Risk Factors Comparison 2024-02-14 to 2023-02-15 Form: 10-K

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The risks and uncertainties described below are not the only ones we face. Events that we do not currently anticipate, or expect to be immaterial, may also materially adversely affect our results of operations, cash flows, and financial condition. Risks Related to Our Business and Industry If we fail to ~~manage~~ **operate our subscription- based business model successfully, our results of operations and / or cash flows could be negatively impacted. We have substantially completed** our transition to a more subscription- based business model ~~successfully~~ , **in** ~~our results of operations and / or cash flows could be negatively impacted. We are transitioning to a more subscription- based business model,~~ which ~~impacts our revenue and cash flow. The subscription model prices and delivers our software differently than a perpetual license model. These changes reflect a significant shift from perpetual license sales in favor of providing our~~ clients **have** the right to access our software in a hosted environment or use downloaded software for a specified subscription period. The shift of our clients' preference to subscription- based offerings requires a scalable organization and a considerable investment of technical, financial, legal, managerial, and sales resources. **Continued growth** ~~Until we fully complete our subscription transition, which we expect will occur in 2023, our operating results may be impacted. Operating performance, revenue mix, and new arrangements in each period can fluctuate based on client preferences for our perpetual and subscription offerings. Market acceptance~~ of our subscription- based offerings will depend on our ability to continue to: • innovate and include new functionality and improve the usability of our products in a manner that addresses our clients' needs and requirements; and • optimally price our products considering marketplace conditions, competition, our costs, and client demand. Our cloud- based subscription model also requires that we rely on third parties to host our software for our clients. We incur significant recurring third- party hosting expenses to deliver our Pega Cloud offering that we do not incur for our perpetual and term license products. These expenses may cause the gross margin we realize from our Pega Cloud sales to be lower than the gross margin we realize from our perpetual and term license products. If we are unable to meet these challenges effectively, our operating results and financial condition could be materially adversely affected ~~. The transition to a subscription- based business model gives rise to several risks, including: • our revenues and cash flows may fluctuate more than anticipated in the near term; • if the increased demand for our offerings does not continue, we could experience decreased profitability or losses and reduced or negative cash flow because of our continued significant investments in our Pega Cloud offering; • if new or current clients desire only perpetual licenses, our subscription sales may trail our expectations; • we may be unsuccessful in maintaining or implementing our target pricing or new pricing models, product adoption, and projected renewal rates, or we may select a target price or new pricing model that is not optimal and could negatively affect our sales or earnings; • a failure to achieve the anticipated level of subscriptions may cause our revenue to decline and our business to be materially adversely affected on an ongoing basis due to lower- than- expected recurring revenue; and • we may incur sales compensation costs at a higher than forecasted rate if the pace of our subscription transition is faster than anticipated. The metrics our investors and we use to monitor our business model transition may evolve during the transition as significant trends emerge. Therefore, it may be difficult to accurately determine the impact of this transition on our business on a contemporaneous basis or to communicate the appropriate metrics to our investors clearly~~ . We may not achieve the key elements of our strategy and grow our business as anticipated. We currently intend to grow our business by pursuing strategic initiatives consistent with becoming a Rule of 40 company, meaning a company with combined Annual Contract Value (" ACV ") growth rate and free cash flow margin of at least 40 %. Key elements of our strategy include increasing our market share by developing and delivering robust solutions that can work together seamlessly with maximum differentiation and minimal customization, offering versatility in the Pega Platform and application deployment and licensing options to meet the specific needs of our clients, growing our network of partner alliances, and developing the talent and organizational structure capable of supporting our revenue and earnings growth targets. We may not achieve one or more of our key initiatives. Our success depends on our ability to manage our expenses as we appropriately grow our organization, successfully execute our marketing and sales strategies, successfully incorporate acquired technologies into our unified Pega Platform, and develop new products or product enhancements. If we are not able to execute these actions, our business may not grow as we anticipate, and our operating results and financial condition could be materially adversely affected. We depend on key personnel, including our Chief Executive Officer, and must attract and retain qualified personnel in the future. Our business is dependent on key, highly skilled technical, managerial, consulting, sales, and marketing personnel, including our Chief Executive Officer, who is also our founder and largest stockholder. The loss of key personnel could be disruptive to our operations and materially adversely affect our financial performance. We do not carry, nor do we currently intend to obtain, significant key- person life insurance on officers or other employees. Our success will depend on attracting and retaining qualified personnel and ~~, as needed,~~ rapidly replacing and developing new management **, as needed** . The number of potential employees who have the extensive knowledge needed to develop, sell, and maintain our offerings is limited, and competition for their services is intense. There can be no guarantee that we will be able to attract and retain such personnel. If we are unable to do so, our business, operating results, and financial condition could be materially adversely affected. We have from time to time in the past experienced, and we expect to continue to experience in the future, difficulty in hiring and difficulty in retaining highly skilled employees with appropriate qualifications. In addition, we believe our corporate culture has been a key contributor to our success. **If we fail** ~~Shifting workforce priorities, including an increase in remote workers, may make it more difficult~~ to maintain **and enhance** ~~important aspects of~~ our corporate culture **within an environment of hybrid work** , ~~negatively affecting~~ our ability to retain and recruit personnel essential to our success **may be negatively affected** . The timing of our license and Pega Cloud revenue is difficult to predict, which may cause our operating results to vary considerably. A change in the size or volume of license and Pega Cloud arrangements, or a change in the mix between perpetual licenses, ~~term~~ **subscription** licenses, and Pega Cloud arrangements, can cause our revenues and cash flows to fluctuate materially between periods. Revenue from subscription service arrangements, which includes Pega Cloud and maintenance, is typically recognized over the contract term, while revenue from license sales is recognized when the license rights become effective, typically upfront. Subscription licenses and services are typically billed and collected over the contract term, while perpetual ~~license~~ **licenses** ~~arrangements~~ are generally billed and collected upfront when the license rights become effective. Factors that may influence the predictability of our license and Pega Cloud revenue include: • changes in clients' budgets and decision- making processes that could affect both the timing and size of transactions; • the timing of the execution of an agreement or our ability to deliver the products or services; • changes in our business model; and • our ability to execute our marketing and sales strategies. We budget for our selling and marketing, product development, and other expenses based upon anticipated future bookings and revenue. If the timing or amount of revenue fails to meet our expectations, our financial performance is likely to be materially adversely affected because only a small portion of our expenses vary with revenue. Other factors that may cause our operating results to vary include changes in foreign currency exchange rates, income tax effects, and the impact of new accounting pronouncements. As a result, period- to- period comparisons of our operating results are not necessarily meaningful and should not be relied upon to predict future performance. If our revenues and operating results do not meet the expectations of our investors or securities analysts or fall below guidance we may provide to the market, or due to