | 128,409 | \$ 4.73 | 128,409 | \$ 5,026 |
| Total | 1,885,951 | \$ 4.24 | 1,885,951 | |

- (1) On May 7, 2024, our Board of Directors announced a stock repurchase program (the “Repurchase Program”) of our Class A Common Stock authorizing up to \$20.0 million in share repurchases. The Repurchase Program expires on December 31, 2024. Repurchases may be effected, from time to time, either on the open market (including pre-set trading plans), in privately negotiated transactions, and other transactions in accordance with applicable securities laws.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Trading Arrangements

None.

ITEM 6. EXHIBITS

Exhibits filed or furnished herewith are designated by an asterisk (*); all exhibits not so designated are incorporated by reference to a prior filing as indicated. Agreements included as exhibits are included only to provide information to investors regarding their terms. Agreements listed below may contain representations, warranties, and other provisions that were made, among other things, to provide the parties thereto with specified rights and obligations and to allocate risk among them, and no such agreement should be relied upon as constituting or providing any factual disclosures about Definitive Healthcare Corp., any other persons, any state of affairs, or other matters.

| Exhibit Number | Description |
|----------------|---|
| 3.1 | Amended and Restated Certificate of Incorporation of Definitive Healthcare Corp. (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q (File No. 001-40815) filed with the SEC on November 8, 2021). |
| 3.2 | Amended and Restated Bylaws of Definitive Healthcare Corp. (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q (File No. 001-40815) filed with the SEC on November 8, 2021). |
| 31.1* | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1+* | Certification of Principal Executive Officer and Principal 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 – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH | Inline XBRL Taxonomy Extension Schema With Embedded Linkbase Documents |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document) |

* Filed herewith

+ The certification attached as Exhibit 32.1 that accompanies this Quarterly Report on Form 10-Q is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Definitive Healthcare Corp. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

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

DEFINITIVE HEALTHCARE CORP.

November 7, 2024
Date

/s/ Kevin Coop
By: _____
Name: Kevin Coop
Title: Chief Executive Officer (*Principal Executive Officer*)

November 7, 2024
Date

/s/ Richard Booth
By: _____
Name: Richard Booth
Title: Chief Financial Officer (*Principal Financial Officer*)

**Management Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Kevin Coop, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Definitive Healthcare Corp.;
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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/ Kevin Coop

Kevin Coop
Chief Executive Officer
(Principal Executive Officer)

**Management Certification Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Richard Booth, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Definitive Healthcare Corp.;
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(s) 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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 (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

/s/ Richard Booth

Richard Booth
Chief Financial Officer
(Principal Financial Officer)

**Certification of CEO and CFO Pursuant to
18 U.S.C. Section 1350,
as Adopted Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report on Form 10-Q of Definitive Healthcare Corp. (the "Company") for the quarterly period ended September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kevin Coop, Chief Executive Officer of the Company, and Richard Booth, Chief Financial Officer of the Company, each hereby certifies, pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. § 1350), as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 7, 2024

/s/ Kevin Coop

Kevin Coop
Chief Executive Officer
(Principal Executive Officer)

/s/ Richard Booth

Richard Booth
Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Definitive Healthcare Corp. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