other factors discussed elsewhere in this section, the price of our common stock may decline. The number and value of license and Pega Cloud arrangements has been increasing, and we may not be able to sustain this growth unless our partners and we can provide sufficient high- quality consulting, training, and maintenance resources to enable our clients to realize significant business value from our software. Our clients typically request consulting and training to assist them in implementing our license and Pega Cloud offerings. Our clients also usually purchase maintenance on our perpetual and term licenses. As a result, an increase in the number and value of license and Pega Cloud arrangements is likely to increase demand for consulting, training, and maintenance related to our offerings. Given that the number and value of our license and Pega Cloud arrangements has been growing, we will need to provide our clients with more consulting, training, and maintenance to enable them to realize significant business value from our software. We have been increasing our partner and client enablement through training to create an expanded ecosystem of people that are skilled in the implementation of our solutions. However, if our partners and we are unable to provide sufficient high- quality consulting, training, and maintenance resources, our clients may not realize sufficient business value from our offerings to justify follow- on sales, which could impact our future financial performance. Further, some of our client engagements have high public visibility. If our partners or we encounter problems in helping these clients implement our license and Pega Cloud offerings or if there is negative publicity regarding these engagements (even if unrelated to our services or offerings), our reputation could be harmed and our future financial performance could be negatively impacted. Finally, the investments required to meet the increased demand for our consulting services could strain our ability to deliver our consulting engagements at desired profitability, thereby impacting our overall profitability and financial results. We may not be able to maintain our retention rate for our subscription clients. **The majority** ~~An increasing percentage~~ of our revenue **is** ~~has been~~ derived from our subscription offerings. Our clients have no obligation to renew their subscriptions, although historically, most have elected to do so. If our retention rate for those clients decreases, our business, operating results, and financial condition could be materially affected. ~~We~~ **Investments we** are **making to** ~~investing heavily in our business in anticipation of continued~~ - **continue to** ~~growth~~ -- **grow** ~~in~~ license and Pega Cloud arrangements ~~, and we~~ may ~~experience~~ **result in** decreased profitability or losses and reduced or negative cash flow if we do not continue to increase the value of our license and Pega Cloud arrangements to balance our growth in expenses. We expect to provide our clients with more cloud and maintenance support as our business grows and have been investing significantly in research and development to expand and improve the Pega Platform and applications. These investments have resulted in increased fixed costs that do not vary with the level of revenue. If the increased demand for our offerings does not continue, we could experience decreased profitability or losses and reduced or negative cash flow because of these increased fixed costs. Conversely, if we are unable to achieve an appropriate balance of sales and marketing personnel to meet future demand or research and development personnel to enhance our current products or develop new products, we may not be able to achieve our sales and profitability targets. We rely on third- party relationships. We have a number of relationships with third parties that are significant to our sales, marketing, support, and product development efforts, including hosting facilities for our Pega Cloud offering. We rely on software and hardware vendors, large system integrators, and technology consulting firms to supply marketing and sales opportunities for our direct sales force and to strengthen our offerings using industry- standard tools and utilities. We also have relationships with third parties that distribute our products. There can be no assurance that these companies, many of which have far greater financial and marketing resources than us, will not develop or market offerings that compete with ours in the future or will not otherwise end or limit their relationships with us. Further, the use of third- party hosting facilities requires us to rely on the functionality and availability of the third parties' services, as well as their data security, which despite our due diligence, may be or become inadequate, as further discussed below under the risk factor " We rely on third- party hosting providers to deliver our offerings, and any disruption or interference with our use of these services could adversely affect our business. " We face risks from operations and clients based outside of the United States. We market our products and services to clients based outside of the U. S., representing ~~42~~ **43** % of our revenue over the last three years. We have established offices in the Americas, Europe, Asia, and Australia. We anticipate hiring ~~additional~~ personnel to accommodate increased international demand, and we may also enter into agreements with local distributors, representatives, or resellers. If we are unable to do one or more of these things in a timely and effective manner, the growth, if any, of our international operations may be restricted, and our business, operating results, and financial condition could be materially adversely affected. Additional risks inherent in our international business activities include: • laws and business practices favoring local competitors; • compliance with multiple, conflicting, and changing governmental laws and regulations, including employment, tax, privacy, and data privacy and protection; • increased tariffs and other trade barriers; • the costs of localizing offerings for local markets, including translation into foreign languages and associated expenses; • longer payment cycles and credit and collectability risk on our foreign trade receivables; • difficulties in enforcing contractual and intellectual property rights; • heightened fraud and bribery risks; • treatment of revenue from international sources and changes to tax codes, including being subject to foreign tax laws, being liable for paying withholding, income or other taxes in foreign jurisdictions, and other potentially adverse tax consequences (including restrictions on repatriating earnings and the threat of " double taxation "); • management of our international operations, including increased administrative and compliance expenses; • heightened risks of political and economic instability; and • foreign currency exchange rate fluctuations and controls. There can be no assurance that one or more of these factors will not have a material adverse effect on our international operations and, consequently, on our business, operating results, and financial condition. ~~We are exposed to fluctuations in foreign currency exchange rates that could negatively impact our financial results and cash flows. Because a significant portion of our business is conducted outside of the U. S., we face exposure to movements in foreign currency exchange rates. Our international sales are usually denominated in foreign currencies. The operating expenses of our foreign operations are also primarily denominated in foreign currencies, which partially offset our foreign currency exposure on our international sales. Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the U. S. dollar, the Euro, and the Australian dollar relative to the British Pound. These exposures may change over time as business practices evolve. We have historically used but do not currently use foreign currency forward contracts to hedge our exposure to changes in foreign currency exchange rates. We may enter into hedging contracts again in the future if we believe it is appropriate. Our realized gain or loss for foreign currency fluctuations will depend on the size and type of cross- currency exposures that we enter into, the currency exchange rates associated with these exposures and changes in those rates, whether we have entered forward contracts to offset these exposures, and other factors. All these factors could materially impact our operating results, financial condition, and cash flows.~~ Our consulting revenue is significantly dependent upon our consulting personnel implementing new license and Pega Cloud arrangements. We derive a substantial portion of our consulting revenue from implementations of new license and Pega Cloud arrangements managed by our consulting personnel and consulting for partner and client- led implementation efforts. Our strategy is to support and encourage partner- led and client- led implementations to increase the breadth, capability, and depth of market capacity to deliver implementation services to our clients. Accordingly, if our consulting personnel' s involvement in future implementations decreases, this could materially adversely affect our consulting revenue. We frequently enter into a series of license or Pega Cloud arrangements that each focus on a specific purpose or area of operations. If we are not successful in obtaining follow- on business from these clients, our financial performance could be materially adversely affected. Once a client has realized the value of our software, we work with the client to identify opportunities for follow- on sales. However, we may not be successful in demonstrating this value for several reasons, including the performance of our products, the quality of the services and support provided by our partners and us, or external factors. Also, some of our smaller clients may have limited additional sales opportunities available. We may not obtain follow- on sales, or the follow- on sales may be delayed, and our future revenue could be limited. We will need to acquire or develop new products, evolve existing ones, address defects or errors, and adapt to technology changes. Technical developments, client requirements, programming languages, industry standards, and regulatory requirements frequently change in the markets in which we operate. The introduction of third- party solutions embodying new technologies **, including generative AI** and the emergence of new industry standards could make our existing and future software solutions obsolete and unmarketable. As a result, our success will depend upon our ability to enhance current products, address any product defects or errors, acquire or develop and introduce new products that meet client needs, keep pace with technology and regulatory changes, respond to competitive products, and achieve market acceptance. Product development requires substantial investments for research, refinement, and testing. We may not have sufficient resources to make the necessary product development investments. We may experience technical or other difficulties that will delay or prevent the successful development, introduction, or implementation of new or enhanced products. We may also experience technical or other challenges integrating acquired technologies into our existing platform and applications. Inability to introduce or implement new or enhanced products in a timely manner could result in loss of market share if competitors are able to provide solutions to meet client needs before we do, give rise to unanticipated expenses related to further development or modification of acquired technologies, and materially adversely affect our financial performance. We may also fail to anticipate adequately and prepare for the development of new markets and applications for our technology and the commercialization of emerging technologies such as ~~blockchain~~ **generative AI** and thereby fail to take advantage of new market opportunities or fall behind early movers in those markets. The market for our offerings is intensely and increasingly competitive, rapidly changing, and fragmented. We encounter significant competition from: • customer engagement vendors, including Customer Relationship Management application vendors; • Digital Process Automation vendors and platforms, including Business Process Management vendors, low- code application development platforms, and service- oriented architecture middleware vendors; • case management vendors; • decision management, data science, and Artificial Intelligence vendors, as well as vendors of solutions that leverage decision making and data science in managing customer relationships and marketing; • robotic automation and workforce intelligence software providers; • companies that provide application- specific software for financial services, healthcare, insurance, and other specific markets; • mobile application platform vendors; • co- browsing software providers; • social listening, text analytics, and natural language processing vendors; • commercialized open- source vendors; • professional services organizations that develop their own products or create custom software in conjunction with rendering consulting services; and • clients' in- house information technology departments, which may seek to modify their existing systems or develop their own proprietary systems. Many of our competitors, such as ~~Salesforce. com, Microsoft Corporation, Oracle Corporation, SAP SE, ServiceNow, and~~ International Business Machines Corporation (" IBM ") **, Microsoft Corporation,**

Oracle Corporation, Salesforce. com, SAP SE, and ServiceNow, have far greater resources than we do and may be able to respond more quickly and efficiently to new or emerging technologies, programming languages or standards, or changes in client requirements or preferences. Competitors may also be able to devote greater managerial and financial resources to develop, promote, and distribute products and to provide related consulting and training services. We believe the principal competitive factors within our market include: • product adaptability, scalability, functionality, and performance; • proven success in delivering cost- savings and efficiency improvements; • proven success in enabling improved customer interactions; • ease- of- use for developers, business units, and end- users; • timely development and introduction of new products and product enhancements; • establishment of a significant base of reference clients; • ability to integrate with other products and technologies; • customer service and support; • product price; • vendor reputation; and • relationships with systems integrators. Competition for market share and pressure to reduce prices and make sales concessions is likely to increase. There can be no assurance that we will be able to compete successfully against current or future competitors or that the competitive pressures we face will not materially adversely affect our business, operating results, and financial condition. ~~See~~ **For additional information, see** " ~~Competition" in~~ Item 1 **. Business"** of this Annual Report ~~for additional information~~ . Our Chief Executive Officer is our largest stockholder and can exert significant influence over matters submitted to our stockholders, which could materially adversely affect our other stockholders. As of December 31, ~~2022~~ **2023**, our Chief Executive Officer beneficially owned approximately ~~48~~ **47** percent of our outstanding common stock. As a result, he has the ability to exert significant influence over all matters submitted to our stockholders for approval, including the election and removal of directors and any merger, consolidation, or sale of our assets. **Under Massachusetts law and our governing documents, approval of a merger, share exchange or sale of all or substantially all of our assets requires approval of two- thirds of all shares entitled to vote. As a result,** ~~This~~ **this** concentration of ownership may delay or prevent a change in control, impede a merger, consolidation, takeover, or other business combination involving us, discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of us, or result in actions that may be opposed by other stockholders. If we are unsuccessful in the appeal of the trial court judgment in our litigation with Appian Corp., our operating results and financial condition would be adversely impacted. We are currently party to litigation with Appian Corp. ~~-~~ **—** see Part I, Item 3 " Legal Proceedings " and" Note 20. Commitments And Contingencies" in the " Notes to Consolidated Financial Statements " included in Part II, Item 8 of this Annual Report. On September 15, 2022, the circuit court of Fairfax County entered judgment for Appian in the amount of $ 2, 060, 479, 287 and awarding post- judgment interest. The Company filed a notice of appeal from the judgment the same day **with the Court of Appeals of Virginia**. On September 29, 2022, the **circuit** court approved the $ 25, 000, 000 letter of credit obtained by the Company to secure the judgment and suspended the judgment during the pendency of the Company' s appeal. ~~Appellate briefing is currently~~ **On November 15, 2023, the Court of Appeals of Virginia heard oral arguments** in ~~process~~ **the appeal. After the Court issues an opinion, the non- prevailing party or, depending on the ruling of the court, parties may file a petition for rehearing with the Court of Appeals of Virginia and / or file a petition for appeal with the Supreme Court of Virginia**. Although it is not possible to predict timing, this appeals process could potentially take years to complete. We believe we have strong grounds to overturn the result in the trial court. But if we are ultimately unsuccessful in prevailing in the matter in its entirety or in substantially reducing any judgment, we may be required to incur additional debt or otherwise engage in capital markets transactions, which may include a public offering or private placement of our equity securities or a sale or license of assets. See below under the risk factor, " We may require additional capital in the future. " In addition, if we do not satisfy the judgment within 60 days following the expiration of the right to appeal, there may be an acceleration of liabilities under our Convertible Senior Notes due 2025 (the " Notes ") and our Credit Facility. We believe that we have the financial strength to pay these amounts if it ever becomes necessary, but it is possible that we may not be able to engage in financing activities on desirable terms, which could have a material adverse effect on our business, financial condition, and operating results. Further discussion of these risks is contained below under the heading " Risks Related to Our Financial Obligations and Indebtedness. " Risks Related to Information Technology Resilience and Security We face risks related to outages, data losses, and disruptions of our online services if we fail to maintain an adequate operations infrastructure. The increasing user traffic for our Pega Cloud offering demands more computing power. It requires that we maintain an internet connectivity infrastructure that is robust and reliable within competitive and regulatory constraints that continue to evolve. Inefficiencies or operational failures, including temporary or permanent loss of client data, power outages, or telecommunications infrastructure outages, by our third- party service providers or us, could diminish the quality of our user experience resulting in contractual liability, claims by clients and others, damage to our reputation, loss of current and potential clients, and negatively impact our operating results and financial condition. Security of our systems and global client data is a growing challenge. Cyber- attacks and security breaches may expose us to significant legal and financial liabilities. High- profile security breaches at other companies have increased in recent years. Security industry experts and government officials have warned about the risks of hackers and cyber- attackers targeting information technology products and businesses. Threats to IT security can take a variety of forms. Individual hackers, groups of hackers, and sophisticated organizations, including state- sponsored organizations, or nation- states themselves, may take steps that threaten our clients **, suppliers, third- party technology providers,** and us. Although we are not aware of having experienced any prior material data breaches, regulatory non- compliance incidents or cyber security incidents, we may in the future be impacted by such an event, exposing our clients and us to a risk of someone obtaining access to our information, to information of our clients or their customers, or to our intellectual property, disabling or degrading service, or sabotaging systems or information. Any such security breach could result in a loss of confidence in the security of our services, damage our reputation, disrupt our business, require us to incur significant costs of investigation, remediation and / or payment of a ransom, lead to legal liability, negatively impact our future sales, and result in a substantial financial loss. Additionally, our Pega Cloud offering provides provisioned, monitored, and maintained environments for individual clients to create and deploy Pega- based applications using an Internet- based infrastructure. These services involve storing and transmitting client data and other confidential information. Our security measures ~~and~~ **,** those of **our suppliers, third- party technology providers, and** our clients may be breached because of third-party actions or ~~that~~ **those** of employees, consultants **, clients** , or others, including intentional misconduct by computer hackers, system errors, human errors, technical flaws in our products, or otherwise. Because we do not control the configuration of Pega applications by our clients, the transmissions between our clients and our third- party technology providers, the processing of data on the servers at third- party technology providers, or the internal controls maintained by our clients and third- party technology providers that could prevent unauthorized access or provide appropriate data encryption, we cannot fully ensure the complete integrity or security of such transmissions processing or controls. In addition, privacy, security, and data transmission concerns in some parts of the world may inhibit demand for our Pega Cloud offering or lead to requirements to provide our products or services in configurations that may increase the cost of serving such markets. The techniques used to obtain unauthorized access or sabotage systems change frequently and are generally only recognized once launched against a target. While we have invested in protecting our data and systems and clients' data to reduce these risks **and actively monitor for risks of data breaches, regulatory non- compliance incidents and cyber security incidents** , there can be no assurance that our efforts will prevent breaches. **Moreover, like most software companies, we incorporate open- source code into our software products and services, which also creates a potential risk.** We deal with security issues regularly and have experienced security incidents from time to time. ~~Accordingly~~ **We have a standing Compliance and Risk Governing Committee composed of senior representatives across the Company that reports to and assists the Audit Committee and the Board as a whole in the oversight of compliance and risk management programs, including cybersecurity measures. In addition, we have a standing Security Steering Group, whose members include our Chief Information Security Officer, Chief Product Officer and Chief Technical Systems Officer, and which is charged with providing strategic direction for the implementation and ongoing operation of our cyber security program. Even with the efforts the Company has undertaken** , there is a risk that a security breach will be successful, and such an event will be material. We carry data breach insurance coverage to mitigate the financial impact of a security breach, though this may prove insufficient in the event of a breach. Our Pega Cloud offering involves hosting client applications on the servers of third- party technology providers. We also rely on third- party systems and technology, including encryption, virtualized infrastructure, and support, and employ a shared security model with our clients and third- party technology providers. To defend against security threats, we need to continuously engineer products and services with enhanced security and reliability features, improve the deployment of software updates to address security vulnerabilities, apply technologies that mitigate the risk of attacks, and maintain a digital security infrastructure that protects the integrity of our network, products, and services. The cost of these steps could negatively impact our operating results. **While we actively work to improve vulnerability scanning, patching, threat intelligence, security event detection, security event alerting and forensics, it is possible that security breaches, whether due to unpatched vulnerabilities or otherwise, occur and may be undetected when they occur. Any such security breach could result in a loss of confidence in the security of our services, damage our reputation, disrupt our business, require us to incur significant costs of investigation, remediation and / or payment of a ransom, lead to legal liability, negatively impact our future sales, and result in a substantial financial loss.** Our use of third- party hosting facilities requires us to rely on the functionality and availability of the third- party services and their data security, which, despite our due diligence, may be or become inadequate. Our continued growth depends in part on the ability of our existing and potential customers to use and access our cloud services or our website to download our software within an acceptable amount of time. We use third- party service providers for key infrastructure components, particularly when developing and delivering our cloud- based products. These service providers give us greater flexibility in efficiently delivering a more tailored, scalable customer experience and expose us to additional risks and vulnerabilities. Third- party service providers operate platforms we access and which are vulnerable to service interruptions. We may experience interruptions, delays, and outages in service and availability due to problems with our third- party service providers’ infrastructure. This infrastructure’ s lack of availability could be due to many potential causes, including technical failures, power shortages, natural disasters, fraud, terrorism, or security attacks that we cannot predict or prevent. Such outages could trigger our service level agreements and the issuance of credits to our clients, which may impact our business and consolidated financial statements. If we are unable to renew our agreements with our cloud service providers on commercially reasonable terms, an agreement is prematurely terminated, or we need to add new cloud services providers to increase capacity and uptime, we could experience interruptions, downtime, delays, and additional expenses related to transferring to and providing support for these new platforms. Any of the above circumstances or events may harm our reputation and brand, reduce our platforms’ availability or usage, and impair our ability to attract new users, which could adversely affect our business, financial condition, and results of operations. We may experience significant errors or security flaws in our products and services and could face privacy, product liability, and warranty claims. Despite quality testing each release, our software frequently contains errors or security flaws, especially when first introduced or when new versions are released. Errors in our software could affect its ability to work with hardware or other software or delay the development or release of new products or new versions of our software. Additionally, detecting and correcting any security flaws **, including those introduced by our use of open- source,** can be time- consuming and costly. Errors or security flaws in our software could result in the inadvertent disclosure of confidential information or personal data relating to our clients, employees, or third parties. Software errors and security flaws in our products or services could expose us to privacy, product liability, or warranty claims and harm our reputation, which could impact our future sales of products and services. Typically, we enter into license agreements that contain provisions intended to limit the nature and extent of our risk of product liability and warranty claims. A court might interpret these terms in a limited way or hold part or all of them unenforceable. Also, there is a risk that these contract terms might not bind a party other than the direct client. Furthermore, some of our licenses with our clients are governed by non- U. S. law, and there is a risk that foreign law might give us less or different protection. Although we have not experienced any material product liability claims to date, a product liability suit or action claiming a breach of warranty, whether meritorious, could result in substantial costs and a diversion of management' s attention and our resources. We have significant debt which may limit our business flexibility, access to capital, and / or increase our borrowing costs, which may adversely affect our operations and financial results. As of December 31, ~~2022~~ **2023** , we had $ ~~600~~ **502. 27** million in aggregate principal indebtedness under our Notes and have outstanding letters of credit under our credit facility, including a $ 25 million letter of credit obtained to secure the judgment in our litigation with Appian. Our indebtedness may: • limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions, or other general business purposes; • limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions, or other general business purposes; • require us to use a substantial portion of our cash flow from operations to make debt service payments; • limit our flexibility to plan for, or react to, changes in our business and industry; • place us at a competitive disadvantage compared to less leveraged competitors; • dilute existing stockholders from the issuance of common stock if the Notes are converted; and • increase our vulnerability to the impact of adverse economic and industry conditions. Our ability to pay our debt when due or refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not generate sufficient cash flow from operations to service our debt and make necessary investments in our business. Our ability to refinance our indebtedness will depend on the capital market conditions and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In turn, this could result in that and our other indebtedness becoming immediately payable in full which could materially adversely affect our financial condition, results of operation or cost of borrowing. We may require additional capital in the future to finance our operations. If we raise funds through future issuance of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. Any future debt financing could involve restrictive covenants relating to our capital raising activities and other financial and operations matters, which may increase the risks related to our business and our ability to service and repay our indebtedness. The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results. Under certain circumstances, the noteholders may convert their Notes at their option prior to the scheduled maturity at the current conversion rate of 7. 4045 shares of common stock per each $ 1, 000 principal amount of Notes or an effective conversion price of $ 135. 05 per share. Upon conversion of the Notes, unless we elect to deliver solely shares of our common stock to settle such conversion, we will be obligated to make cash payments. In addition, holders of our Notes will have the right to require us to repurchase their Notes upon the occurrence of a fundamental change (as defined in the indenture, dated as of February 24, 2020, between U. S. Bank National Association, as trustee (the " Trustee ") and us (the " Indenture ")), at a repurchase price equal to 100 % of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest, if any, to, but not including, the fundamental change repurchase date. Although it is our intention and we currently expect to settle the conversion value of the Notes in cash up to the principal amount and any excess in shares, there is a risk that we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of Notes surrendered therefor or Notes being converted. In addition, our ability to make payments may be limited by law, regulatory authority, or agreements governing our future indebtedness. Our failure to repurchase Notes when the Indenture requires the repurchase or to pay any cash payable on the Notes' future conversions as required by the Indenture would constitute a default under the Indenture. A default under the Indenture or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the Notes or make cash payments upon conversions thereof. In addition, even if holders of Notes do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long- term liability, which would result in a material reduction of our net working capital. The Capped Call Transactions may affect the value of the Notes and our common stock. In connection with the Notes' issuance, we entered into Capped Call Transactions with certain financial institutions (" option counterparties "). The Capped Call Transactions are generally expected to reduce the potential dilution of our common stock upon any conversion of the Notes and / or offset any cash payments we are required to make in excess of the principal amount of converted Notes, with such reduction and / or offset subject to a cap. From time to time, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding derivative transactions with respect to our common stock and / or purchasing or selling our common stock or other securities of ours in secondary market transactions before the maturity of the Notes. This activity could cause a decrease in the market price of our common stock. We are exposed to counterparty risk for the Capped Call Transactions. The option counterparties are financial institutions, and we are subject to the risk that one or more of the option counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the Capped Call Transactions. Our exposure to the credit risk of the option counterparties is not secured by any collateral. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor with a claim equal to our exposure at the time under such transaction. Our exposure depends on many factors, but our exposure will generally increase if the market price or the volatility of our common stock increases. In addition, upon default or other failures to perform, or termination of obligations, by an option counterparty, we may suffer more dilution in our common stock than we currently anticipate. We can provide no guarantee as to the financial stability or viability of the option counterparties. Provisions in the Notes' Indenture may deter or prevent a business combination that may be favorable to our stockholders. If a fundamental change occurs prior to the Notes' maturity date, holders of the Notes will have the right, at their option, to require us to repurchase all or a portion of their Notes. In addition, if a " make- whole fundamental change " (as defined in the Indenture) occurs prior to the maturity date, we will in some cases be required to increase the conversion rate of the Notes for a holder that elects to convert its Notes in connection with such make- whole fundamental change. Furthermore, the Indenture prohibits us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Notes. These and other provisions in the Indenture could deter or prevent a third party from acquiring us even when the acquisition may be favorable to our stockholders. Conversion of the Notes may dilute the ownership interest of existing stockholders. If the Notes were converted, there would be dilution of the ownership interests of existing stockholders to the extent we deliver shares of our common stock upon conversion of any of the Notes. Any sales in the public market of the common stock issuable upon such conversion could adversely affect our common stock' s prevailing market prices. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our common stock could depress the price of our common stock. We are required to comply with certain financial and operating covenants under our revolving credit facility. Failure to comply with these covenants could cause amounts borrowed to become immediately due and payable and / or prevent us from borrowing under the credit facility. We must comply with specified financial and operating covenants under our credit facility and make payments, limiting our ability to operate our business as we otherwise might. Our failure to comply with any of these covenants or to meet any debt payment obligations could result in an event of default which, if not cured or waived, would result in any amounts outstanding, including any accrued interest and / or unpaid fees, becoming immediately due and payable. We might not have sufficient working capital or liquidity to satisfy any repayment obligations in the event of an acceleration of those obligations. In addition, if we are not in compliance with the financial and operating covenants under the credit facility at the time we wish to borrow funds, we will be unable to borrow funds. The financial and operating covenants under the credit facility may limit our ability to borrow funds or capital, including for strategic acquisitions, share repurchases, and other general corporate purposes. Risks Related to Intellectual Property and Government Regulation We face risks related to intellectual property claims or appropriation of our intellectual property rights. We rely primarily on a combination of patent, copyright, trademark, and trade secrets laws, as well as intellectual property and confidentiality agreements to protect our proprietary rights. We also try to control access to and distribution of our technologies and other proprietary information. We have obtained patents in strategically important global markets relating to the architecture of our systems. We cannot be certain that such patents will not be challenged, invalidated, or circumvented, or that rights granted thereunder, or the claims contained therein will provide us with competitive advantages. Moreover, despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our software or to obtain the use of information that we regard as proprietary. Although we generally enter into intellectual property and confidentiality agreements with our employees and strategic partners, despite our efforts our former employees may seek employment with our business partners, clients, **vendors,** or competitors, and there can be no assurance that the confidential nature of our proprietary information will be maintained. In addition, the laws of some foreign countries do not protect our proprietary rights as effectively as they do in the U. S. There can be no assurance that our means of protecting our proprietary rights will be adequate or that our competitors will not independently develop similar technology. Other companies or individuals have obtained proprietary rights covering a variety of designs, processes, and systems. Third parties have claimed and may in the future claim that we have infringed or otherwise violated their intellectual property. We are currently party to litigation with Appian Corp. ~~-~~ — see Part I, Item 3 " Legal Proceedings "," Note 20. Commitments And Contingencies" in the " Notes to Consolidated Financial Statements " included in Part II, Item 8 of this Annual Report and the preceding risk factor captioned " If we are unsuccessful in the appeal of the trial court judgment in our litigation with Appian Corp., our operating results and financial condition would be adversely impacted. " Although we attempt to limit the amount and type of our contractual liability for infringement or other violation of the proprietary rights of third parties and assert ownership of work product and intellectual property rights as appropriate, there are often exceptions, and limitations may not be applicable and enforceable in all cases. Even if limitations are found to be applicable and enforceable, our liability to our clients for these types of claims could be material given the size of certain of our transactions. We expect that software product developers, including us, will increasingly be subject to infringement and other intellectual property violation claims as the number of products and competitors in our industry segment grows and the functionality of products in different industry segments overlaps. As evidenced by our previously mentioned litigation with Appian Corp., depending on when and how asserted, these claims, with or without merit, are often time- consuming, result in costly litigation and subject us to significant liability for damages. It is also possible that these claims result in treble damages if we are found to have willfully infringed patents or copyrights, cause product shipment and delivery delays, require us to enter into royalty or licensing agreements, or preclude us from making and selling the infringing software, if such proprietary rights are found to be valid. Royalty or licensing agreements, if required, may not be available on terms acceptable to us or at all. Even if a license were available, we could be required to pay significant royalties, which would increase our operating expenses. As a result, we may be required to develop alternative non- infringing technology, which could require substantial **time,** effort **,** and cost. If we cannot license or develop technology for any infringing aspect of our business, we would be forced to limit or stop sales of our software and may be unable to compete effectively, which could have a material effect upon our business, operating results, and financial condition. Intellectual property rights claims by third parties are extremely costly to defend, could require us to pay significant damages, and could limit our ability to use certain technologies. Companies in the software and technology industries, including some of our current and potential competitors, own large numbers of patents, copyrights, trademarks, and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. In addition, many of these companies can dedicate greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. The litigation may involve patent holding companies or other adverse patent owners that have no relevant product revenues and against which our patents may, therefore, provide little or no deterrence. Third parties have claimed and may claim in the future that we have misappropriated, misused, or infringed other parties' intellectual property rights, and, to the extent we gain greater market visibility, we face a higher risk of being the subject of intellectual property claims. Any litigation regarding intellectual property could be costly and time- consuming and could divert the attention of our management and key personnel from our business operations. Significant judgments are required for the determination of probability and the range of the outcomes in any legal dispute, and the estimates are based only on the information available to us at the time. Due to the inherent uncertainties involved in claims, legal proceedings, and in estimating the losses that may arise, actual outcomes may differ from our estimates. Contingencies deemed not probable or for which losses were not estimable in one period may become probable, or losses may become estimable in later periods which may have a material impact on our results of operations and financial position. Intellectual property disputes could subject us to significant liabilities, require us to enter into royalty and licensing arrangements on unfavorable terms, prevent us from manufacturing or licensing certain of our products, cause severe disruptions to our operations or the markets in which we compete or require us to satisfy indemnification commitments to our customers. Any of these could seriously harm our business. We are currently party to litigation with Appian Corp. ~~-~~ — see Part I, Item 3 " Legal Proceedings "," Note 20. Commitments And Contingencies" in the " Notes to Consolidated Financial Statements " included in Part II, Item 8 of this Annual Report and the preceding risk factor captioned " If we are unsuccessful in the appeal of the trial court judgment in our litigation with Appian Corp., our operating results and financial condition would be adversely impacted. " While we continue to believe that we have the financial strength to pay these amounts if it ever becomes necessary, it is possible that we may not be able to engage in these activities on desirable terms, which could have a material adverse effect on our business, financial condition, and operating results. Our success depends in part on maintaining and increasing our sales to clients in the public sector. We derive a portion of our revenues from contracts with domestic and foreign governments and related agencies. We believe that our business' s success and growth will continue to depend on our successful procurement of government contracts. Selling to government entities can be highly competitive, expensive, and time- consuming, often requiring significant upfront time and expense without any assurance that our efforts will produce any sales. Factors that could impede our ability to maintain or increase the revenue derived from government contracts include: • changes in fiscal or contracting policies; • decreases in available government funding; • changes in government programs or applicable requirements; • the adoption of new laws or regulations or changes to existing laws or regulations; • potential delays or changes in the government appropriations or other funding authorization processes; • governments and governmental agencies requiring contractual terms that are unfavorable to us, such as most- favored- nation pricing provisions; and • delays in the payment of our invoices by government payment offices. The occurrence of any of those factors could cause governments and governmental agencies to delay or refrain from purchasing our software in the future or otherwise harm our business, results of operations, financial condition, and cash flows. Further, to increase our sales to clients in the public sector, we must comply with laws and regulations relating to the formation, administration, performance, and pricing of contracts with the public sector, including U. S. federal, state, and local governmental bodies, which affect how our channel partners and we do business in connection with governmental agencies. These laws and regulations may impose added costs on our business, and failure to comply with these laws and regulations or other applicable requirements, including non- compliance in the past, could lead to claims for damages from our channel partners or government clients, penalties, termination of contracts, loss of intellectual property rights, and temporary suspension or permanent debarment from government contracting. Any such damages, penalties, disruptions, or limitations in our ability to do business with the public sector could have a material adverse effect on our business, results of operations, financial condition, and cash flows. We are subject to increasingly complex U. S. and foreign laws and regulations, requiring costly compliance measures. Any failure to comply with these laws and regulations could subject us to, among other things, penalties and legal expenses that could harm our reputation or otherwise have a material adverse effect on our business, financial condition, and results of operations. We are subject to extensive federal, state, and foreign laws and regulations, including but not limited to the U. S. Foreign Corrupt Practices Act, the U. K. Bribery Act, data privacy and security laws, and similar laws and regulations. The U. S. Foreign Corrupt Practices Act, the U. K. Bribery Act, and similar foreign anti- bribery laws generally prohibit companies and their intermediaries from making improper payments to obtain or retain business. Similar laws and regulations exist in many other countries where we do or intend to do business. Within recent years, there has been an increase in the scope and enforcement of data privacy laws in the jurisdictions in which we do business. The European Parliament adopted the General Data Protection Regulation (" GDPR "), effective May 2018, that extended the scope of European privacy laws to any entity that controls or processes personal data of European Union residents in connection with the offer of goods or services or the monitoring of behavior and imposes new compliance obligations concerning the handling of personal data. The California Consumer Privacy Act (" CCPA "), effective January 2020, requires, among other things, covered companies to provide new disclosure to consumers about such companies' data collection, use and sharing practices, provide such consumers new ways to opt- out of certain sales or transfers of personal information, and provide consumers with additional causes of action. The CCPA was modified as of January 1, 2023 by the California Privacy Rights Act (" CPRA ") which expands California consumers' rights with respect to sensitive personal information and which created a new state agency that is vested with authority to implement and enforce the CCPA ~~and~~ **,** CPRA **and associated regulations. Following the passage of the CCPA, several other U. S. states passed similar data privacy laws with variations on the CCPA / CPRA and GDPR requirements, most of which laws either went into effect in 2023 or will go into effect in 2024. Additional states are expected to pass their own versions of data privacy laws in 2024. In 2023, Europe finalized the first- ever comprehensive legal framework for governance of the use of artificial intelligence, the European Union Artificial Intelligence Act, with an anticipated effective date in 2026, and is moving forward with finalizing applicable regulations** . Compliance with these varying regimes has caused and will cause us to incur additional costs, including as may result from any non- compliance or asserted non- compliance. We have developed and implemented a compliance program based on what we believe are reasonable practices, including the background checking of our current partners and prospective clients and partners. We cannot guarantee, however, that we, our employees, our consultants, our partners, or our contractors are or will be compliant with all federal, state, and foreign regulations, particularly as we expand our operations outside of the U. S. If our representatives or we fail to comply with any of these laws or regulations, a range of fines, penalties, and / or other sanctions could be imposed on us, which could have a material adverse effect on our business, financial condition, and results of operations. Even if we are determined not to have violated these laws, government inquiries into these issues typically require the expenditure of significant resources and generate negative publicity, which could also harm our business. In addition, regulation of data privacy and security laws is increasing worldwide, including various restrictions on cross- border access or transfer of data, including personal data of our employees, our clients, and customers of our clients. Compliance with such regulations may increase our costs, and there is a risk of enforcement of such laws resulting in damage to our brand, as well as financial penalties and the potential loss of business, which could be significant. Our tax exposures could be greater than anticipated. The determination of our worldwide provision for income taxes and other tax liabilities requires estimation and significant judgment and there are many transactions and calculations where the ultimate tax determination is uncertain. Like many other multinational corporations, we are subject to tax in multiple U. S. and foreign jurisdictions. The determination of our tax liability is always subject to audit and review by applicable domestic and foreign tax authorities. We are undergoing inquiries, audits, and reviews by various taxing authorities. Any adverse outcome of any such audit or review could harm our business, and the ultimate tax outcome may differ from the amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made. While we have established reserves based on assumptions and estimates that we believe are reasonable to cover such eventualities, these reserves may prove insufficient. In addition, our future income taxes could be materially adversely affected by a shift in our jurisdictional income mix, by changes in the valuation of our deferred tax assets and liabilities, because of changes in tax laws, regulations, or accounting principles, as well as by certain discrete items. In the United States, ~~such tax law~~ **this may include any** changes **to** ~~will include the impact of~~ the currently enacted **law regarding** mandatory capitalization of research and experimentation expenses, effective for tax years beginning after December 31, 2021 ~~unless the effective date is retroactively postponed by the United States Congress. Globally, the Organization for Economic Cooperation and Development Inclusive Framework on Base Erosion and Profit Shifting is advancing fundamental changes to the international corporate tax system creating new rules for allocating rights to tax global income and a global minimum tax~~ . Considering fiscal challenges in many jurisdictions, various levels of government are increasingly focused on tax reform and other legislative actions to increase tax revenue, including corporate income taxes. Several U. S. states have attempted to increase corporate tax revenues by taking an expansive view of corporate presence to attempt to impose corporate income taxes and other direct business taxes on companies that have no physical presence in their state, and taxing authorities in foreign jurisdictions may take similar actions. Many U. S. states are also altering their apportionment formulas to increase the amount of taxable income or loss attributable to their state from certain out- of- state businesses. Similarly, in Europe and elsewhere globally, various tax reform efforts underway are designed to increase the taxes paid by corporate entities. **On December 15, 2022, the European Union (EU) Member States formally adopted the EU' s Pillar Two Directive, which generally provides for a minimum effective tax rate of 15 %, as established by the Organization for Economic Co- operation and Development (OECD) Pillar Two Framework that was supported by over 130 countries worldwide. The EU effective dates are January 1, 2024, and January 1, 2025, for different aspects of the directive. A significant number of countries are also implementing similar local legislation. The Company is continuing to evaluate the potential impact of the Pillar Two Framework on future periods, pending legislative adoption by additional individual countries.** If it becomes necessary or desirable to repatriate our foreign cash balances to the United States, we may be subject to increased taxes, other restrictions, and limitations. As of December 31, ~~2022~~ **2023** , $ ~~48~~ **159** . ~~8~~ **9** million of our cash and cash equivalents were held in our foreign subsidiaries. If it becomes necessary or desirable to repatriate ~~these~~ **foreign** funds, we may **have** ~~be required~~ to pay federal, state, and local income ~~and~~ **taxes as well as** foreign withholding taxes upon repatriation. We consider the earnings of our foreign subsidiaries to be permanently reinvested. As a result, domestic and foreign taxes on such earnings have not been provided in our financial statements. It is not practical to estimate the amount of tax we would have to pay upon repatriation due to the complexity of the tax laws and other factors. General Risk Factors The provision in our amended and restated bylaws, requiring exclusive forum in certain courts in The Commonwealth of Massachusetts or the federal district court for the District of Massachusetts for certain types of lawsuits, may discourage lawsuits against us and our directors, officers, and employees. Our amended and restated bylaws provide that unless we consent in writing to the selection of an alternative forum, the Business Litigation Section of the Superior Court of Suffolk County, Massachusetts (the " BLS ") or, if the BLS lacks jurisdiction, the federal district court for the District of Massachusetts, Eastern Division, shall be the exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (iii) any action asserting a claim arising pursuant to the Massachusetts Business Corporation Act (the " MBCA "), our articles of organization, or our bylaws (as each may be amended from time to time), or (iv) any action asserting a claim governed by the internal affairs doctrine. The choice of forum provision may increase costs to bring a claim, discourage claims, or limit a stockholder' s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage such lawsuits against us or our directors, officers, and other employees. Alternatively, if a court were to find the choice of forum provision in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions. The exclusive forum provision in our amended and restated bylaws will not preclude or contract the scope of exclusive federal or concurrent jurisdiction for actions brought under the federal securities laws, including the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, or the respective rules and regulations promulgated thereunder. Material adverse developments in global economic conditions, or the occurrence of certain other world events, could affect demand for our products, increase our costs of operation and harm our business. Global economic uncertainty has produced, and continues to produce, substantial stress, volatility, illiquidity and disruption of global credit and other financial markets. Various factors contribute to the uncertain economic environment, including the level and volatility of interest rates, high inflation, the conflict between Russia and Ukraine **and between Israel and Gaza** ~~, the continuing effects of the COVID- 19 pandemic~~ , an actual recession or fears of a recession, trade policies and tariffs, and geopolitical tensions. Economic uncertainty has and could continue to negatively affect the business and purchasing decisions of companies in industries in which our customers operate. As global economic conditions experience stress and negative volatility, or if there is an escalation in regional or global conflicts, the ability and willingness of our customers to make investments in technology may be impacted, which in turn may delay or reduce the purchases of our software and services and also impact the ability and willingness of our customers to pay amounts due to us or otherwise honor their contractual commitments. These clients may also become subject to increasingly restrictive regulatory requirements, which could limit or delay their ability to proceed with technology purchases and may result in longer sales cycles, increased price competition, and reductions in sales of our products and services. At the same time, factors such as inflation may increase our costs of operation. The combination of these factors could negatively impact our business, operating results, and financial condition. ~~Actual or threatened public health emergencies~~ **We are exposed to fluctuations in foreign currency exchange rates that** could ~~harm~~ **negatively impact our financial results and cash flows. Because a significant portion of** our business **is conducted outside of the U. S., we face exposure to movements in foreign currency exchange rates** . Our **international sales are usually denominated in foreign currencies. The operating expenses of our foreign operations are also primarily denominated in foreign currencies, which partially offset our foreign currency exposure on our international sales. Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in the U. S. dollar, the Euro, and the Australian dollar relative to the British Pound. These exposures may change over time as** business **practices evolve. We do not** ~~and operations could be adversely affected by health epidemics, including the current~~ **currently** ~~COVID- 19 pandemic, impacting the markets and communities~~ **use foreign currency forward contracts to hedge our exposure to changes** in ~~which~~ **foreign currency exchange rates. We may enter into hedging contracts again in the future if** we ~~,~~ **believe it is appropriate. Our realized gain** ~~our~~ **or loss** ~~partners and clients operate. The COVID- 19 pandemic has caused significant disruption to the business and financial markets, and there remains uncertainty about the duration of this disruption on both a nationwide and global level, as well as the ongoing effect on our business. The full extent to which the COVID- 19 pandemic will directly or~~ **for foreign currency fluctuations** ~~indirectly impact our business, results of operations and financial condition~~ will depend on ~~future developments~~ **the size and type of cross- currency exposures** that ~~are uncertain and unpredictable. We continue to monitor~~ **we enter into, the currency exchange rates associated with** ~~the~~ **these exposures** ~~COVID- 19 situation~~ and **changes in** ~~potential effects on our business and operations. While the~~ **those** ~~spread~~ **rates, whether we have entered forward contracts to offset these exposures,** and **other factors. All these factors could materially** impact ~~of COVID- 19 has stabilized, there is no guarantee that a future outbreak of this or~~ **our** ~~any other widespread epidemics will not occur~~ **operating results, financial condition, and cash flows** . The market price of our common stock has been and is likely to continue to be volatile. The market price of our common stock may be highly volatile and fluctuate due to a variety of factors, some of which are related in complex ways. Factors that may affect the market price of our common stock include: • actual or anticipated fluctuations in our financial condition and operating results; • variance in our financial performance from expectations of securities analysts; • changes in our projected operating and financial results; • changes in the prices of our products and professional services; • changes in laws or regulations applicable to our products or services; • announcements by our competitors or us of significant business developments, acquisitions, or new offerings; • our involvement in any litigation or investigations by regulators, including litigation judgments, settlements, or other litigation- related costs; • our sale of our common stock or other securities; • changes in our Board of Directors, senior management, or key personnel; • the trading volume of our common stock; • price and volume fluctuations in the overall stock market; • changes in the anticipated future size and growth rate of our market; and • general economic, regulatory, political, and market conditions. Broad market and industry fluctuations, as well as general economic, regulatory, political, and market conditions, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management' s attention. We may fail to meet our publicly announced guidance or other expectations about our business and future operating results, which could cause our stock price to decline. We have provided and may continue to give guidance on our business, future operating results, and other business metrics. In developing this guidance, our management must make certain assumptions and judgments about our future performance. Furthermore, analysts and investors may develop and publish their own projections of our business, which may form a consensus about our future performance. Our business results may vary significantly from such guidance or that consensus due to a number of factors, many of which are outside of our control and which could materially adversely affect our operations and operating results. Furthermore, if we make downward revisions of our previously announced guidance, or if our publicly announced guidance of future operating results fails to meet expectations of securities analysts, investors, or other interested parties, our common stock price may decline. If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline. The trading market for our common stock depends partly on the research and reports that securities and industry analysts publish about us or our business. We do not have any control over these analysts. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our stock price will likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which could cause our stock price or trading volume to decline.